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File #: 150736

March 28, 2013

***VIA ELECTRONIC FILING***

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2nd Floor North  
P.O. Box 3265  
Harrisburg, PA 17105-3265

**Re: Pennsylvania Public Utility Commission, et al. v. PPL Electric Utilities Corporation, Docket Nos. R-2012-2290597, et al. – Purchase of Receivables Compliance Filing**

Secretary Chiavetta:

This letter is being filed in compliance with the Pennsylvania Public Utility Commission's ("PUC" or the "Commission") Order, entered on December 28, 2012, in the above-captioned proceedings. Therein, the Commission directed PPL Electric Utilities Corporation ("PPL Electric") to, among other things, provide a breakdown of uncollectible accounts expense between shopping and non-shopping customers for purposes of the Purchase of Receivables ("POR") discount percentage factors and the Merchant Function Charge ("MFC").

In its filing, PPL Electric proposed to change the POR discount percentage factors and the MFC for the Residential Class from 1.8% to 2.23%, and for the Small Commercial and Industrial ("C&I") Class from 0.10% to 0.23%, based upon its expected 2012 uncollectible accounts expense for those customer classes. PPL Electric currently does not separately track uncollectible accounts written-off by shopping and non-shopping customers.

To provide the requested breakdown, PPL Electric would have to track each transaction/charge at the point in time the transaction/charge occurred, and determine whether the account was shopping or non-shopping at that time. When an account became uncollectible and subsequently written off, each transaction associated with the account at that point in time would need to be totaled to determine the uncollectible accounts expense breakdown between shopping and non-shopping customers. PPL Electric has undertaken an analysis of its billing and reporting systems and the processes for tracking uncollectible accounts and subsequent write-offs. PPL Electric has determined that it would require significant monetary and human resources to implement the

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detailed processes necessary to provide the uncollectible accounts expense breakdown between shopping and non-shopping customers.<sup>1</sup>

As a proxy, PPL Electric proposes to use overdue aged accounts receivable as an indicator of the breakdown of uncollectible accounts expense between shopping and non-shopping customers. This is the same method approved by the Commission in Section 12.9.2.6 of PPL Electric's Supplier Tariff to monitor electric generation suppliers ("EGSs") to determine if an individual EGS' discount rate should differ from the discount rate for the Small C&I Customer Class.

Under this method, any unpaid accounts receivable that are sixty (60) days or older are divided by the most recent 12-month total consolidated billings for that class, as follows:

$$\text{PPL Electric Receivables} = \frac{\text{PPL Electric Overdue Receivables}}{\text{PPL Electric Charges (Rolling 12 Months)}}$$

$$\text{Electric Generation Supplier (EGS) Receivables} = \frac{\text{EGS Overdue Receivables}}{\text{EGS Charges (Rolling 12 Months)}}$$

The overdue aged accounts receivables for each group can then be compared and relied upon as a reasonable proxy for uncollectible accounts expense for each group. Applying the overdue aged accounts receivables analysis for the 12-month period ended December 31, 2012, yields the following results:

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<sup>1</sup> PPL Electric is not aware of any other jurisdictional electric distribution company that is required to separately track and maintain its uncollectible accounts expense for shopping and non-shopping customers.

**Residential Overdue Receivables 60+**

	<u>EGS</u>	<u>PPL Electric</u>	<u>Delta</u>
2012-01	2.41%	2.46%	-0.05%
2012-02	2.39%	2.48%	-0.09%
2012-03	2.67%	2.80%	-0.14%
2012-04	2.75%	2.92%	-0.16%
2012-05	2.89%	3.06%	-0.17%
2012-06	2.79%	2.92%	-0.13%
2012-07	2.62%	2.67%	-0.05%
2012-08	2.46%	2.40%	0.06%
2012-09	2.46%	2.34%	0.12%
2012-10	2.42%	2.23%	0.19%
2012-11	2.51%	2.28%	0.23%
2012-12	2.47%	2.23%	0.24%
<b>Average</b>	2.57%	2.57%	0.00%

