



17 North Second Street
12th Floor
Harrisburg, PA 17101-1601
717-731-1970 Main
717-731-1985 Fax
www.postschell.com

Anthony D. Kanagy

akanagy@postschell.com
717-612-6034 Direct
717-731-1985 Fax
File #: 2507/140056

September 19, 2011

Rosemary Chiavetta
Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

**RE: Pennsylvania Public Utility Commission Law Bureau Prosecutory Staff v. PPL
Electric Utilities Corporation
Docket No. M-2011-2196342**

Dear Secretary Chiavetta:

Enclosed please find PPL Electric Utilities Corporation's Response to Comments of the Pennsylvania Utility Law Project in the above-referenced proceeding. Copies will be provided as indicated in the certificate of service.

Respectfully Submitted,

Anthony D. Kanagy

ADK/skr

Enclosures

- cc: Certificate of Service
- Honorable Robert F. Powelson (via hand delivery)
- Honorable John F. Coleman, Jr. (via hand delivery)
- Honorable Wayne E. Gardner (via hand delivery)
- Honorable James H. Cawley (via hand delivery)
- Honorable Pamela A. Witmer (via hand delivery)

RECEIVED
2011 SEP 19 PM 3:51
PA PUC
SECRETARY'S BUREAU

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

RECEIVED
2011 SEP 19 PM 3:51
PA PUC
SECRETARY'S BUREAU

Pennsylvania Public Utility Commission :
Law Bureau Prosecutory Staff :
 : Docket No. M-2011-2196342
v. :
 :
PPL Electric Utilities Corporation :

**PPL ELECTRIC UTILITIES CORPORATION'S
RESPONSE TO COMMENTS OF THE
PENNSYLVANIA UTILITY LAW PROJECT**

I. INTRODUCTION

In an order entered on August 11, 2011, the Pennsylvania Public Utility Commission (“Commission”) issued for public comment a Settlement entered into by PPL Electric Utilities Corporation (“PPL Electric” or the “Company”) and the Commission’s Prosecutory Staff in the above-captioned proceeding. On or About August 31, 2011, the Pennsylvania Utility Law Project (“PULP”) filed Comments on the Settlement. In its Comments, PULP recommends that the Commission modify the Settlement to: (1) increase PPL Electric’s Universal Service contribution and direct the funds to the Low Income Usage Reduction Program (“LIURP”); (2) extend the moratorium on Friday terminations until January 1, 2018; and (3) establish a work group to develop training materials and scripts.

As explained in more detail below, PPL Electric strongly disagrees with PULP’s request that the Commission modify the Settlement. Prosecutory Staff conducted an extensive investigation of this matter. It was only after this investigation that Prosecutory Staff agreed to the Settlement.

Unanimous settlements should not be modified unless significant circumstances exist that warrant such modification. There are no such circumstances in this case. This case involved

extended interactions between PPL Electric and the customer over several months regarding his past due account. After repeated termination notices and failure of the customer to keep his payment arrangements, the Company terminated his electric service on Thursday, June 10, 2010. Approximately two weeks later, on June 25, 2010, the customer, who was 85 years old, passed away. The situation is unfortunate, but was not caused by the Company. There was no cause of death listed, there was no fire and the electric termination did not occur during the winter months. PPL Electric believes that its actions were reasonable and in compliance with the Public Utility Code and the Commission's regulations at 52 Pa. Code Chapter 56.

In addition, the Company would have disputed some or all of the allegations raised by Prosecutory Staff if these matters had been sent to hearing. See Settlement ¶ 30. The Company entered into the Settlement in order to resolve any alleged issues without the need for hearing and does not believe that PULP's requested modifications are reasonable.

In its Comments, PULP proposes conditions that are irrelevant to the facts of this proceeding and, if raised at all, should have been raised by PULP in the Company's recent universal service proceeding. For example, PULP proposes an additional 5 year moratorium on Friday terminations (until January 1, 2018), yet the termination in this case did not occur on a Friday. PULP should not be permitted to use a proceeding related to an individual customer to raise issues that are irrelevant to the instant proceeding and are more appropriately raised in the Company's universal service proceeding where all parties have notice and the opportunity to submit testimony. What PULP is proposing abuses the process in this proceeding and would violate other parties' due process rights. Moreover, certain of PULP's recommendations, such as establishing a working group, would add to the Company's costs which in turn would increase

customers' rates. This is not appropriate, especially because, as explained below PULP's recommendations are not necessary or practical.

