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**E-File**

October 22, 2018

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17120

**Re: Alternative Rulemaking Methodologies**  
**Docket No. M-2015-2518883**

Dear Ms. Chiavetta:

Enclosed for filing on behalf of PPL Electric Utilities Corporation ("PPL Electric") is an original of PPL Electric's Comments in the above-captioned proceeding. These Comments are being filed pursuant to the Proposed Policy Statement Order issued on May 23, 2018 in the above captioned proceeding.

Pursuant to 52 Pa. Code § 1.11, the enclosed document is to be deemed filed on October 22, 2018, which is the date it was filed electronically using the Commission's E-filing system.

If you have any questions regarding these comments, please call me at (610)774-5696 or Bethany L. Johnson, Manager – Regulatory Operations for PPL Electric at (610) 774-7011.

Very truly yours,

  
Kimberly A. Klock

Enclosures

cc via email: Tanya J. McCloskey, Esquire  
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Certificate of Service

## CERTIFICATE OF SERVICE

(Docket No. M-2015-2518883)

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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Kimberly A. Klock

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Fixed Utility Distribution Rates Policy :  
Statement : Docket No. M-2015-2518883

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**COMMENTS OF  
PPL ELECTRIC UTILITIES CORPORATION**

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**I. BACKGROUND**

On December 31, 2015, the Pennsylvania Public Utility Commission (“Commission” or “PUC”) issued a Secretarial Letter scheduling an *en banc* hearing to gather information regarding alternatives to traditional rate making principles for public utilities in Pennsylvania. See Secretarial Letter, December 31, 2015, Docket No. M-2015-2518883 (“Secretarial Letter”). On March 3, 2016, PPL Electric Utilities Corporation (“PPL Electric” or the “Company”), and a number of other invited parties, including researchers, energy companies and consumer advocates testified before the Commission at the *en banc* hearing. Following the *en banc* hearing, PPL Electric filed its testimony in this proceeding on March 16, 2016. The topics for the *en banc* hearing and subsequent comments were focused on 3 areas: 1) whether alternative ratemaking mechanisms<sup>1</sup> encourage energy utilities to better implement energy efficiency and

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<sup>1</sup> “In the context of this proceeding, examples of alternative rate methodologies to be considered in order to encourage better implementation of energy efficiency and conservation programs include (1) revenue decoupling and other rate designs that separate some or all of a utility’s authorized revenue recovery from volumetric sales following determination of an overall revenue requirement; and/or (2) a utility’s performance with respect to energy efficiency and conservation as a part of the determination of the overall authorized revenue requirement.” Alternative Ratemaking Methodologies Tentative Order issued March 2, 2017 (“Tentative Order”), p.1.

conservation programs; 2) whether such rate mechanisms are just and reasonable and in the public interest and 3) whether the benefits of implementing such rate mechanisms outweigh any associated costs. *See* Secretarial Letter p.1.

The Commission then issued a Tentative Order in this proceeding on March 2, 2017 seeking comments and reply comments addressing the potential processes to advance alternative rate methodologies that public utilities are facing. *See* Tentative Order p.1-2. PPL Electric submitted Comments to the Tentative Order on May 31, 2017 and Reply Comments on July 31, 2017.

On May 23, 2018, the Commission entered a Proposed Policy Statement Order on May 23, 2018 at Docket No. M-2015-2518883 (“Proposed Policy Statement Order”) seeking comment in determining just and reasonable distribution rates that promote the efficient use of electricity, natural gas, or water, the use of distributed energy resources, reduce disincentives for such efficient use and resources, and ensure adequate revenue to maintain the safe and reliable operation of the distribution grid. *See* Proposed Policy Statement Order, p.2.. The Commission notes that its proposal “may help customers and utilities move forward to minimized future long-term costs, allocate capital more efficiently, and achieve important policy objectives.” Proposed Policy Statement Order, p. 2.

Separately, on June 28, 2018, Governor Wolf signed into law Act 58 of 2018, which amends Chapter 13 of the Pennsylvania Public Utility Code (Code), 66 Pa. C.S §§1301 *et seq*, (relating to rates and distribution systems). To initiate implementation of Act 58, the PUC issued a Tentative Implementation Order on August 23, 2018 at Docket No. M-2018-3003269 (“Act 58 TIO”). On October 9, 2018, PPL Electric submitted Comments on the PUC’s proposed interpretation and implementation of Section 1330 of the Public Utility Code, 66 Pa. C.S. § 1330. PPL Electric offers these Comments in response to the Proposed Policy Statement Order.

## **II. COMMENTS**

PPL Electric is a public utility and an electric distribution company (“EDC”) as defined in Sections 102 and 2803 of the Pennsylvania Public Utility Code, 66 Pa. C.S. §§ 102, 2803. PPL Electric furnishes electric distribution, transmission, and default supply services to approximately 1.4 million customers throughout its certificated service territory, which includes all or portions of 29 counties and encompasses approximately 10,000 square miles in eastern and central Pennsylvania. As a result, Sections §69.3301, 69.3302, 69.3303 and 1330 of the PA Public Utility Code and any issues related to those sections pertain to the Company.

### **A. General**

PPL Electric appreciates the Commission’s work with regard to alternative ratemaking in Pennsylvania and has been active in providing comments with regard to the topics requested. However, the confluence of Act 58 and the Fixed Utility Distribution Rates Policy Statement has created some fundamental conflicts in the two proceedings. The Commission proceeding at this instance begins with a policy statement focused on utilities promoting the efficient use of electricity and other resources, reducing utility disincentives promoting these objectives and avoiding future capital investment. In fact, the very definition of alternative rate methodologies in the proceeding includes “a utility’s performance with respect to energy efficiency and conservation as part of the determination of the overall authorized revenue requirement.” Proposed Policy Statement Order, p. 1. While PPL Electric is generally supportive of energy efficiency efforts, the Company believes that it is inappropriate to define the foundation of alternative ratemaking mechanisms, the state’s policy regarding ratemaking fundamentals, and Section 1308 rate cases around adoption of energy efficiency.

