COMMONWEALTH OF PENNSYLVANIA

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December 16, 2013

Rosemary Chiavetta, Secretary
PA Public Utility Commission
Commonwealth Keystone Bldg.
400 North Street
Harrisburg, PA 17101

Re: Pa. Public Utility Commission
v.
PPL Electric Utilities
Docket No. R-2012-2290597

Dear Secretary Chiavetta:

Enclosed please find the Office of Consumer Advocate's Comments in the above-referenced proceeding.

Copies have been served upon all parties of record as shown on the attached Certificate of Service.

Sincerely yours,

Candis A Tunilo

Candis A. Tunilo
Assistant Consumer Advocate
PA Attorney I.D. # 89891

Enclosures
cc: Honorable Susan D. Colwell
Certificate of Service
155413.DOC

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission,	:	
	:	
v.	:	Docket No. R-2012-2290597
	:	
PPL Electric Utilities Corporation	:	

COMMENTS OF THE
OFFICE OF CONSUMER ADVOCATE

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DATED: December 16, 2013

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I. INTRODUCTION

The Office of Consumer Advocate (OCA) submits these Comments pursuant to the Public Utility Commission's (Commission) Opinion and Order entered November 15, 2013.

A. Background and Procedural History

On March 30, 2012, PPL Electric Utilities Corporation (PPL or Company) filed Supplement No. 118 to Tariff – Electric Pa. P.U.C. No. 201, containing proposed changes in rates, rules and regulations calculated to produce an additional $104.6 million in annual revenues. The OCA fully participated in the litigation of PPL's base rate case. Other parties that participated in the litigation were, *inter alia*, the Bureau of Investigation and Enforcement (I&E) and the PP&L Industrial Customer Alliance (PPLICA).

PPL's storm damage expense claims included: (1) normal future test year (FTY) storm damage expenses of $12,625,000; (2) the premium for storm damage insurance of $8,750,000; and (3) an amortization of the extraordinary storm damage expenses in excess of insurance recoveries incurred during major storms in August 2011 (Hurricane Irene) and October 2011 (Halloween Snowstorm) of $5,324,000 annually for five years. See gen'ly PPL M.B. at 48. I&E made various recommendations regarding PPL's storm damage expense claims, including that PPL's claim for procurement of storm damage insurance from its affiliate be denied and that the Company's claims for extraordinary storm damage expenses be denied. See gen'ly I&E M.B. at 42-60.

In her Recommended Decision, Administrative Law Judge Susan D. Colwell (ALJ) agreed with I&E that PPL's procurement of storm damage insurance was not being used to benefit ratepayers and should be stopped but rejected I&E's recommendation to deny PPL's proposed extraordinary storm amortizations. R.D. at 39, 40. The ALJ further recommended that in lieu of PPL's procurement of insurance, the Company "should be directed to develop a plan

for the establishment of a storm damage reserve account and to submit it for approval." R.D. at 39.

The issue of storm damage insurance, however, became moot prior to the Commission's December 28, 2012 Order in this matter. In its Exceptions to the Recommended Decision, PPL stated that "reinsurance will not be available on terms and conditions similar to the reinsurance policy presently in effect." PPL Exc. at 23. Based on this new development, PPL revised its annual storm damage expense claim to $23,199,000 in Exceptions, which amount included $3,175,000 for annual non-reportable storm damage expenses, $9,450,000 for annual reportable storm damage expenses, $5,250,000 for the operating expense portion of annual storm damage no longer covered by insurance (totaling $17,875,000), and $5,324,000 for the amortization of the 2011 extraordinary storm damage expenses. PPL Exc. at 24-26. The Commission adopted PPL's proposed storm damage expense claim of $23,199,000 in base rates. December 28, 2012 Order at 38.

The Commission also directed PPL to file a storm damage expense "rider" in accordance with the ALJ's recommendation within 90 days of the December 28, 2012 Order. December 28, 2012 Order at 36-38. See also R.D. at 38-39. The ALJ's recommendation, however, was to explore the development of a storm damage expense "reserve account," not "rider." On January 14, 2013, the OCA filed a Petition for Reconsideration or Clarification of the Commission's adoption of the ALJ's recommendation to explore a "rider" mechanism for collection of storm damage expense when the ALJ recommended that the Company and public advocates "develop a plan for establishment of a storm damage reserve account." See R.D. at 39. The Commission granted the OCA's Petition by Order entered January 24, 2013. By Order entered February 28,

2013, the Commission directed that the Company and statutory advocates consider a rider mechanism and a reserve account mechanism for recovery of storm damage expenses.

PPL initiated the required storm damage expense collaborative on March 6, 2013. The collaborative consisted of three conference calls – March 6, March 15 and March 27 – which were convened to discuss PPL's proposal for a reconcilable rider. The Company, I&E, OCA and the Office of Small Business Advocate (OSBA) participated in the conference calls. No consensus was reached. On March 28, 2013, PPL filed its proposed Storm Damage Expense Rider (SDER) with the Commission. The OCA, I&E and PPLICA submitted Comments to PPL's proposed SDER on April 18, 2013, and the OCA and PPLICA filed Reply Comments on May 6, 2013.

In Comments submitted on April 18, 2013, the OCA urged the rejection of PPL's proposed SDER as contrary to sound ratemaking principles and public policy. See gen'ly OCA Comments. Specifically, the OCA identified the following fatal flaws in PPL's SDER:

- A rider for the collection of normal, ongoing storm damage expense is contrary to sound ratemaking principles, including the principles against single-issue ratemaking and retroactive ratemaking, and such a rider is unsound public policy;
- The Rider improperly amortizes major storm damage expenses, including extraordinary storm damage expenses, over a three-year period even if the amounts incurred do not exceed the amount for storm damage expenses embedded in base rates;
- The Rider lacks differentiation between major storm damage expenses and extraordinary storm damage expenses;

- The Rider improperly removes the long-standing process for requesting deferral accounting for extraordinary storm damage expenses by permitting an automatic amortization of such expenses over a pre-determined three-year period of time;
- The Rider improperly includes interest on storm damage expenses, which is not typically permitted;
- The Rider lacks a review process to determine that storm damage expenses incurred are reasonable; and
- The Rider inappropriately includes storm damage expenses deferred by the Pennsylvania Public Utility Commission's (Commission) Order entered February 14, 2013, at Docket No. P-2012-2338996 (Superstorm Sandy expenses), which have not yet been reviewed and found to be reasonably and prudently incurred.

