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File #: 2507/140059

February 24, 2012

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

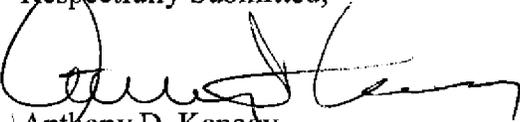
**RE: Lorrie Koons v. PPL Electric Utilities Corporation Universal Service and Energy  
Conservation Plan for 2011 through 2013  
Docket No. M-2010-2179796**

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Dear Secretary Chiavetta:

Enclosed please find the Joint Petition for Settlement of All Issues for the above-referenced proceeding. Copies will be provided as indicated on the certificate of service.

Respectfully Submitted,



Anthony D. Kanagy

ADK/skr

Enclosures

cc: Honorable Susan D. Colwell  
Honorable Joel H. Cheskis  
Certificate of Service

**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).

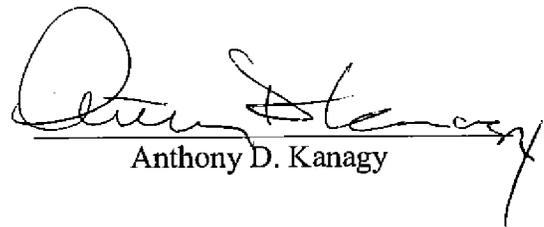
**VIA E-MAIL and FIRST CLASS MAIL**

Aron J. Beatty  
Tanya J. McCloskey  
Office of Consumer Advocate  
555 Walnut Street  
Forum Place, 5th Floor  
Harrisburg, PA 17101-1923

Harry S. Geller  
Patrick Cicero  
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118 Locust Street  
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Richard A. Kanaskie  
Senior Prosecutor  
Bureau of Investigation & Enforcement  
Commonwealth Keystone Building  
400 North Street, 2nd Floor West  
PO Box 3265  
Harrisburg, PA 17105-3265

Date: February 24, 2012



Anthony D. Kanagy

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Lorrie Koons	:	
	:	
v.	:	Docket No. M-2010-2179796
	:	
PPL Electric Utilities Corporation	:	
Universal Service and Energy	:	
Conservation Plan for 2011 through 2013	:	

**JOINT PETITION FOR SETTLEMENT OF ALL ISSUES**

TO ADMINISTRATIVE LAW JUDGES SUSAN D. COLWELL AND JOEL H. CHESKIS:

**I. INTRODUCTION**

PPL Electric Utilities Corporation (“PPL Electric” or the “Company”) and Lorrie Koons, parties in the above-captioned proceeding (hereafter referred to as the “Joint Petitioners”), hereby join in this Joint Petition for Settlement of All Issues (“Settlement”). The Settlement is not opposed by the other parties in this Complaint proceeding.<sup>1</sup> The Joint Petitioners respectfully request that Administrative Law Judges Susan D. Colwell and Joel H. Cheskis (the “ALJs”) and the Pennsylvania Public Utility Commission (the “Commission”) approve all terms and conditions of this Settlement as set forth below.

**II. BACKGROUND**

1. PPL Electric provides electric distribution, transmission and provider of last resort services to approximately 1.4 million customers in a certificated service territory that spans approximately 10,000 square miles in all or portions of 29 counties in eastern and central Pennsylvania. PPL Electric is a “public utility” and an “electric distribution company” as those terms are defined by the Public Utility Code, 66 Pa. C.S. §§ 102 and 2803.

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<sup>1</sup> The Bureau of Investigation and Enforcement (“I&E”) and the Office of Consumer Advocate (“OCA”) are the only other parties in this Complaint proceeding. I&E and OCA do not oppose this Settlement and will submit letters of non-opposition contemporaneously with the filing of this Settlement.

**A. THE 2010 BASE RATE PROCEEDING**

2. On March 31, 2010, PPL Electric filed its 2010 base rate increase request with the Commission at Docket No. R-2010-2161694. Various parties intervened in the proceeding.

3. In the 2010 base rate proceeding, the OCA recommended that the Company adopt a Customer Assistance Program (“CAP”) Plus program. Under the OCA’s proposal, PPL Electric would add a monthly charge to CAP customers’ bills to offset the Department of Public Welfare’s policy change regarding application of Low Income Home Energy Assistance Program (“LIHEAP”) grants. Lorrie Koons was not a party to this proceeding.

