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April 27, 2015

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

VIA ELECTRONIC FILING

RE: Petition of PPL Electric Utilities Corporation For Waiver of the Distribution System Improvement Charge Cap of 5% of Billed Revenues; Docket No. P-2015-2474714

Dear Secretary Chiavetta:

Enclosed for filing with the Pennsylvania Public Utility Commission is the Petition to Intervene and Protest of the PP&L Industrial Customer Alliance ("PPLICA") in the above-referenced proceeding.

As shown by the attached Certificate of Service, all parties to this proceeding are being duly served. Thank you.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By

A handwritten signature in black ink, appearing to read 'Adeolu A. Bakare', is written over a horizontal line.

Adeolu A. Bakare

Counsel to PP&L Industrial Customer Alliance

/lmc

Enclosure

c: Certificate of Service (via e-mail and First Class Mail)

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the participants listed below in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

VIA E-MAIL AND FIRST CLASS MAIL

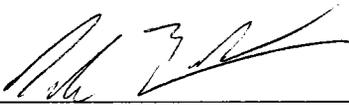
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Adeolu A. Bakare

Counsel to PP&L Industrial Customer Alliance

Dated this 27th day of April, 2015, at Harrisburg, Pennsylvania.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of PPL Electric Utilities Corporation :
For Waiver of the Distribution System : Docket No. P-2015-2474714
Improvement Charge Cap of 5% :
of Billed Revenues :

**PETITION TO INTERVENE AND PROTEST
OF THE PP&L INDUSTRIAL CUSTOMER ALLIANCE**

Pursuant to Sections 5.71 through 5.74 of the Pennsylvania Public Utility Commission's ("PUC" or "Commission") Regulations, 52 Pa. Code §§ 5.71 - 5.74, the PP&L Industrial Customer Alliance ("PPLICA") hereby files this Petition to Intervene in the above-captioned proceeding. In addition, PPLICA hereby files this Protest¹ in response to the above-captioned Petition ("Petition") of PPL Electric Utilities Corporation. ("PPL" or "Company").

On March 31, 2015, PPL filed the Petition of PPL Electric Utilities Corporation ("Petition") for a waiver of the Distribution System Improvement Charge ("DSIC") cap of 5% of billed revenues and approval of a new 7.5% cap. *See* Petition, p. 1. The Petition was filed pursuant to Section 1358(a) of the Public Utility Code, 66 Pa. C.S. § 1358(a). *Id.* Also on March 31, 2015, PPL filed a base rate case at Docket No. R-2015-2469275, proposing to increase the Company's annual base distribution revenues by \$167.5 million. As set forth in the Petition, PPL has requested that the Commission consolidate the Petition with the base rate proceeding, but to date, the Commission has not consolidated the dockets. *Id.*

¹ The Secretarial Letter issued by the Commission's Secretary on April 1, 2015, directed interested parties to file Protests to the Petition. Alternatively, PPLICA's filing should be treated by the Commission as an Answer to PPL's proposal pursuant to Section 5.61(a) of the Commission's Regulations, 52 Pa. Code § 5.61(a).

Specifically, PPL's Petition proposes to increase the maximum revenue recovered through the Company's DSIC from the 5% of billed revenues cap established by Section 1358(a) of the Public Utility Code, 66 Pa. C.S. § 1358(a) to a 7.5% cap. *Id.* The Company avers that the increased cap will enable the Company to continue providing safe, adequate, and reliable service pursuant to Section 1501 of the Public Utility Code, 66 Pa. C.S. § 1501. *Id.* PPL further alleges that the proposed change will result in minimal rate increases for customers and reduce the frequency of rate cases. *Id.* at 9-10.

PPL's Petition would increase DSIC expenses for most of the Company's rate classes.² It is therefore imperative that PPL's DSIC be just and reasonable and consistent with Act 11. As set forth below, the proposed modification to PPL's DSIC is neither just nor reasonable, and is not consistent with Act 11.

