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April 28, 2014

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

VIA ELECTRONIC FILING

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

Dear Secretary Chiavetta:

Please find enclosed for filing with the Pennsylvania Public Utility Commission ("Commission") the PP&L Industrial Customer Alliance's ("PPLICA") Answer to Petition of PPL Electric Utilities Corporation for Reconsideration and Clarification in the above-referenced proceeding.

As evidenced by the attached Certificate of Service, all parties to the proceeding are being duly served with a copy of the document. Thank you.

Very truly yours,

McNEES WALLACE & NURICK LLC

By 
Adeolu A. Bakare

Counsel to the PP&L Industrial Customer Alliance

Enclosure

c: Certificate of Service

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the participants listed below in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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Dated this 28th day of April, 2014, at Harrisburg, Pennsylvania.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

**PP&L INDUSTRIAL CUSTOMER ALLIANCE'S ANSWER TO
PETITION OF PPL ELECTRIC UTILITIES CORPORATION
FOR RECONSIDERATION AND CLARIFICATION**

Pursuant to Section 5.572(e) of the Pennsylvania Public Utility Commission's ("PUC" or "Commission") Regulations, 52 Pa. Code § 5.572(e), the PP&L Industrial Customer Alliance ("PPLICA") submits this Answer to the Petition for Reconsideration and Clarification ("Petition for Reconsideration") filed by PPL Electric Utilities Corporation ("PPL" or "Company") in the above-captioned proceeding. In support thereof, PPLICA avers as follows:

I. INTRODUCTION

1. On April 3, 2014, the Commission entered an Order ("April Order") modifying and approving a Storm Damage Expense Rider ("SDER") proposed by PPL. The SDER Order set forth the complete procedural history of this proceeding, including Comments in opposition to the SDER filed by PPLICA, the Office of Consumer Advocate ("OCA") and the Bureau of Investigation and Enforcement ("I&E").¹

2. On April 18, 2014, PPL filed the Petition for Reconsideration with the Commission, requesting modification of the April Order.

¹April Order, pp. 2-5.

3. In support of the Commission's findings with regard to the April Order, PPLICA hereby exercises its right to respond to the PPL's Petition for Reconsideration by filing this Answer.

II. ANSWER

4. PPL's Petition for Reconsideration asked the Commission to clarify or reconsider numerous findings already considered in the April Order. PPL requests that the Commission (1) clarify that Section 1308(d) of the Public Utility Code, 66 Pa. C.S. § 1308(d), is irrelevant to surcharges approved under Section 1307 of the Public Utility Code, 66 Pa. C.S. § 1307, and cannot form the basis for the 3% cap on SDER cost recovery imposed by the Commission; (2) include generation and transmission revenues within the definition of gross intrastate revenues for purposes of calculating the 3% cap; or (3) include rider revenues within the definition of gross intrastate revenues for purposes of calculating the 3% cap. If PPL is going to have an SDER, then PPLICA supports the Commission's findings on these issues as key consumer protections.² To that end, the Commission should deny PPL's Petition for Reconsideration.³

5. As PPL stated in its Petition for Reconsideration, the Commission may grant a Petition for Reconsideration when petitioner "presents new arguments or considerations which appear to have been overlooked by the Commission."⁴ However, the arguments raised by PPL were considered and properly rejected in the April Order.

² As set forth in PPLICA's prior Comments, PPL's storm damage expenses do not fall within the classification of expenses recoverable through a non-statutory Section 1307 surcharge and are appropriately recovered through other ratemaking processes, including expense deferrals and traditional base rate proceedings. PPLICA December 31, 2013, Reply Comments, p. 4. Accordingly, PPLICA reserves all appellate rights with respect to implementation of the SDER in any form.

³ PPLICA has not answered all issues raised in the Petition for Reconsideration. The omission of a specific response to each issue raised in the Petition for Reconsideration should not be construed as support or non-opposition on behalf of PPLICA.

⁴ PPL Petition for Reconsideration, p. 5.

