

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission,	:	
Law Bureau Prosecutory Staff	:	
	:	Docket No. M-2008-2057562
v.	:	
	:	
PPL Electric Utilities Corporation	:	

**RESPONSE OF
PPL ELECTRIC UTILITIES CORPORATION
TO PUBLIC COMMENTS**

I. INTRODUCTION

On or about December 8, 2008, Dauphin County Social Services for Children and Youth (“DCSS”) filed comments in response to the Settlement entered into by PPL Electric Utilities Corporation (“PPL Electric” or the “Company”) and Pennsylvania Public Utility Commission (“Commission” or “PUC”) Prosecutory Staff in the above-captioned proceeding. Likewise, on or about December 9, 2008, Pennsylvania Utility Law Project (“PULP”) and Community Legal Services, Inc. (“CLS”) filed joint comments in opposition to the Settlement.¹

PPL Electric’s response to the comments filed by PULP/CLS and DCSS are below. In summary, PULP/CLS is attempting to use this proceeding to promote agendas that are unsupported by the facts of this case and is requesting relief that the Commission has no authority to grant. Many of the allegations contained in the PULP/CLS comments are either completely false, misleading and/or totally unsubstantiated.

DCSS’ comments are more tempered than the PULP/CLS’ comments. However, DCSS’ comments appear aimed at supporting its request to establish a trust fund for A.D. As explained

¹ PULP/CLS did not serve a copy of its comments on PPL Electric.

below, the Commission does not have the authority to award this type of compensation and should not utilize its resources to investigate issues that are outside of its jurisdiction.

In their comments both PULP/CLS and DCCS ignore a critical fact. Prosecutory Staff conducted an extensive investigation of this matter, including interviewing PPL Electric personnel, serving numerous written discovery questions on PPL Electric, holding informal discovery sessions and holding a number of settlement conferences. It was only after this extensive investigation that Prosecutory Staff agreed to the Settlement.

As explained in both Prosecutory Staff's and PPL Electric's Statements in Support, the Settlement is in the public interest and should be approved. As demonstrated through the investigation, the Donachys made no payments for their electric service for approximately one year before their service was terminated. PPL Electric terminated electric service only after: (1) repeated telephone conversations with Mr. and Mrs. Donachy regarding their payment obligations; (2) referral to both the OnTrack and Operation HELP programs; (3) four separate payment agreements offered by the Company, two of which had no catch-up amount, and none of which were kept by the Donachys; (4) a written 10-day notice prior to termination of service; (5) two three-day calls prior to termination of service; and (6) no dispute at any time from the Donachys regarding the amount of their electric bill. As evidenced by these actions, PPL Electric went above and beyond its obligations to provide electric service to the Donachys. PPL Electric believes that its conduct in regard to this matter was appropriate, lawful and in compliance with the Public Utility Code, the Commission's regulations and applicable orders. If this matter had been litigated, PPL Electric would have vigorously contested any and all allegations that it violated its duty to provide just and reasonable utility service. PPL Electric only entered into the Settlement because the Settlement makes no factual findings or conclusions

of law, makes no findings that PPL Electric violated any provision of the Public Utility Code or the Commission's regulations and imposes no fine or penalty on PPL Electric.

As noted by the Commission in its Order requesting comments on the Settlement, it is the policy of the Commission to promote Settlements. Order p. 3. This Settlement was entered into by Prosecutory Staff after an extensive investigation and multiple settlement conferences with PPL Electric. The Settlement resolves all issues between PPL Electric and Prosecutory Staff and does not limit other parties' rights regarding this matter other than in this specific proceeding. As noted in Paragraph 27 of the Settlement, it reflects a reasonable negotiated compromise of the issues addressed therein, and PPL Electric respectfully requests that the Commission approve the Settlement without modification.

II. RESPONSE TO PULP/CLS COMMENTS

A. **THE PULP/CLS COMMENTS DO NOT CITE A SINGLE INSTANCE WHERE PPL ELECTRIC HAS BEEN FOUND TO HAVE VIOLATED ANY PROVISION OF THE PUBLIC UTILITY CODE, THE COMMISSION'S REGULATIONS OR COMMISSION ORDER.**

In its comments, PULP/CLS make multiple allegations that PPL Electric has provided unreasonable service to the Donachys and to other customers. PULP/CLS comments pp. 1, 8, 9 et al. PPL Electric responds in detail to these allegations below. However, PPL Electric notes that, in its comments, PULP/CLS do not cite any Order of the Commission finding that PPL Electric violated any provision of the Public Utility Code, Commission regulation or Commission Order. With regard to the Donachy investigation, PULP/CLS cite paragraphs of the Settlement stating what Prosecutory Staff would have alleged if the case had been formally litigated. PULP/CLS comments, pp. 4-5. However, it is clear from the Settlement that these proposed allegations are not factual findings. Moreover, as discussed below, PPL Electric would have vigorously challenged these allegations. Likewise, PULP/CLS cite a prior Settlement

entered into by PPL Electric and Prosecutory Staff as proof of PPL Electric's unreasonable behavior. PULP/CLS comments, p. 10. PULP/CLS fail to mention that the prior Settlement made no findings that PPL Electric violated the Public Utility Code or the Commission's regulations. PULP/CLS also claim that PPL Electric violated the Commission's request to ease termination activity going into the winter months. PULP/CLS comments, p. 15. The Commission has not issued any order finding that PPL Electric has violated this request. In addition, as explained below, PPL Electric has fully complied with the Commission's request and significantly scaled back its terminations as cold weather approached.