In support of its Petition to Intervene and Answer, PPLICA asserts as follows:

I. PETITION TO INTERVENE

1. PPLICA is an ad hoc association of energy-intensive commercial and industrial customers receiving electric service in PPL's service territory. PPLICA members purchase service from PPL primarily under Rate Schedules LP-4, LP-5, IS-P, as well as available riders³ PPLICA members collectively consume approximately 1.35 billion kWh of electricity each year in manufacturing and other operational processes. Electricity costs, therefore, comprise a significant portion of PPLICA members' total production costs.

² Per the Order entered on April 9, 2015 at Docket No. R-2012-2325034, PPL was directed to file a Tariff Supplement implementing an exemption of LP-5 customers from the DSIC. The exemption does not include LP-4 customers, who would remain subject to the increased DSIC proposed by PPLICA.

³ Some PPLICA members also have accounts on Rate Schedules GS-1 and GS-3.

2. For purposes of this proceeding, PPLICA includes the companies listed in Appendix A hereto. PPLICA will update Appendix A during the course of this proceeding as needed to reflect changes in its membership.

3. PPLICA members are concerned with issues regarding the terms and conditions of their electric distribution service. As a result, PPLICA has been actively involved in numerous PPL proceedings, including fully participating in PPL's 2012 base rate proceeding, which established the rate of return and ROE that initially served as the basis for PPL's DSIC. PPLICA is also actively monitoring the Commission's investigation of PPL's 2015 base rate proceeding at Docket No. R-2015-2469275 and will appear at the prehearing conference scheduled for the base rate proceeding on May 7, 2015. As previously referenced, PPLICA further understands that PPL has asked the Commission to consolidate the Petition with the base rate proceeding. *See* Petition, p. 1. However, because the Commission's final disposition of PPL's Petition may directly impact the rates that the Company imposes on PPLICA members for service, PPLICA submits this Petition to Intervene and Protest out of an abundance of caution to preserve all rights to participate in any proceeding regarding the Petition.

4. PPLICA members have an interest in this proceeding that is not represented by any other party of record; consequently, PPLICA satisfies the standards for intervention under Section 5.72 of the Commission's Regulations, 52 Pa. Code § 5.72.

5. The names and address of PPLICA's attorneys are:

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6. PPLICA requests that the names and address of its attorneys be added to the Commission's and all parties' service lists. All correspondence in this proceeding from the Commission should be directed to the attention of Pamela Polacek at the address listed above.

7. Therefore, consistent with 52 Pa. Code § 5.72(a), PPLICA has a significant interest in this proceeding that is not represented by any other party of record. Accordingly, PPLICA should be granted intervenor status in this proceeding.

II. PROTEST

8. Based on a preliminary analysis, PPLICA recommends that the Commission deny PPL's Petition. PPLICA submits that the 5% cap remains more than adequate to provide the incremental revenues deemed appropriate by the General Assembly. The 5% DSIC allowed PPL to complete extensive DSIC-funded improvements. Additionally, the ongoing base rate case will both reset PPL's DSIC and, as a result of the fully-projected future test year, provide funding for PPL's infrastructural improvements through January 1, 2017. Finally, while PPL must continue to invest in its aging system, the system is not a "troubled" system in comparison to other PUC-jurisdictional utilities.

9. In passing Act 11 and authorizing the Commission to approve DSICs for electric distribution companies ("EDCs"), the General Assembly sought to provide incremental funding

to increase the rate of investment into utility infrastructure from present levels. As reported in the Petition, PPL placed approximately \$275 million of DSIC-eligible plant into service, which results in an average annual investment of \$137.5 million per year. By way of comparison, the \$135.7 million in annual DSIC investment almost doubles the \$71.065 million annual rate increase granted to PPL in 2012.⁴ PPLICA submits that the rate of investment under the 5% DSIC provides sufficient revenue to facilitate investment in PPL's distribution system between base rate proceedings.

