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File #: 154640

April 18, 2014

***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 v. PPL Electric Utilities Corporation**  
**Docket No. R-2012-2290597**

Dear Secretary Chiavetta:

Enclosed for filing is the Petition of PPL Electric Utilities Corporation for Reconsideration and Clarification in the above-referenced proceeding. Copies will be provided as indicated on the certificate of service.

Respectfully submitted,

Christopher T. Wright

CTW/jl  
Enclosures

cc: Honorable Susan D. Colwell  
Certificate of Service

## CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing 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: April 18, 2014

  
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Christopher L. Wright

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

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**PETITION OF PPL ELECTRIC UTILITIES CORPORATION  
FOR RECONSIDERATION AND CLARIFICATION**

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PPL Electric Utilities Corporation (“PPL Electric”), pursuant to Section 703(g) of the Public Utility Code, 66 Pa.C.S. § 703(g), and the provisions of Section 5.572 of the Pennsylvania Public Utility Commission’s (“Commission”) regulations, 52 Pa. Code § 5.572, hereby files this Petition requesting reconsideration and clarification of certain portions of the Commission’s Order entered April 3, 2014, at Docket No. R-2012-2290597 (“*April Order*”). In the *April Order*, the Commission approved, with certain modifications, PPL Electric’s proposed Storm Damage Expense Rider (“SDER”). PPL Electric has a statutory obligation to take all reasonable steps necessary to restore service promptly after an outage. The SDER will provide significant benefits to all PPL Electric customers because it will permit PPL Electric to undertake all reasonable measures to restore service as promptly as practicable, and will permit prompt and full recovery of all reasonable storm damage expense without over or under collections of eligible expenses.

PPL Electric commends the Commission for approving the SDER and the resulting benefits it will provide to end use customers. PPL Electric generally agrees with and supports the SDER as modified by the *April Order* and does not want to delay implementation of the

SDER. However, PPL Electric requests that the Commission reconsider and clarify certain portions of the *April Order* to ensure that the SDER, as modified, will provide timely and full recovery of storm damage expenses as intended.

Specifically, PPL Electric submits that the Commission should reconsider those portions of the *April Order* that rely on Section 1308 of the Public Utility Code, 66 Pa.C.S. § 1308, as the basis for imposing the 3% cap on the SDER, and clarify the order to make it clear that the 3% cap is being imposed pursuant to Section 1307 of the Public Utility Code, 66 Pa.C.S. § 1307, and is not mandated by Section 1308. PPL Electric further submits that the Commission should reconsider those portions of the *April Order* that exclude generation and transmission revenues from the 3% cap, and clarify the order to make it clear that the 3% cap applies to the “total intrastate operating revenues billed to customers,” including all distribution, transmission, and generation revenues. In the alternative, PPL Electric submits that the Commission should reconsider those portions of the *April Order* that exclude revenues generated by distribution clauses and riders from the total distribution revenues billed to customers, and clarify the order to make it clear that the total distribution revenues billed to customers include all revenues generated from distribution clauses and riders for purposes of the 3% cap on the SDER. Finally, PPL Electric submits that the Commission should reconsider those portions of the *April Order* that direct the SDER to be set to zero in each base rate case, and clarify the order to make it clear that the SDER should continue to recover or refund, as appropriate, the actual storm damage expenses incurred during the prior year that are less than or greater than the amount of reportable storm damages expense to be recovered in base rates as determined in the most recent base rate case.

PPL Electric believes that the requested reconsideration and clarifications of the *April Order* are consistent with Public Utility Code and ratemaking principles, and are appropriate to ensure that the SDER operates as intended. To avoid unduly delaying the prompt implementation of the SDER, PPL Electric respectfully requests that this Petition be considered on an expedited basis. For these reasons, PPL Electric respectfully requests that the Commission reconsider and clarify certain portions of April Order as described below.