4. On August 26, 2010, PPL Electric filed a Joint Petition for Partial Settlement of Rate Investigation (“Rate Case Settlement”) with the Commission at Docket No. R-2010-2161694. All parties in the rate case either joined or did not oppose the Rate Case Settlement.

Paragraph 30 of the Rate Case Settlement provided that:

30. PPL Electric agrees to adopt OCA’s CAP Plus methodology and will implement the proposal no later than the 2011-2012 heating season, unless the Department of Public Welfare changes its current policy and allows PPL Electric to apply Low Income Home Energy Assistance Program grants to Customer Assistance Program credits.

5. On October 15, 2010, a Recommended Decision was issued, wherein Administrative Law Judge Susan D. Colwell recommended approval of the Rate Case Settlement. The Commission subsequently approved the Recommended Decision by Order entered December 21, 2010.

**B. THE 2010 UNIVERSAL SERVICE PROCEEDING**

6. On June 1, 2010, PPL Electric filed its Universal Service and Energy Conservation Plan for 2011 through 2013 (“USP Plan”) with the Commission. The USP Plan describes the Company’s low-income customer programs.

7. Various parties intervened in the USP Plan proceeding, including OTS (now I&E), OCA, the Commission on Economic Opportunity, Lorrie Koons, Eric Epstein, the Sustainable Energy Fund (“SEF”) and the PP&L Industrial Customer Alliance (“PPLICA”).

8. In its Direct Testimony, PPL Electric advised the parties that the 2010 Rate Case Settlement included a CAP Plus program although the testimony did not describe the implementation details of the CAP Plus program.

9. On February 18, 2011, the Company filed a Joint Petition for Settlement of All Issues in the USP Plan proceeding (“USP Plan Settlement”). Paragraph 33 of the USP Plan Settlement provided that PPL Electric’s USP Plan would be approved as filed and as further set forth in the Company’s Direct and Rebuttal Testimony, except as modified by the Settlement. By Recommended Decision issued on March 15, 2011, Administrative Law Judge Susan D. Colwell recommended approval of the USP Plan Settlement. The Recommended Decision and USP Plan Settlement were subsequently approved by the Commission by Order entered May 5, 2011.

10. On May 11, 2011, PPL Electric filed its USP Plan compliance filing. The Company inadvertently did not include in the compliance tariff the CAP Plus provisions.

11. On November 3, 2011, PPL Electric filed with the Commission a Revised Page 13 and new Page 13A of the Company’s USP Plan, which was set forth in Appendix A to Tariff – Electric Pa. P.U.C. No. 201. Revised Page 13 and new Page 13A were filed to include a description of the CAP Plus program, which was approved by the Commission in the Company’s 2010 base rate proceeding.

12. On November 22, 2011, Lorrie Koons filed a Complaint and Petition to Stay Modification of PPL Electric’s USP Plan. Therein, Ms. Koons requested that the Commission

stay implementation of the Company's CAP Plus program and grant formal hearings on the implementation of PPL's CAP Plus program.

13. On November 29, 2011, PPL Electric filed an Answer denying the material allegations contained in the Complaint and requesting that the Commission deny Ms. Koons' request for stay.

14. On December 1, 2011, the Commission entered an Opinion and Order which denied Ms. Koons' request for a stay and referred the remaining issues to the Office of Administrative Law Judge for such additional proceedings as appropriate.

15. On December 1, 2011 PPL Electric implemented its CAP Plus program.

16. On December 2, 2011, the OCA filed a Notice of Intervention and Public Statement.

17. The parties in this proceeding conducted settlement negotiations and were able to agree to the instant Settlement that resolves all issues in this proceeding.

18. On January 26, 2012, the Joint Petitioners notified the Presiding ALJs that the Joint Petitioners had agreed to a settlement in principle of the proceeding.

19. On January 27, 2012, the Presiding ALJs issued an Order suspending the procedural schedule, except for the hearing date, pending the submission of a settlement agreement.

20. The Joint Petitioners are in full agreement that the Settlement is in the public interest.

### **III. SETTLEMENT PROVISIONS**

The Joint Petitioners agree as follows:

21. PPL Electric will implement its CAP Plus program consistent with the terms and conditions described herein.

22. PPL Electric clarifies that it determines the CAP Plus amount by taking the total amount of LIHEAP cash grants received by OnTrack customers as of August 31, dividing that amount by the total number of active OnTrack accounts as of September 30, and then dividing that number by 12 to determine the monthly CAP Plus amount. The new CAP Plus amount is effective from November 1 through October 31. PPL Electric will send a letter to active OnTrack accounts describing the new CAP Plus amount for the upcoming 12-month period. The Company will also include a bill message for OnTrack accounts discussing the CAP Plus amount.