PULP/CLS' comments are based upon speculation and unsupported assumptions about PPL Electric's policies and behavior. Given the false and grossly misleading nature of the comments, PPL Electric requests that the Commission disregard PULP/CLS' comments in this matter.

B. PPL ELECTRIC'S ACTIONS DID NOT CAUSE THE DEATH OF THE DONACHY CHILDREN.

PULP/CLS argue that the Commission should overturn the Settlement is based upon their accusations that PPL Electric's conduct led to the deaths of the Donachy children. See PULP/CLS comments, p. 27. The events surrounding the termination of electric service to the Donachys are extremely unfortunate, and were based upon the fundamental failure of Mr. and Mrs. Donachy to provide a safe and supervised environment for their children. This is clearly evident through DCSS' comments which note that Mr. and Mrs. Donachy were both incarcerated on charges stemming from the November 3, 2007, fire. According to a recent news report, both Mr. and Mrs. Donachy have pleaded guilty to homicide for the deaths of their children. Likewise, in an article on Pennlive.com dated December 15, 2008, which is appended hereto as Appendix 1, the Patriot News states that the children "died in a fire caused by a candle because

she [Mrs. Donachy] and her husband [Mr. Donachy] spent their utility money on crack cocaine.”

The article further states as follows:

Authorities said the couple received money from relatives to help pay utility bills days before the power was shut off but used the money to buy drugs instead.

Based upon these reports and the facts of this case, the PULP/CLS’ allegations that PPL Electric’s actions led to the death of the Donachy children are inaccurate, and should be totally disregarded by this Commission.

C. THE SETTLEMENT WAS BASED UPON PROSECUTORY STAFF’S EXTENSIVE INVESTIGATION AND IS AN APPROPRIATE RESOLUTION OF THIS PROCEEDING.

In its comments, PULP/CLS make numerous statements that the Settlement is insufficient for a variety of reasons, including PPL Electric’s conduct with regard to the Donachy termination, PPL Electric’s compliance history, and PPL Electric’s history of customer enrollment in low-income programs. See e.g. PULP/CLS comments, p. 23. PPL Electric addresses each of these allegations in more detail herein. However, as explained above, PPL Electric notes that many of PULP/CLS’ statements are based upon the erroneous assumption that Prosecutory Staff’s allegations in the Settlement have been proven to be correct and necessarily constitute violations of law.

PPL Electric clearly went above and beyond its obligations to provide electric service to Mr. and Mrs. Donachy. PPL Electric provided the Donachys with four separate settlement agreements, two of which had no catch-up amounts, in an attempt to assist the Donachys. PPL Electric also referred the Donachys to PPL Electric’s OnTrack and Operation HELP programs, and it is apparent that the Donachys did not follow up on these referrals. PPL Electric also provided appropriate notices regarding termination to the Donachys, including a 10-day written notice and a three-day call prior to termination. It was only after these extensive attempts to

assist the Donachys and after failure of the Donachys to make any payment for approximately one-year that PPL Electric terminated electric service.

PULP/CLS make multiple references to PPL Electric's obligations to low-income customers in their comments, and PPL Electric clearly met its obligations in this case and continues to meet its obligations. PPL Electric also notes that it has an obligation to its other customers to take prudent steps to mitigate uncollectibles so that other customers do not bear excessive costs for customers that simply refuse to make any payments for extended periods of time. Moreover, PPL Electric referred the Donachys to its low-income programs, and they did not avail themselves of such services.

The PULP/CLS' comments provide no basis to overturn the Settlement. PPL Electric provided more than adequate notice to Mr. and Mrs. Donachy that their electric service would be terminated for failure to pay anything for approximately a one-year period. The Commission should not countenance PULP/CLS' attempts to shift the blame to PPL Electric when the deaths were clearly caused by the criminal actions of their parents.

D. PPL ELECTRIC WOULD HAVE VIGOROUSLY CONTESTED ALL OF PROSECUTORY STAFF'S PROPOSED ALLEGATIONS.

In its comments, PULP/CLS list each of Prosecutory Staff's proposed allegations as support for PULP/CLS' arguments that PPL Electric provided unreasonable service. PULP/CLS comments, pp. 4-5. However, PULP/CLS fail to acknowledge that the Settlement explicitly identifies these allegations as Prosecutory Staff's contentions "if this matter had been litigated." PULP/CLS also fail to acknowledge that the Settlement explicitly states that "if this matter had been litigated, PPL would have contested each of Prosecutory Staff's contentions" and summarizes the Company's responses. But this matter was settled, and, as noted in the

Settlement, the Settlement makes no findings of fact or conclusions of law. Paragraph 25 of the Settlement provides in part:

Provided, however, that this Settlement makes no findings of fact or conclusions of law . . .

It is further understood that in entering into this Settlement, PPL has made no admission of fact or law and disputes all issues of fact and law for all purposes in all proceedings . . .

Below, PPL Electric lists each proposed allegation followed by PPL Electric's arguments in response.

Proposed Allegation: During the contact with the customer on October 19, October 22, and November 2, 2007, the Company failed to provide dispute rights and ultimately issued a termination notice with a dispute pending. If proven, this would have violated 52 Pa. Code §§ 56.151; 56.83, 56.92, and 66 Pa. C.S. §§ 1406(a)(1) and 1501.

If this matter had been litigated, PPL Electric would have demonstrated that it was not required to provide notice of dispute rights under 52 Pa. Code Sections 56.151, 56.83, 56.92 and 66 Pa.C.S. §§ 1406(a)(1) and 1501 because payment agreements had been agreed to and there was no dispute pending. In addition, the Company would have demonstrated that it was not required to provide notice of dispute rights under Chapter 14.

