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E-File

May 18, 2017

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

RE: PPL Electric Utilities Corporation's Proposed Universal Service and Energy Conservation Plan for 2017-2019, Docket Nos. M-2016-2554787 and M-2013-2367021

Dear Secretary Chiavetta:

Enclosed for filing on behalf of PPL Electric Utilities Corporation ("PPL Electric") is PPL Electric's Additional Supplemental Information regarding its Universal Service and Energy Conservation Plan. This Supplemental Information is being filed pursuant to the Secretarial Letter issued on May 3, 2017 in the above captioned proceeding.

Pursuant to 52 Pa. Code § 1.11, the enclosed document is to be deemed filed on May 18, 2017, which is the date it was filed electronically using the Commission's E-filing system.

If you have questions, please contact me directly (610/774-4254) or Melinda Stumpf, PPL Electric's Manager-Regulatory Programs & Business Services, at 484/634-3297.

Sincerely,

Amy E. Hirakis

Enclosure

cc via email: Mr. Joe Magee
Ms. Sarah Dewey
Ms. Louise Fink-Smith
Ms. Christy Appleby
Mr. Patrick Cicero

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PPL Electric Utilities Corporation Universal Service and Energy Conservation Plan for 2012-2019 Submitted in Compliance with 52 Pa. Code § 54.74	: : : :	Docket No. M-2016-2554787

PPL Electric Utilities Corporation's Supplemental Information in Response to the Secretarial Letter issued on May 3, 2017

INTRODUCTION

On April 6, 2017, the Pennsylvania Public Utility Commission ("Commission") entered a Tentative Order at the above referenced docket regarding PPL Electric Utility Corporation's ("PPL Electric" or the "Company") proposed Universal Service and Energy Conservation Plan for 2017-2019 ("Plan"). The Tentative Order withholds approval of the Plan pending review of additional requested information, and submission of comments and reply comments. In compliance with this Tentative Order, PPL Electric filed Supplemental Information on April 26, 2017. On May 3, 2017, the Commission issued a Secretarial Letter stating that the Commission's Bureau of Consumer Services (BCS) has reviewed PPL Electric's supplemental information and identified answers that were either not complete or which required additional clarification. The Secretarial Letter provided PPL Electric with fifteen (15) days to provide responses to the six (6) questions raised on the Secretarial Letter. Pursuant to the Secretarial Letter, PPL Electric provides the following responses:

PPL ELECTRIC RESPONSES TO SECRETARIAL LETTER

1. *Provide the average energy burden levels for full-year OnTrack participants in 2014, 2015, and 2016,* ***with*** *the $5 co-payment and CAP Plus charge* ***included****.*

   In the Tentative Order, the Commission asked PPL to:

   > [P]rovide average energy burden levels for full-year OnTrack participants in 2014, 2015, and 2016. Participant information should be broken out by FPIG level (*i.e.*, 0-50%, 51-100%, and 101-150%) and heating type. In addition, the energy burden level for the OnTrack bill should be identified separately from the energy burden level for additional OnTrack charges (*i.e.*, $5 co-payment and CAP Plus).

   Tentative Order at 15.

   The intention of this request was for PPL to provide two charts reflecting average energy burden levels for CAP participants for comparison. One chart should have reflected the energy burden level with the $5 co-payment and CAP Plus charges included; the other chart should have excluded those additional charges. In its Supplemental Information, PPL provided only energy burden levels with the $5 co-payment and CAP Plus charges excluded. Accordingly, PPL is directed to provide the average energy burden levels for full-year OnTrack participants in 2014, 2015, and 2016 with these additional OnTrack charges included.

