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E-File

October 9, 2018

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

Re: Implementation of Act 58 of 2018 Alternative Ratemaking for Utilities
Docket No. M-2018-3003269

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 Tentative Order issued on August 23, 2018 in the above captioned proceeding.

Pursuant to 52 Pa. Code § 1.11, the enclosed document is to be deemed filed on October 9, 2018, which is the date it was filed electronically using the Commission's E-filing system.

If you have any questions regarding these comments, please call me at (610)774-5696 or Bethany Johnson, Manager – Regulatory Operations for PPL EU Services at (610) 774-7011.

Very truly yours,

Kimberly A. Klock

Enclosures

cc via email: Tanya J. McCloskey, Esquire
Mr. John R. Evans
R. Kanaskie, Esquire

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Implementation of Act 58 of 2018 :
Alternative Ratemaking for Utilities : Docket No. M-2018-3003269

**COMMENTS OF
PPL ELECTRIC UTILITIES CORPORATION**

I. INTRODUCTION

On June 28, 2018, Governor Wolf signed into law Act 58 of 2018 (“Act 58”), which amends Chapter 13 of the Pennsylvania Public Utility Code, 66 Pa. C.S 1302 *et seq.*, (relating to rates and distribution systems). Specifically, Act 58 adds Section 1330, 66 Pa. C.S. § 1330 (relating to alternative ratemaking for utilities), which permits the PUC to approve an application by a utility to establish alternative rates and rate mechanisms. Pursuant to Act 58, the Pennsylvania Public Utility Commission (“PUC” or “Commission”) “...by regulation or order, shall prescribe the specific procedures for the approval of an application to establish alternative rates” within six months of the effective date of Section 1330. 66 Pa.C.S. § 1330(d). To that end, on August 23, 2018, the PUC issued a Tentative Implementation Order (“TIO”) at Docket No. M-2018-3003269 seeking comments on its proposed interpretation and implementation of Act 58, Section 1330 of the Public Utility Code, 66 Pa. C.S. 1330. Following publication of the TIO in the *Pennsylvania Bulletin* on September 8, 2018, interested parties had thirty (30) days from the date of publication to file comments. Accordingly, PPL Electric submits these Comments for the Commission’s consideration.

II. COMMENTS

A. General

PPL Electric appreciates the Commission's work with regard to Alternative Ratemaking in Pennsylvania. Since 2015, the PUC has been examining opportunities and seeking input from stakeholders with regard to this topic. PPL Electric has supported and continues to support the Commission's efforts to explore alternative ratemaking methodologies. PPL Electric has offered Comments and Reply Comments with respect to the Commission's Tentative Order on *Alternative Ratemaking Methodologies*, Docket M-2015-2518883 and provided testimony at the En Banc Hearing held by the Commission on March 3, 2016. PPL Electric also testified at a legislative hearing on November 20, 2017 in support of the passage of Act 58. PPL notes that on May 23, 2018, the Commission entered a Proposed Policy Statement Order at Docket No. M-2015-2518883 seeking comments from interested stakeholders on proposed guidelines utilities and stakeholders should consider in a Section 1308 rate proceeding involving alternative ratemaking methodologies.¹

B. Section 1330(a) – Declaration of Policy

Section 1330(a) sets forth the policy of the General Assembly. PPL Electric agrees with the both the policy and the Commission's consideration of the policy goals when reviewing proposals submitted with requests to change base rates.

C. Section 1330(b) – Alternative Rate Mechanisms

The PUC proposes to interpret the language of Section 1330(b)(1) as requiring utilities to obtain Commission approval of alternative rate or rate mechanisms through a Section

¹ The deadline for Comments on the Proposed Alternative Ratemaking Policy Statement at Docket No. M-2015-2518883 is October 22, 2018.

1308(d), 66 Pa. C.S. § 1308(d) (relating to voluntary changes in rates), general rate proceeding. *See* TIO, p. 3. Section 1330(b)(2) states that alternative mechanisms established under Section 1330(b) may include rates under Section 1307 or 1308. The Commission proposes to interpret this as permitting rates and/or rate mechanisms in accordance with the parameters set forth in Section 1307 as established through the initial Section 1308 proceeding approving the mechanism. *See* TIO, p. 4.