Proposed Allegation: During contact with the customer on September 19 and October 19, 2007, the Company failed to explain all available methods of avoiding termination. If proven, this would have violated 52 Pa. Code §§56.97(a) and 66 Pa. C.S. §1501.

If this matter had been litigated, PPL Electric would have argued that it was not required to explain all available methods of avoiding termination because the customer entered into a payment agreement, and that in fact, PPL met the requirements of 52 Pa. Code § 56.97(a) and 66 Pa.C.S. § 1501.

Proposed Allegation: The Company had terminology not consistent with the Public Utility Code in that it considered a payment agreement to be “pending” until the time a first payment was made pursuant to the payment agreement. The Company considered the payment agreement made with the customer on October 19, 2007, to be “pending” in nature because the customer had not yet made a first payment pursuant to the agreement. If proven, this would have violated 52 Pa. Code §§56.151(4), and 66 Pa. C.S. §1403 and 66 Pa. C.S. §1501.

If this matter had been litigated, PPL Electric would have argued that the Company’s terminology regarding pending payment agreements was a matter of internal labeling by PPL Electric, had no impact on service rendered to customers and did not violate 52 Pa. Code §.56.151(4), and 66 Pa.C.S. § 1403 and 1501.

Proposed Allegation: On October 22, 2007, PPL telephoned the Donachys to deliver a three-day notice of termination. At the time this notice was delivered, no grounds for termination existed because the Company had entered into a payment agreement with Ryan Donachy and that payment was not due until October 23, 2007. If proven, this would have violated 52 Pa. Code § 56.83(6).

If this matter had been litigated, PPL Electric would have argued that the Company’s call on October 22, 2007 to inform the Donachys of impending termination of service did not violate 52 Pa. Code § 56.83(6) or 66 Pa.C.S. § 1406, especially since the Donachys had defaulted on three prior payment agreements and had not paid any amount for approximately one year.

Proposed Allegation: The Company erroneously terminated electric service to 998 Main Street, Oberlin, PA on November 2, 2007 and failed to restore electric service within 24 hours of that erroneous termination. If proven, this would have violated 52 Pa. Code §§ 56.83 and 56.141 and Pa. C.S. §§ 1406(a), 1407(b), and 1501.

If this matter had been litigated, PPL Electric would have argued that the Company did not erroneously terminate service in violation of 52 Pa. Code §§ 56.83 and 56.141 and 66 Pa.C.S. §§ 1406(a), 1407(b) and 1501, and, therefore, it did not improperly fail to restore service.

Proposed Allegation: The Company used termination notices on April 16, 2007, April 25, 2007, May 25, 2007, June 6, 2007, July 6, 2007 and July 17, 2007 as a collection device. If proven, this would have violated 52 Pa. Code §§56.99 and 66 Pa. C.S. § 1501.

If this matter had been litigated, PPL Electric would have argued that the Company did not use termination notices as a collection device in violation of 52 Pa. Code § 56.99 and 66 Pa.C.S. § 1501.

Given the nature of the Settlement, PULP/CLS should not be permitted to cite to Prosecutory Staff's proposed allegations as fact, and use those allegations to argue that the Settlement is unreasonable. As noted above, PPL Electric would contest all of the proposed allegations and has valid arguments in response to each of them. The Settlement is a reasonable compromise of Prosecutory Staff's and PPL Electric's positions and should not be overturned.

E. PPL ELECTRIC HAS AN EXCELLENT HISTORY OF PROVIDING SERVICE TO LOW-INCOME CUSTOMERS.

In its comments, PULP/CLS make multiple allegations regarding PPL Electric's history of providing electric service to low-income customers. PULP/CLS comments, p. 10. PULP/CLS substantially misstates PPL Electric's efforts to provide reasonable service to all customers, including low-income customers.

PPL Electric has offered assistance programs to low-income customers since the early 1980s. The Company was one of the first utilities to offer a hardship fund (Operation HELP in 1983), and it pioneered utility-sponsored weatherization programs (WRAP in 1985). In terms of annual expenditures, PPL Electric has the largest weatherization program among all electric and gas utilities in Pennsylvania (nearly \$8 million). In Pennsylvania, PPL Electric developed the CARES outreach program in 1982 and even coined the term "CARES," which has become a standard program for all electric and gas utilities.

After the enactment of the Electric Generation Customer Choice and Competition Act (“Competition Act”), the Company has continued its existing programs (Customer Assistance Program (“CAP”) known as OnTrack, WRAP, Operation HELP and CARES). As shown in the table below, since the enactment of the Competition Act, PPL Electric has actually expanded its annual support for the major programs.

Program	Annual Funding	
	1998	2008 ²
OnTrack	\$2,200,000	\$23,000,000
WRAP	\$4,000,000	\$7,750,000
Operation HELP	\$852,000	\$1,450,000
Total	\$7,052,000	\$32,200,000

Since the inception of its low-income programs, PPL Electric has spent hundreds of millions of dollars to assist customers: OnTrack (\$148 million), WRAP (\$104 million) and Operation HELP (\$18 million). Regarding Operation HELP, PPL Corporation has expanded its corporate funding amount from \$440,000 in 1998 to \$1,000,000 in 2008 – an increase of 127.3 percent.

There are several ways in which the Commission measures whether a utility is providing overall levels of reasonable service, including: Consumer complaint rates, the percentage of justified consumer complaints, and the percentage of infractions of regulations (i.e., Chapter 56) as identified by the Commission. Among electric utilities in Pennsylvania, PPL Electric has had a solid record of compliance, as reported by the Commission in its annual Utility Consumer Activities Report and Evaluation reports (see table below). For each of the last three years, the Company’s performance has been significantly better than industry average in these complaint categories, and the Company has ranked best or second best among electric utilities in the Commonwealth.

