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June 20, 2011

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

VIA ELECTRONIC FILING

**RE: PPL Electric Utilities Corp. Proposed Transmission Service Charge (TSC)
Reconciliation for the Twelve Months Ending November 30, 2010;
Docket No. M-2010-2213754**

Dear Secretary Chiavetta:

Please find enclosed for filing with the Pennsylvania Public Utility Commission ("PUC" or "Commission") the Comments of the PP&L Industrial Customer Alliance ("PPLICA") in the above-referenced proceeding.

As evidenced by the attached Certificate of Service, all parties to the proceeding are being served with a copy of this document. Please date stamp the extra copy of this transmittal letter and Comments, and kindly return them to our messenger for our filing purposes.

Very truly yours,

McNEES WALLACE & NURICK LLC

By


Shelby A. Linton-Keddie

Counsel to the PP&L Industrial Customer Alliance

SLK/lmc
Enclosures

c: Administrative Law Judge Susan D. Colwell (via e-mail and First Class Mail)
Louise Fink Smith, Law Bureau, (via e-mail and First Class Mail)
Richard Wallace, Bureau of Audits (via e-mail and First Class Mail)
Certificate of Service

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CERTIFICATE OF SERVICE

I hereby certify that I am this day serving a true copy of the foregoing document upon the participants listed below in accordance with the requirements of 52 Pa. Code Section 1.54 (relating to service by a participant).

VIA E-MAIL AND FIRST-CLASS MAIL

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Shelby A. Linton-Keddie

Counsel to the PP&L Industrial Customer Alliance

Dated this 20th day of June, 2011, at Harrisburg, Pennsylvania.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PPL Electric Utilities Corporation Proposed
Transmission Service Charge Reconciliation
for the 12 Months Ended November 30, 2010

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Docket No. M-2010-2213754

COMMENTS OF THE PP&L INDUSTRIAL CUSTOMER ALLIANCE

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Dated: June 20, 2011

I. INTRODUCTION

On December 10, 2010, PPL Electric Utilities Corporation ("PPL" or "Company") filed with the Pennsylvania Public Utility Commission ("PUC" or "Commission") its Final 2010 Transmission Service Charge ("TSC") Reconciliation Report pursuant to the procedures set forth in PPL Electric's Tariff - Electric Pa. P.U.C. No. 201, reflecting actual data through November 30, 2010. An evidentiary hearing was held on February 8, 2011, to review the TSC filing. Also on February 8, 2011, Administrative Law Judge ("ALJ") Susan D. Colwell issued a Recommended Decision, concluding: (1) that PPL's TSC reconciliation filing was an adequate filing within the meaning of Section 1307(e), subject to such further review and revision as may be found necessary by the Commission; (2) that PPL's December 2010 TSC reconciliation statement was accepted based on PPL's unaudited data and did not constitute a final approval of the accuracy of the statement or of the reasonableness of the underlying transaction; and (3) that the recovery of asserted under-collections or the refund of over-collections should be implemented based upon the operation of the automatic adjustment clauses as set forth in PPL's tariff.

Subsequently, on March 22, 2011, PPL informed Commission Staff that there was an error in the December 2010 TSC reconciliation statement. Rather than using 2009 demand data to reconcile the 2010 TSC demand charges, PPL apparently used 2008 demand data instead. Based on PPL's 2010 TSC reconciliation, approximately 100 Large Commercial and Industrial ("C&I") customers who have not elected to shop experienced significant TSC under-collection reconciliation increases to their 2011 bills for 2010 service, while the residential class has received a substantial TSC reconciliation refund pursuant to rates that became effective January 1, 2011. Correction of PPL's miscalculation will substantially reduce the TSC under-

collection from C&I customers while also reducing the refund to residential customers presently being paid.