Id.

On November 15, 2013, the Commission entered an Order seeking additional Comments and Reply Comments from parties relating to nine questions identified in Appendix A to the Order. The OCA submits these Comments pursuant to that Order.

B. The Record Evidence Does Not Support the Implementation of PPL's Proposed SDER.

The evidence in the record relating to the implementation of a storm damage reserve account is limited and relates only to the recommendation by I&E witness Dorothy Morrissey that PPL's claim for storm insurance be rejected. The evidence in the record relating to the implementation of a reconcilable storm damage rider is extremely limited and completely lacks any meaningful detail. As such, the OCA requested in Comments submitted on April 18, 2013, that this matter be referred to the ALJ for further hearings if PPL's proposed SDER was not outright rejected. OCA Comments at 18. The OCA provides the following summary of the

record evidence relevant to the implementation of a storm damage expense reserve account or rider.

I&E witness Morrissey explained generally PPL's method of storm damage expense recovery as follows:

> PPL currently addresses annual storm repair costs through a combination of a budgeted amount for normal storm damage and through storm insurance procured from its affiliate, PPL Power Insurance, for storms designated as major storms that are subject to insurance coverage. The insurance deductible amount is also included in its O&M budget as a storm expense.

I&E St. 2 at 30. Specifically, in its base rate case filing, PPL's FTY claim for annual storm damage expenses, storm damage insurance premiums and deductibles totaled $37,125,000. R.D. at 34-35 (annual storm damage expense of $12,625,000 + annual storm damage insurance premium of $8,750,000 + annual deductible of $15,750,000 = $37,125,000). Additionally, PPL requested an amortization of $26,622,371 over five years for extraordinary storm damage expenses, or $5,324,000 per year for five years, from storms in 2011 that were the subject of two Petitions for Deferred Accounting at Docket Nos. P-2011-2270396 (Hurricane Irene Petition) and P-2011-2274298 (Halloween Snowstorm Petition).[1] See PPL St. 2-R at 4.

In her Direct Testimony, I&E witness Morrissey opposed PPL's procurement of storm damage insurance from its affiliate, testifying that it was no longer beneficial to ratepayers because the premium to coverage ratio was very low (41% in 2010 and 48% in 2011). See I&E St. 2 at 32-34. Ms. Morrissey went on to testify as follows:

> I recommend denying the storm insurance expense and recalculating an annual budget amount to reflect a five year average of storm expenses to account for yearly fluctuations in storm expenses. To avoid financial statement impact for year to year fluctuations, a reconcilable storm reserve account would provide an alternative solution. While the Commission previously rejected a proposal of a Storm Damage Rider in Docket No. R-00061366, Order entered January 11,

[1] The Commission permitted deferrals until PPL's next base rate case of the storm damage expenses from the 2011 storms in Orders dated December 15, 2011.

2007, the occurrence of major storms and the volatility of storm expenses experienced in the preceding five years indicate that this issue should be revisited.

Id. at 32-33. To be clear, Ms. Morrissey's recommendation regarding a storm reserve account related only to her recommendation to deny PPL's claim for storm insurance expense. See I&E St. 2 at 32-33; I&E St. 2-SR at 23. As stated above, Ms. Morrissey testified that PPL procured storm insurance for damage expense related only to major storms. See I&E St. 2 at 30.

Ms. Morrissey then provided her recommended adjustments to PPL's storm insurance expense as follows:

I&E recommends utilizing the five year average of actual storm expenses for the years 2007 through 2011. The resulting annual budget amount is $23,785,000 (($23,025,000 + $19,600,000 + $6,600,000 + $11,900,000 + $57,800,000) ÷ 5 years).

Annual Storm Expenses[2]				
2007	2008	2009	2010	2011
$23,025,000	$19,600,000	$6,600,000	$11,900,000	$57,800,000

***

The Company's collective claim for its FTY storm budget (i.e., storm insurance premium, insurance deductible and normal storm costs) totals $37,125,000[3]. Utilization of my recommended normalized budget amount would result in a reduction of $13,340,000 ($37,125,000 - $23,785,000) to the Company's total expense claim. Alternatively, the approval of a storm reserve account rider

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[2] Storm Expense Amounts are provided in Company response to I&E-RE-32D, Attachment 1, for years 2008 through 2011 (I&E Exhibit No. 2, Schedule 25) and in Company response to I&E-RE-120, Attachment 1, for 2007 (I&E Exhibit No. 2, Schedule 26).

[3] In Company response to I&E-RE-31-D, Items A and D, (I&E Ex. No. 2, Sch. 23), the 2012 Storm Insurance cost is reported as $8,750,000, and the associated deductible amount is $15,750,000. In Company response to I&E-RE-108, Attachment 1, (I&E Ex. No. 2, Sch. 24), an amount of $12,625,000 is reported as the 2012 budget for normal storm damage repair. The sum of these three items equals $37,125,000 ($8,750,000 + $15,750,000 + $12,625,000).

> methodology would entail removal of the entire $37,125,000 budgeted claim for storm costs from the base rate calculation.

I&E St. 2 at 35-36.

In rebuttal, PPL witness Kleha mischaracterized Ms. Morrissey's direct testimony as having recommended a reconcilable rider for recovery of storm damage expense. See PPL St. 8-R at 47. Mr. Kleha stated that the Company was not opposed to a reconcilable rider, if "implemented in an appropriate manner," given the volatility of storm damage expense in recent years. Id. Mr. Kleha then testified:

> However, Ms. Morrissey did not provide sufficient details regarding a possible storm damage expense rider or make a specific proposal that can be evaluated in this proceeding. There is simply not sufficient time in this proceeding to address the many details of a storm damage expense rider that would have to be resolved before such a rider could be implemented. ... Nevertheless, PPL Electric is willing to consider such a rider in an appropriate future proceeding.

PPL St. 8-R at 48.

In her Supplemental Surrebuttal, I&E witness Morrissey did not provide any further detail on her proposal to implement at storm damage reserve. Instead, she summarized her position and explained that her storm reserve recommendation was intended to mitigate future rate increases. I&E St. 2-SSR at 5. Specifically, Ms. Morrissey stated:

> PPL Power Insurance Ltd.'s Loss and Loss Expense Provisions account is exactly the same type of Contingent Liability or Accumulated Provision account as my recommended Storm Reserve Account. As evidenced by the growing value of the Loss and Loss Expense Provisions account, PPL Power Insurance Ltd is profiting from its relationships with its affiliates, and in the case of a regulated utility, this profit would better serve the regulated ratepayer through retention within the regulated utility and, subsequently, mitigation of future rate increases.