² Estimated expenditures.

Measure	2005		2006		2007	
	PPL	Industry Avg.	PPL	Industry Avg.	PPL	Industry Avg.
Complaint Rate	0.58	0.82	0.44	0.73	0.44	0.90
Justified Comp.	0.09	0.24	0.06	0.17	0.04	0.13
Infraction Rate	0.02	0.06	0.02	0.05	0.02	0.05

PPL Electric’s internal records and tracking of the number of PUC informal complaints received annually has shown significant improvement over the years. The number of complaints received has dropped from 2,087 in 2003 to 869 in 2007 – a decrease of 58.4 percent. For 2008, PPL Electric projects that the number of informal complaints received will be below 700.

Commission regulations require that electric and gas utilities use a third-party evaluator to assess the effectiveness of their universal service programs every six years. These evaluations normally emphasize utilities’ CAPs because there are other Commission requirements regarding the evaluation of weatherization programs. In 2008, APPRISE, Inc. (“APPRISE”) conducted such an evaluation of PPL Electric’s CAP, known as “OnTrack,” and submitted an extensive report to the Commission in October 2008. The assessment was very favorable regarding the implementation effectiveness of OnTrack and the level of customer satisfaction with the program. APPRISE concluded that:

PPL has designed the OnTrack program to meet the needs of their most vulnerable households. They have developed a system that allows agency staff the flexibility to choose payment arrangements that best meet the needs of the OnTrack customers. (Executive Summary, page 22)

Regarding low-income customers’ level of satisfaction with OnTrack, APPRISE reported that 91 percent of current participants indicated that the program had been very important in helping them to meet their needs. When asked about their overall satisfaction with the program, 91 percent of current participants and 81 percent of former participants stated that they were very satisfied.

As noted above, PPL Electric's support for its low-income programs has grown significantly since enactment of the Competition Act. Funding for its three major programs has grown from approximately \$7.1 million in 1998 to an estimated \$32.2 million in 2008 – an increase of 353.5 percent. During that same period, enrollment in the Company's CAP has increased from approximately 2,400 in 1998 to an estimated 24,000 in 2008 – a jump of 900 percent. In terms of annual funding for utility programs, PPL Electric has the largest weatherization program for low-income customers in the Commonwealth. Its hardship fund (Operation HELP) is, by far, the best funded among electric and gas utilities including the largest shareholder donation in the Commonwealth. In its 2007 report on Universal Service Programs & Collection Performance, the Commission reported the following results regarding overall funding for hardship funds.

Company	Ratepayer Donation	Shareholder Donation	Total
Allegheny	\$372,902	\$187,654	\$560,556
Duquesne	254,727	351,643	606,370
Met-Ed	89,351	150,351	239,702
PECO	227,107	244,420	471,527
Penelec	53,036	129,036	182,072
Penn Power	46,419	76,419	122,838
PPL	455,250	700,000	1,155,250

Company	Ratepayer Donation	Shareholder Donation	Total
Columbia	\$484,787 ³	\$205,000	\$689,787
Dominion	166,375	232,000	398,375
Equitable	139,625	67,659	207,284
NFG	40,878	33,333	74,211
PECO	42,304	84,248	126,552
PGW	98,610	759,084 ⁴	857,694
UGI	60,907	56,000	116,907
UGI Penn Natural	14,140	39,439	53,579

³ Columbia's ratepayer contribution includes a \$375,000 contribution from Citizens Energy Corp.

⁴As a municipally owned utility, PGW does not have shareholders. The amount reported in the shareholder column represents a utility contribution appropriated from rates.

F. PPL ELECTRIC HAS A LOW TERMINATION RATE FOR RESIDENTIAL CUSTOMERS.

In its comments, PULP/CLS allege that PPL Electric has a high termination rate and that aside from PECO, has the highest termination rate among all of the regulated gas and electric companies in Pennsylvania. PULP/CLS' comments, p. 12. As with its other arguments, PULP/CLS misstates the facts.

In its recently released 2007 Utility Consumer Activities Report and Evaluation, the Commission provides data on electric utilities' termination rates for 2005, 2006 and 2007. PPL Electric had the lowest termination rate for 2005 and 2007 and the second lowest termination rate in 2006. In all three years, the Company's termination rate was well below the industry average. The Company believes that it will continue to have a termination rate below the industry average in 2008. The termination rate is the number of service terminations divided by the number of residential customers, expressed as a percent. The following table provides a summary of termination rates for electric utilities from 2005 through 2007, as reported by the Commission.

Company	2005	2006	2007
Allegheny	3.31	3.54	3.55
Duquesne	4.22	3.98	4.31
Met-Ed	1.63	1.78	3.22
PECO	4.36	3.01	3.82
Penelec	2.26	2.24	2.78
Penn Power	2.02	2.17	3.30
PPL	1.51	1.79	2.16
Industry Avg.	2.76	2.64	3.31

G. PPL ELECTRIC'S CAP IS OPEN TO ALL QUALIFIED CUSTOMERS.

On pages 13 -14 of its comments, PULP/CLS state that PPL Electric has "some of the lowest CAP enrollment rates in the Commonwealth, and the lowest in the category of electric

utilities.” These statements totally ignore the significant funding commitment that PPL Electric has made to its CAP program, and they further ignore the scope and effectiveness of that program.

