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File #: 153362

May 11, 2015

***VIA ELECTRONIC FILING***

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: Petition of PPL Electric Utilities Corporation For Approval of a Distribution System Improvement Charge - Docket No. P-2012-2325034**

**PPL Electric Utilities Corporation v.  
Office of Consumer Advocate - Docket No. C-2013-2346390  
Alan D. Whitehouse - Docket No. C-2013-2345750  
Pamela Mosconi - Docket No. C-2013-2346375  
John E. Hoag - Docket No. C-2013-2345729  
James Weaver - Docket No. C-2013-2351090**

Dear Secretary Chiavetta:

Enclosed for filing is PPL Electric Utilities Corporation's Compliance Filing for Implementing Distribution System Improvement Charges Refund and Recoupment Plan, for the above-referenced proceedings.

Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,

David B. MacGregor

DBM/jl  
Enclosures

Rosemary Chiavetta, Secretary  
May 11, 2015  
Page 2

cc: Certificate of Service  
Bureau of Technical Utility Services  
Bureau of Audits

## CERTIFICATE OF SERVICE

*Docket No. P-2012-2325034*

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 52 Pa. Code § 1.54 (relating to service by a participant).

### **Via E-Mail and First Class Mail**

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Erin L. Gannon, Esquire  
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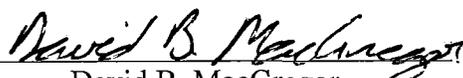
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Date: May 11, 2015

  
David B. MacGregor

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of PPL Electric Utilities :  
Corporation For Approval of a Distribution : Docket Nos. P-2012-2325034  
System Improvement Charge :

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**PPL ELECTRIC UTILITIES CORPORATION  
COMPLIANCE FILING FOR IMPLEMENTING  
DISTRIBUTION SYSTEM IMPROVEMENT CHARGES  
REFUND AND RECOUPMENT PLAN**

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TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

PPL Electric Utilities Corporation (“PPL Electric” or the “Company”) hereby submits its compliance filing for implementing a plan to (i) refund Distribution System Improvement Charges (“DSIC”) to all current Large Commercial & Industrial customers on Rate Schedule LP-5 (“LP-5 customers”) and (ii) recoup the associated DSIC expenses from all other applicable Rate Schedules consistent with the terms and conditions of the approved DSIC tariff provisions (hereinafter, collectively the “DSIC Refund and Recoupment Plan”). As explained in more detail below, PPL Electric’s DSIC refund plan fully complies with the Pennsylvania Public Utility Commission’s (“Commission”) Opinion and Order issued on April 9, 2015, at Docket No. P-2012-2325034 (“*DSIC Order*”) and, therefore, should be approved. In support thereof, PPL Electric states as follows:

**I. BACKGROUND**

On February 14, 2012, Governor Corbett signed into law Act 11 of 2012 (Act 11), effective in sixty days, which, among other things, amended Chapter 13 of Title 66 of the Public

Utility Code to approve a DSIC for electric distribution companies (“EDCs”). *See* 66 Pa.C.S. §§ 1350-1360. Act 11 provides utilities with the ability to implement a DSIC to recover reasonable and prudent costs incurred to repair, improve or replace certain eligible property that is part of the utility’s distribution system. 66 Pa.C.S. § 1353. Eligible property for EDCs is defined in Section 1351(1) of the Code, 66 Pa.C.S. § 1351(1).

As a precondition to the implementation of a DSIC, each utility is required to file a Long-Term Infrastructure Improvement Plan (“LTIIP”) with the Commission, consistent with 66 Pa.C.S. § 1352. Certain limitations are included in Act 11; specifically, the DSIC initially may not exceed 5% of distribution rates, and is to be reset to zero upon the effective date of new base rates and if overearning is shown in any quarter. 66 Pa.C.S. §§ 1358(a)(1) and (b). In addition, Act 11 sets out specific audit and reconciliation procedures, including refunds with interest to customers of any over-collections.

On August 2, 2012, the Commission issued its *Final Implementation Order*, at Docket No. M-2012-2293611, establishing procedures necessary to implement Act 11. The *Final Implementation Order* adopted the requirements established in Act 11, provided additional standards that each utility must meet in developing a LTIIP and DSIC, and gave guidance to utilities for meeting the Commission’s standards.

On September 18, 2012, PPL filed a LTIIP with the Commission, pursuant to Section 1352 of the Code, 66 Pa.C.S. § 1352. PPL Electric’s LTIIP was approved by the Commission on January 10, 2013.