By Order entered May 19, 2011, ("May 19 Order") at the above-captioned docket, the Commission deferred consideration of the February 8, 2011, Recommended Decision and required PPL to make additional filings in order to more accurately analyze these issues. As written, the May 19 Order states that only statutory advocates will have the ability to file comments after receipt of PPL's additional information. *See* May 19 Order pp. 4, 6. Although Ordering Paragraph 3 of the May 19 Order states that the "statutory advocates" will have 15 days to comment on PPL's filing, the statutory advocates were the only parties at the time the Order was issued. The PP&L Industrial Customer Alliance ("PPLICA") respectfully submits that all interested customers that may be impacted historically or going forward should have the opportunity to comment on an issue that may have created inter-class subsidies.

PPLICA is an ad hoc association of energy-intensive commercial and industrial customers receiving electric service in PPL's service territory. PPLICA members purchase service from PPL primarily under Rate Schedules LP-4, LP-5, LP-6, IS-P, and IS-T, as well as available riders.¹ PPLICA members collectively consume approximately 1.74 billion kWh of electricity annually in manufacturing and other processes, and electricity costs comprise a significant portion of their production costs. PPLICA members may be directly affected by the Commission's resolution of the above-captioned proceeding, and as a result, PPLICA respectfully requests that the Commission review and give appropriate weight to these Comments in addition to those submitted by the Statutory Advocates in this proceeding.²

¹ Some PPLICA members also have accounts on Rate Schedules GS-1 and GS-3.

² Notably, PPLICA filed a Petition to Intervene in this proceeding on June 1, 2011; however, upon receipt and review, ALJ Colwell informed PPLICA that this proceeding "is not presently assigned to the Office of Administrative Law Judge and is being handled by the Commission's Law Bureau." Notwithstanding the fact that

II. COMMENTS

As the Commission may recall, PPL was one of the first EDCs to establish a retail TSC mechanism. As originally proposed by PPL, the TSC would have allocated and collected all transmission and ancillary service costs on a kWh basis. After the Commission accepted PPL's proposal in the 2004 distribution base rate proceeding (Docket No. R-00049255), PPLICA appealed this decision to the Commonwealth Court, arguing that a cost-based allocation of the transmission costs among customer classes was required. The Commonwealth Court accepted PPLICA's arguments and remanded the 2004 rate case to the Commission for further consideration. *See Lloyd v. Pa. Pub. Util. Comm'n*, 904 A.2d 1010 (Pa. Cmwlth., 2006). During the remand proceeding, PPL, PPLICA and other interested parties ultimately entered into a settlement that resulted in the TSC rider.

In the 2004 distribution base rate proceeding, PPLICA advocated for a cost-based allocation of transmission costs among customer classes, and for the implementation of retail TSC rates that mirror the PJM Interconnection, LLC ("PJM") rate design using the customer's Network Service Peak Load ("NSPL") contribution as the demand billing determinant.³ In addition to following traditional principles of cost causation, PPLICA pursued these proposals out of the belief that mirroring the PJM allocation and rate design would minimize the likelihood of substantial overcollections or undercollections due to customer shopping. In addition, mirroring the PJM allocation and rate design enables customers to make informed decisions regarding competitive supply offers, and to perform an "apples to apples" comparison of Electric Generation Supplier

Statutory Advocates are permitted by the May 19 Order to submit Comments on PPL's additional information, PPLICA members will be directly affected by the outcome of this proceeding and have an interest that is not being represented by any other party of record.

³ Based on PPLICA's records of the 2004 base rate proceeding, Commonwealth Court appeal and Commission proceeding on remand, while TSC allocation rate design was extensively addressed, the discussion regarding the TSC reconciliation mechanism was limited to ensuring that reconciliation occurred separately for each class, and that any over/undercollection would be reflected in the kWh portion of the rate. Regardless, and at a minimum, PPL's current TSC reconciliation methodology needs to be reformed to better meet the needs and requirements of the Company's existing regulatory situation.

("EGS") bids to the default service option. The accumulation of significant overcollections or undercollections for a customer class can also distort customers' shopping decisions.