Moreover, PPL Electric does not believe that PULP should be permitted to propose new conditions to the Settlement, but rather, should be limited to commenting on whether the Settlement as a whole is reasonable. PPL Electric and Prosecutory Staff entered into the Settlement as a compromise of all issues in this proceeding. Under a settlement, some conditions are favorable to certain parties and others may not be favorable. This is simply the nature of settlement agreements. It is unfair for PULP to propose to add individual items to the Settlement here when that Settlement was entered into as a compromise of all issues and even contains conditions that *PULP* supports. Adopting *PULP*'s recommendations could force the parties to withdraw from the Settlement and either attempt to renegotiate the settlement terms or proceed to litigation.

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. 5. 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. The Settlement 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'S SPECIFIC COMMENTS

A. The Commission Should Not Exercise Its Authority To Modify The Settlement

In its Comments, PULP states that the Commission has the power to modify settlement agreements. PULP Comments, pp. 3-4. PPL Electric agrees that the Commission has the power to modify settlement agreements, however, the Commission cannot unilaterally change this Settlement absent agreement of the parties. If the parties do not agree to any revisions, the parties have the right to withdraw from the Settlement and litigate the proceeding. Settlement ¶37. In addition, PPL Electric does not believe that the Commission should modify settlements absent significant circumstances and certainly does not believe that modification of the Settlement is warranted in this proceeding.

It is clearly the policy of the Commission to encourage settlements. 52 Pa. Code § 5.23(a). If the Commission begins a practice of modifying settlement agreements, parties will be discouraged from settling because they will face substantial uncertainty regarding whether settlement agreements will be accepted or modified. Eliminating uncertainty is a significant factor that a party considers when determining whether to enter into a settlement agreement.

PULP cites the Commission's policy statement at 52 Pa. Code § 69.1201 as support for its position. However, Section 69.1201(b) provides, in part:

The parties in settled cases will be afforded flexibility in reaching amicable resolutions to complaints and other matters so long as the settlement is in the public interest.

The Settlement reached in this proceeding between PPL Electric and Prosecutory Staff is in the public interest and should not be modified.

B. The Financial Terms Of The Settlement Should Not Be Modified

On page 8 of its Comments, PULP states that the Commission should direct PPL Electric to pay an additional \$10,000 to LIURP. In support, PULP cites several benefits of the LIURP program, including reducing energy consumption and the proposition that LIURP does not reward the utility. PPL Electric disagrees with PULP's suggestions for several reasons.

First, as explained above, PPL Electric does not believe that it is appropriate to require it to pay additional funds under the Settlement agreement. The overall Settlement is in the public interest and should not be modified. See 52 Pa. Code § 69.1201(b).

Second, PPL Electric already provides a significant level of funding for low-income weatherization through LIURP (known as the Winter Relief Assistance Program, or "WRAP") and Act 129 WRAP. In 2011, the Company will spend approximately \$17 million on these programs (\$8 million for LIURP and \$9 million for Act 129 WRAP) to assist an estimated 7,000 households. In addition to installing various weatherization measures, both programs provide energy conservation education. Among electric utilities and gas utilities in Pennsylvania, no one spends as much as PPL Electric for low-income weatherization. According to the most recent *Commission Report on Universal Service Programs & Collections Performance*, PPL Electric spent approximately \$8.9 million for LIURP in 2009; PECO has the next highest amount at \$5.6 million. Among gas utilities, Columbia Gas had the highest level of expenditures at \$3.1 million.

Third, PPL Electric disagrees with PULP's suggestion that funds should not be awarded to Operation HELP because this benefits PPL Electric. First, the Operation HELP hardship fund provides assistance for any type of home energy bill – including gas bills, coal bills or oil bills. Therefore, the suggestion that Operation HELP funds paid by PPL Electric are returned to the Company is incorrect.

In addition, Operation HELP applicants are not automatically eligible for assistance due to income, age or family circumstances. Operation HELP targets applicants that are confronted with hardships, including death of primary wage earner, serious injury or illness, and families with infants or elderly occupants, among others. Given these factors, PPL Electric believes that it is appropriate for the Company to contribute funds under the Settlement to Operation HELP to assist customers with hardships and not contribute funds to LIURP.

C. PULP's Proposed Modifications To The Non-Financial Terms Of The Settlement Agreement Should Not Be Accepted

On page 10 of its Comments, PULP states that PPL Electric should refer customers to OnTrack even if they have zero income. The Company disagrees with PULP's recommendation for the following reasons. First, PULP's suggestion conflicts with PPL Electric's Commission-approved Universal Service and Energy Conservation Plan for 2011-2013 ("USP Plan"). Under the USP Plan's section on Eligibility Criteria, one of the required components is that OnTrack applicants must have a source of income. This is a requirement for the practical reason that households must have a source of income to pay even a reduced monthly bill offered through OnTrack.