## **I. INTRODUCTION**

1. On March 28, 2013, pursuant to the Commission's Order entered in this proceeding on December 28, 2012, PPL Electric filed Supplement No. 130 to its Tariff – Electric Pa. P.U.C. No. 201. There, PPL Electric proposed the Storm Damage Expense Rider (“SDER”) to provide for recovery of certain eligible operating expenses caused by storms that are reportable under the Commission's regulations at 52 Pa. Code § 67.1(b). The purpose of the SDER was to replace storm damage insurance that PPL Electric's insurer, PPL Power Insurance, Ltd., and its reinsurers had refused to renew due to extreme losses that they had incurred under those storm insurance policies, most recently from Hurricane Sandy in October, 2012.

2. Upon receipt of the SDER and accompanying cover letter, the Commission, on April 5, 2013, issued a Secretarial letter directing parties to submit comments regarding the SDER on or before April 18, 2013 and reply comments on or before May 6, 2013. The Commission's Bureau of Investigation and Enforcement (“I&E”), the Office of Consumer Advocate (“OCA”), Dominion Retail, Inc., Direct Energy and PP&L Industrial Customer Alliance (“PPLICA”) submitted comments on PPL Electric's proposed SDER. PPL Electric, OCA and PPLICA filed Reply Comments.

3. Upon consideration of the SDER, comments and reply comments of the various parties, the Commission entered an Order on November 15, 2013. There, the Commission

invited further comments and replies regarding the SDER. The Commission explained that the further comments and replies were being permitted in order to ensure all parties due process rights and provide the Commission with the benefit of additional substantive input. In order to guide the comments of the parties, the Commission asked the parties to address nine subjects that were set forth in Appendix A to the November 15, 2013 Order.

4. On December 16, 2013, PPL Electric, I&E, OCA, and PPLICA submitted comments in response to the Commission's November 15, 2013 Order. In its comments, PPL Electric proposed certain changes to its as-filed SDER to reflect issues raised in the Commission's order and questions. On December 31, 2013, PPL Electric, I&E, OCA, PPLICA and the Office of Small Business Advocate ("OSBA") submitted replies to comments.

5. On April 3, 2014, the Commission entered the *April Order* approving the SDER subject to certain modifications. Therein, the Commission concluded that the SDER is an automatic adjustment mechanism that complies with the requirements of Section 1307 of the Pennsylvania Public Utility Code, 66 Pa.C.S. § 1307.

6. In approving the SDER, the *April Order* adopted certain modifications that were not raised by, addressed by, or presented to any of the parties to this proceeding. Specifically as it pertains to this Petition for Reconsideration and Clarification, the *April Order* modified the SDER so that the total annual revenues collected under the SDER cannot exceed 3% of the base distribution revenues, excluding generation, transmission, and distribution rate rider revenues ("3% cap"). (*April Order* pp. 25, 29-30.) The *April Order* also modified the SDER so that it would be set to zero in each base rate case. (*April Order* pp. 27 and 30.)

7. As explained below, for purposes of the SDER, PPL Electric does not oppose a 3% cap, if it is calculated based on *all* distribution revenues. PPL Electric submits, however, that

the Commission's basis for adopting the 3% cap, *i.e.*, Section 1308 of the Pennsylvania Public Utility Code, 66 Pa.C.S. § 1308, is in error. PPL Electric also submits that the *April Order* erred in interpreting the 3% cap in Section 1308 to apply only to distribution revenues. PPL Electric further submits that, even if the 3% cap were to apply only to distribution revenues, the *April Order* erred by failing to include revenues from distribution riders and clauses in the determination of total distribution revenues. Finally, the *April Order* erred in directing that the SDER should be set to zero in base rate cases.

8. For these reasons, as further explained below, PPL Electric requests that the Commission reconsider and clarify portions of its *April Order*.

## **II. STANDARD FOR GRANT OF RECONSIDERATION HAS BEEN MET.**

9. The Commission's standards for granting reconsideration following final orders are set forth in *Duick v. Pennsylvania Gas and Water Co.*, 56 Pa. P.U.C. 553, 559 (1982):

A petition for reconsideration, under the provisions of 66 Pa. C.S. § 703(g), may properly raise any matters designed to convince the Commission that it should exercise its discretion under this code section to rescind or amend a prior order in whole or in part. In this regard we agree with the Court in the Pennsylvania Railroad Company case, wherein it was said that “[p]arties ..., cannot be permitted by a second motion to review and reconsider, to raise the same questions which were specifically considered and decided against them....” What we expect to see raised in such petitions are new and novel arguments, not previously heard, or considerations which appear to have been overlooked or not addressed by the Commission.

