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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

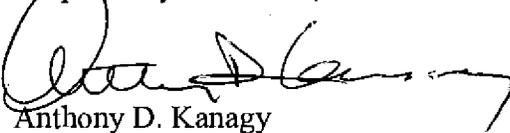
**RE: Lorrie Koons v. PPL Electric Utilities Corporation Universal Service and Energy  
Conservation Plan for 2011 through 2013  
Docket No. M-2010-2179796**

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Dear Secretary Chiavetta:

Enclosed please find PPL Electric Utilities Corporation's Statement in Support of 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).

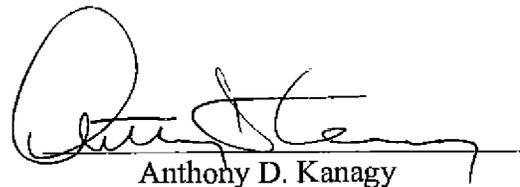
**VIA E-MAIL and FIRST CLASS MAIL**

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PO Box 3265  
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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	:	

**PPL ELECTRIC UTILITIES CORPORATION'S  
STATEMENT IN SUPPORT OF THE  
JOINT PETITION FOR SETTLEMENT OF ALL ISSUES**

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

PPL Electric Utilities Corporation (“PPL Electric” or the “Company”) hereby submits this Statement in Support of the Joint Petition for Settlement of All Issues (“Settlement”) entered into by PPL Electric and the Complainant, Ms. Lorrie Koons, in the above-captioned proceeding. The Settlement is not opposed by any of the other parties in this Complaint proceeding.<sup>1</sup> The Settlement resolves all issues in the Complaint proceeding. PPL Electric believes that this Settlement is in the best interests of the Company and its customers, and therefore, is in the public interest. The Company respectfully requests that Administrative Law Judges Susan D. Colwell and Joel H. Cheskis (the “ALJs”) and the Pennsylvania Public Utility Commission (“Commission”) approve the Settlement without modification.

The Settlement allows PPL Electric to continue its Customer Assistance Program (“CAP”) Plus program, which is part of its OnTrack program for low income, payment troubled customers. The Settlement provides further clarification for the Commission and parties regarding how PPL Electric is implementing its CAP Plus Program. The Settlement also

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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.

provides that PPL Electric will conduct an analysis of the additional “plus amount” on energy burden levels approved by the Commission in PPL Electric’s 2011-2013 Universal Service and Energy Conservation Plan (“2011-2013 USP Plan”). In addition, the Settlement allows counsel for Ms. Koons to participate in certain meetings with agencies and contractors who administer PPL Electric’s low-income customer programs. For the reasons set forth below, the Settlement is just and reasonable and should be approved.

This Statement in Support is structured as follows. Section I provides basic background information related to the Complaint proceeding. Section II provides a discussion of the Settlement terms and explains why they are in the public interest.

## **I. BACKGROUND**

### **A. The 2010 Base Rate Proceeding**

On March 31, 2010, PPL Electric filed its 2010 base rate increase request with the Commission at Docket No. R-2010-2161694. 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 OnTrack customers’ bills to offset the Department of Public Welfare’s (“DPW”) policy change regarding application of Low Income Home Energy Assistance Program (“LIHEAP”) grants to customers’ accounts.

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.

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**

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.

Various parties intervened in the USP Plan proceeding. In its Direct Testimony, PPL Electric advised the parties that the 2010 Rate Case Settlement included a CAP Plus program.

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.

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 which had been approved by the Commission in the 2010 base rate proceeding at Docket No. R-2010-2161694.

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. 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 CAP Plus program.

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

## **II. THE SETTLEMENT IS IN THE PUBLIC INTEREST**

### **A. CAP Plus Implementation**

Under the Settlement, PPL Electric will implement its CAP Plus program consistent with the terms of the Settlement. This Settlement provision is in the public interest because it is consistent with PPL Electric's obligation under its 2010 base rate proceeding. In the Company's 2010 Rate Case Settlement, PPL Electric agreed to implement the OCA's CAP Plus proposal. See Rate Case Settlement, ¶ 30, Docket No. R-2010-2161694.<sup>2</sup> The Rate Case Settlement was approved by the Commission by Order entered December 21, 2010.

As explained by Mr. Dahl in his Affidavit in support of the Settlement, CAP Plus was proposed in response to a change in the way that the DPW allows utilities to apply LIHEAP

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<sup>2</sup> As indicated above, the OCA does not oppose this Settlement of Ms. Koons' Complaint proceeding.

grants to customers' accounts. Under its prior policy, DPW allowed utilities to apply LIHEAP grants to customers' CAP Shortfalls.<sup>3</sup> In 2009, DPW revised its policy to require utilities to apply LIHEAP grants to CAP customers' monthly bills or "asked to pay" amounts and not to CAP Shortfall amounts. The effect is to increase the CAP Shortfall.