10. PPL's recent rate filing further illustrates the adequacy of the 5% cap. PPL claims that the 5% cap is insufficient to sustain the Company's current rate of infrastructural investment over the long-term. However, PPL projects that the 5% cap is sufficient to fund DSIC-improvements installed between March 2013 and August 2015, a period of approximately 2.5 years. *See* Petition, p. 9. During this 2.5 year period, PPL expects to have placed \$350 million of DSIC-eligible plant into service, including the \$275 million placed into service as of February 2015 and an additional \$75 million of DSIC-eligible plant placed in to service by August 2015. *Id.* Importantly, while PPL expects to reach the 5% cap in late 2015, the Company has already filed a base rate case which will result in a reset of the DSIC no later than January 1, 2016. Following the DSIC reset, PPLICA anticipates that PPL would maintain the DSIC at 0% through January 1, 2017 because investments in the distribution system for the 2016 calendar year would be recovered through base rates, consistent with the Company's election to utilize a fully-projected future test year to support its rate increase. *See* PPL Statement No. 4, at Docket No. R-2015-2469275. As such, it appears that the current 5% DSIC would be sufficient to maintain

⁴ Opinion and Order, Docket No. R-2012-2290597 (Dec. 28, 2012).

PPL's current rate of DSIC-eligible investment through at least through the mid-point of 2019 (2.5 years from January 1, 2017).

11. PPLICA avers that PPL has offered an insufficient basis to increase the 5% cap on billed revenues. The 5% cap was implemented as a important consumer protection to protect consumers from unreasonable DSIC surcharges. See 6 Comm. of Pa. Leg. Journal HB 1294, 196th (Statement from Senator Tomlinson). While Section 1358(a) of the Public Utility Code authorizes the Commission to grant waivers of the 5% cap, PPLICA submits that such waivers should be granted sparingly and only upon a showing of necessity to preserve the effectiveness of the DSIC. As PPL has not made such a showing, the Petition should be denied.

12. Finally, while PPL certainly has an obligation and duty to maintain safe, adequate, and reliable distribution service, PPLICA avers that the circumstances at issue with regard to PPL's distribution system differ substantially from more dire situations before the Commission. Certain utilities subject to the Commission's jurisdiction are currently operating with a significant percentage of distribution plant dating back to the early 20th Century, which can pose a danger to life and property as evidenced by recent natural gas explosions. *See Pennsylvania Public Utility Commission Staff Report, Inquiry into Philadelphia Gas Works' Pipeline Replacement Program* (April 21, 2015).⁵ To the contrary, even the older assets comprising PPL's distribution system generally date to back to the latter half of the 20th Century. *See* Petition, pp. 6-7. While PPL avers that many of these assets are at or nearing the end of their useful life, PPLICA reiterates that the DSIC was designed to provide a measure of interim relief and was not intended to serve as the primary mechanism for funding infrastructural improvements. As indicated above, PPL should be required to demonstrate compelling

⁵ Available at http://www.puc.pa.gov/NaturalGas/pdf/PGW_Staff_Report_042115.pdf.

circumstances justifying waiver of the 5% cap, which PPLICA submits provides a significant amount of revenue to address infrastructural improvements between base rate proceedings.

13. In addition to the issues identified above, PPLICA reserves the right to raise and address additional issues of concern during the course of the proceeding based on further review of the Petition, issues identified via discovery, and issues raised by other parties.

WHEREFORE, for the reasons stated above, the PP&L Industrial Customer Alliance respectfully requests that the Pennsylvania Public Utility Commission deny PPL's Petition.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By 
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Counsel to the PP&L Industrial Customer Alliance

Dated: April 27, 2015

APPENDIX A

PP&L INDUSTRIAL CUSTOMER ALLIANCE

Air Products and Chemicals, Inc.
Armstrong World Industries, Inc.
General Dynamics-OTS Scranton
Harristown Enterprises, Inc.
Hercules Cement Company
SAPA Extrusions, Inc.
The Hershey Company
TIMET North America
Wegmans Food Markets, Inc.