23. PPL Electric clarifies that if a CAP household reaches its maximum CAP credit during a 12-month period that the “plus” amount is no longer added to the household’s bill because the household is responsible for paying at the full tariff rate.

24. If OnTrack customers have an excess LIHEAP credit, they will not be charged the CAP Plus amount until the LIHEAP credit is reduced to zero, and the Company will use the excess LIHEAP credit to pay the customer’s normal OnTrack bill. As the Company has already implemented this change to its billing system, unless the OnTrack program is otherwise changed, the parties agree that this procedure will remain in place for the 2011-2013 Plan period. This procedure will be further evaluated in advance of the next 3-year Universal Service Plan.

25. PPL Electric further clarifies that for each month a LIHEAP grant is equal to or greater than a full CAP payment, that the customer will receive credit for a month of pre-program arrearage forgiveness.

26. PPL Electric will conduct an analysis of the additional “plus amount” on the energy burden levels approved by the Commission in PPL Electric’s 2011 – 2013 Universal Service and Energy Conservation Plan. The analysis will be conducted for each of the four

OnTrack options at each income tier. PPL Electric will provide the results of this analysis to the parties in this proceeding by January 31, 2013 for the 2011 – 2012 LIHEAP Year, and by January 31, 2014 for the 2012 – 2013 LIHEAP year.

27. PPL Electric will review the CAP Plus program in advance of its next 3-year Universal Service Plan filing and will propose to make any changes that it deems to be appropriate in that proceeding. In addition, all parties will have an opportunity to propose additional changes in that proceeding.

28. PPL Electric agrees to extend an invitation to the Pennsylvania Utility Law Project (“PULP”), which is serving as counsel to Ms. Koons in this proceeding, to enable its staff to participate in regularly scheduled forums, meetings and training sessions with the agencies and contractors who administer OnTrack, WRAP and Operation HELP in 2012 and 2013. The Company agrees to provide sufficient notice of the dates of these various meetings so that staff from PULP can plan accordingly. Participation in these meetings is limited strictly to staff from PULP. PPL Electric will not provide any remuneration (i.e., stipend, mileage or tolls) to PULP representatives who attend these sessions. In addition, the Company will not reschedule meeting dates or change meeting locations to accommodate staff from PULP. Finally, PPL Electric will not invite staff from PULP to participate in agency or contractor meetings where non-public information is reviewed and discussed (e.g., contract negotiations) or where an agency requests that the meeting be conducted in private.

29. The Settlement fully resolves all issues in the above-captioned proceeding.

#### **IV. THE PUBLIC INTEREST**

30. Acceptance of the Settlement will avoid the necessity of further administrative and potential appellate proceedings at what would have been a substantial cost to the Joint Petitioners and PPL Electric’s customers.

31. The Joint Petitioners are separately submitting Statements in Support of the Settlement setting forth the reasons why they consider the Settlement to be in the public interest. In addition, the affidavit of Timothy R. Dahl providing factual support for the Settlement is provided as Attachment 1 hereto. The parties in this Complaint proceeding stipulate that Mr. Dahl's affidavit may be entered into the record in this proceeding to support the Settlement.

#### **V. SETTLEMENT CONDITIONS**

32. The Settlement is conditioned upon the Commission's approval of the terms and conditions contained herein without modification. If the Commission modifies the Settlement, then any Joint Petitioner may elect to withdraw from this Settlement and may proceed with litigation and, in such event, this entire Settlement shall be void and of no effect. Such election to withdraw must be made in writing, filed with the Secretary of the Commission and served upon all parties within five (5) business days after the entry of an Order modifying the Settlement.

33. This Settlement is proposed by the Joint Petitioners to settle all issues in the instant proceeding. If the Commission does not approve the Settlement and the proceedings continue to further hearings, the parties reserve their respective rights to present testimony and to conduct full cross-examination, briefing and argument.

34. It is understood and agreed that this Settlement is the result of compromise, and does not necessarily represent the positions that would be advanced by any party in these proceedings if they were fully litigated.