PPL Electric generally agrees with this interpretation, however, PPL Electric notes that the language of Section 1330(b)(1) referring to “a base rate proceeding” contemplates any Section 1308 base rate proceeding and should not be limited to Section 1308(d) proceedings. Establishing a Section 1307 mechanism in the context of an initial Section 1308 proceeding is consistent with other established 1307 mechanisms. PPL Electric has specific experience with this interpretation with respect to two of its existing automatic adjustment clauses – the Competitive Enhancement Rider (“CER”) and the Storm Damage Expense Rider (“SDER”). The CER was proposed in 2012 in the Company’s 1308(d) base rate case proceeding at Docket No. R-2012-2290597. The SDER was subsequently established at Docket No. R-2012-2290597 following the Company’s 2012 base rate case proceeding. Both adjustment mechanisms, subsequent to approval when first proposed in a 1308(d) proceeding, operate under the construct set forth in Section 1307. The Commission’s interpretation allows for all of the stakeholder protections and examination afforded in Section 1308 base rate case proceedings, while establishing an efficient alternative to the lengthy and voluminous process of a base rate case by allowing for mechanisms to subsequently operate under Section 1307. Continuing under the parameters of Section 1307, parties are afforded the ability to challenge and investigate rates should concerns arise. Regarding the language in Section 1330(b)(1) stating “[n]otwithstanding

any other provision of law, including, but not limited to sections 2806.1(k)(2) ... and 2807(f)(4),” the Commission’s proposal is to interpret this section as providing the Commission with the authority to approve alternatives rates and rate mechanisms “in spite of” the language contained in Sections 2806.1(k)(2) and 2807(f)(4). *See* TIO, p. 4. Sections 2806.1(k)(2) and 2807(f)(4) relate to the ability of an electric distribution company to recover costs for Act 129 energy efficiency and conservation plans that states that decreased revenues due to changes in energy consumption or demand shall not be recoverable and that said revenues shall not be considered a technology cost.

PPL Electric agrees with the Commission’s interpretation and believes this was the intent of the General Assembly’s inclusion of the language and reference to the sections noted above. In fact, PPL Electric posits that any other interpretation undermines the Declaration of Policy contained in Section 1330(a) of Act 58.

D. Section 1330(c) - Customer Notice

This Section requires utilities to provide additional customer notifications upon request for approval of an alternative rate or ratemaking mechanism. As utilities are required to file a base rate increase in order to establish an alternative rate or ratemaking mechanism, it is logical for utilities to provide additional information regarding the alternative methods sought in such rate case. The Commission proposed a number of additional customer notice requirements, including:

- Revising the notice language contained in 52 Pa. Code §53.45(b)(1)(i) (relating to notice of proposed rate changes);
- Providing a bill insert and a posting on the utility’s publicly accessible website;
- Including information on the utility’s tariff pages listing modification of existing rules, regulations, and rates;

- Distributing the tariff pages containing the list of modifications through a bill insert; and
- Providing a link to the portion of the utility's tariff on the utility's customer home page and any page dedicated to a customer class. *See* TIO, pp. 6-7.

PPL Electric is generally supportive of the Commission's position to provide customer notifications regarding the proposed and approved alternative rates/ratemaking mechanisms. Such notification provides for a consistent and familiar communication to customers. PPL Electric fully supports the first three bullets summarized above: 1) the language changes proposed by the Commission, 2) providing a bill insert and inclusion on the Company's publicly accessible website, and 3) including the requested information in the Company's tariff pages. However, the requirement to provide the tariff pages containing modifications through a bill insert may be unduly burdensome and confusing to customers, as well as potentially expensive, thereby increasing customer costs. This requirement is above and beyond any of the current regulations regarding customer notices and price changes. It is unknown at this time how robust the tariff pages for these mechanisms will be. PPL Electric encourages the Commission to reconsider a proposal that raises the possibility of requiring PPL Electric to send multiple pages of tariff language to the Company's 1.4 million customers. The Company's current bills are usually 2 pages and the Company's Connect Newsletter is also included as a bill insert. Adding the relevant tariff pages to each customer's bill will create additional printing and postage costs that ultimately are transferred to the customer when such information will already be available to customers via bill inserts and electronically on social media and on the Company's website, including on the web pages dedicated to the tariff. Should customers wish to receive a printed copy of any tariff page, they can request one from the Company.