**Small C&I Overdue Receivables 60+**

	<u>EGS</u>	<u>PPL Electric</u>	<u>Delta</u>
2012-01	0.21%	0.39%	-0.19%
2012-02	0.18%	0.36%	-0.19%
2012-03	0.18%	0.37%	-0.19%
2012-04	0.18%	0.35%	-0.17%
2012-05	0.18%	0.38%	-0.20%
2012-06	0.19%	0.40%	-0.22%
2012-07	0.15%	0.34%	-0.19%
2012-08	0.13%	0.34%	-0.21%
2012-09	0.15%	0.40%	-0.24%
2012-10	0.16%	0.39%	-0.23%
2012-11	0.19%	0.46%	-0.27%
2012-12	0.16%	0.38%	-0.21%
<b>Average</b>	0.17%	0.38%	-0.21%

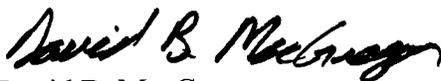
As shown in the above table, for the 12-month period ended December 31, 2012, there is no difference in the average overdue aged accounts receivable between EGS charges and PPL Electric charges in the Residential Class and, therefore, there is no reason to believe that there is any significant difference in the uncollectible accounts expense for Residential shopping and non-shopping customers. Therefore, PPL Electric proposes that the MFC and POR discount percentage factor for the Residential Class should be equivalent to the 2012 uncollectible accounts expense for the Residential Class, or 2.23%, which it proposed in its base rate case.

For the Small C&I Class, however, there is a significant difference in the average overdue aged accounts receivable between EGS charges and PPL Electric charges for the 12-month period ended December 31, 2012. As shown above, the average overdue aged accounts receivable for EGS charges was approximately one-half the average overdue aged accounts receivable for PPL Electric charges. On this basis, PPL Electric proposes that the POR discount percentage factor for the shopping Small C&I Class be reduced by one-half of the 2012 uncollectible accounts expense for the Small C&I Class, and set at 0.12% for billing purposes.<sup>2</sup> PPL Electric also proposes that the MFC for the non-shopping Small C&I Class be increased by one-half of the 2012 uncollectible accounts expense for the Small C&I Class, and set at 0.35% for billing purposes.<sup>3</sup>

If this approach is approved, PPL Electric will continue to monitor and track the aged accounts receivables for the Residential and Small C&I Classes as set forth above, and will submit an annual report of the aged accounts receivable to the Commission as an indicator of the breakdown of the uncollectible expenses between shopping and non-shopping customers. These annual reports then can be used to update the appropriate MFC and POR discount percentage factors in PPL Electric's next base rate case.

Because of the significant expense and time necessary to separately track the uncollectible accounts expense for shopping and non-shopping customers, and the fact that the Commission has approved a similar method for monitoring EGS uncollectible accounts expense, PPL Electric believes that its proposal to use the aged accounts receivable analysis is a reasonable and appropriate approach to monitor uncollectible accounts for shopping and non-shopping customers. Therefore, PPL Electric respectfully requests that the Commission (i) adopt the proposed aged accounts receivable analysis with an annual reporting requirement; (ii) approve a MFC of 2.23% for the Residential Class and 0.35% for the Small C&I Class; and (iii) approve a POR discount percentage factor of 2.23% for the Residential Class and 0.12% for the Small C&I Class. If this approach is approved, PPL Electric will submit revised tariff pages to become effective on one day's notice.

Respectfully submitted,



David B. MacGregor

DBM/jl

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<sup>2</sup> A reduction by one-half of the 2012 uncollectible accounts expense =  $0.23\% - (0.23\% \times 0.50) = 0.115\%$ , which must be rounded to 0.12% for billing purposes because PPL Electric's billing system cannot accommodate more than four decimal places.

<sup>3</sup> An increase by one-half of the 2012 uncollectible accounts expense =  $0.23\% + (0.23\% \times 0.50) = 0.345\%$ , which must be rounded to 0.35% for billing purposes because PPL Electric's billing system cannot accommodate more than four decimal places.

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cc: Paul E. Russell, Esquire  
Certificate of Service

## CERTIFICATE OF SERVICE

*Docket Nos. R-2012-2290597, et al.*

I hereby certify that true and correct copies of the foregoing **Compliance Letter** have 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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Date: March 28, 2013

  
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