Id.

C. Summary of Types of Storms and Storm Damage Expenses

As detailed above in Section I.B., I&E witness Morrissey recommended that PPL implement a storm damage reserve account mechanism to replace PPL's expense claim for storm

damage insurance, which PPL carried to cover expenses from major storms. PPL, however, seeks to utilize one vehicle, its proposed SDER, to collect all types of storm damage expenses from all types of storms over and above the expense level set in the Company's base rates. As discussed in the OCA's Comments, PPL's proposed SDER, *inter alia*, violates prohibitions on single-issue ratemaking and lacks a proper differentiation of storms and storm damage expenses. See OCA Comments at 7-14. For the convenience of the Commission, the OCA offers the following summary of the types of storms and storm damage expenses considered in PPL's case.

1. General Non-Reportable Storms and Damages:

General non-reportable storms are any storms that do not meet the requirements of the storms described below. Presumably, therefore, these are events where fewer than 2,500 or 5.0%, whichever is less, of a utility's total customers have an unscheduled service interruption in a single event for 6 or more consecutive hours. See e.g. 52 Pa. Code § 67.1(b). Damages from these storms are normal operating expenses for all utilities, which are accounted for in determining base rates. See e.g. 52 Pa. Code § 53.53(d).

2. PUC Reportable Storms and Damages:

Commission regulation requires that: "[a]ll electric, gas, water and telephone utilities shall notify the Commission when 2,500 or 5.0%, whichever is less, of their total customers have an unscheduled service interruption in a single event for 6 or more projected consecutive hours." 52 Pa. Code § 67.1(b). Damages from reportable storms are normal operating expenses for all utilities, which are accounted for in determining base rates. See e.g. 52 Pa. Code § 53.53(d).

3. Major Storms and Damages

Commission regulations define "major storm" as: "[a]n interruption of electric service resulting from conditions beyond the control of the EDC which affects at least 10% of the

customers in the EDC's service territory during the course of the event for a duration of 5 minutes each or greater. The event begins when notification of the first interruption is received and ends when service to all customers affected by the event is restored." See 52 Pa. Code § 57.192. Commission regulations also provide specific requirements for major storm events: "[f]or all interruption events that caused outages to more than 10% of customers in the utility's service territory, and to the best of the utility's ability to access historical data, [the service outage report provided to the Commission must contain] the historical ranking of the event in terms of the number and duration of outages and examples of two comparable events, including the number and duration of outages for those comparable events." See 52 Pa. Code § 67.1(b)(16). Damages from major storms are normal operating expenses for all utilities and collected from ratepayers in base rates. See e.g. 52 Pa. Code § 53.53(d).

4. Extraordinary Storms and Damages:

Extraordinary storms cause damages that are extraordinary, unanticipated and non-recurring. See e.g. Popowsky v. Pa. PUC, 868 A.2d 606, 611 (Pa. Cmwlth. 2004). The Commission has recognized an exception to the prohibition on retroactive ratemaking for such storm-related expenses in circumstances where a company timely submits a petition to defer such expenses until its next base rate case. See e.g. Petition of PPL Electric Utilities Corporation for Authority to Defer for Accounting and Financial Reporting Purposes certain Losses from Extraordinary Winter Storm Damage and to Amortize such Losses, Docket No. P-00052148, Order (Aug. 26, 2005); Hurricane Irene Petition, Order (Dec. 15, 2011); Halloween Snowstorm Petition, Order (Dec. 15, 2011). In the petition, a company must establish a *prmia facie* case that the expense item claimed appears to be within the scope of the type of items the Commission has allowed as an exception to the general rule prohibiting retroactive recovery of expenses. See e.g.

Halloween Snowstorm Petition, Order at 4. If a petition to defer is granted, the Commission does not determine if the expenses were reasonably and prudently incurred until the claim for recovery is made in the subsequent base rate case. See e.g. Halloween Snowstorm Petition, Order at 3. In the petition proceeding, the Commission merely determines whether the company has met the standard that the expense item claimed appears to be within the scope of the type of items it has allowed as an exception to the general rule prohibiting retroactive recovery of expenses. Id. In its next base rate case when the company seeks recovery of the deferred expenses, the company has the burden to prove that such expenses were reasonably and prudently incurred. Id. at 4-5.

II. RESPONSES TO THE COMMISSION'S QUESTIONS

The OCA submits that the implementation of a reconcilable rider for collection of storm damage expenses is not necessary and contrary to sound ratemaking principles and public policy. Since the Commission set a level of storm damage expense for PPL in its December 28, 2012 Order that includes damages for all types of storms, with the exception of future extraordinary storm damage which PPL may petition to defer to its next base rate case should any such damage occur, the OCA further submits that there is no need to implement PPL's proposed SDER or any type of special recovery mechanism. Should the Commission determine, however, that a mechanism must be implemented, the OCA submits that a storm damage reserve account mechanism should be implemented.

Reserve account mechanisms have been utilized in ratemaking where the Commission has determined that it is necessary to track an expense included in base rates. The OCA submits that the mechanism codified in the Arkansas Statute and the mechanism approved for Indiana Power, discussed in detail in the response to Question 5 below, provide guidance for the situation

presented here. See ARK. CODE ANN. § 23-4-112 (2009); In re Indiana Michigan Power Company, Ind. PUC Lexis 43 (2013) (Indiana Power). In short the reserve account mechanisms in the Arkansas Statute and Indiana Power work as follows: the utility's revenue requirement includes a base amount of storm damage expense, and the company records its actual expenses on an annual basis. The company then summarizes its storm damage restoration reserve revenues and storm restoration expenses in its next base rate case. The company's base rates are then adjusted to resolve any under/over recovery in the reserve account mechanism to more closely align revenue recovery with expected expenses going forward. Further, if the amount of imbedded storm damage expense exceeds the actual expense incurred, ratepayers would receive the benefit of the overpayment in determining base rates.

The OCA notes that PPL stated that it will file its next base rate case in March 2014, which is only three months away. See e.g. December 28, 2012 Order at 46-48. As such, the OCA submits that there is no reason to implement a new mechanism at this time. Instead, the OCA submits that the Commission, if it determines that something must be done now, should direct PPL to use a reserve account mechanism to track the Company's storm damage expense until its next base rate case. In PPL's next base rate case, the Company, interested parties and the Commission can review the reserve account and determine if changes should be made at that time.

