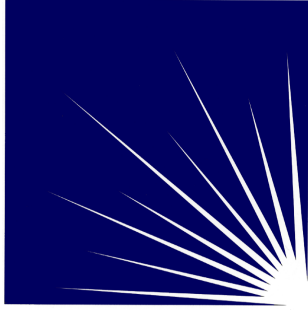


**Clean Air** Council



September 3, 2015

**By eFiling**

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2<sup>nd</sup> Floor, Room-N201  
Harrisburg, PA 17120

Re: Pennsylvania Public Utility Commission v. PPL Electric Utilities Corporation, Docket No.  
R-2015-2469275.

Dear Secretary Chiavetta:

Enclosed please find the Clean Air Council's Statement in Support of Joint Petition for Approval of Settlement of All Issues in the above captioned matter. The attached Statement in Support has been eFiled and served electronically upon all parties on the Service List.

Sincerely,

Joseph Otis Minott, Esquire

Ernest Logan Welde, Esquire

Attorneys for Clean Air Council

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

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**CLEAN AIR COUNCIL’S STATEMENT IN SUPPORT OF JOINT PETITION FOR  
APPROVAL OF SETTLEMENT OF ALL ISSUES**

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TO ADMINISTRATIVE LAW JUDGE SUSAN D. COLWELL:

Clean Air Council (“Council”), a signatory party to the Joint Petition for Settlement (“Joint Petition”), believes that the terms of the Joint Petition are in the public interest and represent a fair resolution of the Council’s interests in the above-captioned proceeding. For the reasons stated below, the Council respectfully requests that the proposals set forth in the Joint Petition be approved by Administrative Law Judge Susan D. Colwell (“ALJ”) and the Pennsylvania Public Utility Commission (“Commission”).

## **I. INTRODUCTION**

The Council intervened in this proceeding to address its concerns with the proposal by PPL to increase the fixed rates it charges customers for electrical service.<sup>1</sup> The Council was concerned that this proposed increase would drastically impede the adoption and installation of energy efficiency and renewable energy, in part due to a longer payback period for PPL customers, including our members. Additionally, the Council was concerned with PPL's proposed treatment of alternative renewable generation customers and net metering, again, in part due to a longer payback period. Finally, the Council was expecting to raise the issue of revenue decoupling in order to engage elected officials, utilities, and customers.

The Joint Petition addresses the Council's primary concerns. PPL's withdrawal of the proposed fixed rate increase, increase to the Low Income Usage Reduction Program ("LIURP") fund, withdrawal of proposed changes to the net metering provisions, and agreement to hold a collaborative regarding revenue decoupling, among other things, convince Clean Air Council that this Joint Petition is in public's best interest.

## **II. BACKGROUND**

On March 31, 2015, PPL Electric Utilities Corporation ("PPL") submitted a rate filing, Supplement No. 179 to PPL Electric's Tariff-Electric PA P.U.C. No. 201, in which PPL proposes to increase its retail distribution rates by approximately \$167.5 million. This would result in an average increase of approximately 18.5% in distribution rates.

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<sup>1</sup> Clean Air Council's Amended Petition to Intervene at 3.

After completing a thorough discovery phase, holding three public meetings, filing of substantial testimony by the active parties, and numerous settlement discussions, the following parties agreed to the terms of the Joint Petition: PPL, the Bureau of Investigation and Enforcement (“I&E”), the Council, Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”), Commission for Economic Opportunity (“CEO”), Environmental Defense Fund (“EDF”), Eric Joseph Epstein, Keystone Energy Efficiency Alliance Energy Education Fund (“KEEF”), Natural Resources Defense Council (“NRDC”), the Office of Consumer Advocate (“OCA”), Office of Small Business Advocate (“OSBA”), PP&L Industrial Customer Alliance (“PPLICA”), Sustainable Energy Fund (“SEF”), and The Alliance for Solar Choice (“TASC”) (hereinafter “Joint Petitioners”). For a more in-depth background please see PPL’s Joint Petition for Settlement paragraphs 1-18.

