

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	R-2015-2469275
	:	
PPL Electric Utilities Corporation	:	

**STATEMENT IN SUPPORT OF THE COALITION FOR AFFORDABLE UTILITY
SERVICES AND ENERGY EFFICIENCY IN PENNSYLVANIA (CAUSE-PA) TO THE
JOINT PETITION FOR APPROVAL OF SETTLEMENT OF ALL ISSUES**

The Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”), a signatory party to the Joint Petition for Settlement (“Joint Petition” or “Settlement”), respectfully requests that the terms and conditions of the Settlement be approved by the Pennsylvania Public Utility Commission (“Commission”). For the reasons stated more fully below, CAUSE-PA believes that the terms and conditions of the Settlement are in the public interest.

I. INTRODUCTION

CAUSE-PA intervened in this proceeding to address, among other issues, whether the proposed rate increase would detrimentally impact the ability of PPL Electric Utilities Corporation’s (“PPL”) low-income customers to be able to continue to afford service under reasonable terms and conditions.

In summary, the Settlement provides that the fixed charge portion of the residential rate structure will remain unchanged. It also provides that PPL will upwardly adjust its maximum CAP credits by a percentage equal to 50% of the overall percentage increase in Rate Schedule RS rates, and will increase its annual Low Income Usage Reduction Program (“LIURP”) funding by \$500,000, effective January 1, 2016. Furthermore, PPL has agreed to hold a collaborative by May 31, 2016, with all interested stakeholders to discuss and evaluate CAP customer participation in the competitive shopping market, has agreed to continue to use community based organizations to assist in its implementation of universal service programs, and has agreed to make other beneficial changes to its universal service programs.

Although CAUSE-PA’s positions have not been fully adopted, the Settlement was arrived at through good faith negotiation by all parties. The Settlement is in the public interest in that it addresses issues of concern to CAUSE-PA, balances the interests of the parties, and resolves a number of important issues fairly. Considerable litigation and associated costs will be avoided by this Settlement; and if approved, the Settlement will eliminate the possibility of further litigation and appeals, along with their attendant costs.

II. BACKGROUND

CAUSE-PA adopts the background set forth in Paragraphs 1-18 of the Joint Petition for Settlement.

III. CAUSE-PA'S REASONS FOR SUPPORT OF THE SETTLEMENT

The following terms of the Settlement reflect a carefully balanced compromise of the interests of the Joint Petitioners in this proceeding.

Paragraph 27 confirms that the fixed residential customer charge will remain at the current \$14.09 per month. This provision is critical to ensure that the burden of a rate increase does not disproportionately fall on low income residents. (CAUSE-PA St. 1, Miller, at 9-11). It also ensures that the rate structure does not undermine ratepayer investments in energy efficiency and weatherization through the Low Income Usage Reduction Program (LIURP), which is designed to reduce low income household usage and, in turn, reduce the energy burden for low income customers. Mitchell Miller explained in his direct testimony:

PPL's proposed change to an increased customer charge would negatively [a]ffect low-income customers because it would diminish the ability of these households to be able to reduce bills through conservation and consumption reduction.

While there would still be a portion of PPL's bill that would be volumetrically assessed, the percentage of the bill that would be "fixed," and therefore not able to be reduced regardless of consumption, would increase significantly. This is particularly problematic for low-income customers given that these households have significantly less budget elasticity than non-low-income households. The inability to reduce costs means increased unaffordability.

(CAUSE-PA St. 1-Revised, Miller, at 9:5-12) (footnotes omitted).

In paragraph 42, PPL commits to increase its maximum CAP credits by a percentage equal to 50% of the overall percentage increase in Rate Schedule RS rates, and will evaluate further revisions to CAP credits and recommend additional changes in the Company's next universal service proceeding. This is a significant improvement for PPL's CAP customers. Currently, PPL fixes its maximum CAP credits at a flat dollar amount. When rates increase, PPL's CAP customers

face the very real prospect of reaching those limits sooner simply by virtue of the increase in rates alone rather than any increased usage on their part. A significant number of households enrolled in CAP already exceed the maximum CAP credits each year, as Mr. Miller testimony indicates:

According to the information provided by PPL in discovery, 12,481 customers removed from OnTrack in 2014 for exceeding maximum CAP credits. This means that approximately 27% of PPL's OnTrack customers reached their maximum CAP credits in 2014, and this was ***without any distribution rate increase, and with a lower monthly fixed customer charge than that is being proposed by PPL in this proceeding.***

(CAUSE-PA Statement No. 1-Revised, Miller, at 11:18-12:1) (emphasis in original) (footnotes omitted). Thus, an increase in maximum CAP credits as a result of this distribution base rate increase, while not solving the problems associated with this problematic CAP design feature, at least mitigates some of the unintended effects of the increase.