The Company also has concerns with the proposal to provide a link to the portion of the utility's tariff on the utility's customer home page "and any page dedicated to a customer class." See TIO, p. 7. PPL Electric does not object to including a link on its customer home page, however, it does have concerns with including links on *any page* dedicated to a customer class. Because utility websites are different, the interpretation of any particular part of a website being dedicated to a customer class could be vague and consequently administratively burdensome and could create customer confusion. PPL Electric has areas of its website dedicated to its tariff, which is broken down by Tariff Rule section, Rate Schedule, and Rider. One may interpret "any pages dedicated to a customer class" to include a link to the utility's tariff on alternative ratemaking on each of its Rate Schedules, Riders, and Rules defining customer groups, in addition to other areas of the website. For example, PPL Electric has a section on its website called "Ways to Save." On this page, there are subsets for residential rebates, business and nonprofit rebates, and multifamily housing. The options for customers once they have logged into their accounts is extensive with the ability to seek information on payments, billing, and a separate section for business services. As some options are available to all customers, some to only residential customers, and others to only small business customers, one could interpret the Commission's proposal as requiring that such a link be included on each and every page, which would be burdensome. Websites should be easy for customers to navigate and understand. To repeat the same information on every page could result in confusion and frustration for customers who are seeking information other than the alternative ratemaking tariff.

E. Section 1330(d) - Commission

Section 1330(d) sets forth the requirement for the PUC to prescribe the specific procedures for approval of an application to establish alternative rates or rate mechanisms. The Commission seeks to require a Section 1308(d) base rate case proceeding as the method prescribed for an approval of an alternative mechanism. *See* TIO, p. 8.

As PPL Electric noted above, the language of Section 1330(b)(1) referring to “a base rate proceeding” contemplates any Section 1308 base rate proceeding and should not be limited to Section 1308(d) proceedings. *See* Section II.C, *infra*. The Company believes this is consistent with the proposed interpretation of Section 1330(b)(1) relating to mechanisms and rates under Sections 1307 and 1308. As noted earlier, the processes for base rate cases under Section 1308 and automatic adjustment clauses under Section 1307 are well established. Stakeholders are familiar with the processes established by these Sections of the Public Utility Code and the allowance for evaluation and investigation of EDC rates as well as the PUC’s own audit of 1307 mechanisms.

The information required to be provided by the utility in accordance with 52 Pa. Code § 53.53 to meet its burden of proof in a 1308(d) base rate case proceeding is comprehensive. As set forth in the TIO, the Commission presumes that the current requirements will meet the needs to support the proposal of any alternative rate or rate mechanism. *See* TIO, p. 9.

PPL Electric supports this position. Additionally, as the burden of proof rests with the utility, it is incumbent upon the utility when proposing such a mechanism to provide information sufficient for evaluation by the parties to determine the reasonableness and prudence of the revenue requirement claim. The process governing any 1308 base rate proceeding provides ample opportunity, should the information not be furnished by the EDC with the initial filings,

for stakeholders to seek the information they require to assess the prudence of the EDC's claim through the discovery process.

The Commission posits that the details of reconciliation for a given permissible mechanism be established initially in the context of the 1308 base rate proceeding in which the mechanism is proposed and ultimately established. *See* TIO, p. 10.

PPL Electric believes that this approach is the most efficient and effective method. Because of the variety of alternatives available for PUC approval under Act 58, the PUC, EDCs, and other stakeholders would be remiss to attempt to establish in advance the specifics of reconciliation to proposals and mechanisms that do not yet exist. That being said, the Company believes that reconciliations should be developed and evaluated with consideration given to existing reconciliation procedures. PPL Electric believes that it would be prudent to evaluate standards and consistency that currently exist across mechanisms for appropriate application to the alternative rates or ratemaking mechanisms.

F. Section 1330(f) - Definitions

PPL Electric supports the Commission's proposed interpretation to the definitions and offers no additional comments to this section.

III. CONCLUSION

PPL Electric supports the Commission's work with regard to Alternative Ratemaking and appreciates the opportunity to provide these Comments. PPL Electric Utilities Corporation respectfully requests that the Commission take these Comments into consideration in preparing its Final Order.

Respectfully submitted,



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Date: October 9, 2018

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