Response:

Table 1A. Average Energy Burden Levels for Full-Year OnTrack Participants, Excluding $5 monthly co-payment and Cap-Plus

	2016	2016	2015	2015	2014	2014
FPIG	EH	NEH	EH	NEH	EH	NEH
<= 50%	13%	8%	12%	5%	11%	5%
51-100%	8%	5%	8%	5%	8%	4%
101-150%	7%	4%	7%	4%	7%	4%

Table 1B. Average Energy Burden Levels for Full-Year OnTrack Participants, Including $5 monthly co-payment and Cap-Plus

	2016	2016	2015	2015	2014	2014
FPIG	EH	NEH	EH	NEH	EH	NEH
<= 50%	15%	10%	14%	7%	13%	6%
51-100%	9%	6%	9%	5%	9%	5%
101-150%	7%	5%	7%	5%	7%	5%

Table Notes:

1. EH = electric heating. NEH = non-electric heating (a primary heat source other than electric heat).

2. For table 1B, the energy burden level includes additional OnTrack charges (specifically \$5 monthly co-payment and Cap-Plus). The total calendar Cap-Plus charges were \$33 in 2014, \$46 in 2015, and \$37.66 in 2016. The data sets analyzed full-year participants (accounts) for the years noted and the total Cap-Plus amount for the specific year was added to all accounts within each data set. This assumes all accounts had the Cap-Plus charge within the OnTrack installment amount each month. This assumption/calculation was made because the data points associated with Cap-Plus are not stored the same way or in the same table as the data points associated with all the other OnTrack data. There may be times in the calendar year where the Cap-Plus charge is excluded from the OnTrack installment amount. Specifically, this occurs when the customer receives a LIHEAP grant. These situations were not taken under consideration when completing this data analysis, due to the complexity. As a result, the energy burden percentages reflected in Table 1B may be a little higher than what the customer actually experienced.

2. *Clarify that customers removed from OnTrack for non-payment can re-enroll in the program after six months without any requirement that they pay all or a portion of their overdue balance.*

The Proposed 2017-2019 Plan states that customers removed from OnTrack for non-payment can re-enroll in the program within six (6) months by paying the "OnTrack catch-up amount," which is the difference between what the customer would have paid if on OnTrack and payments actually made to PPL. Proposed 2017-2019 Plan at 18-19. In the Tentative Order, PPL was directed to explain, *inter alia*, "what amount it will require a customer to pay to re-enroll in OnTrack more than six months after removal for non-payment." Tentative Order at 17-18.

PPL reports that "[t]he customer is not required to pay any amount of the overdue balance if more than six months elapses after removal from OnTrack due to non-payment." PPL Supplemental Information at 7. This response suggests that the Company allows customers to re-enroll in OnTrack seven or more months after program removal without satisfying any remaining program arrearages or any arrearages accrued after leaving the program. If this is the case, then PPL should explain how it addresses overdue balances when customers re-enroll in OnTrack after a removal of longer than six months (*e.g.*, Is the overdue balance added to pre-program arrears for forgiveness?).

Response:

After a removal from OnTrack of longer than six months, an overdue balance may accumulate for a customer. If this situation was to occur and the customer enrolls back into OnTrack, the overdue balance will become pre-program arrears. The pre-program arrears will be forgiven over an 18-month timeframe in a straight-line fashion.

This situation is related to the normal program timeframe and how prior enrollment in OnTrack is not a disqualifying factor for enrollment at a future point in time. To reiterate, the normal program timeframe is 18 months and the earliest date a customer can re-apply for OnTrack is 18 months from the (original) enrollment date. Prior enrollment in the program is not a disqualifying factor. If the customer exceeds the maximum credit amount before the full 18 month term, the OnTrack Budget Billing process will ensue, but the customer is still eligible to re-enroll in OnTrack at the end of the 18 month timeline. In addition, if a customer was previously enrolled in the program in prior years but still meets the eligibility criteria, he/she will be eligible for enrollment. Any pre-program arrears that may have been accumulated while not enrolled in the program will be forgiven during his/her time as an active member in the program.

3. *Provide the number of OnTrack customers enrolled in 2015 with pre-enrollment energy burdens at or below the maximum levels in the CAP Policy Statement. Participant*

information should be broken out by FPIG level (i.e., 0-50%, 51-100%, and 101-150%) and heating type.

