

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Petition of PPL Electric Utilities for
Approval of its Energy Efficiency and Conservation Plan
Under Act 129 of 2008**

Docket No. M-2009-2093216

PPL Electric Utilities Corporation

Statement No. 3

Direct Testimony of Douglas A. Krall

Date: July 1, 2009

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Q. Please state your name and business address.

A. My name is Douglas A. Krall. My business address is Two North Ninth Street, Allentown, Pennsylvania, 18101.

Q. What is your current position?

A. I am employed by PPL Electric Utilities Corporation ("PPL Electric" or the "Company") as Manager - Regulatory Strategy.

Q. Please describe your primary responsibilities in that position.

A. As Manager - Regulatory Strategy, I am responsible for assisting in the development of long-term strategy, goals and objectives; providing regulatory insights into the development and implementation of business strategies; and leading the development of responses to legislative, regulatory, and political issues.

Q. Please describe your educational experience.

A. I graduated from Stevens Institute of Technology in Hoboken, New Jersey in 1973 with a Bachelor of Engineering degree in Mechanical Engineering. I have completed courses in Business Administration at Muhlenberg College in Allentown, Pennsylvania.

Q. Are you a registered Professional Engineer?

A. Yes. I have been a registered Professional Engineer in the Commonwealth of Pennsylvania since 1977. My registration number is PE-026733-E.

1 **Q. Please describe your professional experience.**

2 A. I joined the Mechanical Engineering Department of PPL Electric's predecessor
3 Pennsylvania Power and Light ("PP&L") in 1973 as an Engineer-Level I, working on
4 studies related to PP&L's generating plants. In 1974, the engineering functions were
5 restructured, and I became a member of the Power Plant Engineering Department. In
6 1975, I was promoted to the position of Engineer-Level II, and in 1978 to the position of
7 Project Engineer within that department. Later in 1978, I transferred to the System
8 Planning Department, and in 1981, I was promoted to the position of Senior Project
9 Engineer. In both of those positions I was responsible for the development of plans
10 related to maintaining and upgrading PP&L's existing fossil and hydro generating plants.
11 In 1984, I was promoted to the position of Manager-Generation Development Planning
12 within the System Planning Department with responsibility for the portion of PP&L's
13 capital budget related to existing fossil and hydro generating plants as well as overall
14 administrative responsibility for PP&L's capital budget. I was also, in that position,
15 PP&L's coordinator for activities related to compliance with the 1990 Federal Clean Air
16 Act Amendments. In December 1994, my title changed to Manager-Integrated Resource
17 Planning, but the duties remained relatively the same. In April 1996, I became the
18 Manager-Resource Planning and Pricing. In this capacity, I supervised the development
19 of integrated resource plans, the administration of PP&L's responsibilities regarding non-
20 utility generation, the development of PP&L's capital budget and the development and
21 administration of PP&L's tariff for electric service. As the Competition Act was passed
22 in Pennsylvania in late 1996 and the pace of industry restructuring accelerated, my duties
23 in this position changed rapidly. The generation and capital budgeting functions were

1 moved to other organizations and, ultimately, to different affiliates. In their place I took
2 on new duties related to load analysis and coordination of activities within the regulated
3 distribution entity to implement customer choice. In August 2001 I assumed my current
4 position.

5
6 **Q. Have you testified previously before the Pennsylvania Public Utility Commission**
7 **("Commission")?**

8 A. Yes. I have testified before the Commission on numerous occasions including the
9 Company's restructuring proceeding (Docket No. R-00973954), three base rate
10 proceedings (Docket Nos. R-00943271, R-00049255, and R-00072155), the Company's
11 Competitive Bridge Plan for the procurement of default generation service (Docket No.
12 P-00062227), the Rate Stabilization Plan (Docket No. R-2008-2021776), the Default
13 Service Plan (Docket No. P-2008-2060309), the Rate Mitigation Plan (Docket No. P-
14 2009-2091280), proceedings regarding non-utility generators, including the buy-out of a
15 power purchase agreement with a non-utility generator and the impacts on PP&L and its
16 customers of existing power purchase agreements, and proceedings arising from
17 customer complaints.

18
19 **Q. What is the purpose of your testimony?**

20 A. The purpose of my testimony is to provide a description of the time of use ("TOU")
21 programs PPL Electric is proposing in its Energy Efficiency and Conservation Plan
22 ("EE&C Plan") and to describe PPL Electric's plans to file with the Commission for
23 approval to offer those programs under its tariff (Tariff Electric Pa. P.U.C. No. 201).

1 **Q. Please describe the TOU programs that PPL Electric is proposing in its EE&C Plan.**

2 A. PPL Electric is proposing to offer TOU programs to residential and small commercial
3 and industrial customers. The Plan includes specific programs related to the Residential
4 Sector (Plan Section 3.2), the Low-Income Sector (Plan Section 3.2.1), the Small
5 Commercial and Industrial Sector (Plan Section 3.3), and the Governmental and Non-
6 Profit Sector (Plan Section 3.5). As described in the Plan, the general structure of the
7 programs is the same; each will have summertime (June through September) and non-
8 summertime (October through May) on-peak and off-peak periods. Pricing will reflect
9 variations in PJM's Locational Marginal Price related to time of use which will produce a
10 higher price per kwh in the on-peak hours and a lower price per kwh in the off-peak
11 hours. This price differential will provide an incentive to customers to shift their use of
12 electricity from on-peak to off-peak periods as a way to reduce their electric bills.