The Company also notes that the Commission should not modify the Company's USP Plan in this limited proceeding. PPL Electric recently submitted its three-year USP Plan at Docket No. M-2010-2179796. Parties in that proceeding reviewed the Company's USP Plan in its entirety and recommended proposed changes to the USP Plan. Parties further entered into a settlement of that proceeding which was approved by the Commission by order entered May 5, 2011. It is inappropriate for PULP to recommend changes to the Company's USP Plan in this proceeding where parties to the USP Plan do not have notice of such proposed changes or the opportunity to respond to them. This would be a violation of other parties' due process

rights. PULP is misusing this proceeding in an attempt to get broad policy changes implemented that should only be considered in the Company's USP proceedings.

Second, referring customers who do not qualify for OnTrack may create a false sense of expectation for them. Customers will be frustrated and upset when they learn that the OnTrack agency cannot assist them. It is also an inefficient use of time and resources by the agencies. PPL Electric has worked hard over the years to ensure, to the extent possible, that the OnTrack administering agencies receive valid qualifying referrals.

Third, PPL Electric implemented a new system in 2009 that helped to standardize the call flow process for its Customer Service Representatives ("CSRs") when they are establishing payment agreements. This system has many automated features, including the presentment to the CSR of programs that may assist low-income customers. For example, if customers establishing payment agreements are low income, the system will automatically offer the CSR information about Operation HELP or LIHEAP. In other words, CSRs already have access to programs that may benefit low-income customers. PPL Electric's CSR referred Mr. Candler to Operation HELP on May 26, 2010.

PULP also argues that PPL Electric has been involved in other recent settlement cases that involve duplicative settlement terms. PULP Comments, pp. 11-14. PPL Electric disagrees with these statements. This case primarily involves the Company's confidentiality policy for customers with special circumstances and the training under the Settlement is primarily focused on that issue. None of the cases cited by PULP involved that issue.

Moreover, the customer confidentiality training discussed herein does not conflict with prior training. See PULP Comments, p. 12. PPL Electric did not develop a new policy regarding the disclosure of account information for AAA caseworkers calling on behalf of their

clients. The Company's existing procedures recognize that there are certain circumstances when disclosing customer information is acceptable in the interest of assisting a vulnerable household. Examples include customers are in the hospital, elderly, hard of hearing, cannot speak English or mentally impaired. The training provided by the Company to its CSRs was simply a reinforcement of an existing policy.

In its Comments, PULP also states that PPL Electric has had repeated violations and that the Commission should take this into account. PPL Electric disagrees with PULP's Comments. On average, PPL Electric's CSRs handle 10,000 calls daily and research from customer transactions surveys (internal and external) shows that most customers give the Company very high marks. Commission regulations require electric utilities and gas utilities to use a third-party evaluator to conduct transaction surveys to determine customers' level of satisfaction. A research firm from Syracuse, NY, Metrix Matrix, conducts this survey for utilities in Pennsylvania. Results for PPL Electric in 2010 and through the second quarter of 2011 reveal that customers (20 percent of whom called the Company because of overdue bills) are very satisfied with the quality of service provided by CSRs. For example, through the second quarter of 2011, customer ratings for CSRs' courtesy, knowledge and overall satisfaction were 99 percent, 96 percent and 94 percent, respectively.

Moreover, the Commission Prosecutory Staff considered this factor and all factors set forth in the Policy Statement in reaching this Settlement. See Prosecutory Staff Statement in Support, p. 11.

On page 18 of its Comments, PULP states that the Commission should modify the Settlement to extend the moratorium on Friday terminations until January 1, 2018. PPL Electric disagrees that this condition is necessary or relevant to this proceeding. As noted by PULP,

Friday termination was not an issue in this proceeding because the customer was not terminated on a Friday. Therefore, PULP's recommendation is in no way related to this proceeding.

On page 18, PULP also requests that the Commission order the Company to establish a work group, including PULP and others, to help develop and review training materials and scripts. The Company does not agree that this condition is reasonable or practical for several reasons.

First, the Commission's annual *Utility Consumer Activities Report and Evaluation* for 2008 and 2009 show that PPL Electric has solid performance regarding complaints and compliance with regulations. In 2009, for example, PPL Electric's complaint rate was 0.45 and the industry average was 0.94. Similarly, for the same period, the Company's justified informal complaint rate was 0.04 and the industry average was 0.10. PPL Electric's infraction rate for 2009 (0.02) was among the lowest for electric utilities. All of these results are indicative of the Company's effective processes, training and communications for its CSRs.