In the Tentative Order, the Commission noted that PPL does not consider the household's current energy burden level when determining the OnTrack discount and suggested that this may contribute to the high annual cost of the program. PPL was asked to provide the number of OnTrack customers enrolled in 2015 with energy burdens at or below the recommended [*i.e.*, maximum] levels in the CAP Policy Statement; broken out by FPIG level and heating type. Tentative Order at 33-35. In its Supplemental Information, PPL provided *post-enrollment* energy burden levels for customers enrolled in OnTrack in 2015. PPL Supplemental Information at 23. This information does not address the Commission's articulated concern.

PPL should provide the *pre-enrollment* energy burden levels for customers enrolled in OnTrack in 2015.

Response:

Table 7B. Enrolled in 2015 and Pre-Enrollment Energy Burden Levels At/Below.

Total Account Sample = 26,149	2015		2015	
	Electric Heat (EH)		Non-Electric Heat (NEH)	
FPIG	Number of customers At/Below the energy burden Level	Total number of customers within the FPIG Group	Number of customers At/Below the energy burden Level	Total number of customers within the FPIG Group
<= 50%	235	2,096	85	2,613
51-100%	3,106	6,165	1,225	6,576
101-150%	3,396	3,991	2,546	4,708

Table Notes:

1. Pre-enrollment energy burden was calculated using the average of the last twelve bills before the OnTrack enrollment date. If twelve bills were not available for an account, the methodology used as many bills as were available for the twelve-month period before OnTrack enrollment.

2. Twenty-eight (28) records within the original sample of 26,177 records did not have average bill data.

4. *Provide the total number of customers with in-program (OnTrack) arrears and the total dollar amount of in-program arrears in 2014, 2015, and 2016.*

The Tentative Order asked PPL to provide the number of customers with in-program arrears in the previous three years. Tentative Order at 35. By "in-program" arrears, the Commission was referring to all arrears accrued by customers while enrolled in the OnTrack program (*i.e.,* OnTrack arrearages). In-program arrears do not include pre-program arrearages that have been deferred for forgiveness. In its Supplemental Information, PPL appears to have provided a monthly count of *all* arrears carried by CAP customers in 2014, 2015, and 2016. PPL Supplemental Information at 26-27. We request that PPL provide a new chart that reflects only the number of customers who have accrued arrears within the OnTrack program and the total amount of those arrears in 2014, 2015, and 2016.

Response:

Table 4. In-Program Arrears.

	A	B
Year	Total For Year Full Bill Not Paid (# of)	Total For Year In-Program Arrears
2014	178,749	$3,667,676
2015	194,286	$2,690,433
2016	256,953	$12,588,116

Table Notes:

1. Column A - Total number of CAP bills rendered minus the number of full CAP payments.

2. Column B - Annual CAP billed amount minus total cash payments by CAP customers.

3. The increase in 2016 in-program arrears compared to prior years is most likely due to the new program feature implemented in 2016 called OnTrack budget billing (OTBB). The OTBB feature allows a customer to remain the program after exceeding the maximum credit

amount, but the monthly installment amount is increased to the budget billing amount. This data indicates the OTBB feature increased the likelihood of a customer paying less than the full OTBB installment amount, thereby increasing the in-program arrears amount.

4. PPL was able to provide the total amount of in-program arrears by using existing internal data based on unpaid bills. PPL's system does not have a feasible way to provide the number of customers who accrued arrears within the program, which is why the table above states "Full Bill Not Paid" and not "Customers Who Did Not Pay Full Bill." PPL had conversations with BCS and agreed on the methodology shown above.

5. *Clarify the OnTrack $5 arrearage co-payment policy.*

> In its Proposed 2017-2019 Plan, PPL explains that all OnTrack payment options include a monthly $5 arrearage co-payment. Plan at 5. Although this practice was not questioned in the Tentative Order, BCS has concerns that OnTrack customers may be charged this arrearage co-payment even after all pre-program debt has been forgiven. PPL should clarify its OnTrack arrearage co-payment policy and identify when and by what method this charge is removed from a customer's monthly OnTrack payment.
>
> In addition, since PPL is proposing to allow customers to enroll in OnTrack with no overdue balance, the Company should clarify if these customers will or will not be charged the monthly $5 arrearage co-payment.