Annual funding for PPL Electric’s CAP (also known as OnTrack), which has a direct impact on the level of customer enrollment, is derived from the outcomes of distribution rate cases that were reviewed and approved by the Commission. Historically, the Company has overspent the funding recovery level allowed by the Commission for OnTrack. This under-recovery of expenses for OnTrack has been borne by PPL Corporation’s shareholders. The following table shows annual allowed cost recovery for the program and the actual expenditures for the last five years.

Year	Allowed Recovery	Actual Expenditures	Difference
2003	\$11,700,000	\$12,851,819	(\$1,518,819)
2004	13,200,000	14,691,811	(1,491,811)
2005	13,200,000	16,223,414	(3,023,414)
2006	13,200,000	15,590,500	(2,390,500)
2007	13,200,000	20,919,308	(7,719,308)
Total	\$64,500,000	\$80,276,852	(\$15,776,852)

In approving the settlement of PPL Electric’s 2007 distribution rate case, the Commission approved a \$19 million annual budget for OnTrack; however, the Company proposed, and the Commission approved, a reconcilable Universal Service Rider to recover costs for both OnTrack and WRAP. PPL Electric estimates that OnTrack expenditures for 2008 will be approximately \$23 million. Again, the Company will exceed its estimated annual expenditure level for the program.

Only once during the 14-year history of OnTrack has PPL Electric stopped enrolling customers in the program. In 2000, the Company implemented a “modified” OnTrack program for several months during the second half of the year. PPL Electric continued accepting referrals

and qualifying customers, but did not enroll them in OnTrack until January 2001. The Company took this one-time action as a means of controlling its PUC-approved budget. However, from the time that the Commission indicated that there was no enrollment limit on CAP programs, PPL Electric has continued to refer customers to the program and has never denied enrollment to qualified customers. By qualified customers, PPL Electric means low-income customers who have met all of the enrollment requirements of OnTrack (i.e., documented household income at or below 150 percent of poverty and payment-troubled). The Company requires applicants to work with the OnTrack agencies to complete all enrollment procedures.

PPL Electric has also continued its efforts to refer potentially qualified customers to the OnTrack agencies. In fact, over the past five years, the number of referrals to OnTrack has grown by 53 percent. The table below shows the number of annual referrals to the program made by PPL Electric’s Customer Service Representatives.

Year	Referrals
2004	34,491
2005	32,644
2006	48,062
2007	51,868
2008 ⁵	52,762

The Commission also reviews and approves PPL Electric’s three-year Universal Service and Energy Conservation Plan, which directly affects the administration of OnTrack. The three-year plan, which conforms to the Commission’s requirements, includes elements such as a needs assessment, eligibility, payment plans and control features (e.g., amount of CAP Credits and energy usage). The Commission approved PPL Electric’s most recent three year plan (2008 to 2010) in its order approving the settlement of the Company’s 2007 distribution rate case.

⁵ As of November 30, 2008.

PPL Electric does not manage its CAP based on some general number of confirmed low-income customers. Simply being low income does not automatically translate into a need to enroll in OnTrack. According to the 2000 U. S. Census, approximately 18 percent of PPL Electric's residential customers have household incomes at or below 150 percent of the federal poverty level. Nevertheless, 80 percent of these customers pay their bill on time and in full every month. Other low-income customers referred to OnTrack simply never follow through with the administering agency. Over the past four years, approximately 37 percent of all customers referred to OnTrack actually enrolled in the program.

PPL Electric manages CAP according to the Commission's CAP Policy Statement and the PUC-approved three-year Universal Service and Energy Conservation Plan. The Company's objective is to identify and assist qualified payment-troubled customers. However, OnTrack is a partnership between PPL Electric and customers. Applicants must take the responsibility to work with the CAP administering organizations to enroll in the program. PPL Electric attempts to identify and enroll qualified customers into OnTrack while, at the same time, being mindful that all residential customers pay for the universal service programs through higher electric rates.

H. PPL ELECTRIC REFERRED THE DONACHYS TO OPERATION HELP AND THE ONTRACK PROGRAMS.

In its Comments, PULP/CLS state that PPL Electric's customer service representative did not refer Mrs. Donachy to OnTrack or Operation HELP during the September 19, 2007 telephone call. PULP/CLS Comments, p. 31. PULP/CLS cite to the Settlement to support this claim. Upon further review of its records, PPL Electric notes that the customer service representative did, in fact, refer Mrs. Donachy to the OnTrack and Operation HELP programs during the September 19, 2007 call. Thereafter, on September 26, 2007, an OnTrack caseworker mailed an application to the Donachys. However, this application was not returned.

I. PPL ELECTRIC FULLY COMPLIED WITH THE COMMISSION'S REQUEST TO REDUCE SERVICE TERMINATIONS GOING INTO THE WINTER MONTHS.

In its comments, PULP/CLS states that PPL Electric has ignored a Commission request to reduce termination levels going into the winter months. PULP/CLS' Comments, p. 15. This is a blatant misrepresentation of the facts.

It has been PPL Electric's practice for many years to reduce the number of residential terminations in November in preparation for winter. In 2008, between April 1 and October 31, the Company averaged about 250 terminations daily. During November of this year, PPL Electric reduced the average number of terminations daily from 250 to 35 – a decrease of 86 percent. In 2007, the Company averaged 160 terminations daily from April 1 to October 31, and it lowered the number of daily terminations in November to 80 – a 50 percent reduction. Compared with November 2007, PPL Electric further reduced the number of daily terminations in 2008 -- 80 in 2007 to 35 in 2008, or a drop of 56 percent.