A. Question 1: Does the proper test for an automatic adjustment clause include expenses that are "substantial, variable, and beyond the utility's control?" If so, do all storm related operating expenses meet this standard?

Yes, the factors that must be met for an automatic adjustment clause under Section 1307 include expenses that are substantial, variable and beyond the utility's control. Storm related expenses, however, do not meet the standard for a Section 1307 automatic adjusting mechanism.

The Commonwealth Court has reviewed a variety of automatic adjustment clauses similar to the SDER proposed here. Over a series of cases spanning many years, the Court has created useful guidance as to the *limited circumstances* when an automatic adjustment mechanism may be employed. Based on a review of such cases, the OCA submits that PPL's proposed SDER and I&E's "Reserve Rider" proposal do not fit within the parameters and guidance established by the Court in this area, and, accordingly, must be rejected.

Section 1307 does not authorize the Commission to approve surcharges other than in limited circumstances. See Popowsky v. Pa. P.U.C., 869 A.2d 1144, at 1160 (Pa. Cmwlth. 2005), *appeal denied*, 895 A.2d 552 (Pa. 2006) (Popowsky 2005); see also Pennsylvania Industrial Energy Coalition v. Pa. P.U.C., 653 A.2d 1336, at 1349 (Pa. Cmwlth. 1995), *aff'd per curiam*, 670 A.2d 1152 (Pa. 1996) (PIEC). In both cases, the Court cautions against an overuse of automatic adjustment clauses that would tend to "disassemble" the general ratemaking process. As explained in Popowsky 2005, the General Assembly has authorized the Commission to approve automatic adjustment clauses only in limited circumstances, for easily identifiable expenses beyond a utility's control, such as tax rate changes (§1307(g.1)) or changes in the cost of fuel (§1307(c), (d), (f)). Popowsky 2005 at 1156. Importantly, increased storm damage expense is not among the expenses singled out for "dollar-for-dollar" recovery through a surcharge under Section 1307 of the Public Utility Code.

The Commonwealth Court recently provided a review of the limited circumstances where a 1307 automatic adjustment mechanism would be permissible under the Public Utility Code. Popowsky v. Pa. PUC, 13 A.3d 583 (Pa. Cmwlth. 2011) (Newtown). As the Newtown Court provided:

> Section 1307(a) of the Code. *Masthope, PIEC,* and *Popowsky 2005* support the proposition that surcharge recovery is available under Section 1307(a) of the

Code (1) where expressly authorized by the General Assembly, *or* (2) where an expense is easily identifiable and beyond the utility's control. The basis for this distinction lies with the PUC's review under Section 1307(a) of the Code, which this Court described in *Masthope* as follows:

> [T]he [PUC]'s review is appropriately characterized as preliminary and cursory. Indeed, the very function of the typical automatic adjustment clause is to permit rapid recovery of a specific, *identifiable* expense item, with a more comprehensive analysis upon reconciliation of actual costs with previously projected costs used to establish the effective rate. The initial process is essentially a mathematical review of the projections provided by the public utility.

Newtown at 591, citing Masthope Rapids Property Owners Council v. Public Utility Commission, 581 A.2d 994, at 1000 (Pa. Cmwlth. 1990). (Emphasis in original). The Newtown Court went on to discuss that the lack of an express reservation by the General Assembly for recovery is not dispositive of the issue, but rather that:

> [o]nly where the "mathematical" review performed under Section 1307(a) of the Code is inadequate to determine whether a surcharge is "just and reasonable," is express statutory authority required for surcharge recovery.

Newtown at 591. (Quotes in original, footnote omitted). As just discussed, the Court in Newtown set out clear rules for determining whether an automatic adjustment clause is permissible and appropriate under Section 1307, as follows:

1. Where recovery is expressly authorized by the General Assembly within Section 1307; or

2. Where the expense is easily identifiable and beyond the utility's control, but, if such, then the purely mathematical review under Section 1307(a) must be adequate to determine whether the surcharge is just and reasonable.

PPL's proposed SDER is not consistent with the clear guidance from the Commonwealth Court in this area. For one, PPL has the ability to decide the mechanics and procedures it will use in response to storm damage. It may be true that PPL has no control over the damage

inflicted on its infrastructure by storms,[4] and as such the damage inflicted is beyond the utility's control, but the level of resources, materials, and strategies to repair storm damage that PPL decides to employ in response to a specific event are all within the utility's control. Further, the level of additional expense incurred, over and above the base rate level, cannot be simply subjected to a mathematical review to determine whether such expenses are prudent and just and reasonable. Importantly, this is so because PPL has input and a degree of control over how these expenses are created through its storm response strategies and procedures and how the expenses are accounted for.

Moreover, over the last several years, PPL has petitioned the Commission, successfully, for the ability to defer storm damage expenses that the utility has deemed to be extraordinary with the potential to recover those deferred costs in its next base rate case.[5] In fact, in the current docket PPL was granted the authority to begin collecting the deferred costs from two of these events, the 2011 October Snowstorm and Hurricane Irene. See December 28, 2012 Order at 38.

In addition, in approving the use of an automatic adjustment clause, the Newtown Court also relied on the fact that:

> the revenue collected under the PWAC cannot exceed three percent of the total amount billed to ratepayers. In order to recover increases in purchased water

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[4] The OCA would note, however, that repeated storm damage of the same type, to the same components, in the same geographical areas should cause the utility to rethink its repair and replacement strategies. For example, repeated wooden pole failures in heavily forested areas should indicate a need for better vegetation management practices, the use of alternative structures, such as metal or concrete reinforced structures, or both. In this area the utility has a vested interest in keeping restoration costs to a minimum, at least when such expenses are in base rates. Under a fully reconcilable, dollar-for-dollar recovery rider as PPL proposes here, however, all incremental costs above those included in base rates are the sole responsibility of ratepayers.

[5] See Petition of PPL Electric Utilities Corporation for Authorization to Defer, for Accounting Purposes, Certain Unanticipated Expenses Relating to Storm Damage from the Late October 2011 Snowstorm, Dock. No. P-2011-2274298 (Order entered Dec. 15, 2011) (October Snowstorm Petition); Petition of PPL Electric Utilities Corporation for Authorization to Defer, for Accounting Purposes, Certain Unanticipated Expenses Relating to Storm Damage, Dock. No. P-2011-2270396 Order entered Dec. 15, 2011) (Hurricane Irene Petition); and Petition of PPL Utilities Corporation for Authorization to Defer, for Accounting Purposes, Certain Extraordinary Expenses Relating to Storm Damage, Dock. No. P-2012-2338996 (Order entered Feb. 14, 2013) (Superstorm Sandy Petition).