Second, as noted above, customers have a high level of satisfaction with the quality of service provided by PPL Electric's CSRs. In addition, the Company uses a third party to conduct 150 telephone interviews weekly with customers who had contacted PPL Electric the previous week. The purpose of the survey is to determine their level of satisfaction with CSRs (courtesy, level of knowledge, show of genuine concern, etc.). The results of this customer survey closely mirror the results from Metric Matrix. Again, these results are reflective of the effectiveness of PPL Electric's internal processes.

Third, PPL Electric has already worked with Commission staff to embed various automated scripts into its call flow process. The Company conducts routine call monitoring of its telephone agents and provides timely feedback to supervisors when CSRs are not meeting

expectations and standards. PPL Electric also uses call monitoring results to feed directly into its technical training group, which updates or revises training procedures and policies as appropriate.

Fourth, PPL Electric has over 100 technical processes that CSRs must know in order to respond to customers' various requests and inquiries. About 80 percent of all telephone calls received by the Company involve credit and collection activities and requests to connect or disconnect service. Accordingly, most of PPL Electric's processes involve these two broad areas. It would be impractical, time consuming and difficult to bring a work group up to speed that has limited or no knowledge of PPL Electric's internal processes and computer systems, even if the focus were only on collection related issues. The Company sees limited value in establishing such an advisory group, especially when the level of customer satisfaction is already high.

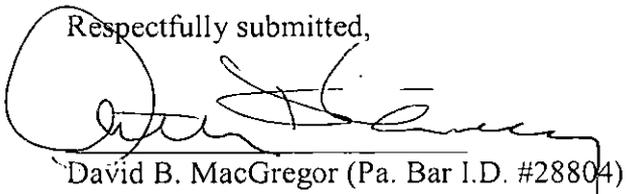
Fifth, creating a working group would increase the Company's costs which in turn would increase customers' rates. The Company does not believe that this is appropriate for the reasons explained above.

Finally, at the end of day, it is the Commission that has the responsibility for the effective oversight of PPL Electric and its adherence to Chapter 56 regulations. The Company believes that the Commission has sufficient processes in place to fulfill its oversight requirements. PPL Electric has worked diligently and in good faith with Commission staff to address compliance concerns and issues.

III. CONCLUSION

The Settlement of the above-captioned proceeding was entered into by Prosecutory Staff and PPL Electric Utilities Corporation only after investigation and numerous settlement conferences. It is the Pennsylvania Public Utility Commission’s policy to promote settlements, and parties in settled cases are to be afforded flexibility in reaching amicable resolutions of matters that are in the public interest. For the reasons stated herein, in the Settlement and Statements in Support, the Settlement is in the public interest and should be approved without modification.

Paul E. Russell (Pa. Bar I.D. #21643)
Associate General Counsel
PPL Services Corporation
Two North Ninth Street
Allentown, PA 18101
Phone: 610-774-4254
Fax: 610-774-6726
E-mail: perussell@pplweb.com

Respectfully submitted,


David B. MacGregor (Pa. Bar I.D. #28804)
Post & Schell, P.C.
Four Penn Center
1600 John F. Kennedy Boulevard
Philadelphia, PA 19103-2808
Phone: 215-587-1197
Fax: 215-320-4879
E-mail: dmacgregor@postschell.com

Of Counsel:

Post & Schell, P.C.

Anthony D. Kanagy (ID # 85522)
Post & Schell, P.C.
17 North Second Street
12th Floor
Harrisburg, PA 17101-1601
Voice: 717-612-6034
Fax: 717-731-1985
E-mail: akanagy@postschell.com

Dated: September 19, 2011

Attorneys for PPL Electric Utilities Corporation

CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing have 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 E-MAIL AND HAND DELIVERY

Michael L. Swindler
PA Public Utility Commission
Law Bureau
Commonwealth Keystone Building
400 North Street, 3rd Floor West
P.O. Box 3265
Harrisburg, PA 17105-3265

RECEIVED
2011 SEP 19 PM 3:51
PA PUC
SECRETARY'S BUREAU

AND VIA FIRST CLASS MAIL

Julie George
Pennsylvania Utility Law Project
118 Locust Street
Harrisburg, PA 17101

Bureau of Investigation & Enforcement
Pennsylvania Public Utility Commission
400 North Street, 2nd Floor West
P.O. Box 3265
Harrisburg, PA 17105-3265

Cindy Datig
Chief Executive Officer
Dollar Energy Fund
Box 42329
Pittsburgh, PA 15203-0329

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

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

Date: September 19, 2011



Anthony D. Kanagy