10. As explained below, the *April Order* erred by applying the general rate case provisions of Section 1308 to a Section 1307 automatic adjustment surcharge. The *April Order* also erred by limiting recovery under the SDER to 3% of annual distribution revenues, excluding generation and transmission revenues. In addition, even if the Commission were to determine for policy reasons that there should be a 3% SDER cap based on distribution revenues, the *April*

*Order* erred by excluding revenues from distribution clauses and riders in calculating the 3% cap. Finally, the *April Order* erred in directing that the SDER should be set to zero in base rate cases.

11. The 3% cap adopted in the April Order was not proposed by or addressed in any of the briefs, testimony, or comments submitted by the parties.<sup>1</sup> Moreover, whether the revenues collected under the SDER should be limited to 3% of annual distribution revenues, excluding the generation, transmission, and distribution rider revenues, was not presented to or addressed in any of the briefs, testimony, or comments submitted by the parties.

12. Further, the issue of whether the SDER should be set zero in each base rate case was not raised by the Commission's November 15, 2013 Order, nor was it proposed by or addressed in any of the briefs, testimony, or comments submitted by the parties.

13. These new and novel issues clearly have not been addressed in this proceeding. These issues satisfy the Commission's standards for reconsideration under *Duick, supra*. Therefore, it is reasonable and appropriate for the Commission to exercise its discretion to grant this Petition and reconsider and clarify certain portions of the *April Order* as explained below.

### **III. ARGUMENT FOR RECONSIDERATION**

#### **A. The *April Order* Erred in Relying on Section 1308 in Adopting the 3% Cap**

14. In adopting the 3% cap for the SDER, the *April Order* explained that the 3% cap is being imposed pursuant to Section 1308 of the Pennsylvania Public Utility Code, 66 Pa.C.S. § 1308. (*April Order* pp. 25 and 30.) Although PPL Electric does not oppose a properly defined 3% cap on revenues recovered through the SDER, PPL Electric submits that the basis for adopting the 3% cap is in error.

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<sup>1</sup> In its comments, PPL Electric explained why a cap on the SDER would not be appropriate. The only party to this proceeding that commented on the SDER cap recovery issues was PPLICA, which arbitrarily suggested a 1% cap on the SDER. (PPLICA Comments pp. 6-7.)

15. The *April Order* concluded that the SDER is an appropriate Section 1307 automatic adjustment mechanism to recover storm damage expenses. (*April Order* pp. 23, 31.) There is nothing in Section 1307 that limits recovery under a Section 1307 surcharge to a certain percentage of the total distribution revenues of the applicable public utility. Rather, the only statutory limitation contained in Section 1307 is that the surcharge “provide a just and reasonable return on the rate base of the public utility, to be determined upon such equitable or reasonable basis as shall provide such fair return.” 66 Pa.C.S. § 1307(a).

16. Rather than relying on Section 1307, the *April Order* turned to Section 1308(d) to conclude that the revenues collected under the SDER should be limited to 3% of distribution revenues. Section 1308(d) pertains to general rate increases and provides, in pertinent part, that a “general rate increase means a tariff filing which affects more than 5% of the customers and amounts to in excess of 3% of the total gross annual intrastate operating revenues of the public utility.” 66 Pa.C.S. § 1308(d). Notably, there is nothing in Section 1308(d) that expressly authorizes or requires the Commission to apply the 3% threshold for a general rate increase as a cap to recovery under Section 1307 surcharges.<sup>2</sup>

17. The SDER is an automatic adjustment clause under Section 1307, not a general rate increase under Section 1308(d). As acknowledged by the *April Order*, an automatic adjustment clause under Section 1307 is a surcharge that is “established outside of Section 1308 ratemaking,” serves “as a relief valve to fixed rates set under Section 1308,” and is fundamentally different than Section 1308 rates. (*April Order* pp. 17, 18-19.) Therefore, Section 1308(d) is not applicable to automatic adjustment clauses under Section 1307.