35. Issues regarding CAP Plus are presently pending before the Commission in the matter of *Pennsylvania Public Utility Commission, et al., v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2010-2215623. Nothing in this Joint Settlement is intended to preclude any party

from taking a position regarding CAP Plus before the Commission or any state or federal agency in any present or future proceeding regarding CAP Plus.

36. This Settlement is being presented only in the context of this proceeding in an effort to resolve the proceeding in a manner which is fair and reasonable. The Settlement is presented without prejudice to any position which any of the parties may have advanced and without prejudice to the position any of the parties may advance in the future on the merits of the issues in future proceedings except to the extent necessary to effectuate the terms and conditions of the Settlement. This Settlement does not preclude the parties from taking other positions in any other proceeding.

37. If the ALJs adopt this Settlement without modification in their Recommended Decision, the Joint Petitioners waive their rights to file exceptions.

**VI. CONCLUSION**

WHEREFORE, the Joint Petitioners respectfully request as follows:

That Administrative Law Judges Susan D. Colwell and Joel H. Cheskis and the Commission approve this Settlement, including all terms and conditions thereof, without modification; and

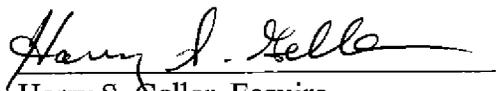
That the Complaint of Lorrie Koons be marked closed.

Respectfully submitted,



David B. MacGregor, Esquire  
Anthony D. Kanagy, Esquire  
Paul E. Russell, Esquire  
*Counsel for PPL Electric Utilities Corporation*

Date: 2/24/12



Harry S. Geller, Esquire  
Patrick M. Cicero, Esquire  
*Counsel for Lorrie Koons*

Date: 2/24/12

# Attachment 1

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Lorrie Koons	:	
	:	
v.	:	Docket No. M-2010-2179796
	:	
PPL Electric Utilities Corporation Universal	:	
Service and Energy Conservation Plan for	:	
2011 through 2013	:	

**AFFIDAVIT OF TIMOTHY R. DAHL**

PPL Electric Utilities Corporation ("PPL Electric" or the "Company") has a Customer Assistance Program ("CAP") known as OnTrack. This program offers reduced payment amounts for electric bills; forgiveness of pre-program arrearages; and referrals to other assistance programs, such as weatherization. PPL Electric uses ten local community-based organizations to implement OnTrack, which has been in place throughout the Company's service area since 1994. OnTrack targets payment-troubled customers who have household incomes at or below 150 percent of the federal poverty level (e.g., currently \$34,575 for a family of four).

In March 2010, PPL Electric filed for an increase in distribution rates, at Docket No. R-2010-2161694. The new rates, approved by the Pennsylvania Public Utility Commission ("Commission"), became effective on January 1, 2011. Consistent with the PUC's encouragement and guidance, the Company was able to negotiate a partial settlement on many of the issues associated with the distribution rate case. Lori Koons was neither a party to that proceeding nor that settlement. One of the settlement provisions was based upon a recommendation made by the Office of Consumer Advocate ("OCA") in its testimony for PPL Electric to implement a CAP Plus program starting with the 2011-2012 heating season.

CAP Plus was proposed in response to policies of the Department of Public Welfare ("DPW") articulated in the 2010 LIHEAP State Plan regarding the application of the LIHEAP grant to the OnTrack customer's bill. The CAP Plus program helps to offset the cost of this change, which all residential customers pay through a Commission-approved Universal Service Rider ("USR").<sup>1</sup> The OCA's witness, Mr. Roger Colton, recommended that PPL Electric calculate the CAP Plus figure by determining the amount of LIHEAP cash grants received by OnTrack participants; dividing that amount by the total number of active OnTrack accounts; and dividing that amount by 12 to obtain the monthly CAP Plus amount.

As indicated above, PPL Electric agreed to implement CAP Plus and has adopted Mr. Colton's method of calculating the CAP Plus payment amount as follows: The Company determined the amount of LIHEAP cash grants received by OnTrack participants as of August 31, 2011 (approximately \$3.4 million), then calculated the CAP Plus payment amount by dividing the LIHEAP amount by the number of active OnTrack customers as of September 30, 2011 (34,425). This calculation ( $\$3.4 \text{ million} / 34,425 \text{ customers} / 12 \text{ months}$ ) produced a monthly CAP Plus amount of \$8 per OnTrack customer. PPL Electric will determine a new CAP Plus amount to become effective November 1 of each year based on the methodology explained above and as further described in the Settlement.