Based on the additional information provided by the Company dated June 3, 2011, PPLICA does not agree that PPL's reconciliation of prior period costs and revenues was proper. Specifically, the use of the fixed historic percentage to assign the actual transmission costs to each rate class on a monthly basis in the reconciliation of prior period costs is not appropriate, especially given the increased customer shopping levels that occurred as of January 1, 2010. This methodology does not ensure that reconciliation of the TSC occurs for each class separately as required by PPL's tariff and Paragraph 23(d) of the Settlement on Remand, and appears to result in interclass cost shifting.

A simple hypothetical illustrates why this methodology is not appropriate. Under PPL's current methodology, the Company assumed in its calculation of the 2010 retail TSC a level of shopping for each customer class (Residential, Small Commercial and Industrial (C&I), Large C&I-Primary and Large C&I-Transmission). For the Large C&I-Transmission class, this resulted in a shopping-adjusted net adjusted monthly allocation of the total Network Transmission Service costs of 6.96%. Under PPL's reconciliation methodology, if all of the Large C&I-Transmission customers had purchased supply from an EGS during 2010, the class would still be allocated 6.96% of the total monthly PJM Network Transmission Service costs. This allocation of 6.96% of the 2010 monthly Network Transmission Service costs would occur even though PPL did not incur any Network Transmission Service costs on behalf of Large C&I-Transmission customers because the responsibility for paying transmission costs to PJM was transferred to the EGSs when the customers shopped. As a result, the TSC reconciliation would reflect an undercollection from the Large C&I-Transmission class, even though PPL did not provide generation or retail transmission service to any customers in that class. This is illogical and does not result in the reconciliation of transmission costs by customer class.

PPL's method to establish and reconcile the retail TSC worked adequately prior to the expiration of the rate caps, when few customers were shopping. Prior to 2010, the percentages that were used to assign the costs to each customer class during the calculation of the TSC were roughly equivalent to the percentages that were used to assign the monthly costs to each class during the reconciliation. The low shopping levels masked how the methodology could result in interclass cost shifting, or, at minimum, muted the effect. With the expansion of customer shopping after expiration of the rate caps in 2010, however, the Company's prior methodology to calculate TSC rates and reconciliations is no longer appropriate. The retail TSC must evolve to better meet the needs and requirements of the new regulatory situation. As explained above, this includes reconciling the historic period revenues and costs based on the actual revenues received from each class during each month of the historic period and the actual costs incurred to provide transmission service to the customers from each class that purchased default service during each month of the historic period.

PPL recently changed its TSC calculation to follow the June 1 rate changes that it implements for transmission service under its Federal Energy Regulatory Commission ("FERC") formula transmission rate. See Docket No. M-2011-2239805. PPLICA agrees with this change to ensure that the retail TSC is tracking the FERC transmission rate that EGSs will be charged for customers' accounts. PPLICA is also joining in the Industrial Customer Groups' joint comments submitted today at Docket M-2011-2239714, *Investigation re Transmission Service Charge (TSC) Reconciliation Methods*, to argue that retail TSC rate changes should occur when any significant event occurs that would result in a mismatch between the retail rate and the FERC rate, including all changes to FERC rates. In addition, customers should receive notice of TSC rate changes sufficiently in advance to make informed shopping decisions.

PPLICA appreciates the Commission's request for comments regarding PPL's 2010 TSC reconciliation and the opening of a general investigation to address these important issues on an industry-wide basis. PPLICA urges the Commission to expeditiously address these important issues

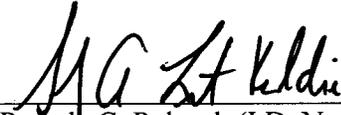
so that all market participants have greater clarity regarding the calculation and reconciliation of transmission costs, and to ensure that any refunds or other billing adjustments that may be necessary as a result of this inquiry are not unduly delayed.

III. CONCLUSION

WHEREFORE, the PP&L Industrial Customer Alliance respectfully requests that the Pennsylvania Public Utility Commission consider and adopt, as appropriate, the foregoing Comments.

Respectfully submitted,

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