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<sup>2</sup> This Commission is a creature of statute, and its power to act in any particular case must be clear. *City of Philadelphia v. Philadelphia Electric Company*, 504 Pa. 312, 473 A.2d 997 (1984).

18. In support of the 3% cap on the SDER, the *April Order* cites to the Commonwealth Court's decision in *Popowsky v. Pa. PUC*, 13 A.3d 583 (Pa. Cmwlth. 2011) ("*Newtown*"). However, the Commonwealth Court in *Newtown* did not reach the merits of a 3% cap on Section 1307 surcharges. Rather the Commonwealth Court merely noted that the Administrative Law Judge ("ALJ") recommended that the surcharge at issue be capped at 3% of billed revenue. This issue was not appealed by either of the parties, nor was it addressed by the Commonwealth Court.<sup>3</sup> *Id.* at 586. There simply is nothing in *Newtown* that suggests or otherwise supports the conclusion that the 3% threshold for a general rate increase in Section 1308 should be applied as a cap to recovery under Section 1307 surcharges.

19. PPL Electric submits that there is no statutory authority or case law that supports the conclusion that the 3% threshold for a general rate increase in Section 1308 should be applied as a cap on Section 1307 surcharges. Indeed, there are many public utility Section 1307 surcharges that exceed 3% of the total distribution revenues of the applicable public utility. For example, the Commission-approved purchased gas costs recovered pursuant to Section 1307 generally exceed 3% of the total distribution revenues of natural gas distribution companies. Another example of a Commission-approved Section 1307 surcharge that exceeds 3% of the total distribution revenues is PPL Electric's Universal Service Rider.

20. Based on the foregoing, PPL Electric submits that the *April Order* erred by applying the general rate provisions of Section 1308 to a Section 1307 automatic adjustment surcharge.

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<sup>3</sup> No parties raised the 3% cap issue in their exceptions to the ALJ's recommended decision and, therefore, the Commission did not address the issue. *See Pa. PUC v. Newtown Artesian Water Company*, Docket No. R-2009-2117550 (Apr. 15, 2010).

21. PPL Electric submits that, rather than relying on Section 1308, which applies to general rate increases, the *April Order* should have relied on Section 1307 to support the proposed cap on the SDER. Section 1307 expressly provides that a surcharge shall be “determined upon such equitable or reasonable basis as shall provide such fair return.” 66 Pa.C.S. § 1307(a). This language provides the Commission with the discretion to impose reasonable conditions on surcharges, such as reasonable caps on recovery, under appropriate circumstances. The Commission should not limit its jurisdictional authority under Section 1307 by applying the general rate provisions of Section 1308 to a Section 1307 automatic adjustment surcharges.

22. In summary, PPL Electric notes that it does not oppose a properly defined 3% cap on the SDER. To the extent that the Commission believes that a properly defined 3% cap on the SDER is necessary, the Commission should impose the cap pursuant to statutory authority under Section 1307. PPL Electric therefore respectfully requests that the Commission reconsider those portions of the *April Order* that rely on Section 1308 as the basis for imposing the 3% cap on the SDER, and clarify the order to make it clear that the 3% cap is being imposed pursuant to Section 1307 and is not mandated by Section 1308.

**B. The *April Order* Erred in Excluding Generation and Transmission Revenues from the Total Intrastate Operating Revenues**

23. In adopting the SDER, the *April Order* modified the SDER so that the total annual revenues collected under the SDER will not exceed 3% “of the total intrastate operating revenues billed to customers.” However, in a footnote, the *April Order* further limited recovery under the SDER to 3% of the total annual distribution revenues, and expressly excluded generation and transmission revenues. (*April Order* p. 25.) PPL Electric submits that the *April Order* erred in excluding generation and transmission revenues from the 3% cap.