On January 15, 2013, PPL filed a Petition for Approval of a DSIC, pursuant to 66 Pa.C.S. § 1353. As part of its Petition, PPL included a form of DSIC tariff, along with supporting direct testimony.

The Office of Consumer Advocate (“OCA”), Office of Small Business Advocate, and P&L Industrial Customer Alliance (“PPLICA”) intervened in the DSIC Petition. Formal Complaints were also filed against PPL Electric’s DSIC by the certain residential customers.

By Order entered May 23, 2013 (“*May 23 Order*”), the Commission approved PPL Electric’s DSIC, subject to refund, pending final resolution of four identified issues. The four issues reserved for further resolution were as follows:

1. Whether customers taking service under Rate Schedule LP-5 at transmission voltage rates should be included under the DSIC charge;
2. If revenues associated with the Company’s Act 129 Compliance Rider (“ACR”), Smart Meter Rider, Universal Service Rider, Net Metering Rider, and Competitive Enhancement Rider (“CER”) riders in PPL Electric’s tariffs are properly included as distribution revenues;
3. Impact of accumulated deferred income taxes associated with DSIC investments; and
4. Calculation of state income tax component of the DSIC revenue requirement.

On June 20, 2013, PPL Electric filed its compliance filing, as directed by the Commission in its *May 23 Order*. The Company’s DSIC rate became effective as of July 1, 2013, subject to refund, pending final resolution of the four reserved issues. The four issues identified in the *May 23 Order* were referred to the Office of Administrative Law Judge for final resolution.

On August 1, 2014, following an evidentiary hearing, Administrative Law Judge Kandice F. Melillo issued a Recommended Decision that approved the DSIC calculation proposed by PPL Electric with certain modifications. Pertinent to this compliance filing plan, the Recommended Decision found that PPL Electric’s DSIC should not be applied to LP-5 customers and that

refunds be made to these customers.<sup>1</sup> PPL Electric and OCA filed Exceptions to the Recommended Decision on August 21, 2014. PPL Electric and PPLICA filed Replies to Exceptions on September 2, 2014.

The Commission issued its *DSIC Order* on April 9, 2015. Pertinent to this compliance filing plan, the Commission's *DSIC Order* provides as follows:

6. That the application of the PPL Electric Utilities Corporation's Distribution System Improvement Charge to the Corporation's Rate LP-5 customers, as filed by PPL Electric Utilities Corporation, effective July 1, 2013, is hereby rejected.

7. That as a result of amending PPL Electric Utilities Corporation's Distribution System Improvement Charge to exclude LP-5 customers, PPL Electric Utilities Corporation shall issue refunds to these customers, calculated retroactively to July 1, 2013, with interest at the residential mortgage rate, pursuant to 66 Pa.C.S. § 1358(e)(3) and in accordance with Ordering Paragraph No. 10, *infra*.

\* \* \*

9. That, within thirty (30) days of the date of entry of this Opinion and Order, PPL Electric Utilities Corporation shall file a tariff supplement to modify its Distribution System Improvement Charge, consistent with this Opinion and Order, to become effective on ten days' notice, effective July 1, 2013.

10. That, within thirty (30) days of the date of entry of this Opinion and Order, PPL Electric Utilities Corporation shall file a refund plan for approval by the Pennsylvania Public Utility Commission, with a copy to the Bureau of Technical Utility Services and the Bureau of Audits, delineating the amount and procedure for the distribution of refunds set forth in Ordering No. 7, *supra*.

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<sup>1</sup> The Recommended Decision also found that the ACR and CER revenues be excluded from PPL Electric's DSIC calculation and that appropriate refunds be issued to customers. The Commission rejected this recommendation, concluding that the ACR and CER revenues should be included in PPL Electric's calculation of the DSIC. On April, 24, 2015, PPLICA filed a Petition for Reconsideration regarding whether the ACR and CER revenues should be included in PPL Electric's calculation of the DSIC. PPL Electric filed an Answer to the Petition for Reconsideration on May 4, 2015. This issue remains pending before the Commission for disposition. The final outcome of this issue will have no impact on this compliance filing plan for implementing refunds of DSIC to LP-5 customers.

*DSIC Order*, Ordering Paragraphs 6-7 and 9-10, pp. 68-69.