<u>Response:</u>

PPL Electric's arrearage co-payment policy has been unchanged since the inception of the program. OnTrack customers who do not have any pre-program arrears have the $5 co-payment included within the OnTrack installment amount. The $5 co-payment is included in both the system-calculated OnTrack plan types of percent of bill (POB) and minimum payment (MP) (see Plan at 4-6).

Regarding when this charge is removed from a customer's monthly OnTrack payment, this only occurs when the 16 percent rule is applied (see Plan at 20 for how the 16 percent rule works). The 16 percent rule is: The customer's monthly income multiplied by 16 percent, and that amount is the OnTrack installment amount for the customer. Regarding by what method this charge is removed from a customer's monthly OnTrack payment, the answer is the IT system does not apply the flat $5 co-payment when running through the 16 percent scenario and the resulting calculation. Regarding the 2017-2019 Plan's proposal to allow customers to enroll in OnTrack with no overdue balance, if a customer with a $0 overdue balance were to enroll in OnTrack, the customer would have the $5 co-payment included if the OnTrack plan is either POB or MP.

6. *Update the Winter Relief Assistance Program (WRAP) needs assessment.*

   In its Supplemental Information, PPL provides an updated WRAP needs assessment that shows a total of 102,197 customers who are eligible for WRAP services and a Total Cost to Serve those customers of $253,602,210. PPL Supplemental Information at 16. BCS follows the methodology that results in the number of eligible customers, but is unable to duplicate the Total Cost to Serve them. The Total Cost to Serve is an estimation, but stakeholders must be able to follow the methodology used by the Company.[1] PPL needs to explain how the Total Cost to Serve figure of $253,602,210 was calculated and provide a full explanation of each step in the methodology with sufficient detail as to allow for replication.

Response:

In response to its Tentative Order, PPL identified 102,197 customers that could potentially benefit from WRAP. The Company projected a total cost of $253,602,487 to serve

[1] Multiplying the average annual job cost ($10,000,000 Annual LIURP Budget/3,300 Average Jobs = $3,030 Average Job Cost) by the estimated 102,197 customers, results in a Total Cost to Serve of $309,656,910. This is one example of methodology that has been commonly used by other electric distribution companies (EDCs), and previously accepted by the Commission. *See First Energy 2015-2018 USECP Final Order*, Docket No. M-2014-2407728 (Order entered May 26, 2015), at 56-59.

these customers based on the methodology below. The costs are based on the 2017 average cost-per-job for direct costs, multiplied by 1.12 (12%) for administrative/field support costs. The calculation below takes into account that the average cost-per-job for direct costs differ based on type of job.

The total cost to serve figure of $253,602,210 was calculated as follows:

- Number of customers coded as residential – electric heat: 43,945
    - Customers likely to receive electric heat treatments based on historical data: 38,232[2]
    - The average cost-per-job for direct cost (electric heat treatment): $3,581

To calculate the total cost to serve residential electric heat customers, PPL Electric multiplied the number of heating customers (38,232) by the average cost-per-job for direct cost ($3,581), and added 12% for administrative/field support. This resulted in total cost to serve in the amount of $153,337,847

- Number of customers coded as residential – non-electric heat = 58,252
    - Customers likely to receive water heating and/or baseload treatments, including customers with electric heat = 65,825
    - The average cost-per-job for direct cost (water heating and/or baseload treatment): $1,360

To calculate the total cost to serve residential non-electric heat customers, PPL Electric multiplied the number of customers likely to receive water heating and/or baseload treatments

[2] Approximately 13 percent of customers with electric heat do not receive heating treatments due to health and safety deferrals, lack of landlord consent, or the premise does not qualify for heating measures as determined by the LIURP contractor. These customers are factored into the customer segment that is likely to receive water heating and/or baseload treatments.

(65,825) by the average cost-per-job for direct cost ($1,360), and added 12% for administrative/field support. This resulted in total cost to serve in the amount of $100,264,640.

To complete the calculation, the total cost to serve 136,908,792 heating customers ($153,337,847) and the total cost to serve 65,825 customers with low cost/baseload jobs ($100,264,640) were added together to provide a total cost of $253,602,487.