24. PPL Electric furnishes electric distribution, transmission and default supply services to approximately 1.4 million customers throughout its certificated service territory. The costs for providing distribution services to customers are recovered through distribution rates, which are set and approved by the Commission in a base rate proceeding. The costs for providing transmission services are recovered through the Transmission Service Charge (“TSC”) applied to each default service customer’s bill, and the costs for providing generation services are recovered through the Generation Service Charge (“GSC”) applied to the bills of each default service customer. Both the TSC and GSC are reconciled and reviewed by the Commission on an annual basis. The “total intrastate operating revenues billed to customers” clearly include transmission and generation revenues, as well as distribution revenues.

25. The *April Order* explained that it used the “terminology total gross intrastate operating revenues to mirror the requirements of 66 Pa.C.S. § 1308(d).” (*April Order* p. 25, fn. 10.) However, there is nothing in Section 1308(d) that excludes generation and transmission revenues from the “total gross intrastate operating revenues.” In essence, the *April Order* attempts to do something it cannot -- read an additional restriction into Section 1308(d) that was not provided by the General Assembly. See *Melmark Home v. Workers’ Compensation Appeal Board (Rosenberg)*, 946 A.2d 159, 162 (Pa. Cmwlth. 2008) (citation omitted) (courts have “no power to insert words into statutory provisions where the legislature has failed to supply them”); *Kmonk-Sullivan v. State Farm Mutual Automobile Insurance Co.*, 567 Pa. 514, 525, 788 A.2 955, 962 (2001) (although a court must “listen to what a statute says[;] one must listen attentively to what it does not say”).

26. Further, although the Electricity Generation Customer Choice and Competition Act (“Competition Act”), P.L. 802, No. 138, effective January 1, 1997, 66 Pa.C.S. §§ 2801-2812,

required all electric distribution companies to file and obtain approval of restructuring plans, there is nothing in the Competition Act that that excludes generation and transmission revenues from the “total gross intrastate operating revenues.” Similarly, there is nothing in PPL Electric’s Commission-approved restructuring plan that modified the definition of “total gross intrastate operating revenues” *Application of Pennsylvania Power & Light Company for Approval of Restructuring Plan Under Section 2806 of the Public Utility Code*, Docket No. R-00973954, 1998 Pa. PUC LEXIS 130 (Apr. 1, 1998).

27. PPL Electric does not oppose a properly calculated 3% cap on the SDER. However the 3% cap should be applied to the “total intrastate operating revenues billed to customers,” including all distribution, transmission, and generation revenues. There simply is no basis in law to exclude transmission and generation revenues from the 3% cap.

28. Based on the foregoing, PPL Electric submits that the *April Order* erred by limiting recovery under the SDER to 3% of the total annual distribution revenues, excluding generation and transmission revenues. PPL Electric’s generation and transmission revenues clearly are included in the total intrastate operating revenues billed to customers. PPL Electric therefore respectfully requests that the Commission reconsider those portions of the *April Order* that exclude generation and transmission revenues from the 3% cap, and clarify the order to make it clear that the 3% cap applies to the “total intrastate operating revenues billed to customers,” including all distribution, transmission, and generation revenues.

**C. The *April Order* Erred by Excluding Distribution Clauses and Riders from the Total Distribution Revenues**

29. As explained above, the *April Order* erred by limiting recovery under the SDER to 3% of annual distribution revenues, excluding generation and transmission revenues. Notwithstanding and without waiver of any objection to the exclusion of generation and

transmission revenues, PPL Electric submits that the *April Order* also erred by excluding revenues from distribution clauses and riders from the total distribution revenues billed to customers for purposes of the 3% cap.

30. On page 30, the *April Order* identifies \$851,455,000 as the allowable distribution revenue from PPL Electric's 2012 base rate proceeding. (*April Order* p. 30.) Although the *April Order* correctly identifies PPL Electric's distribution rate revenue approved by the Commission in PPL Electric's 2012 base rate proceeding, *see Pa. PUC v. PPL Electric Utilities Corporation*, Docket No. R-2012-2290597 (Dec. 28, 2012), this distribution revenue is limited only to the revenue generated by base *distribution rates* and does not include any revenues generated by Commission-approved distribution clauses or riders.

