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File #: 2507/140056

October 30, 2009

BY E-FILE AND BY HAND

James J. McNulty
Secretary
PA Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
PO Box 3265
Harrisburg, PA 17105-3265

RE: Petition of PPL Electric Utilities Corporation for a Temporary Increase in the Limit on Annual Customer Assistance Program Credits Under its 2008-2010 Universal Service and Energy Conservation Plan
Docket No.

Dear Secretary McNulty:

Enclosed for filing please find the Petition of PPL Electric Utilities Corporation for a Temporary Increase in the Limit on Annual Customer Assistance Program Credits Under its 2008-2010 Universal Service and Energy Conservation Plan. Copies are being provided as indicated on the Certificate of Service.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Michael W. Hassell".

Michael W. Hassell

MWH/skr
Enclosures
cc: Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of § 1.54 (relating to service by a participant).

VIA FIRST CLASS MAIL

Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923

Office of Small Business Advocate
Commerce Building
300 North Second Street, Suite 1102
Harrisburg, PA 17101

Office of Trial Staff
Commonwealth Keystone Building
400 North Street, 2nd Floor West
PO Box 3265
Harrisburg, PA 17105-3265

Date: October 30, 2009



Michael W. Hassell

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Petition of PPL Electric Utilities Corporation for :
a Temporary Increase in the Limit on Annual : Docket No. _____
Customer Assistance Program Credits Under its :
2008-2010 Universal Service and Energy :
Conservation Plan :**

**PETITION OF PPL ELECTRIC UTILITIES CORPORATION
FOR A TEMPORARY INCREASE IN THE LIMIT ON
ANNUAL CUSTOMER ASSISTANCE PROGRAM CREDITS**

TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

PPL Electric Utilities Corporation (“PPL Electric” or the “Company”), by and through its attorneys, hereby petitions the Pennsylvania Public Utility Commission (“Commission”), pursuant to 52 Pa. Code § 5.41, for a temporary increase in the limit on Customer Assistance Program (“CAP”) credits under the Company’s 2008-2010 Universal Service and Energy Conservation Plan. PPL Electric requests that the Commission approve an increase in the maximum amount of CAP credits for residential non-heating customers from \$700 to \$900 and for residential heating customers from \$1,800 to \$2,300, to minimize the potential for removal of CAP customers as a result of the anticipated increase in the Company’s generation rates in 2010. For the reasons that follow, approval of the proposed one-year increase in the limit on CAP credits is proper and in the public interest. In support thereof, PPL Electric states as follows:

1. PPL Electric is a public utility and electric distribution company subject to the regulatory jurisdiction of the Commission. PPL Electric furnishes electric distribution, transmission and supplier of last resort services to approximately 1.4 million customers in a service area that includes approximately 10,000 square miles covering all or portions of twenty-nine counties in eastern and central Pennsylvania. PPL Electric's principal offices are located at Two North Ninth Street, Allentown, PA 18101-1179.

2. PPL Electric's attorneys are:

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PPL Electric's attorneys are authorized to receive all notices and communications regarding this Petition.

3. On July 24, 1992, the Commission issued a CAP Policy Statement identifying CAPs "as alternatives to traditional collection methods for low income, payment troubled customers" where participating customers "agree to make monthly payments based on household family size and gross income." 52 Pa. Code § 68.261. One of the key design elements of the CAP Policy Statement involves a CAP credit, which is the difference between a customer's

actual bill and the CAP bill. The Policy Statement recommended annual maximum CAP credits as follows:

- \$560 for non-heating;
- \$1,400 for electric heating; and
- \$840 for gas heating

52 Pa. Code §§ 69.265(3)(v)(A) – (C). PPL Electric calculates each CAP customer's compliance with the maximum credit allowance based upon their program anniversary date, *i.e.*, the date the customer entered its CAP program (also known as "OnTrack").

4. PPL Electric implemented its OnTrack program in 1994 and has approximately 30,000 active participants as of September 30, 2009. The Company works with ten (10) community-based organizations ("CBOs") to implement the OnTrack program. The primary duties of the CBOs include verifying eligibility, establishing payment agreements, re-certifying eligibility, and referring customers to other assistance programs, such as other universal service programs.¹

5. On March 29, 2007, PPL Electric filed a distribution base rate proceeding pursuant to Section 1308(d) of the Public Utility Code, 66 Pa.C.S. § 1308(d), which was docketed at Docket No. R-00072155. In the base rate proceeding, PPL Electric included its comprehensive 2008-2010 Universal Service & Energy Conservation Plan. PPL Electric also separately filed its 2008-2010 Universal Service & Energy Conservation Plan on June 1, 2007, which was docketed at Docket No. M-00072020.

¹ PPL Electric's other universal service programs include a hardship fund ("Operation HELP"), targeted referral service ("CARES"), and weatherization ("Winter Relief Assistance Program"). The Company also conducts extensive outreach efforts to promote the federally-funded Low Income Home Energy Assistance Program ("LIHEAP").

6. Noting that any issues regarding the 2008-2010 Universal Service & Energy Conservation Plan would be resolved as part of the final resolution of the base rate proceeding, the Commission, by Order entered on July 25, 2007, granted PPL Electric's motion requesting that the Commission hold the comprehensive three-year Plan docketed at Docket No. M-00072020 in abeyance pending the outcome of the concurrent base rate proceeding at Docket No. R-00072155.