> expense that exceed the three percent cap, therefore, NAWC must file for a base rate under Section 1308 of the Code. Finally, upon the resolution of any base rate filing by NAWC, the costs previously recovered under the PWAC will be incorporated into NAWC's base rate and the PWAC will be reset to zero. The PWAC, therefore, is not being used as a "universally available alternative to a base rate case."

Newtown at 593. (Citations omitted). PPL's proposed SDER has no limit on the level of expense that the utility can seek to recover from ratepayers on a fully-reconcilable, dollar-for-dollar basis. Arguably, PPL could experience the "storm of the century" and, under its proposal, pass 100% of those costs through to ratepayers without ever having the need to file a Section 1308 base rate case and without review of the costs.[6] This is exactly the scenario that the Court has warned of on several occasions as to the misuse of surcharges resulting in a "disassembly" of the traditional ratemaking process.

The OCA submits that the Court's discussion and analysis of Section 1307 automatic adjusting clauses in the Newtown case are relevant to the matter at hand. As discussed, neither PPL's proposed SDER nor I&E's Reserve Rider Proposal fit within the narrow boundaries created by the General Assembly and the Courts for approval as an automatic adjustment mechanism. Accordingly, both of these proposals must be rejected.

As to the additional question whether all storm damage expenses are "substantial, variable, and beyond the utility's control," the answer is no. As just discussed, PPL has some level of control over the resources that it employs to deal with storm damage. Perhaps more importantly, the Commission authorized PPL to collect $14.7 million dollars annually in base rates for average, ordinary, recurring storm damage as discussed in the Introduction to these Comments. In the OCA's view, considering the level of funding incorporated into PPL's base

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[6] In addition, under PPL's proposed SDER all "major storm events" are treated the same for purposes of collection from ratepayers as the costs would be amortized over three years. This is true whether such costs are $20 million or $200 million.

rates for storm damage expense and the differing nature of storms, "all" storm damage expenses can hardly be classified as "substantial."

B. Question 2: Does Section 1307 authorize "one-way" reconciliation provisions? Is BIE's storm damage reserve proposal contrary to statutory requirements?

As discussed in the OCA's response to Question 1 above, PPL's proposed SDER does not meet the carefully crafted requirements necessary for a Section 1307 automatic adjustment clause. As to the issue of "one-way" reconciliation for a Section 1307 mechanism, the Commonwealth Court's discussion in Masthope is instructive :

> [T]he [PUC]'s review is appropriately characterized as preliminary and cursory. Indeed, the very function of the typical automatic adjustment clause is to permit rapid recovery of a specific, *identifiable* expense item, with a more comprehensive analysis upon reconciliation of actual costs with previously projected costs used to establish the effective rate. The initial process is essentially a mathematical review of the projections provided by the public utility.

Newtown at 591, citing Masthope Rapids Property Owners Council v. Public Utility Commission, 581 A.2d 994, at 1000 (Pa. Cmwlth. 1990). (Emphasis in original). In the OCA's view, the term "reconciliation" denotes the inclusion of over and under recoveries.

As to the question of whether I&E's proposal is contrary to statutory requirements, reserve accounts have been used in the traditional ratemaking process. A properly constructed reserve account tracks changes in the underlying expense item that is embedded in base rates. When the base rate case is filed, over or under expenditures can be reviewed and then addressed within the context of the base rate case and within all required statutory parameters. As to the question of whether I&E's proposal to include an automatic adjusting rider mechanism is contrary to statutory requirements, the OCA submits that adding the rider component makes the I&E proposal suffer from all the same flaws as PPL's proposed SDER.

The OCA would also note that I&E's Reserve Rider proposal was set out as a redline to PPL's proposed tariff supplement and submitted as an attachment to I&E's original Comments in this proceeding on April 18, 2013. As such, I&E's proposal was not fully vetted through the discovery and evidentiary phases of the base rate case. As the OCA understands it, however, PPL would establish a reserve fund.[7] In between rate cases, this fund would continually accumulate the monies that are annually embedded in PPL's base rates and could be used for storm damage expenses. Should the reserve fund be depleted due to a larger than normal amount of storm related expenses, then a rider mechanism would be implemented in order to replenish the fund prior to the start of the next year. The charges to customers through this rider would occur automatically, without any prudence review of PPL's past expenses, and subsequently without any way to ascertain that the rider amount would represent a just and reasonable rate. At the next base rate filing, presumably, the storm expenses incurred and revenues received would be subject to check, and may have some bearing on the level of base rate expense included for storm damage on a going-forward basis. See I&E Comments at attachment.

In the OCA's view, the lack of appropriate oversight, accountability and review should preclude the use of a reserve rider mechanism as I&E has proposed.

C. Question 3: Under a SDER or similar mechanism, what is the appropriate period to amortize a "major storm?" Provide statistical data or other relevant factors that the Commission should consider to support the appropriate amortization period. Should the Commission establish one amortization period that applies to all "major storms" or a sliding scale of amortization periods based on the expense levels or other factors?

The OCA submits that there is no single appropriate period to amortize every storm damage expense claim from a major storm. As detailed above, major storms are presumably

[7] The OCA would note that the OCA is construing I&E's Reserve Rider proposal from the redline and the Comments submitted by I&E on April 18, 2013. Reply Comments were submitted by PPL, PPLICA and the OCA, but there is no record of I&E submitting Reply Comments. As such, the OCA is operating from a limited amount of information as to exactly how I&E's proposal would operate at this time.

events "that caused outages to more than 10% of customers in the utility's service territory." See 52 Pa. Code § 67.1(b)(16). As further detailed above, storm damage expense from major storms is a normal operating expense for utilities and is taken into account in setting base rates. See e.g. 52 Pa. Code § 53.53(d). To be clear, no utility in Pennsylvania amortizes storm damage expense from *all* major storm events; only extraordinary storm damage is accorded such treatment. For extraordinary storms, amortization periods have generally ranged from five to ten years. See e.g. December 28, 2012 Order at 38 (The Commission directed amortization of PPL's claims for recovery of extraordinary storm damage expenses from Hurricane Irene in 2011 and the October Snowstorm in 2011 over five years); Petition of West Penn Power Company for Authority to Defer for Regulatory Accounting and Reporting Purposes Certain Losses from Extraordinary Storm Damage, Docket No. P-2010-2216111, Order (Apr. 1, 2011) (West Penn Deferral Order); reconsideration denied by Order entered July 18, 2011 (The Commission directed West Penn to amortize extraordinary storm damage expenses incurred in February 2010 over ten years). As such, there is no statistical data for the Commission to consider in determining an appropriate amortization period for storm damage expense from major storm events.