Regarding the PUC-required winter survey of terminated residential accounts, PPL Electric has continued its outstanding record of reconnecting customers before winter. Historically, the Company has had among the lowest number of residential accounts not reconnected before December 1 of each year. For 2008, PPL Electric recently reported to the Commission that among residential customers whose service the Company shut off for non-payment of bills, there were no customers without electric service entering the winter months. If there had been customers without electric service, it is PPL Electric's practice to contact these customers weekly in December and January in an attempt to reconnect their service. The Company also would negotiate a lower than normal reconnection amount for these customers.

J. PPL ELECTRIC'S MANAGEMENT AND SHAREHOLDERS PROVIDE SUBSTANTIAL ASSISTANCE FOR LOW INCOME CUSTOMERS.

On page 16 of its comments, PULP/CLS allege that PPL Electric's management and shareholders have shown a disregard for low-income customers. Again, PULP/CLS make unsupported allegations with no regard for the actual facts.

As discussed above, PPL Electric offers multiple low-income programs to customers and was one of the first utilities to offer hardship funds and weatherization programs. In fact, PPL Electric has the largest utility-sponsored weatherization and hardship fund programs in the Commonwealth. PPL Electric's management has approved these programs. With regard to funding for hardship programs for 2007, PPL Electric had the highest level of shareholder contributions of all the electric and gas utilities in the Commonwealth. In addition, the Company historically has overspent the level of funding recovery allowed by the Commission for OnTrack. For the years 2003 – 2007 the Company overspent its funding recovery for OnTrack by \$15.8 million, and this under-recovery has been funded by shareholders. PULP/CLS have no valid basis to claim that PPL Electric's management and shareholders have shown a disregard for low-income customers.

K. THE SETTLEMENT MEETS THE STANDARDS SET FORTH IN THE COMMISSION'S POLICY STATEMENT FOR EVALUATING SETTLED PROCEEDINGS.

In its comments, PULP/CLS argue that the Settlement does not meet the standards in the Commission's policy statement for evaluating settled proceedings set forth in 52 Pa. Code Section 69.1207. PULP/CLS Comments, pp. 18-29. As with its other comments, PULP/CLS base this argument on misstatements regarding PPL Electric's actions and assumptions that all of the proposed allegations against PPL Electric are correct. PULP/CLS blatantly misrepresent the statements set forth in the Settlement and misapply the Commission's policy statement.

The factors and standards that will be considered by the Commission are set forth in Section 69.1201(c). Below, PPL Electric sets forth each factor followed by an explanation of how the Settlement complies.

1. Whether the Conduct Was Of A Serious Nature.

Under this factor, conduct that involves willful fraud or misrepresentation may warrant a higher penalty. The Settlement makes no allegation that PPL Electric conducted willful fraud or misrepresentation. In addition, Paragraph 21 of the Settlement provides that “PPL has been cooperative and proactive in responding to LBPS’s concerns related to this investigation.”

In order to support its argument to overturn the Settlement, PULP/CLS argue that “PPL flagrantly violated established statutory requirements and Commission regulations...” PULP/CLS comments, p. 20. Through its comments, PULP/CLS is misrepresenting the statements made in the Settlement and assuming, without any findings by the Commission or any direct knowledge of the case, that PPL Electric committed the alleged violations. As noted above, PPL Electric disputes any allegation that it violated the Public Utility Code, the Commission’s regulations or any Commission order when it terminated electric service to the Donachy residence. Moreover, the Settlement makes no findings that PPL Electric violated the Public Utility Code or Commission’s regulations. The Commission should not rely on PULP/CLS’s unsupported assumptions to overturn the negotiated Settlement.

2. Whether the Resulting Consequences Of The Conduct Were Of A Serious Nature.

As noted herein, PPL Electric disputes any allegation that its conduct violated the Public Utility Code, any Commission regulation or Commission Order. PPL Electric terminated electric service to a customer who had paid nothing for electric service for approximately a one-year period. PPL Electric terminated service only after multiple conversations with the

customer, multiple payment arrangements, referral to the Operation HELP and OnTrack programs, all notices required by law and no dispute at any time regarding the amount of the bill. PPL Electric not only has the right, but has the obligation, to terminate service to customers that refuse to pay. For these reasons, PPL Electric does not believe that its conduct warranted a fine or penalty.

Moreover, as explained above, the deaths of the Donachy children were not a consequence of PPL Electric's actions, but rather caused by the criminal conduct of Mr. and Mrs. Donachy.

3. Section 69.1201(c)(3) Only Applies to Litigated Cases.

Under Section 69.1201(c)(3), the Commission evaluates whether the conduct at issue was deemed intentional or negligent. However, as set forth in the policy statement, this factor may be considered only in evaluating litigated proceedings. In its comments, PULP/CLS argue that the Commission should still consider this factor and PPL Electric's actions in determining whether the Settlement is in the public interest. PULP/CLS Comments, pp. 22-23.

The Commission clearly should not consider this factor, as it would be directly contrary to the policy statement. Moreover, the allegations raised by PULP/CLS in this section of its comments are false and grossly misleading. First, PULP/CLS state that they "clearly have established that the interactions that led to the deaths of two children were not isolated..." As set forth above, PPL Electric's actions did not cause the deaths of the Donachy children and PULP/CLS' allegations that they did should be summarily rejected. The Donachy children died as a result of criminal behavior by the parents who spent money provided to them to pay utility bills on drugs.

PULP/CLS also make multiple false allegations regarding PPL Electric's termination rates, CAP enrollment, terminations leading into the winter months and treatment of low-income

customers. PPL Electric has demonstrated above that these allegations are false, and the Commission should not rely on PULP/CLS inaccurate statements to overturn the Settlement.

