August 8, 2017

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

Re: Review of Universal Service and Energy Conservation Programs
Docket No. M-2017-2596907

Dear Ms. Chiavetta:

Enclosed for filing on behalf of PPL Electric Utilities Corporation ("PPL Electric") is an original of PPL Electric's Comments in the above-captioned proceeding. These Comments are being filed pursuant to the Order issued on May 10, 2017 at the above referenced docket.

Pursuant to 52 Pa. Code § 1.11, the enclosed document is to be deemed filed on August 8, 2017, which is the date it was filed electronically using the Commission's E-filing system.

As directed, a word version of these comments has been sent to RA, PCLAW: LIURP@pa.gov.

If you have any questions regarding these comments, please call me at (610) 774-4254 or Melinda Stumpf, Manager-Regulatory Programs/Business Services for PPL Electric at (484) 634-3297.

Very truly yours,

Amy E. Hirakis

Enclosures

cc via email: Louise Fink Smith
Tiffany Tran
Joseph Magee
Sarah Dewey
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION


COMMENTS OF
PPL ELECTRIC UTILITIES CORPORATION

I. INTRODUCTION

On May 10, 2017, the Commission adopted an Order initiating a comprehensive review of the Universal Service Programs of the electric and natural gas utilities serving Pennsylvania. Review of Universal Service and Energy Conservation Programs, Docket No. M-2017-2596907 (Order entered May 10, 2017). This Order follows two other Commission actions to review two aspects of the Universal Service and Energy Conservation Programs - (1) the Low-income Usage Reduction Program ("LIURP") and (2) affordability. Specifically, on December 16, 2016, the Commission issued a Secretarial Letter at Docket No. L-2016-2557886, Initiative to Review and Revise the Existing Low-Income Usage Reduction Program Regulations at 52 Pa. Code §§ 58.1-58.18, seeking comments regarding the LIURP Regulations. Additionally, the Commission adopted a Joint Motion directing the Commission’s Bureau of Consumer Services (BCS) to initiate a study to determine what constitutes an affordable energy burden for low-income households and whether changes in the Commission’s CAP Policy Statement, at 52 Pa. Code §§ 69.261-69.267, are necessary.

In the instant matter, the Commission seeks comments from interested stakeholders on priorities, concerns, and suggestions for amending and improving all aspects of the Universal

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1 In the Secretarial Order, the Commission identified a number of topics related to LIURP and posed 14 questions to which the Commission solicited responses from interested parties. PPL Electric submitted comments and reply comments responding to the Commission's questions.
Service and Energy Conservation Programs, including issues of program design, implementation, costs, cost recovery, administration, reporting and evaluation.

PPL Electric Utilities Corporation ("PPL Electric" or "Company") is a public utility and electric distribution company (EDC) that provides electric distribution service to approximately 1.2 million residential customers throughout its service territory. PPL Electric has almost 40 years of experience in designing and managing universal service programs. The Company appreciates the opportunity to provide the Commission the following comments regarding universal service programs.

II. COMMENTS

A. PPL Electric’s Commitment to Assisting Low-Income Customers and Advancing Its Universal Service Programs

PPL Electric is committed to the needs of customers with limited incomes. For nearly 40 years the Company has offered its low-income customers programs to assist these customers with managing their utility bills. Beginning in 1980-81, the company started its Customer Assistance and Referral Evaluation Services ("CARES") program as a six month pilot program. Following the pilot program, the Company implemented CARES as a system-wide program in 1982. Soon after, in 1983, the Company started Operation HELP, one of the first utility-sponsored hardship funds in the nation. In 1985, PPL Electric implemented the Winter Relief Assistance Program ("WRAP") and in 1993 the Company implemented a CAP pilot program called OnTrack with approximately 2,000 low-income customers participating. In 1998 these four programs - OnTrack, WRAP, CARES and Operation HELP – were formally established as PPL Electric’s Universal Service Programs.
1. Overview of Programs

*OnTrack*

OnTrack is PPL Electric’s customer assistance program for eligible low-income customers. OnTrack is an 18-month program. During that time period, participating customers receive lower monthly payments and arrearage forgiveness. PPL Electric designed OnTrack to accomplish four primary objectives:

1. Improve customers’ bill payment habits and attitudes;
2. Stabilize or reduce customer’s energy usage;
3. Eliminate uncollectible balances for program participants; and
4. Provide the customer with other beneficial services and/or programs through a network of local community-based organizations (“CBOs”).