D. Question 4: For purposes of the SDER, should the Commission establish a different definition for "major storm" to comply with "extraordinary, non-recurring, and unanticipated" criteria?

No. Major storms are storms that are not necessarily extraordinary but are recurring and are anticipated. As such, the definition of major storms cannot be altered to comply with the "extraordinary, non-recurring and unanticipated" criteria. These criteria refer specifically to extraordinary storms, which cause damage beyond that which could have been anticipated by a utility. Not all major storms, and in fact very few major storms, are also considered extraordinary storms. To put this into context, PPL provides electric service to approximately

1.4 million customers. December 28, 2012 Order at 5. By definition, a "major storm" would cause an outage for at least 10% or 140,000 of PPL's customers for 5 minutes or more. See 52 Pa. Code § 57.192. During Hurricane Irene in August of 2011, 428,503 of PPL's customers, or nearly 31%, experienced a storm-related outage. See Hurricane Irene Petition, Order at 2 (Dec. 15, 2011). During a snowstorm in October of 2011, 388,318 of PPL's customers, or nearly 28%, experienced a storm-related outage. See Halloween Snowstorm Petition, Order at 2 (Dec. 15, 2011). These storms resulted in outages three times that required to meet the Commission's definition of "major storm."

Expenses incurred from storms, such as Hurricane Irene and the Halloween Snowstorm described above, are generally of an amount much greater than anticipated in determining a company's annual storm damage expense. As such, expenses from these storms may become the subject of a petition to defer the expenses until the company's next base rate case. See e.g. Hurricane Irene Petition, Order (Dec. 15, 2011); October Snowstorm Petition, Order (Dec. 15, 2011). See also Petition of PPL Electric Utilities Corporation For Authorization to Defer, For Accounting Purposes, Certain Unanticipated Expenses Relating to Storm Damage, Docket No. P-2012-2338996, Order (Feb. 14, 2013) (Superstorm Sandy Petition).

The OCA submits that lumping all "reportable" storm damage expenses together would blur the line between what might or might not be reasonably anticipated in a utility's service territory. As discussed above, storm damage expense for all non-reportable and reportable storms, except for reportable storms that rise to the level of extraordinary storms, is a normal operating expense for utilities. Also as discussed above, in its December 28, 2012 Order, the Commission allowed an annual expense amount of $14.7 million to PPL for storm damage from reportable storms, which amount included damage expense from major storms. See December

28, 2012 Order at 38. The Commission also allowed an annual expense amount of $3.175 million to PPL for storm damage from non-reportable storms. Id. In allowing these amounts, the Commission adopted PPL's storm damage expense claim. Id. The OCA, therefore, submits that there can be no viable argument that PPL is not fully collecting its claimed operating expense for all storm damage in a timely manner.

E. Question 5: What regulatory precedent, both in PA and in other states, exists for a "replenishing" storm reserve fund? How do other jurisdictions provide for recovery in excess of the reserve funding amounts? Should other over-recovery amounts, such as above authorized actual returns, be included in such cost recovery reserve funds?

To the best of the OCA's knowledge, no self-replenishing storm reserve fund has ever been used in Pennsylvania. I&E's April 18 Comments, however, included a review of storm reserve accounts from a number of other jurisdictions. See I&E Comments at 17-23. The OCA reviewed the materials cited by I&E. A careful review of this information supports a straight-forward reserve account approach rather than a rider mechanism that works to replenish a storm reserve account.

I&E started its discussion with the case of the Public Service Company of New Hampshire. I&E Comments at 17. A review of that matter provides that a major storm reserve account (MSCR) was already in place there. In re Public Service Company of New Hampshire, N.H. PUC Lexis 54, at *1-2 (2008) (New Hampshire). In New Hampshire, the utility submitted a petition to seek an increase to the annual level of funding that was already being supplied to the MSCR. The commission set this matter for hearings, in order to establish whether such an increase was warranted, before such charges were passed through to customers. It is important to recognize that the annual level of funding for the MSCR was the subject of a settlement

agreement reached in the utility's most recent base rate case, and that as a result of that rate case there was a distribution rate decrease. New Hampshire at *1-4.[8]

I&E next discussed the case of Progress Energy as to the operation of a reserve account there. In re Progress Energy Florida, Inc., Fla. PUC Lexis 582 (2009) (Progress Energy). In Progress Energy, the utility submitted a petition seeking to increase the funding for its Storm Damage Reserve Account (created by regulation) in order to include "storm hardening expenses." Progress Energy at *1-4. The utility was not seeking to establish a storm reserve account, or to increase the annual level of funding to account for increased storm restoration costs, but rather was seeking to include pre-emptive storm costs such as increased vegetation management in its reserve account. Id. The commission denied the utility's request. Progress Energy at *13.

I&E next referenced an Arkansas statute.[9] I&E Comments at 17-18. The Arkansas Statute specifically provides that the commission may authorize an electric utility to create a reserve account for storm restoration expense. Arkansas Statute at (b). In general, the reserve account incorporates the level of storm damage expense set in the utility's most recent base rate case, with tracking procedures for additional debits or credits to the account. Arkansas Statute at (c)(1), (2). Importantly, the treatment of any accumulated debits or credits to the reserve account

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[8] Very similar to the facts in the New Hampshire matter, the Granite State case discussed by I&E (I&E Comments at 17) involved a Petition filed by the utility to increase the annual level of funding to its already existing Storm Fund; the annual level of funding had been set in a settlement agreement; the commission set the matter for hearings; and the Storm Fund, consistent with the New Hampshire matter only applied to "major storms." In re Granite State Electric Company d/b/a National Grid, N.H. PUC Lexis 63 at *1-4 (2010).