As required by the Commission's *DSIC Order*, PPL Electric hereby submits its compliance filing plan to (i) refund of DSIC revenues to all current LP-5 customers and (ii) recoup the associated DSIC expenses from all other applicable Rate Schedules consistent with the terms and conditions of the Commission-approved DSIC tariff provisions. As described in more detail below, PPL Electric's DSIC Refund and Recoupment Plan is consistent with Act 11, the *Final Implementation Order*, at Docket No. M-2012-2293611, the *May 23 Order*, and the *DSIC Order* and, therefore, should be approved.<sup>2</sup>

## **II. IMPLEMENTATION PLAN FOR DSIC REFUND TO CURRENT LP-5 CUSTOMERS**

PPL Electric's proposed DSIC Refund and Recoupment Plan is described below. The DSIC Refund and Recoupment Plan is set forth in the *pro forma* tariff supplement attached hereto as Appendix A. PPL Electric proposes to refund the DSIC to current LP-5 customers by implementing the following.

### **A. REFUND OF DSIC REVENUES TO LP-CUSTOMERS**

PPL Electric proposes to refund the DSIC to current LP-5 customers by implementing the following:

#### **1. DSIC Revenues to be Refunded**

The DSIC revenues to be refunded are all DSIC revenue recovered from LP-5 customers from July 1, 2013 through the June 1, 2015 the effective date of PPL Electric's Supplement No. 186, which eliminates LP-5 customers from application of the DSIC.<sup>3</sup> As of April 30, 2015, the

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<sup>2</sup> Contemporaneously with this compliance filing, PPL Electric is separately filing a Supplement No 186 to PPL Electric's Tariff - Electric Pa. P.U.C. N. 201 to eliminate LP-5 customers from application of the DSIC effective June 1, 2015, consistent with the requirements of Ordering Paragraphs 6 and 9 of the *DSIC Order*.

<sup>3</sup> See Footnote 2.

total amount to be refunded to LP-5 customers is \$511,852, excluding interest. PPL Electric will continue to update the DSIC balances to be refunded to LP-5 customers as of the end of the first month after the Commission approval of the LP-5 DSIC Refund and Recoupment Plan. Interest will be applied at the residential mortgage rate to all of the DSIC revenue recovered from LP-5 customers since July 1, 2013.

2. Bill Credit

PPL Electric will implement a one-time Bill Credit to refund the DSIC revenues to each current LP-5 customer. The one-time Bill Credit will be based on a per customer distribution of the total DSIC revenues described above to each current LP-5 customer on PPL Electric's system. As of April 30, 2015, the estimated amount to be refunded to each LP-5 customer is approximately \$3,682, excluding interest.

The Bill Credit will be applied to a customer's total monthly bill for generation, transmission, distribution, and all riders. The Bill Credit will not be applied to individual line item bill components. Current LP-5 customers will receive their refund in a single month, unless this would result in a negative total bill, in which case the Bill Credit will continue until such time that each current LP-5 customer receives a full refund. Customers may, as part of normal business process, request a check for any remaining Bill Credit amounts.

3. Timing of Bill Credit

As noted above, the DSIC will no longer apply to LP-5 customers beginning June 1, 2015, pursuant to Supplement No. 186 and consistent with the requirements of Ordering Paragraphs 6 and 9 of the *DSIC Order*. To ensure that all the revenues collected from the LP-5 customers and the associated interest are accounted for, the Bill Credit cannot be applied before the first full billing period following the close-out of the DSIC for LP-5 customers. As a result, the Bill Credit will be applied beginning the first bill issued after July 1, 2015, or the first month

after the Commission approval of the LP-5 DSIC Refund and Recoupment Plan, whichever is later.

**B. RECOUPMENT OF REFUNDED DSIC REVENUES FROM APPLICABLE RATE SCHEDULES**

The DSIC revenues being refunded to current LP-5 customers under the proposed DSIC Refund and Recoupment Plan were initially recovered for DSIC eligible plant. Under Act 11 and the Company's Commission-approved DSIC tariff provision, these expenses are eligible to be fully recovered through the DSIC. Therefore, as part of its DSIC Refund and Recoupment Plan, PPL Electric proposes to recover these expenses from all other applicable rate schedules as described below.

To recover these expenses, PPL Electric proposes to include the total DSIC revenue to be refunded as an additional expense in the first DSIC quarterly filing after such refunds have been finally calculated. These expenses would be in addition to the DSIC costs claimed in the quarterly filing, but would appear as a separate line item on the quarterly filing. Thus, the total costs to be recovered through the DSIC in that quarter would include both the DSIC costs reflected in the quarterly filing and the DSIC revenues being refunded to current LP-5 customers.

