

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF SMALL BUSINESS ADVOCATE
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William R. Lloyd, Jr.
Small Business Advocate

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June 20, 2011

HAND DELIVERED

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

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SECRETARY'S BUREAU
PA PUC

**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:

I am delivering for filing today the original plus 15 copies of the Comments, on behalf of the Office of Small Business Advocate, in the above-captioned proceeding.

As evidenced by the enclosed certificate of service, two copies have been served on all active parties in this proceeding.

If you have any questions, please contact me.

Sincerely,

A handwritten signature in cursive script that reads "Elizabeth Rose Triscari".

Elizabeth Rose Triscari
Assistant Small Business Advocate
Attorney ID No. 306921

Enclosures

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

**COMMENTS OF THE
OFFICE OF SMALL BUSINESS ADVOCATE**

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BACKGROUND

1. By Order entered May 19, 2011, at Docket No. M-2010-2213754, the Pennsylvania Public Utility Commission (“Commission”) raised questions about the method PPL Electric Utilities Corporation (“PPL”) should use to reconcile past period over and under collections in its Transmission Service Charge (“TSC”).

2. By Order entered May 19, 2011, at Docket No. M-2011-2239714, the Commission initiated a generic investigation into how an electric distribution company (“EDC”) should reconcile past period over and under collections in its TSC.

3. In Ordering Paragraph No. 3 of its May 19, 2011, Order at Docket No. M-2011-2239714, the Commission requested comments on the following options on which to base such reconciliation of the TSC:

- a. Historic TSC demand;
- b. Actual annual or monthly TSC demand per customer class;
- c. Volumetric measure; or
- d. Some other method that better aligns demand costs with cost causation during the period to be reconciled.

4. In Ordering Paragraph No. 3 of its May 19, 2011, Order at Docket No. M-2011-2239714, the Commission also requested comments on the use of quarterly reconciliation reports and the timing of reconciliations.

5. On June 3, 2011, PPL filed a response to the Commission's information requests at Docket No. M-2010-2213754 ("PPL Information Requests").

6. In Ordering Paragraph No. 3 of its May 19, 2011, Order at Docket No. M-2010-2213754, the Commission invited comments from the statutory advocates in response to the PPL Information Requests. The Office of Small Business Advocate ("OSBA") submits the following comments in response to that invitation.

APPROPRIATE DEMAND COSTS

7. As the Commission recognized in Ordering Paragraph No. 3 of its May 19, 2011, Order at Docket No. M-2011-2239714, the objective is to determine the TSC reconciliation method that appropriately "aligns demand costs with cost causation during the period to be reconciled."

8. PJM calculates a daily demand charge, *i.e.*, the Network Integration Transmission Service Charges ("NITS"), for network transmission service on the basis of the peak load contribution ("PLC") of each network customer, *e.g.*, each EDC, that is coincident with the zonal peak for the 12 months ending October 31 of the preceding year.¹ Therefore, the EDC is billed by PJM on the basis of what the Commission has labeled "historic demand data." That means,

¹ NITS charges represent a significant majority of EDCs' default service transmission costs. For example, PPL indicates that the 2011 forecast NITS costs are \$31.2 million, compared to total forecast transmission costs of \$34.5 million. *See* PPL Information Requests, Attachment 2. Therefore, the allocation of NITS costs is the key issue for TSC cost allocation.

for example, that PJM billed the EDC for NITS in calendar year 2010 on the basis of historic demand data for the 12 months ending October 31, 2009. *See* PPL Information Requests, at 2.

9. Because PJM bills the EDC on the basis of historic demand data, appropriately aligning demand costs with cost causation requires the EDC to bill its customers on the basis of the demand data for each class that coincides with the demand data on which the PJM NITS charge was calculated. That means, for example, that the EDC's TSC bills to its own customer classes for calendar year 2010 should have been based on each class' historic demand data, *i.e.*, the demand data for the twelve months ending October 31, 2009.

10. In view of PJM's use of *historic* demand data to calculate the NITS charges to an EDC, the EDC's use of *actual* TSC demand per customer class during the reconciliation period (to true up previous TSC collections) would result in a mismatch of costs and cost causation.

11. Similarly, in view of PJM's use of historic *demand data* to calculate the NITS charges to an EDC, the EDC's use of a *volumetric measure* for allocating TSC over and under collections among the EDC's customer classes would also result in a mismatch of costs and cost causation.

12. In conclusion, the reconciliation of TSC charges should be based on the same demand data for each of the EDC's customer classes that was used by PJM to bill the EDC for NITS service.

TIMING OF RECONCILIATION

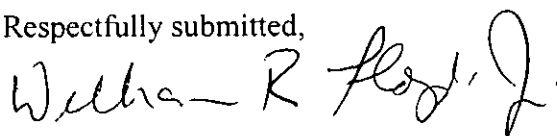
13. Reconciliation of the TSC on a quarterly basis rather than on an annual basis would better mitigate intergenerational mismatches and better align the Price To Compare ("PTC") with competitive offers from electric generation suppliers ("EGSs") than would reconciliation on an

annual basis. However, quarterly reconciliation would likely result in more volatile rates than annual reconciliation. For example, PPL's TSC revenues and TSC costs vary considerably from month to month. *See* PPL Information Requests, Attachment 1, Schedule 2. Therefore, implementing quarterly reconciliation would likely require the implementation of quarterly TSCs, in order to reduce quarterly swings in the reconciliation account.

14. By Order entered April 29, 2011, at Docket No. I-2011-2237952, the Commission initiated an investigation of the retail electricity market. That investigation is to consider ways to increase shopping for electricity. Because the choice of quarterly or annual TSC reconciliation could impact the level of shopping, the Commission should defer consideration of any changes in the timing of reconciliation to its investigation at Docket No. I-2011-2237952.

WHEREFORE, the OSBA respectfully requests that, if the Commission is considering a change in PPL's methodology for reconciling 2010 TSC costs, the question of any such change be remanded to the Administrative Law Judge for the development of an evidentiary record and the issuance of a Recommended Decision.

Respectfully submitted,



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Dated: June 20, 2011

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**RE: PPL ELECTRIC UTILITIES :
CORPORATION PROPOSED TRANSMISSION :
SERVICE CHARGE (TSC) FOR THE TWELVE : DOCKET NO. M-2010-2213754
MONTHS ENDING NOVEMBER 30, 2010 :**

CERTIFICATE OF SERVICE

I certify that I am serving two copies of the Comments, on behalf of the Office of Small Business Advocate, by e-mail and first-class mail (unless otherwise noted) upon the persons addressed below:

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Assistant Small Business Advocate
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Date: June 20, 2011