PPL commits in paragraph 43 to increase its Low Income Usage Reduction Program ("LIURP") funding by \$500,000 per year, effective January 1, 2016, and further specifies that all Joint Petitioners reserve the right to evaluate further revisions in LIURP funding and to recommend additional changes in the Company's next universal service proceeding. As explained at length by Mr. Miller, many households in PPL's service territory have income that is insufficient to meet their basic needs and, thus, these households cannot make significant energy efficiency improvements on their own. (CAUSE-PA Statement No. 1 –Revised, Miller, at 7-8). The increase in LIURP funding proposed in the Settlement will begin to help meet the extensive weatherization needs within PPL's service territory.

In its most recent needs assessment, PPL identified over 220,000 households with household income at or below 150% of the federal poverty income guidelines and an additional approximately 110,000 households with incomes between 151% and

200% of the federal poverty income guidelines. More specifically, in its USECP plan, PPL indicates that within the last 7 years it has provided weatherization services through LIURP or Act 129 for approximately 36,000 customers and that an additional 8,000 customers received energy savings kits through Act 129. Accordingly, even accounting for the fact that some of the remaining low-income households may not be LIURP eligible, PPL's currently projected penetration rate of 1,900 full cost, 800 low cost, and 400 baseload jobs per is not sufficient to meet the demonstrated need of these low-income payment troubled customers.

(CAUSE-PA Statement No. 1 – Revised, Miller, at 14:8-17) (footnotes omitted).

In paragraph 49, PPL Electric commits to hold a collaborative by May 31, 2016, with all interested stakeholders to discuss and evaluate CAP customer participation in the competitive shopping market as set forth in OCA Statement No. 4 and CAUSE-PA Statement No. 1-R. In advance of the collaborative, PPL Electric will obtain and provide data to interested stakeholders regarding the number of CAP customers that are shopping, whether the rates paid by shopping CAP customers is above or below the Price to Compare, and the impact that shopping CAP customers have on CAP credits and CAP customers' bills. The Joint Petitioners reserve the right to evaluate further revisions to CAP customer participation in the competitive shopping market and to recommend changes to CAP customer shopping in the Company's next default service procurement plan proceeding. The settlement provisions contained in this paragraph are essential to preserving the integrity and affordability of PPL's CAP program. Mr. Miller and OCA witness Roger Colton both testified at length about the need to protect CAP program participants and those who pay for the CAP from the sometimes exorbitant prices low-income households pay while shopping for electricity:

I agree with Mr. Colton's assessment that PPL's current policy of allowing CAP customers to shop for electricity without any restrictions or limitations is not the

best policy. Like Mr. Colton, I disagree with this policy. (See OCA Statement No. 4 at 16:17). As evidenced by the information provided by PPL in discovery, PPL's policy of allowing CAP customers to shop without limitation has led to the current situation in which more than 40% of its CAP customers are paying more than PPL's price to compare. Neither CAP customer nor those customers who pay for the program benefit when CAP customers pay more for energy than they should otherwise pay because it increases costs of the CAP program unnecessarily and causes CAP customers to exhaust their maximum CAP credits faster than they otherwise would have had they been paying lower rates.

(CAUSE-PA Statement No. 1 – Rebuttal, Miller, at 1:15-2:3).

Finally, the settlement contains various other improvements that are in the public interest. For example, in paragraph 44, PPL commits to continue to use community based organizations to assist in the implementation of its universal service programs. In paragraph 45, PPL commits to evaluating its senior education programs, and in paragraph 46 PPL commits to operate a pilot program in Lancaster County area using local churches and food banks to further promote and educate customers about LIURP and Act 129 programs. Each of these settlement provisions improves the services provided by PPL to its low-income customers, thereby offsetting some of the negative consequences of a rate increase to low income households.

While not all of CAUSE-P's litigation positions have not been fully adopted, the Settlement was arrived at through good faith negotiation by all parties and represents a fair and balanced resolution of the issues in the proceeding. When taken together, the provisions of this settlement are in the public interest, and should be approved by the Commission in its entirety.

IV. CONCLUSION

CAUSE-PA submits that the Settlement, which was achieved by the Joint Petitioners after an extensive investigation of PPL's filing, is in the public interest. Acceptance of the Settlement avoids the necessity of further administrative and possible appellate proceedings regarding the settled issues at a substantial cost to the Joint Petitioners and PPL's customers.

Accordingly, CAUSE-PA respectfully requests that Administrative Law Judge Colwell and the Commission approve the Settlement.

PENNSYLVANIA UTILITY LAW PROJECT



Date: **September 1, 2015**

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Pennsylvania Public Utility Commission	:	
	:	
v.	:	R-2015-2469275
	:	
Petition of PPL Electric Utilities Corporation	:	

CERTIFICATE OF SERVICE

I hereby certify that I have this day served copies of **CAUSE-PA's Statement in Support of the Joint Petition for Approval of Settlement** as set forth below in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party).

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Respectfully submitted,



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Date: **September 1, 2015**