31. The *April Order* modified the SDER so that the total annual revenues collected under the SDER cannot exceed 3% "of the total intrastate operating revenues billed to customers." The total intrastate operating revenues billed customers clearly include distribution clauses or riders, including, but not limited to, the Smart Meter Rider, Act 129 Rider ("ACR"), Universal Service Rider, Competitive Enhancement Rider ("CER") and the Distribution System Improvement Charge ("DSIC"). These charges are applied, on a non-bypassable basis, for electricity supplied to customers who receive distribution service from the Company under its tariff and, therefore, they should be included the determination of the total distribution revenues billed to customers for purposes of the 3% cap on the SDER.

32. PPL Electric notes that including the revenue from distribution clauses or riders is fully consistent with the treatment of distribution revenues under the DSIC.

33. On Feb. 14, 2012, Governor Corbett signed Act of Feb. 14, 2012, P.L. 72, No. 11 ("Act 11"), amending Chapters 3 and 13 of the Public Utility Code, 66 Pa.C.S. Act 11

authorizes electric distribution companies, natural gas distribution companies, water utilities, wastewater utilities and city natural gas distribution operations to establish a DSIC. Similar to the proposed 3% cap on the SDER, the General Assembly provided that a DSIC may not exceed 5% of the *amount billed* to customers under the applicable rates. 66 Pa.C.S. § 1358(a). However, Act 11 is clear that for all utilities, other than water utilities, this limitation should exclude only the state tax adjustment surcharge. 66 Pa.C.S. § 1358(d). No other riders or elements of distribution rates are excluded. Based on this clear language, the revenues from amounts billed to customers for distribution services should include all other riders that were not specifically excluded by the General Assembly. Further, the model tariff included with the Commission's Final Implementation Order for the DSIC identifies specifically that riders should be included in the calculation of the charge:

Projected quarterly revenues for distribution service (including all applicable clauses and riders) from existing customers plus revenue from any customers which will be acquired by the beginning of the applicable service period.

*See Implementation of Act 11 of 2012*, Docket No. M-2012-2293611 (Final Implementation Order entered Aug. 2, 2012).

34. The Smart Meter Rider, ACR, Universal Service Rider, and CER are rates contained in PPL Electric's distribution tariff and are charged to all distribution service customers. These riders are combined with general distribution service rates and included as a single line item on the customer's bill for "distribution service." They each recover costs incurred by PPL Electric to meet its statutory obligations as an electric distribution company under the Public Utility Code and, but for the existence of the rider mechanism, these costs would be recovered through base rates.

35. Based on the foregoing, even assuming, *arguendo*, that the 3% cap should be applied only to distribution revenues, which PPL Electric denies for the reasons explained above, the *April Order* erred by excluding revenues from distribution clauses and riders from the total distribution revenues billed to customers for purposes of the 3% cap on the SDER. The Smart Meter Rider, ACR, Universal Service Rider, and CER clearly collect and recover distribution system costs and, therefore, properly should be included in the determination of the total distribution revenues billed to customers for purposes of the 3% cap on the SDER.

36. PPL Electric therefore respectfully requests that the Commission reconsider those portions of the *April Order* that exclude revenues generated by distribution clauses and riders from the total distribution revenues billed to customers, and clarify the order to make it clear that the total distribution revenues billed to customers include all revenues generated from distribution clauses and riders for purposes of the 3% cap on the SDER.

**D. The *April Order* Erred by Directing that the SDER Should be Set to Zero in Base Rate Cases**

37. The SDER recognizes that base rates currently provide for recovery of \$14.7 million in expenses for reportable storms annually. The SDER will recover from customers, or refund to customers, as appropriate, only applicable certain eligible expenses from reportable storms that are less than or greater than \$14.7 million annually. (*April Order* p. 27.)

38. Under the SDER, the amount of reportable storm damages expense to be recovered in base rates will be reset in PPL Electric's next base rate cases to reflect the most recent data of actual reportable storm damage expense. In adopting the SDER, the *April Order* modified the SDER so that it would be set to zero in each base rate case. (*April Order* pp. 27 and 30.) PPL Electric submits that the *April Order* erred in directing that the SDER should be set to zero in base rate cases.