6. PPL's claim that Section 1308(d) of the Public Utility Code cannot form the basis for the 3% cap imposed on the SDER is plainly contradicted by the thorough and well-reasoned analysis set forth in the April Order. PPL argues that the 3% threshold in Section 1308(d) applies only to traditional rate increases subject to Section 1308, and that authority to cap an automatic adjustment rider must be found solely within Section 1307.⁵ Specifically, PPL avers 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."⁶ Despite the contention that Section 1308 is inapplicable to Section 1307, PPL acknowledges that Section 1307 requires the Commission to ensure that surcharges result in a "just and reasonable return on the rate base of a public utility, to be determined upon such equitable and reasonable basis as shall provide a fair return."⁷ As explained by the April Order, consideration of Section 1308(d) is essential and integral to the question of whether the return afforded by a Section 1307 surcharge is just and reasonable.⁸ Failing to apply the 3% surcharge cap may render an otherwise appropriate Section 1307 surcharge unjust and unnecessary.⁹

7. As evidenced above, PPL's observation that no statutory or case law supports the Commission's application of Section 1308(d) to cap recoveries from a Section 1307 surcharge was erroneous. It is the Company that presented no new or novel arguments suggesting that the Commission lacks authority to interpret both Sections 1307 and Section 1308 consistently, (assuming arguendo, that the types of costs being recovered through the surcharge are consistent with applicable precedent regarding 1307 mechanisms). Accordingly, as explicitly outlined in the April Order, the Commission considered and applied well-established statutory and case law

⁵ See Petition for Reconsideration, p. 8.

⁶ Id.

⁷ Id. at 7.

⁸ See April Order, p. 18.

⁹ The PUC should remain mindful that the PPL has the traditional ratemaking process as an option at anytime.

supporting application of the 3% cap on PPL's SDER. PPL's arguments to the contrary must be rejected.

8. PPL's claim that the April Order provides no basis for excluding generation and transmission revenue from the Company's gross intrastate operating revenues for purposes of calculating the 3% cap must also be rejected. The Company argues that Section 1308(d) contains no limitation on the public utility costs included as gross intrastate operating revenues.¹⁰ This contention raises no new or novel points, because the Commission already clarified that the term "gross intrastate operating revenues" as used in Section 1308(d) must be interpreted consistent with the Commission's jurisdiction over public utility distribution rates.¹¹ Therefore, the Commission's exclusion of generation and transmission revenue from gross intrastate operating revenues considered and interpreted the statutory language before deeming the exclusion necessary for purposes of the SDER cap. PPL's arguments to the contrary should be rejected.

9. PPL's argument regarding the inclusion of revenue from riders as gross intrastate operating revenues must be similarly rejected. PPL claims that revenue from its various riders are billed to distribution customers and must clearly be included as gross intrastate operating revenues consistent with the Commission's Model Tariff for Implementation of Distribution System Improvement Charges ("DSIC").¹² Interestingly, PPL states that no riders are excluded from elements of distribution rates for purposes of its DSIC, but fails to mention that the applicability of riders to PPL's DSIC cap calculation is a contested matter pending final Commission disposition through proceedings at Docket Nos. P-2012-2325034, et al. In any

¹⁰ Petition for Reconsideration, p. 10.

¹¹ See April Order, p. 25.

¹² Petition for Reconsideration, p. 12.

case, the April Order confirms that the proposed SDER is distinct from statutorily approved surcharges such as DSIC surcharges.¹³

10. Pursuant to its statutory authority, the Commission applied the 3% cap in 1308(d) to the SDER consistent with the application of Section 1308(d) within the context of general rate increases.¹⁴ PPL itself recognized that distribution revenues approved under Section 1308 base rate proceedings exclude revenues from Section 1307 surcharges.¹⁵ PPL presented no new or novel arguments explaining why rider revenues that are not affected by the general rate increases under Section 1308 should be applied to determine the appropriate threshold for a general rate increase when applying the language in Section 1308(d). This stands in contrast to the Commission's extended discussion outlining why qualifying non-statutory Section 1307 surcharges must remain subject to the 3% Section 1308(d) revenue threshold to avoid disassembling traditional ratemaking.¹⁶ Therefore, in applying the provisions in Section 1308(d) to cap revenues recovered through the Section 1307 SDER, the Commission properly interpreted the term "gross intrastate operating revenues" within the context of Section 1308 to include base distribution rates and exclude revenues from Section 1307 surcharges.¹⁷ PPL's arguments to the contrary must be rejected.

¹³ See April Order, pp. 18-19.

¹⁴ *Id.* at 25 n.10.

¹⁵ Petition for Reconsideration, p. 12 (referencing PPL's 2012 base rate case).

¹⁶ April Order, p. 18.

¹⁷ See April Order, p. 25 n.10.

IV. CONCLUSION

WHEREFORE, the PP&L Industrial Customer Alliance respectfully requests that the Pennsylvania Public Utility Commission deny the Petition of PPL Electric Utilities Corporation for Reconsideration and/or Clarification.

Respectfully submitted,

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