[9] ARK. CODE ANN. § 23-4-112 (2009) (Arkansas Statute).

are dealt with in the utility's next base rate case, after the Commission has performed a review and audit of the claimed expenses. Id.[10]

I&E further discussed the experience of one New York electric utility as to storm restoration expenses. I&E Comments at 18-19. See In re Central Hudson Gas & Electric Corporation, N.Y. PUC Lexis 710 (2000) (Central Hudson). In Central Hudson, the utility was under an existing Order from the commission, in relevant part:

> Beginning July 1, 1998 Central Hudson is required to defer, for future disposition, electric earnings in excess of its authorized 10.6% return on equity (Case 96-E-0909, Central Hudson's Electric Restructuring Plan).

Central Hudson at *2 (For calendar year 1999, the utility had $9.8 million in excess electric earnings).

The utility submitted a petition to defer any storm restoration costs from Tropical Storm Floyd that would exceed its available excess electric earnings. The commission's staff reviewed the storm restoration costs and concluded that incremental restoration costs in the amount of $6.9 million as later calculated by the utility were accurate. Accordingly, the commission's staff recommended that the utility be authorized to offset the entire $6.9 million against the utility's existing excess electric earnings, and thus no deferral of storm restoration costs were necessary. Id. at *1-4. The commission approved the staff's recommendation. Id. at *6.

Next, I&E discussed a Mississippi case where the commission authorized a reserve account for storm damage with provisions for incremental funding increases. I&E Comments at 19-21, citing In re Entergy Mississippi, Inc., Miss. PUC Lexis 4 (2013) (Entergy). In Entergy, the commission explained that the utility "maintains a storm damage reserve pursuant to

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[10] I&E also discussed the fact that PPL is not the only east coast utility affected by the recent spate of storms. I&E noted, however, that New Jersey's electric utilities chose to use the customary deferred accounting method to deal with their substantial storm losses. I&E Comments at 18; See In re Public Service Electric and Gas Company and Atlantic City Electric Company, N.J. PUC Lexis 11 (2013).

Commission orders and consistent with the Federal Energy Regulatory Commission's ("FERC") Uniform System of Accounts." Entergy at *1-2. The commission authorized a monthly accrual amount for the storm damage reserve account, and established an annual audit and review process to assess whether the current funding level was in need of adjustment. Entergy at *3-4.

In the OCA's view, there is a clear pattern to how these other jurisdictions treat storm reserve accounts. To be clear, the OCA agrees with I&E that the treatment of these storm restoration costs in the jurisdictions reviewed does not lend any support to the use of a Section 1307 type automatic adjusting rider as proposed by PPL. The main takeaway from these cases is that the utility has a storm reserve account in place with a predetermined level of annual funding. In the event that the reserve account proves to be insufficient, the utility makes a *filing* with its commission seeking permission to increase the level of its embedded storm reserve account. Such filing is then subject to intervenor challenges, audit, review and all of the other customary procedures that would accompany a petition *prior to* any authorization to start collecting additional monies from customers.

Lastly, I&E discussed recent actions in Indiana. See I&E Comments at 21-23, citing In re Indiana Michigan Power Company, Ind. PUC Lexis 43 (2013) (Indiana Power). In Indiana Power, the utility sought to establish a major storm reserve account. The commission agreed that the establishment of such a reserve account was reasonable, and provided that:

> Under the proposal, Petitioner's revenue requirement will include a base amount of storm damage expense, and the Company will record its actual expenses on an annual basis. *In its next basic rate case filing*, the Company will summarize the major-storm damage restoration reserve revenues and the major-storm restoration expenses. Once the Commission has reviewed those revenues and expenses and issued an order in that case, basic rates will be adjusted to resolve any under/over recovery positions and more closely align revenue recovery with expected expenses. And if the amount of imbedded storm damage expense exceeds the actual expense incurred, ratepayers will receive the benefit of the overpayment. Other parties to the subsequent rate case will retain the ability to challenge the

> reasonableness of the storm expenses included in the reserve account. By following that approach, the Commission is once again able to consider issues associated with the Reserve in the context of a rate case in which it has before it a variety of issues to consider in establishing I&M's revenue requirement and setting its rates.

Indiana Power at *219-220. (Emphasis added). As the commission explained, the major storm reserve account would operate with a base level of funding and a tracker mechanism that would then enable the commission and all other parties to review those expenses and make adjustments to this base level of funding in the utility's next base rate case. There is no indication in this Order that interim levels of additional funding, outside of a base rate case, would be entertained.

A review of these cases shows that the creation of a reserve account to deal with storm damage expenses, with opportunities to increase the level of funding after a proper filing, is utilized in other states. The OCA would particularly urge the Commission to review the Central Hudson model, where earnings above the utility's authorized ROE are used as an offset to potential increased funding needs. In conclusion, however, the OCA submits that a review of these cases provides no support for PPL's SDER, or the modified approach suggested by I&E where interim funding increases are authorized without the appropriate level of review.

F. Question 6: Should there be a cap on the amount of costs recoverable under a storm rider or reserve account in order to ensure rates are "just and reasonable?" If so, what should the amount of the cap be?

The OCA submits that capping costs recoverable through an automatic reconcilable rider will not ensure that PPL's rates remain just and reasonable. The Public Utility Code requires that all rates charged by a public utility be just and reasonable. 66 Pa. C.S. § 1301. Public utilities have the burden of proving that their rates are just and reasonable. 66 Pa. C.S. § 315(a). In order to meet this burden with regard to an expense, utilities must prove that the amount was reasonably and prudently incurred. See e.g. Halloween Snowstorm Petition, Order at 4-5. The OCA submits that implementing a cap on costs recoverable through a rider or reserve account

mechanism is not a viable substitute for a utility meeting its burden of proof that its claimed expenses are reasonable and prudent.

G. Question 7: Why is it appropriate to charge interest on any amortized expenses? Provide pertinent case histories on where the Commission has permitted collection of interest on similar expenses. Under PPL's proposal, does interest accrue to customers on the $14.7M reserve as it is collected in rates?

The OCA submits that it is not appropriate to charge interest on amortized expenses collected in base rates. In fact, it is well established that no interest is charged on amortizations and deferred expenses, especially storm damage expense deferrals. See e.g. Butler Township Water Co. v. Pa. PUC, 81 Pa. Commw. 40, 47, 473 A.2d 219, 223 (1984) (The Commonwealth Court upheld the Commission's disallowance of carrying charges on unamortized balance of, *inter alia*, flood and freeze-up damages). In its orders permitting deferral of extraordinary storm damage expenses, the Commission states that the "authorization is limited to [the company's] actual operations and maintenance costs for the damage caused by the storm." Superstorm Sandy Deferral Order at Ordering Para. 1(e); West Penn Deferral Order at Ordering Para. 1(d). Furthermore, in the 2012 base rate case, presumably because it is a well-established ratemaking principle, PPL did not include interest on the Company's proposed amortization of the deferred extraordinary storm damage expenses from the 2011 storms. See PPL St. 2-R at 4, Exh. Future 1-Rev at D-9.