39. The recovery period for the proposed SDER is January 1 through December 31 of each year, and is based on a reconciliation of storm damage expenses and revenues for the twelve-month period ending one month before the beginning of the recovery period, *i.e.*, December 1 through November 30. (*April Order* p. 25.) Thus, the SDER is based on the difference between the reportable storm damages expense to be recovered in base rates and the actual storm damage expenses incurred during the prior year.<sup>4</sup>

40. Unlike a DSIC that gradually increases during the course of the year after being reset to zero in a base rate cases, the SDER is fixed for a 12-month period based on the difference between the reportable storm damages expense to be recovered in base rates and the actual storm damage expenses incurred during the prior 12-month period. That is, if the SDER were set to zero in a base rate case, it would not gradually increase during the recovery period like the DSIC and, instead, would remain at zero during the entire 12-month recovery period.

41. If PPL Electric were to file a base rate case in a given year, the actual storm damage expenses incurred during that year would not and could not be known and included in the base rate case filing. As a result, if the SDER were set to zero, the actual storm damage expenses incurred during the year in which a base rate case is pending before the Commission may not be recovered through either base rates or the SDER.

42. For example, if PPL Electric were to file a base rate case in April 2015, the actual storm damage expenses incurred through the 12-month period of December 1, 2014 through

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<sup>4</sup> For example, if PPL Electric were to incur \$15.7 million of eligible expenses from reportable storms during the period of December 1, 2014 through November 30, 2015, the SDER would recover from customers the incremental expenses that that exceed the \$14.7 million currently recovered through base rates, *i.e.*, the SDER would recover \$1.0 million from customers. In contrast, if PPL Electric were to incur \$13.7 million of eligible expenses from reportable storms during the period of December 1, 2014 through November 30, 2015, the SDER would refund to customers the incremental expenses that that is less than the \$14.7 million currently recovered through base rates, *i.e.*, the SDER would refund \$1.0 million to customers.

November 30, 2015 would not be known at the time of filing and, therefore, could not be included in the base rate case. However, under the *April Order*, the SDER would be set to zero at the conclusion of the nine-month suspension period for the base rate proceeding, *i.e.*, January 2016. Consequently, the SDER for January 1, 2016 through December 31, 2016 would be zero. If the SDER were set to zero for this recovery period, the difference between the reportable storm damages expense to be recovered in base rates and the actual storm damage expenses incurred during the 12-month period of December 1, 2014 through November 30, 2015 would not be recoverable.

43. Given the lag in the recovery of actual storm damage expenses, the SDER cannot and should not be set to zero in base rate cases. Rather, the SDER should continue to recover or refund, as appropriate, the actual storm damage expenses incurred during the prior year that are less than or greater than the amount of reportable storm damages expense to be recovered in base rates as determined in the most recently concluded base rate case. Any change in the amount of reportable storm damage expense to be recovered in base rates would be reflected in the calculation of the SDER in the year that the base rate change becomes effective and would be reflected in the SDER charges for the following year.

44. Based on the foregoing, PPL Electric agrees that the amount of reportable storm damages expense to be recovered in base rates should be reset in in base rate cases to reflect actual storm damage expenses incurred. However, given the lag in the recovery of actual storm damage expenses and the fact that unamortized storm damage expenses would be rolled in to base rates, the *April Order* erred in directing that the SDER be set to zero in each base rate case.

45. PPL Electric therefore respectfully requests that the Commission reconsider those portions of the *April Order* that direct the SDER to be set to zero in each base rate case, and

clarify the order to make it clear that the SDER should continue to recover or refund, as appropriate, the actual storm damage expenses incurred during the prior year that are less than or greater than the amount of reportable storm damages expense to be recovered in base rates as determined in the most recent base rate case.

**IV. CONCLUSION**

WHEREFORE, PPL Electric Utilities Corporation respectfully requests that the Commission reconsider and clarify portions of its April 3, 2014 Opinion and Order as described above.

Respectfully submitted,



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