A key feature of PPL Electric’s OnTrack program is the payment plan options available to the participating low-income customer. PPL Electric has three payment plan options which provide the Company with flexibility in identifying the payment that most closely matches the customer’s ability to pay.\(^2\) PPL Electric does not simply try to find the lowest payment amount for the customer because this could result in the customer exceeding his or her CAP credit amount too quickly and increase the costs of the program paid by other customers. Instead, the Company strives to identify the payment that most closely matches the customer’s ability to pay. In 2015, the average monthly bill for an electric heat customer was $181 and for a non-electric heat customer $118. In comparison, for an OnTrack electric heat and non-electric heat customer, the average monthly bill was $107 and $67, respectively.

\(^2\) PPL Electric’s three payment options are (1) Percent of Bill Option, (2) Minimum Payment Option, and (3) Agency Selected Option. PPL Electric also utilizes a payment control feature, per the Commission’s CAP Policy Statement, at 52 Pa. Code § 69.265(3)(i), that prevents any OnTrack payment amount from being less than $30 for electric heat customers and $12 for non-electric heat customers.
Another key feature of OnTrack is arrearage forgiveness. OnTrack customers receive arrearage forgiveness for each timely and in-full monthly payment. As such, an OnTrack participant can retire his or her entire pre-program arrearage balance in 18 months by making timely payments. In 2015, approximately $26,878,834 in pre-program arrearage was forgiven, giving a fresh start to those customers. Another important feature of OnTrack is that the Company coordinates referrals with other low-income assistance programs, such as WRAP, Operation HELP, and LIHEAP, as well as other programs administered by the CBOs that administer OnTrack, to further assist OnTrack customers.

As of June 30, 2017, PPL Electric had 54,383 customers participating in OnTrack. PPL Electric continues its efforts to enroll more eligible customers in OnTrack in order to protect them from termination of service, to provide them with affordable monthly bills, and to refer them to other beneficial programs.

**WRAP**

WRAP is PPL Electric’s version of LIURP. PPL Electric recognizes that weatherization and energy conservation education can help customers reduce their consumption of electricity and result in lower utility bills. Under WRAP, eligible low-income customers receive energy surveys or “audits,” weatherization measures and energy education. The specific services that a customer receives depend on the customer’s electric usage and the result of his or her energy audit. The primary objectives of WRAP are to:

1. Reduce the energy usage and electric bills of low-income customers, and
2. Increase the ability to pay and decrease the arrearages of low-income customers.
In 2015, approximately 2,905 customers were served under WRAP and the annual percentage of savings by job type is as follows: baseload (10.5%), low-cost (13%), and full cost (11%).

*Operation HELP*

Operation HELP is the Company's hardship fund supported by donations from PPL Electric, its employees, retirees and customers. The program assists low-income customers who have overdue balances and an inability to pay the full amount of their energy bill. The primary objectives of Operation HELP include:

1. Provide financial assistance to qualified low-income families who are having difficulty paying the full amount of their energy bill;
2. Offer financial assistance to low-income households that are ineligible for LIHEAP;
3. Expand the capabilities of the community based organizations that provide energy-related assistance; and
4. Administer a year-round program as funding permits.

Operation HELP is available on a year-round basis throughout the Company's service territory and is available to pay for any type of home energy bill (e.g., electric, gas, oil, etc.). In 2015, Operation HELP assisted 3,955 customers. The average Operation Help grant is approximately $346 per customer.

*CARES*

The Customer Assistance and Referral Evaluation Services (“CARES”) program is a special referral service for customers with temporary hardships, such as illness, injury, job loss

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3 The savings were determined by The Cadmus Group who prepared the billing analysis for PPL’s 2015 Narrative Report. At the time of filing these Comments, this data had not yet been confirmed by the Commission’s Bureau of Consumer Services.
or high medical bills. These conditions create hardships that are difficult to address without some sort of assistance. The primary features of CARES include:

1. Protection against termination of electric service;
2. Referrals to other programs and services; and
3. Possible financial assistance for overdue electric bills.

This program is available to residential customers, regardless of income level, who face a temporary hardship that could result in loss of electric service. Through this program the Company attempts to match customers' needs with existing Company and community programs. The program also offers eligible customers CARES credits to help pay their electric bill. Since this program does not have an income threshold, this program may be the only financial assistance program available to the customer, as many other programs (including OnTrack and Operation HELP) are limited to low-income customers. In 2015, 158 customers received assistance through CARES credits, with the average grant amount being approximately $342.