4. Whether the Regulated Entity Made Efforts To Modify Internal Practices.

Under Section 69.1201(c)(4), the Commission is to consider whether the regulated entity made efforts to modify internal practices and procedures to address the alleged conduct. As noted in the Settlement, PPL Electric does not believe that any of its conduct violated the Public Utility Code or the Commission's regulations. However, PPL Electric has demonstrated a willingness to work with the Bureau of Consumer Services to enhance its call script, provide additional training to staff and take other measures to improve its customer service. See Settlement Paragraph 21. The Settlement clearly provides that PPL Electric is taking action to modify internal practices and procedures in response to Prosecutory Staff's recommendations.

In its comments, PULP/CLS argue that PPL Electric has not made sufficient efforts to modify its practices. PULP/CLS Comments, pp. 23-24. PULP/CLS arguments are clearly contradicted by the Settlement. In addition, on pages 31-36, PULP/CLS propose multiple changes to the Settlement terms related to PPL Electric's practices. The Commission should not accept PULP/CLS comments. The Settlement is a comprehensive agreement between Prosecutory Staff and PPL Electric regarding this matter and should not be modified to address unsupported and erroneous contentions not investigated in this proceeding.

5. The Number of Customers Affected and the Duration of the Violation.

As noted above, PPL Electric contests any allegation that it violated the Public Utility Code or the Commission's regulations. Therefore, PPL Electric believes that this factor is not applicable. In addition, PPL Electric disputes all allegations that it provides unreasonable service to customers.

6. Compliance History.

Under Section 69.1201(c)(6), the Commission is to consider the compliance history of the utility in determining whether the Settlement is in the public interest. In its comments, PULP/CLS argue that they have shown that PPL Electric has a history of providing unreasonable service to customers. PULP/CLS Comments, pp. 25-26. Contrary to these assertions, PULP/CLS has not cited to a single instance where the Commission found that PPL Electric violated the Public Utility Code or the Commission's regulations. PULP/CLS cite to a prior settlement, however, that prior settlement did not make any findings that PPL Electric violated the Code or the Commission's regulations. Moreover, as demonstrated above, PPL Electric has low termination rates, an expansive CAP program and has complied with the Commission's directives to reduce terminations entering winter months.

7. Cooperation With the Commission's Investigation.

Under Section 69.1201(c)(7), the Commission is to consider whether the utility cooperated with the Commission's investigation. PPL Electric notes that PULP/CLS made no mention of the Settlement's express provision that PPL Electric was cooperative and proactive in responding to Prosecutory Staff's requests in the investigation. See Settlement, Paragraph 21.

8. Amount of Civil Penalty or Fine Necessary to Deter Future Violations.

Under Section 69.1201(c)(8), the Commission is to consider the amount of the civil penalty or fine necessary to deter future violations. In its comments, PULP/CLS argue that a \$300,000 "civil penalty" is insufficient to deter future violations. Throughout their comments, PULP/CLS mischaracterize the \$300,000 contribution to Operation HELP as a civil penalty. The Settlement expressly provides that the contribution is not a civil penalty. Moreover, as noted herein, PPL Electric contests any allegation that it violated the Public Utility Code or the

Commission's regulations. The \$300,000 contribution to Operation HELP is reasonable in order to resolve this matter without litigation.

In addition, PULP/CLS state that PPL Electric's contribution to Operation HELP will be returned to the Company. PULP/CLS comments, p. 30. This comment is misleading. The \$300,000 contribution will specifically be used for the Operation HELP program and will either assist customers that otherwise would not have received this type of assistance or will increase the level of assistance to customers.

9. Past Commission Decisions.

Under Section 69.1201(c)(9), the Commission is to consider past Commission decisions in similar situations. PULP/CLS do not cite any past Commission decisions to support their extraordinary requests for relief in this proceeding.

10. Other Relevant Factors.

Under Section 69.1201(c)(10), the Commission is to consider other relevant factors in determining whether the Settlement is in the public interest. PULP/CLS argue that the Commission should consider two other factors in its decision.

First, PULP/CLS argue that "the fact that PPL's unreasonable service lead to the deaths of two babies is important." PULP/CLS Comments, p. 27. As explained above, PPL Electric's conduct did not lead to the deaths of the Donachy children, and PULP/CLS' comments are grossly misleading. Mr. and Mrs. Donachy both have pleaded guilty to homicide for the deaths of their children.

Second, PULP/CLS argue that "much of the history and information surrounding utility-related deaths or serious injuries remain out of the public eye because the Commission has not compelled utilities to report on deaths associated with the loss of service." PULP/CLS Comments, p. 28. PPL Electric fails to see how this argument supports PULP/CLS's request for

a \$10 million civil penalty against PPL Electric. In addition, it is PPL Electric's practice to report to the Commission instances where a death occurred in a household and utility service was off at the time of the incident.⁶ Moreover, as discussed above, PPL Electric terminated electric service to the Donachys only after no payment for approximately one year, repeated broken payment arrangements, referrals to Operation HELP and OnTrack, multiple conversations with the Donachys and more than adequate notice of termination. PULP/CLS request to modify the Settlement should not be accepted.

L. THE COMMISSION HAS NO AUTHORITY TO GRANT THE RELIEF REQUESTED BY PULP/CLS.

Throughout its Comments, PULP/CLS request that the Commission impose at least a \$10 million civil penalty and "direct PPL Electric to divide the penalty equally among all of its universal service programs and that it should treat its contributions to its Hardship Fund as if they were third party donations." See e.g., PULP/CLS Comments, p. 29.