The total DSIC revenue to be refunded to current LP-5 customers will be recovered, together with the DSIC costs reflected in the quarterly filing, from all applicable rate schedules, consistent with the terms and conditions of its Commission-approved DSIC tariff provision. The incremental cost to recover the DSIC refund amount is small. Recovering the total DSIC revenue to be refunded as an additional expense in the first DSIC quarterly filing available to fully recover such costs is expected to increase the DSIC percentage by approximately 0.21% for the 3-month quarterly recovery period. For the average residential customer on Rate Schedule

RS using 1,000 kWh, this would result in an estimated increased customer cost of approximately \$0.10 per month for the 3-month quarterly recovery period.

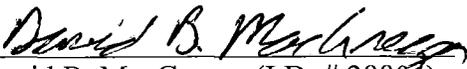
The DSIC revenues being refunded under the DSIC Refund and Recoupment Plan were for DSIC eligible plant and are eligible to be fully recovered through the DSIC. Recoupment of the refunded DSIC revenues from all applicable rate schedules will ensure that PPL Electric remains whole and that the costs incurred for the DSIC eligible plant since July 1, 2013, are recovered from the proper ratepayers that directly benefited from the distribution system improvements. PPL Electric submits that the proposed recoupment of the refunded DSIC revenues is consistent with Act 11, the *May 23 Order*, and the *DSIC Order*.

**III. CONCLUSION**

WHEREFORE, PPL Electric Utilities Corporation respectfully requests that the Pennsylvania Public Utility Commission issue an Order accepting the Company's compliance plan for implementing refunds of Distribution System Improvement Charges to all existing Large Commercial & Industrial customers on Rate Schedule LP-5 and recovering those refund amounts from all other applicable Rate Schedules, as set forth herein.

Respectfully submitted,

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Date: May 11, 2015

Attorneys for PPL Electric Utilities Corporation

# **APPENDIX “A”**

# PPL Electric Utilities Corporation

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## DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC) (Continued)

(C)

### CUSTOMER SAFEGUARDS

A. Cap: The DSIC is capped at 5.0% of the amount billed to customers for distribution service (including all applicable clauses and riders) as determined on an annualized basis.

B. Audit/Reconciliation: The DSIC is subject to audit at intervals determined by the Commission. Any cost determined by the Commission not to comply with any provision of 66 Pa C.S. §§ 1350, *et seq.*, shall be credited to customer accounts. The DSIC is subject to annual reconciliation based on a reconciliation period consisting of the twelve months ending December 31 of each year. The revenue received under the DSIC for the reconciliation period will be compared to PPL Electric's eligible costs for that period. The difference between revenue and costs will be recouped or refunded, as appropriate, in accordance with Section 1307(e), over a one-year period commencing on April 1 of each year. If DSIC revenues exceed DSIC-eligible costs, such over-collections will be refunded with interest. Interest on over-collections and credits will be calculated at the residential mortgage lending specified by the Secretary of Banking in accordance with the Loan Interest and Protection Law (41 P.S. §§ 101, *et seq.*) and will be refunded in the same manner as an over-collection.

C. New Base Rates: The DSIC will be reset at zero upon application of new base rates to customer billings that provide for prospective recovery of the annual costs that had previously been recovered under the DSIC. Thereafter, only the fixed costs of new eligible plant additions that have not previously been reflected in PPL Electric's rates or rate base will be reflected in the quarterly updates of the DSIC.

D. Customer Notice: Customers shall be notified of changes in the DSIC by including appropriate information on the first bill they receive following any change. An explanatory bill insert also shall be included with the first billing.

E. Customer classes: Effective June 1, 2015, the DSIC shall be applied equally to all customer classes except Rate Schedule LP-5, consistent with the Commission Order entered April 9, 2015, at Docket No. P-2012-2325034. Effective July 1, 2015, or the first month after Commission approval of PPL Electric's DSIC Refund and Recoupment Plan, whichever is later, there will be a one-time bill credit applied beginning with each eligible current Rate Schedule LP-5 customer's monthly bill, which refund amounts will be recovered from all other applicable Rate Schedule customers through DSIC charges at the next scheduled DSIC price change, consistent with the Commission Order entered XXXX, at Docket No. P-2012-2325034.

F. Earning Reports: The DSIC also will be reset at zero if, in any quarter, data filed with the Commission in PPL Electric's then most recent Annual or Quarterly Earnings reports (Schedule D-2) show that PPL Electric would earn a rate of return that would exceed the allowable rate of return used to calculate its fixed costs under the DSIC as described in the pre-tax return section.

**VERIFICATION**

I, Bethany L. Johnson, being the Manager – Regulatory Compliance at PPL Electric Utilities Corporation, hereby state that the facts above set forth are true and correct to the best of my knowledge, information and belief and that I expect PPL Electric Utilities Corporation to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.

Date: 05/11/2015

Bethany Johnson