7. PPL Electric's 2008-2010 Universal Service & Energy Conservation Plan proposed to increase the annual maximum CAP credits from \$560 to \$700 for non-heating customers and from \$1,400 to \$1,800 for heating customers. PPL Electric's primary reasons for requesting permission to increase the maximum CAP credits were to: (1) reflect increases in electric distribution rates in 2005 and 2008, and generation rates in 2006; (2) account for an increase in electricity usage by residential customers;² and (3) minimize removal of good-paying customers from OnTrack because they had exceeded the CAP credits limits for reasons beyond their control. PPL Electric also proposed to establish a Universal Service Rider ("USR") to recover its universal service costs, including the costs associated with OnTrack, which would be reconciled annually.

8. On December 6, 2007, the Commission approved the 2008-2010 Universal Service & Energy Conservation Plan as part of PPL Electric's Joint Stipulation for Settlement of the base rate proceeding at Docket No. R-00072155. *Pa. P.U.C. v. PPL Electric Utilities Corporation*, Docket Nos. R-00072155 *et al.* (Order entered December 6, 2007). Consequently, PPL Electric's annual maximum CAP credits are currently \$700 for non-heating customers and

² A contributing, yet difficult to predict, factor for increasing the maximum CAP credits is the weather. An especially cold winter or hot summer will increase the rate at which customers exhaust their maximum level of CAP credits.

\$1,800 for heating customers. Additionally, as a result of the Commission's approval of the Joint Stipulation for Settlement, PPL Electric currently recovers the costs associated with the OnTrack program, with the exception of administrative costs, through its USR.³

9. PPL Electric's generation rate cap expires on December 31, 2009. The Company has completed its solicitations for default service supply for 2010 under its Competitive Bridge Plan and, based on the results of those solicitations, expects an average residential bill will increase by approximately 30 percent on January 1, 2010. This increase has substantial potential to cause certain OnTrack customers to exceed their allowed maximum CAP credits. Because CAP bills are based upon a customer's ability to pay, the required payments by OnTrack customers will not change following the January 1, 2010 increase in default service rates. As a result, the differential between customer's actual bills and their CAP bills will increase significantly. This increase in the monthly shortfall will result in more customers exceeding their maximum annual limit of CAP credits before their program anniversary date.

10. PPL Electric periodically informs OnTrack participants about the status of their CAP credits. Participants receive a letter when they have used 50 percent of their credits; a second letter when they have used 80 percent of their credits; and a final letter when they have exhausted their credits prior to their anniversary date. As noted above, PPL Electric removes customers from OnTrack when they use up their annual allotment of CAP credits.

³ Under the Settlement, PPL Electric agreed to meet with the Parties no later than July 1, 2009, to discuss whether continued reconciliation of the USR is appropriate. In compliance with this provision, PPL Electric convened a series of discussions with interested parties to discuss whether continued reconciliation of USR is necessary and appropriate. However, no consensus was reached among the interested parties. Consequently, by letter dated September 28, 2009, PPL Electric advised the Commission that it would continue reconciliation of its USR mechanism.

11. As indicated above, the current levels of CAP credits in PPL Electric's current Universal Service & Energy Conservation Plan are \$700 for non-heating customers and \$1,800 for heating customers. The Company respectfully requests permission to increase these amounts in 2010 to \$900 and \$2,300, respectively. These proposed new amounts represent approximately a 30 percent increase in the annual amount of CAP credits allowed. PPL Electric recognizes that the requested increase of approximately 30 percent in the annual amount of CAP credits will not prevent all OnTrack customers from exceeding the maximum CAP levels following the January 1, 2010 rate increase, particularly those customers with high electric usage.

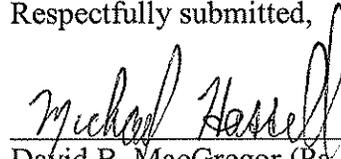
12. PPL Electric requests that this proposed increase be approved by the Commission by December 31, 2009, in advance of the expiration of the generation rate cap, or as soon thereafter as possible. Because the OnTrack CBOs enroll customers year-round, and a customer's use of allowed maximum CAP credits is measured as of his/her enrollment date, approval of this Petition by December 31, 2009, is important to avoid the potential removal of customers whose maximum annual level of CAP credits might be exceeded in January or February 2010. This could result in more terminations of service, a decrease in customer satisfaction, more regulatory complaints, and an increase in collection costs. For these reasons, PPL Electric requests that the Commission approve the proposed increase in CAP credits by December 31, 2009, in advance of the expiration of the generation rate cap.

13. Based on the schedule established by the Commission, PPL Electric will submit its next three-year Universal Service & Energy Conservation Plan on or before June 1, 2010. This next filing will cover the years 2011 through 2013. The Commission may not review and act upon that filing until late 2010, which would be too late to prevent the premature removal of good-paying customers from OnTrack.

14. PPL Electric requests that the Commission approve this design element increase only for 2010. The Company will address more fully the ongoing issue of CAP credits in the filing of its 2011-2013 Universal Service & Energy Conservation Plan.

WHEREFORE, PPL Electric Utilities Corporation respectfully requests that the Commission approve this Petition by December 31, 2009, grant the requested increase in the maximum annual level of CAP credits in 2010 from \$700 to \$900 for residential non-heating customers and from \$1,800 to \$2,300 for residential heating customers.

Respectfully submitted,



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Of Counsel:

Post & Schell, P.C.

Dated: October 30, 2009

Attorneys for PPL Electric Utilities Corporation