2. Cost and Cost Recovery

PPL Electric's annual expenditures for its universal service programs and program participant count for the past five years are as follows:

<table>
<thead>
<tr>
<th>Program Year</th>
<th>OnTrack</th>
<th>WRAP</th>
<th>Operation HELP</th>
<th>CARES</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$86,446,411</td>
<td>$9,859,640</td>
<td>$902,123</td>
<td>$61,000</td>
</tr>
<tr>
<td>2015</td>
<td>$83,614,471</td>
<td>$10,182,246</td>
<td>$1,369,915</td>
<td>$54,000</td>
</tr>
<tr>
<td>2014</td>
<td>$72,016,857</td>
<td>$9,687,785</td>
<td>$1,208,759</td>
<td>$53,140</td>
</tr>
<tr>
<td>2013</td>
<td>$55,223,019</td>
<td>$8,233,448</td>
<td>$1,044,197</td>
<td>$77,223</td>
</tr>
<tr>
<td>2012</td>
<td>$47,106,215</td>
<td>$8,027,229</td>
<td>$994,996</td>
<td>$54,592</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Program Year Participants</th>
<th>OnTrack</th>
<th>WRAP</th>
<th>Operation HELP</th>
<th>CARES</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>53,765</td>
<td>3,457</td>
<td>2,697</td>
<td>162</td>
</tr>
<tr>
<td>2015</td>
<td>45,801</td>
<td>2,905</td>
<td>3,956</td>
<td>158</td>
</tr>
<tr>
<td>Year</td>
<td>Amounts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>------</td>
<td>---------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>38,373</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>35,197</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>34,462</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Company recovers the costs for OnTrack and WRAP through a reconcilable Universal Service Rider. Operation Help is supported by contributions from PPL Electric, its employees, retirees and customers. CARES is partially funded by PPL Electric’s annual donation to Operation Help and through base rates.

B. PPL Electric’s Priorities, Concerns and Suggestions

1. Priorities

PPL Electric believes it is important to strike a balance between those who benefit from participation in its universal service programs and those who fund the programs. As such, the priority for PPL Electric is maintaining robust universal service programs in an affordable manner. Another priority for the Company is increasing participation in the universal service programs. PPL Electric makes great efforts to educate customers about these programs and increase participation.

2. Concerns and Suggestions

PPL welcomes this opportunity to provide comments on concerns and suggestions relating to universal service programs for the Commission’s consideration in its review of these programs:

a. USECP approval process

The Commission’s Universal Service and Energy Conservation Reporting Requirements for electric utilities require each electric distribution company (EDC) serving more than 60,000 residential accounts to submit an updated universal service and energy conservation plan (USECP) every three years to the Commission for approval. 52 Pa. Code § 54.74. The EDCs
are required to include CAP, LIURP, CARES and hardship fund programs in their universal service portfolios. Id. The Bureau of Consumer Services (BCS) is responsible for monitoring and evaluating the utilities’ universal service programs as part of the USECP approval process.

PPL Electric commends the Commission for implementing a process which allows each utility to structure its programs’ design based on the unique customer demographics and infrastructure of its service territory. The USECP approval process provides an opportunity for BCS, the utilities and stakeholders to assess which program aspects work well and define areas for improvement on a regular basis. In addition, the USECP approval process enables the utilities to adjust their programs to meet changing customer needs and to complement other programs for customers with limited incomes that are subject to changing regulations and funding levels (e.g. LIHEAP, WAP).

Each EDC is required to submit its proposed USECP to the Commission by a specific date. For example, PPL Electric submits its USECP prior to July 1st for the three subsequent years. The approval process and timeline varies among utilities and often changes each time a utility submits a proposed plan. It is not unusual for the process to extend one year or longer over the target implementation date.

PPL Electric supports the Commission’s requirement that all covered utilities develop and submit a plan triennially. In order to maximize the effectiveness of the USECP, PPL Electric suggests that the Commission adopts a uniform approval process and timeline for all utilities. The Company believes that a uniform approach will benefit not only the utilities and BCS staff but stakeholders as well.
b. Universal programs evaluation process

In addition to submitting the USECPs on a three-year basis, the EDC’s are required to undergo a third-party evaluation every six years. 52 Pa. Code § 54.76. Each EDC selects its respective evaluator. The evaluator submits the evaluation report to the Commission and the utilities “accept” or “reject” the recommendations under the guidance of BCS.