On November 3, 2011, PPL Electric filed with the Commission a Revised Page 13 and new Page 13A of the Company's USP Plan, which was set forth in Appendix A to Tariff – Electric Pa. P.U.C. No. 201. Revised Page 13 and new Page

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<sup>1</sup> The Commission approved a reconcilable USR in the Company's 2007 distribution rate case, at Docket No. R-00072155.

13A addressed the commencement of the CAP Plus program, The cover letter submitted by PPL counsel indicated the intent of the Company to implement CAP Plus on December 1, 2011 unless otherwise directed by the Commission.

On November 22, 2011, Lorrie Koons filed a Complaint and Petition to Stay Modification of PPL Electric's USP Plan. Ms. Koons requested that the Commission stay implementation of the Company's CAP Plus program and grant formal hearings on the implementation of PPL's CAP Plus program.

On December 1, 2011, the Commission entered an Opinion and Order which denied Ms. Koons' request for a stay and referred the remaining issues to the Office of Administrative Law Judge for such additional proceedings as appropriate. PPL Electric implemented the CAP Plus program effective December 1, 2011.

The DPW has informed utilities that they could not use LIHEAP cash grants to offset the pre-program arrearage amounts for CAP participants. LIHEAP grants were restricted to the payment of the "asked for" amounts by utilities. In other words, utilities could only apply LIHEAP cash grants to missed CAP bills, current CAP bills, or future CAP bills.

If an OnTrack customer has a credit balance as a result of receiving a LIHEAP cash grant, the Company deducts the OnTrack payment amount from the credit balance until it uses the entire grant amount. In other words, the customer makes no payments while there is a LIHEAP credit balance on his or her bill. After exhausting the credit balance, the customer starts receiving his or her normal OnTrack bill. In addition, PPL Electric excludes the \$8 CAP Plus amount when applying the LIHEAP credit balance. For instance, if a customer's OnTrack bill were \$58 (\$50 normal CAP bill plus

\$8 CAP Plus amount) and he or she had a credit balance from a LIHEAP cash grant, PPL Electric would apply only the \$50 CAP amount to the credit balance. After using up the credit balance, the customer's OnTrack bill would revert back to the \$58 amount, which includes the CAP Plus amount.

The Company is not using the LIHEAP credit balance to offset the \$8 CAP Plus amount. PPL Electric also does not require the affected OnTrack participant or other residential customers to pay for the \$8 that the Company excludes when OnTrack customers have credit balances due to LIHEAP cash grants.

The PPL CAP Plus program is tied directly into its customer information and billing system. The Company has expended approximately 2,200 hours (\$220,000) of programming time and testing to implement the program.

The Commission's CAP Policy Statement recommends that maximum payments for electric heating and non-heating service should be within certain percentages of income. This is commonly referred to as the energy burden level. Those percentages appear in the following table.

**CAP Policy Statement**

<b>Percent of Poverty</b>	<b>Heating</b>	<b>Non-Heating</b>
0-50% of poverty	7-13%	2-5%
51-100% of poverty	11-16%	4-6%
101-150% of poverty	15-17%	6-7%

The table below shows the maximum percentage of income for heating and non-heating customers included in PPL Electric's USP Plan.

## **PPL Electric USP**

<b>Percent of Poverty</b>	<b>Heating</b>	<b>Non-Heating</b>
0-50% of poverty	7%	3%
51-100% of poverty	9%	5%
101-150% of poverty	11%	6%

As noted above, the Company's maximum percentages of income level are below those allowed in the Commission's CAP Policy Statement. Even with an additional \$8 included in the CAP Plus payment amount, PPL Electric anticipates that the percentages will remain well below the Commission's guidelines.

As part of this settlement agreement, PPL Electric has agreed to conduct an analysis of the CAP Plus amount on the energy burden levels approved by the Commission in PPL Electric's 2011-2013 Universal Service and Energy Conservation Plan. The analysis will address the four OnTrack payment options at each income tier. The Company will provide the results of the analysis to the parties in this proceeding by January 31, 2013 for the 2011-2012 LIHEAP program year, and by January 31, 2014 for the 2012-2013 LIHEAP program year.