13
14 **Q. How does the Company intend to implement these programs?**

15 A. The Company intends to offer these as optional default service programs and include
16 them in its retail tariff.

17
18 **Q. Why is the Company taking this approach?**

19 A. Customers in all of these sectors may choose to purchase their generation supply from an
20 Electric Generation Supplier ("EGS") or they may receive default generation service from
21 the Company. Beginning on January 1, 2010, PPL Electric's standard default service rate
22 will be a flat cent/kwh. That rate will be based upon prices the Company obtains in the
23 wholesale market through a series of procurements pursuant to the Commission-approved

1 Competitive Bridge Plan (approved by Commission order entered May 17, 2007 at
2 Docket No. P-00062227). Also, under the Competitive Bridge Plan, the Company is
3 obligated to remove participation limits on its Demand Side Response Rider – Residential
4 pilot TOU program in 2010 and to expand that program to a year-round program. Pricing
5 must be revised to more fully reflect competitive market prices. The TOU programs
6 included in the EE&C Plan meet these requirements. However, unlike rebate programs
7 or programs offered by Conservation Service Providers ("CSPs"), these programs
8 constitute an alternative default service rate. Because these are rate programs, the
9 Company intends to implement them through its tariff. Accordingly, the Company will
10 file, within 30 days, a petition requesting Commission approval of tariff provisions to
11 implement TOU rates effective January 1, 2010.

12
13 **Q. Why is the Company not filing these TOU tariff provisions as part of this Plan?**

14 A. The Company is concerned that the timetable for approval of its Plan may not support the
15 need to have TOU rates available for customers on January 1, 2010. Under the 120-day
16 deadline established by Act 129, the Company anticipates Commission action on its Plan
17 sometime in November, 2009. The Company is concerned that a November approval of
18 the TOU tariffs would not provide sufficient time for the Company to put processes in
19 place, prepare consumer education materials, and inform and enroll customers.
20 Accordingly, the Company has included information about its proposed TOU programs
21 in its EE&C Plan to assure that the Commission and others can view a complete Plan, but
22 will file a separate petition requesting Commission approval of the actual tariff
23 provisions. The Company plans to request expedited Commission action on that filing,

1 i.e., within 60-days of filing. In this way, a July 31 filing could potentially be approved
2 for implementation by September 30 and, thereby, provide additional time for
3 implementation.

4
5 **Q. Why has the Company not simply provided a copy of the petition with the Plan and**
6 **then filed the petition separately?**

7 A. The Company is still working to refine and confirm certain details regarding billing
8 system design and processes. The additional time is required to complete these tasks.

9
10 **Q. Could the resolution of these details alter the cost and benefit information provided**
11 **in the Plan?**

12 A. No. The cost and benefit information in the EE&C Plan is consistent with the
13 Company's experience with its pilot program. The proposed TOU program is an
14 extension of the same basic program structure employed in the pilot program, simply
15 available to more customers. Customers incur no costs to participate in either the pilot
16 program or the proposed TOU program. The basic structure (i.e., on-peak/off-peak
17 periods and seasons) for the proposed TOU program is also consistent with the structure
18 of the pilot program. Consequently, benefits experience gained in the pilot program
19 should also be applicable.

20
21 **Q. Please describe the Demand Side Response Rider – Residential pilot TOU program.**

22 A. The Demand Side Response Rider – Residential is a pilot TOU program that was initiated
23 by the Company in 2002 (approved by Commission order entered April 11, 2002 at

1 Docket No. R-00027175). Participants purchase generation at the Company's normal
2 declining block rates during the months of October through May, but during the summer
3 months (June through September) they purchase generation at higher prices during on-
4 peak periods and lower prices during off-peak periods. The purpose of the pilot program
5 is to test consumer acceptance, "shadow" the Company's deployment of its automated
6 meter reading system to understand meter data and billing enhancements necessary to
7 support TOU rates, and identify the business processes necessary to support TOU rates.
8 The pilot program has grown from 25 customers in 2002 to approximately 600
9 customers, and its original termination date of 2004 was extended to 2007 and then to
10 2010. It is this basic structure of on-peak and off-peak rates that the Company will
11 propose to turn into a year-round program that would be available to customers in 2010.

12
13 **Q. Has the Company taken additional steps to prepare to provide TOU rates more**
14 **broadly?**

15 **A.** Yes. The Company is completing the installation of a meter data management system
16 which, among other features, includes data repositories; validation, editing, and
17 estimating functionality; and complex billing capability that are essential to implementing
18 TOU rates. The Company is also installing interfaces between its customer information
19 and billing system and the meter data management system that are necessary to assure
20 that bills are rendered and customer account information is updated properly. In order to
21 test these systems and processes, the Company requested Commission approval of a
22 second pilot program. This second pilot (approved by Commission order entered
23 December 4, 2008 at Docket No. R-2008-2062920) is a year round program with

1 summertime (June through September) and non-summertime (October through May) on-
2 peak and off-peak periods and pricing. That pilot, open to 1200 participants, currently
3 has over 800 participants. Experience gained in the design and implementation of this
4 pilot is contributing to the design of the TOU program included in the Plan.

5

6 **Q. Does this conclude your testimony?**

7 **A. Yes.**