PULP/CLS provide no statutory basis for the Commission to grant this relief. And, in fact, the Commission has no authority to grant the relief requested by PULP/CLS. Under Section 3301 of the Public Utility Code, 66 Pa. C.S. § 3301, the Commission is limited to imposing a civil penalty of \$1,000 per violation, per day. There is absolutely no basis for the Commission to impose a civil penalty of \$10 million in this case.

⁶ In 1994, the Commission issued a Secretarial Letter requesting utilities with gross annual operating revenues exceeding \$40,000,000 to report to the Commission about deaths due to household fires or hypothermia where utility service was off at the time of the incident. The Secretarial Letter was effective for a two-year period after the Letter was issued. Although the Secretarial Letter is not currently in effect, PPL Electric has continued to comply with the Letter's directives.

III. RESPONSE TO DCSS COMMENTS

A. PROSECUTORY STAFF CONDUCTED AN EXTENSIVE INVESTIGATION OF THIS MATTER.

In its comments, DCSS states that the Commission should conduct a “full and complete formal investigation” of this matter to protect the rights of A.D. and the general public. DCSS comments, p. 2. Contrary to DCSS’ assertions, Prosecutory Staff has conducted an extensive investigation of this matter, including conducting interviews with PPL Electric personnel, written discovery questions and numerous discussions with PPL Electric regarding this matter. It only was after this extensive investigation that the Prosecutory Staff entered into the Settlement.

Additional investigation is unnecessary, and DCSS’ comments appear aimed toward supporting its request to establish a trust fund for A.D. As explained in detail below, the Commission does not have the authority to award this type of compensation and should not utilize its resources to investigate issues that are outside of its jurisdiction. As stated in the Commission’s Order noticing the Settlement for Comment, it is the Commission’s policy to encourage settlements, and Prosecutory Staff and PPL Electric have reached a reasonable compromise of the issues in this proceeding. The Commission should not modify the Settlement in order to address issues that are outside its jurisdiction.

B. THE COMMISSION DOES NOT HAVE THE AUTHORITY TO AWARD DAMAGES

In its comments, DCSS states that the Settlement does not mention A.D. or her losses or injuries. DCSS comments, p. 4. DCSS then requests that the Commission order PPL Electric to pay the \$300,000 contribution to Operation HELP to a trust established for the benefit of A.D.

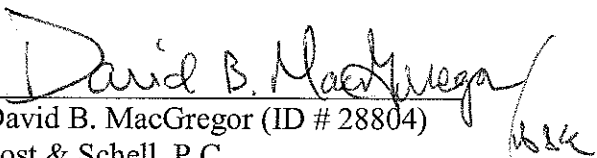
It is well established that the Commission does not have the authority to award this type of compensation. *Feingold v. Bell of Pa.*, 477 Pa. 1, 383 A.2d 791 (1977). Therefore, the

Commission does not have the authority to modify the Settlement in the manner requested by DCSS.

IV. CONCLUSION

The Settlement of the above-captioned proceeding only was entered into by Prosecutory Staff and PPL Electric Utilities Corporation after an extensive investigation, including formal and informal discovery, in-person interviews and numerous settlement conferences. The Comments submitted in this proceeding are based upon inaccurate and misleading allegations and request relief that the Pennsylvania Public Utility Commission cannot grant. For the reasons stated herein, in the Settlement and in the Statements in Support, the Settlement is in the public interest and should be approved.

Respectfully submitted,



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Date: December 22, 2008

Attorneys for PPL Electric Utilities Corporation

Appendix 1

MIDSTATE NEWS

News from Harrisburg, Cumberland, Dauphin, York & more

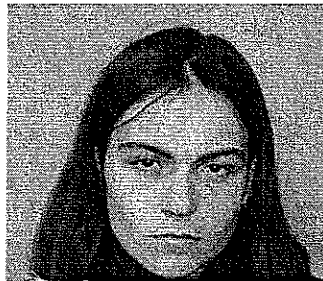
Swatara Twp. woman pleads guilty in childrens' death

by PETE SHELLEM, Of The Patriot-News
Monday December 15, 2008, 11:27 AM



Provided photo

Living conditions at the Donachy in Swatara Twp. were documented on Nov. 9, 2007

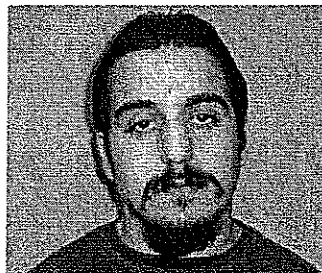


Provided Photo

Debbie Donachy pleaded guilty this morning to two counts of homicide and related charges in the deaths of her two children, who died in a fire caused by a candle because she and her husband spent their utility money on crack cocaine.

A Swatara Twp. woman whose two children died in a fire caused by a candle after she and her husband spent their utility money on crack cocaine pleaded guilty Monday morning to two counts of homicide and related charges.

In an unusual plea agreement, Debbie Donachy, 25, agreed to testify against her husband, Ryan, in a jury trial that will begin Monday afternoon in Dauphin



County Court. In return she will receive the same verdict as he, but with a maximum term of 3½ to 7 years in state prison. The prosecution is seeking a third-degree murder conviction, and the defense is seeking either involuntary manslaughter or acquittal.

The Donachys' Main Street home caught fire on Nov. 3, 2007, a day after PPL cut off their utilities. An unattended candle in the children's bedroom caused the blaze.

Britton Donachy, 2, and Onna Donachy, 1, died in the fire. Debbie Donachy and Autum Donachy, 5 months, were seriously injured.

Authorities said the couple received money from relatives to help pay the utility bills days before the power was shut off but used the money to buy drugs instead.

1