PPL Electric recovers its CAP Shortfall amounts through its Universal Service Rider ("USR"). The USR charge is paid by all residential customers. Because the change in DPW policy increased the CAP Shortfall amounts, it increases the USR costs paid by non-CAP customers. The CAP Plus program helps to offset the cost of this change by slightly increasing the CAP customers' asked to pay amount for utility service. Dahl Affidavit, p. 2.

PPL Electric believes that its CAP Plus program is consistent with Commission policy. PPL Electric notes that the Commission is currently evaluating its policy with regard to CAP Plus programs. In Columbia Gas of Pennsylvania's ("Columbia") last base rate proceeding, one party challenged Columbia's Commission-approved CAP Plus program, arguing that it violated federal and state LIHEAP provisions. In that proceeding, the Commission severed the CAP Plus issues from the proceeding for disposition at a future date. However, the Commission ordered Columbia to maintain its currently effective CAP Plus program, pending any change in policy regarding CAP Plus programs. *Pa.P.U.C. v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2010-2215623, et al., Order entered October 14, 2011, p. 60. PPL Electric believes that it is in a similar position to Columbia because PPL Electric's CAP Plus program has already been approved by the Commission. In addition, PPL Electric notes that all parties in this proceeding either agree or do not oppose the implementation of PPL Electric's CAP Plus program.

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<sup>3</sup> The CAP Shortfall represents the difference between the CAP customer's "asked to pay" amount and the amount that would be billed at full tariff rates.

## **B. CAP Plus Clarifications**

Under the Settlement, PPL Electric clarified the calculation of the CAP Plus amount. PPL Electric explained 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. The currently effective Plus amount is \$8 per month. As explained by Mr. Dahl, this was the method proposed by the OCA's witness, Mr. Colton, for determining the CAP Plus amount in PPL Electric's base rate proceeding.

The Settlement provides additional clarifications regarding implementation of the CAP Plus program.

Under the Settlement, PPL Electric clarified 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.

PPL Electric further clarified 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.

In addition, PPL Electric clarified that 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. Mr. Dahl further explained this procedure in his Affidavit. On page 4, Mr. Dahl explained that 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. PPL Electric 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 Company is not using the LIHEAP credit balance to offset the \$8 CAP Plus amount in order to ensure compliance with DPW policy. Not all parties agree that this is necessary. However, PPL Electric is adopting this approach for now in order to be conservative. Under the Settlement, the parties have agreed that this procedure will remain in place for the 2011-2013 Plan period and that this procedure will be further evaluated in advance of the Company's next 3-year universal service plan.

### **C. Energy Burden Levels**

In Ms. Koons' Complaint, she expressed concerns about the impact that the CAP Plus plan would have on CAP customers' payments. As part of this settlement agreement, PPL Electric has also 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. This Settlement condition addresses concerns regarding the impact of the CAP Plus program on energy burden levels.

PPL Electric further notes that 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 contained in the Commission’s CAP Policy Statement 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 significantly below those allowed in the Commission’s CAP Policy Statement. Even with an additional \$8 included in the CAP Plus payment amount, Mr. Dahl explained that PPL Electric anticipated that the percentages will remain below the Commission’s guidelines. Dahl Affidavit, pp. 3-4.

**D. Additional Settlement Provisions**

The Settlement further provides that PPL Electric will 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 Settlement provides further conditions regarding these invitations,

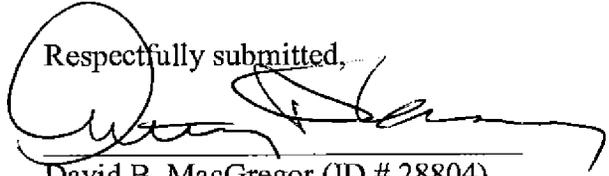
including that: (1) participation will be limited to staff from PULP, (2) PPL Electric will not provide remuneration to PULP for attending these meetings, (3) the Company will not reschedule meetings to accommodate PULP's staff, and (4) PULP's staff will not be invited to meetings where non-public information will be reviewed or discussed or where an agency requests that the meeting be conducted in private. These Settlement provisions should allow PULP to participate in certain meetings regarding lost income issues without unduly burdening PPL Electric or its ratepayers.

Under the Settlement, PPL Electric agrees to provide CAP customers with additional educational information about the CAP Plus program. 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.

### III. CONCLUSION

PPL Electric believes that a fair and reasonable compromise has been achieved in this case, as is evident by the fact that the Settlement resolves all issues and has been agreed to or not opposed by all parties in this proceeding. PPL Electric fully supports this Settlement and respectfully requests that the ALJs and the Commission expeditiously review and approve the Settlement in its entirety.

Respectfully submitted,



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Date: February 24, 2012

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