

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, Pennsylvania 17105-3265

**Petition of PPL Electric Utilities Corporation
for Approval of a Distribution System
Improvement Charge**

**Public Meeting held April 9, 2015
2325034-OSA**

**PPL Electric Utilities Corporation v. Office of
Consumer Advocate; Alan D. Whitehouse;
Pamela Mosconi; John E. Hoag; James
Weaver**

**Docket Nos. P-2012-2325034;
C-2013-2346390; C-2013-2345750;
C-2013-2346375; C-2013-2345729;
C-2103-2351090**

STATEMENT OF COMMISSIONER GLADYS M. BROWN

Before the Pennsylvania Public Utility Commission (Commission) for consideration and disposition are the Exceptions of PPL Electric Utilities Corporation (PPL or Company), PP&L Industrial Customer Alliance, and the Office of Consumer Advocate to the Recommended Decision of Administrative Law Judge Kandace F. Melillo, issued on August 1, 2014, relative to the Petition of PPL Electric Utilities Corporation for Approval of a Distribution System Improvement Charge (DSIC).

One of the topics deliberated in this proceeding involves the inclusion of certain charges in the calculation for the tariffed DSIC ratio. Namely: whether or not the Act 129 Compliance Rider (ACR) and the Competitive Enhancement Rider (CER) should be included in the denominator of the DSIC ratio. Both the ACR and CER are non-bypassable riders.

As legislative counsel involved in the legislative process leading up to the passage of Act 11 of 2012, I can say that during that process the key focus was prescribing the eligible property component of the DSIC, or the numerator. There was much less of a stringent focus on what constitutes the components of distribution rates for purposes of DSIC, the denominator. I believe the General Assembly gave deference to the Commission's expertise on this issue.

Section 1358(a)(1) of the Public Utility Code, 66 Pa.C.S. § 1358 (a)(1) states, in pertinent part, the following:

“...the distribution system improvement charge may not exceed 5% of the amount billed to customers under the applicable rates of the wastewater utility or **distribution rates** of the electric distribution company...”

The statute does not delineate between distribution rates that are set under Section 1307, i.e. riders, and rates that are set under 1308, i.e. rate base and expenses. In fact, conventional analysis of an electric utility bill and the breadth of law surrounding it would compel most to determine that distribution rates are simply those that do not include generation and transmission. The

statute only restricts one specific distribution component from inclusion in the DSIC for energy utilities; the State Tax Adjustment Surcharge. Nowhere does the Statute restrict the inclusion of riders in the denominator of the DSIC ratio. In fact, the Commission's Act 11 Final Implementation Order at Docket M-2012-2293611 directed companies to include "all applicable clauses and riders" in the formula for DSIC rates.

Excluding the CER revenues may motivate utilities to place these expenses into their next rate case. There is nothing in the statute expressly prohibiting the inclusion of competitive market enhancements in 1308 designed rates. Further these costs support competitive market enhancements to the benefit of distribution customers.

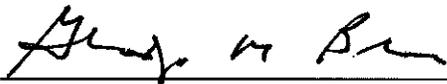
As opposed to the CER, the ACR costs are mandated to be recovered via a Section 1307 mechanism. However, I reiterate that there is nothing prohibiting the inclusion of these costs in the DSIC calculation. I also emphasize that the energy efficiency and conservation costs recovered via the ACR in large part benefit distribution customers by reducing consumption and electric bills, including the distribution portion of those bills.

Moreover, retaining these costs in the DISC calculation does not eliminate the consumer protection cap placed in the statute. It will merely extend the DSIC investment period between rate cases, or, increase the DSIC expenditure pace. Both scenarios can provide benefits to ratepayers through decreased rate-case expenses or the accelerated increase in service quality, which was the legislative intent behind Act 11.

Last, I note that this decision does not restrict the Commission from continuing to analyze distinct distribution charges and the prudence of including them in the DSIC calculation. Items such as on-bill financing may certainly be ripe for further discussion in the future.

Therefore, given my review of the body of law and the discussion of the parties in this case, I support the inclusion of the ACR and CER in the calculation of PPL's DSIC.

April 9, 2015
Date


Gladys M. Brown, Commissioner