The very policy position that guides the remainder of the proposed policy statement is flawed and in conflict with the recently passed Act 58 and the Commission’s own interpretation

of the Declaration of Policy outlined in Section 1330(a). For this reason, PPL Electric recommends either a revision or reconciliation of the two proceedings in favor of the path set forth with the passage of Act 58 and the Act 58 TIO. The Company believes this will allow stakeholders to focus resources and provide for a more comprehensive examination of implementation of alternative ratemaking mechanisms as provided for under Act 58. Notwithstanding this recommendation, PPL Electric offers the following, more specific, Comments.

## **B. Discussion**

The Proposed Policy Statement Order outlines 7 different alternative ratemaking mechanisms. PPL Electric agrees that several of the items highlighted (*i.e.* revenue decoupling, lost revenue adjustments, multi-year rate plans, demand-side management performance incentives) may be considered alternative ratemaking mechanisms; such items are also further defined under Act 58 which now provides the PUC with clear authority to approve such mechanisms when proposed in a Section 1308 base rate case proceeding. Other items (*i.e.*, straight fixed/variable pricing, demand charges, standby and backup charges) are rate designs, which are used by many utilities in various ways today. The determination of just and reasonable rates through rate design is well established in existing regulations based on fundamental ratemaking principles. Additionally, the Act 58 TIO proposes that Section 1308 is the appropriate process for assessment of proposed alternative ratemaking mechanisms as defined by Act 58, which include the 7 items identified in the Proposed Policy Statement Order.

PPL Electric believes that the Commission is attempting to recognize the potential opportunities of alternative mechanisms in its mention of combining various mechanisms, such as multi-year rate plans that include a performance-based incentive and charges that are reflective of the distribution costs for certain customers with similar characteristics or geographic



areas. In proposed §69.3301 Purpose and Scope, the Commission also notes the desire to avoid future capital investments. PPL Electric believes that *deferral* of typical capital investment or the *transfer* of that capital investment to innovative technologies (such as energy storage, demand response and voltage optimization) should be entertained as better options available under Act 58 than strict avoidance of capital investment. These non-wires alternatives will allow utilities to more efficiently invest in the system optimizing grid utilization and keep customer rates reasonable. This deferral or transfer of capital investment also better aligns with the interpretation of Section 1330(a) Declaration of Policy outlined in the Commission's Act 58 TIO. The Company commends the Commission for its strategic view of possibilities, but believes it is premature to attempt to apply a level of specificity to complex issues that are not yet ripe for such level of granularity.

**C. Section 69.3301 Purpose and Scope**

As explained previously, PPL Electric believes that the Policy and Scope as outlined in the proposed policy statement are in conflict with the interpretation of Section 1330(a) Declaration of Policy in the Act 58 TIO. Without a reconciliation of the fundamental policy position on alternative ratemaking mechanisms, the Company believes that Pennsylvania will find itself handcuffed when attempting to move forward progressively and achieve any alternative ratemaking goals of any stakeholders.

**D. Section 69.3302 Distribution Rate Considerations**

This section addresses the 13 items for consideration when determining just and reasonable rates that meet the policy objection set forth in Section 69.3301. While appreciative of the effort to raise awareness of the some of the considerations and interest in specific areas of customer impacts, this section adds more confusion than clarity. The specificity of the considerations lends itself to obligate a utility to develop evidence defending how, when, and

where it addressed each of these 13 items either within or beyond the requirements in 52 Pa. Code §§ 53.52 and 53.53 (pertaining to the documentation required when filing a Section 1308 base rate case proceeding). The Commission further encourages parties to comment on specific rate design options. Again, as a matter of policy, the Company believes that it is inappropriate to attempt to define rate design in this context. Rate design, often part art and part science, is ultimately a balance of the utility's unique financial position at the time of its rate case, its specific customer base and demographics, the priorities of the parties to the case and the emerging issues of the time. To attempt to codify particular methods lends itself to narrowly defined conditions that will become quickly outdated in a rapidly changing industry.

**E. Section 69.3303 Illustration of possible distribution ratemaking and rate design options for the energy industry.**

While the Commission notes extensively throughout the Proposed Policy Statement Order its openness to other issues for consideration and the guidelines are not meant to be exclusive, PPL Electric believes that mere inclusion of "Illustrations" in the proposed policy statement itself signals clear direction for preference and acceptance of said illustrations. A proposal for any variation of those illustrations will likely be fraught with opposition as not being in line with the Commission's policy statement. If the intent is truly to present examples and not recommendations, PPL Electric recommends removing Section 69.3303 from the proposed policy statement.

**III. CONCLUSION**

In closing, PPL Electric is supportive of the Commission's work with regard to Alternative Ratemaking and appreciates the opportunity to provide these Comments. The Company is appreciative of the significant effort applied to the detailed discussion and development of the proposed policy statement. It is evident that even at the instant proceeding,

which began in 2015 and has continued through the recent Act 58 TIO, that general policy objectives may shift. It is for this reason that the Company suggests that the details of implementation included in the proposed policy statement be left to each utility to propose in an alternative ratemaking proposal submitted under Section 1308 base rate case proceedings as established under Act 58.

PPL Electric Utilities Corporation respectfully requests that the Commission take these Comments into consideration in preparing its Final Order.

Respectfully submitted,

Handwritten signature of Kimberly A. Klock in blue ink.

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