PPL Electric supports the evaluation process. However, the Company suggests that the timing of the evaluation be in sync with USECP process. For example, PPL Electric’s third-party evaluator last submitted its final report in October 2014. The review of the recommendations took approximately four months. The 2014 evaluation was too late to incorporate any major recommendations into its 2014-2016 USECP, which the Company submitted in June 2013, but not recent enough to use in the development of the proposed 2017-2019 USECP. PPL proposes that the Commission rework the timeline so that the evaluation report precedes the USECP deadline by no less than nine months. This will enable the EDCs to implement evaluation recommendations quicker and provide stakeholders with the opportunity to review the recommendations as part of the USECP process.

c. USECP issues being raised in the context of base rate proceedings

PPL Electric does not believe a distribution base rate proceeding is the appropriate forum to address universal service-related issues. The Commission has a regulatory process regarding the development and implementation of universal service programs, and from PPL Electric’s perspective, it’s more appropriate and effective to address low-income programs at the time when utilities file their proposed USECP for Commission review and approval. This process provides sufficient opportunity for interested parties to participate and raise issues with a utility’s proposed USECP. For example, in PPL Electric’s 2014-2016 USECP proceeding, the Company
agreed to increase funding for WRAP by $1.5 million, from $8 million to $9.5 million, based on
a proposal of an intervening party. The Commission approved the funding increase in its Final
Order approving the 2014-2016 USECP. Further, the Company finds that it can be disruptive to
the overall implementation of the universal service programs when changes are made midstream.

d. Policy Statement design elements

The CAP policy statement provides that utilities should develop CAPs consistent with the
design elements included in the policy statement. 52 Pa. Code § 69.263. Below, PPL Electric
identifies the design elements that have been essential in developing its CAP and the design
elements that the Company sought to deviate from when seeking approval of its CAP.

The CAP policy statement directs utilities to include a payment plan proposal and offers
six (6) types of payment plans, including an “alternate payment formula.” 52 Pa. Code §
69.265(2). PPL Electric believes that these multiple payment plan options offer utilities valuable
flexibility in designing its CAP. Indeed, this flexibility allowed PPL Electric to include three
payment plan options in its USECP. As discussed above, PPL Electric believes that having three
payment plan options to select from allows the Company to provide the customer with the
payment that best fit the needs of our customers.

The policy statement also lays out required control features, including minimum payment
terms, exclusion of “nonbasic services,” consumption limits, high usage treatment, maximum
CAP credits, and allowances for exemptions from the previously stated control features. 52 Pa.
Code § 69.265(3). With respect to consumption limits, PPL Electric believes consumption limits
are effectively met by utilizing CAP credit limits. While PPL Electric agrees with the control
feature of maximum CAP credits, the Company believes that the dollar amounts of these limits
should not be stipulated in the CAP policy statement, but in each utility’s three-year Universal
Service Plan. PPL Electric believes that the existing provisions for exemptions from the control features allow it flexibility to handle unusual or extenuating customer circumstances.

The CAP policy statement further states that a utility’s CAP should include an annual reapplication process. 52 Pa. Code § 69.265(6)(viii). PPL Electric believes that the specific timeframe for reapplication to CAP is better addressed through each utility’s three-year Universal Service Plan. PPL Electric’s reapplication process is currently on an 18-month timeline, not an annual one, as established through our USECP. Similarly, the CAP policy statement indicates that arrearage forgiveness should occur over a 2-3 year period. 52 Pa. Code § 69.265(6)(ix). PPL Electric believes this also would be better addressed through the three-year plans, as the arrearage forgiveness timeframe works best if it complements the overall CAP design. For example, PPL Electric’s arrearage forgiveness currently follows an 18-month timeline, as set out in our USECP, which compliments the 18-month program timeframe.

PPL Electric also supports the current policy statement provision that provides that a customer may be reinstated into CAP at the utility’s discretion. 52 Pa. Code § 69.265(8). PPL Electric believes that this provision again provides the utility flexibility to deal with unusual or extenuating customer circumstances and should be retained.
III. CONCLUSION

PPL Electric appreciates the opportunity to submit these comments and to participate in the Commission’s review of the universal service programs. The Company looks forward to working collaboratively with the Commission and other interested stakeholders to address issues surrounding universal service programs.

Respectfully submitted,

[Signature]

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Date: August 8, 2017

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