With regard to the collection of interest, PPL's proposed SDER states that interest will be included on expenses for major storm events that are subject to amortization. SDER at 19Z.21. The interest "shall be computed monthly at the average rate of interest specified for residential mortgage lending by the Secretary of Banking." Id. The proposed SDER is silent on whether interest will accrue to customers on the $14.7 million of annual operating expense related to storm damage that PPL collects in its base rates.

H. Question 8, SDER rate filings: Should the Commission require review and approval of the annual rates before taking effect? What precedents exist for review of similar expenses? What service requirements, comment opportunity and reporting requirements should be required in such rate filings? Should only actual or estimated expenses be included?

According to PPL's proposal, the Company would file its proposed SDER charges by December 1 for rates going into effect the following January 1. SDER at 19Z.24. The charges filed on December 1 may include estimated data. Id. PPL's proposed SDER further provides:

> [T]he Company will file with the Commission by January 30 of each year a reconciliation of the sum of SDER revenues and base rate revenues for recovery of storm damage expenses and qualifying storm damage expenses for the preceding calendar year.
>
> Application of the SDER shall be subject to review and audit by the Commission at intervals that it shall determine. The Commission may review the level of charges produced by the SDER and the costs included therein.

SDER at 19Z.24. The annual SDER surcharge would be partially calculated using estimates and go into effect before the Commission has the opportunity to review the expenses claimed. Furthermore, there is no process by which interested parties could review the expenses claimed and oppose expenses not believed to be reasonably and prudently incurred.

The OCA submits that the near total lack of review of PPL's proposed SDER amounts would remove any incentive for PPL to contain its expenses related to storm damage because recovery of any and all storm damage expenses would be virtually guaranteed. Without such parameters, it follows that the SDER would continually increase each year, thereby saddling customers with storm damage expenses even during times when they may be experiencing an outage due to a storm. The OCA submits that there was no claim or demonstration in PPL's 2012 base rate case that the Company was not adequately and fully recovering its storm damage expenses in base rates. See R.D. at 40. In fact, I&E witness Morrissey's reserve mechanism recommendation was merely an *alternative* recommendation to permitting PPL's entire storm

damage expense claim in base rates including its storm insurance premium. See I&E St. 2 at 35-36.[11] The Commission, however, granted PPL's entire claim for storm damage expense. See December 28, 2012 Order at 38. There is, therefore, no need for PPL's proposed SDER, and it should be rejected.

Further, under PPL's proposal major storm damage expenses encompass extraordinary storm damage expenses. As discussed in Section I.C.4 above, such expenses are generally the subject of a petition to defer the expenses until the company's next base rate case. See e.g. Petition of PPL Electric Utilities Corporation For Authorization to Defer, For Accounting Purposes, Certain Unanticipated Expenses Relating to Storm Damage, Docket No. P-2012-2338996, Order (Feb. 14, 2013) (Superstorm Sandy Deferral Order); Hurricane Irene Petition, Order (Dec. 15, 2011); October Snowstorm Petition, Order (Dec. 15, 2011). The standard that a company must meet in seeking authorization for deferral accounting is whether, based on Commission precedent, the expense item claimed appears to be within the scope of the type of items the Commission has allowed as an exception to the general rule prohibiting retroactive recovery of expenses. See e.g. Petition of PPL Electric Utilities Corporation for Authority to Defer for Accounting and Financial Reporting Purposes certain Losses from Extraordinary Winter Storm Damage and to Amortize such Losses, Docket No. P-00052148, Order at 8 (Aug. 26, 2005).

In granting such petitions, the Commission does not determine if the expenses were reasonably and prudently incurred because no record is developed. Superstorm Sandy Deferral Order at 3. The Commission merely determines whether the company has met the standard that the expense item claimed appears to be within the scope of the type of items it has allowed as an

[11] Subsequent to witness Morrissey's testimony, PPL revised its total storm damage expense recovery claim due to the unavailability of insurance beyond the future test year. See December 28, 2012 Order at 35.

exception to the general rule prohibiting retroactive recovery of expenses. Id. In the company's next base rate case, the parties are given an opportunity to examine such expenses for reasonableness, as occurred in PPL's 2012 base rate case. See December 28, 2012 Order at 35-36. PPL's proposed SDER effectively eliminates the process of requesting deferral of extraordinary storm damage expenses until the Company's next base rate case, thereby eliminating the opportunity for interested parties to review the expenses for reasonableness in that rate case. Similarly, I&E's reserve rider would allow for interim funding increases without the requisite and appropriate level of review. Accordingly, neither PPL's nor I&E's proposals should be adopted here.

As to precedent for review and approval of similar expenses, the OCA submits that every other utility in Pennsylvania has storm damage expense claims fully reviewed within the context of a base rate case.

I. Question 9: How should storm damage rider costs be allocated among rate classes? Should the allocation factors be included in the tariff?

As the Commission is aware, the issue of cost allocation was fully litigated in this matter. The Commission accepted PPL's cost of service study (COSS) as a means to allocate the rate increase that was approved in this matter. See December 28, 2012 Order at 118-119. In response to this question, however, the OCA would submit that a fair and reasonable allocation process would be for all distribution customers to pay a flat per KwH charge. All customers benefit from the operation of the distribution system. Accordingly, all customers benefit from restoration of that system. In the OCA's view, such benefits are commensurate with the level of usage (KwHs used) and thus the costs should be assigned accordingly.

The OCA recognizes, however, in PPL's COSS storm damage expense was allocated based on distribution plant and PPL has proposed the same treatment here. The OCA submits

that COSSs are as much art as science. Accordingly, PPL's SDER allocation method should be rejected as it assumes a level of precision that does not exist. The OCA would further submit that whatever allocation factors are used should be included in PPL's tariff.

III. CONCLUSION

The Office of Consumer Advocate submits the foregoing information for the Commission's consideration pursuant to its Order entered November 15, 2013.

Respectfully Submitted,

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Dated: December 16, 2013
177475

CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utility Commission :
v. :
PPL Electric Utilities : Docket No. R-2012-2290597

I hereby certify that I have this day served a true copy of the Office of Consumer Advocate's Comments, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code §1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 16th day of December 2013.

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