The Joint Petition provides for, among other things, PPL: increasing variable rates in order to produce a net increase in the annual distribution operating revenues of \$124 million, based upon a Fully Projected Future Test Year (“FPFTY”) ending December 31, 2016, to become effective for service rendered on and after January 1, 2016; withdrawing the proposal to move to a daily customer charge for all ratepayers; maintaining the monthly fixed customer charge for rate schedule RS at \$14.09; increasing the LIURP funding by \$500,000, effective January 1, 2016; undertaking a pilot program in the Lancaster County area to further promote and educate customers about LIURP and Act 129 programs; committing to hold a collaborative by May 31, 2016, with all interested stakeholders to discuss and evaluate CAP customer participation in the competitive shopping market; moving residential customers with a renewable

generation facility greater than 50 kW from residential rates to a general service rate; withdrawing the proposed revisions to its Net Metering tariff provisions; undertaking a study of the legality, feasibility, and technical requirements of interconnecting distributed generation storage and battery facilities, including solar storage facilities; agreeing to not oppose, and to participate in a statewide stakeholder collaborative or discussion of the distributed generation interconnection standards and reporting requirements; holding a collaborative open to all interested parties to seek input regarding revenue decoupling.

### **III. CLEAN AIR COUNCIL'S REASONS FOR SUPPORT OF THE SETTLEMENT**

Across the country, and in Pennsylvania utilities are rushing to their respective Public Utility Commissions to request increases in fixed rates. Since the creation of public utilities, the business model used has been to recoup costs, and earn a profit from charging customers a fixed fee and usage charges. Utilities have, traditionally, counted on customers using a constant amount of electricity, or more over time. When this happens utilities recoup costs and earn a profit. The traditional business model for utilities, however, is showing signs that it is becoming obsolete. This model has been successful and profitable for utilities for decades; this model will not prove successful going forward.

There are two main reasons why continuing with business as usual by utilities will prove unsuccessful and, ultimately, harm customers. Customers of utilities have, in large numbers, taken energy efficiency measures, and in growing numbers, installed renewable energy. The combination of energy efficiency (and the resultant reduction in usage) and installation of

renewable energy (and the resultant reduction in energy being purchased) have created a situation where utilities are finding it difficult to recoup costs, let alone earn a profit.

In the past few decades most appliances and other electricity consuming items such as light bulbs have become much more energy efficient. An electrical item bought today is up to 90% more energy efficient than one bought twenty years ago. Revisions to building codes have also increased the energy efficiency of buildings by as much as 50%. The fact is that buildings built today, and electrical items purchased today use a fraction of the energy used only a few decades ago. Energy efficiency is commonplace now, and will undoubtedly improve going forward. People, and buildings will consume drastically less energy.

In addition to a reduction in energy consumed by customers due to energy efficiency, many customers are generating their own electricity through renewable energy. One of the most common types of renewable energy in Pennsylvania is photovoltaic (solar) energy. The price of solar energy has declined dramatically over the past ten years. Currently, in many locations throughout the country, solar is at or below parity with electricity provided by the electrical distribution companies. One of the major setbacks of solar had been the ability to store the power created during daylight hours. Recently a company announced a home battery pack, capable of storing enough energy from solar panels to provide enough energy for a typical home during nighttime hours.<sup>2</sup>

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<sup>2</sup> <http://www.teslamotors.com/powerwall>.

Clean Air Council opposed PPL’s proposed fixed rate increase because the Council believes this is the wrong direction for the utility to take, and it is contrary to the public interest.<sup>3</sup> When utilities increase fixed rates they are essentially punishing those customers who are attempting to do the right thing—use less energy and use more sustainable methods to produce energy. When a customer is faced with higher fixed costs, that customer will be more likely to decide that saving energy (making investments in energy efficiency) and installing renewable energy (paying a high upfront cost) are not worthwhile investments.

Clean Air Council’s expert Brendon Baatz explains in his testimony that PPL’s proposal to raise fixed rates creates a disincentive for customers to invest in energy efficiency or renewable energy, hence, against public policy. Mr. Baatz stated that the “fixed charge increase alters the price signal to the customer and reduces the customer’s incentive to participate in energy efficiency programs.”<sup>4</sup> Mr. Baatz testified that when a utility moves towards recouping its costs from fixed fees, it creates a situation where customers have less incentive to invest in energy efficiency measures or renewable energy installations.<sup>5</sup> Mr. Baatz’s recommendation was that the Commission deny PPL’s proposed rate increase in part based on the negative effect it would have on energy efficiency measures and investing in renewable energy.<sup>6</sup>

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3 Clean Air Council does not oppose every instance of a utility increasing the amount it charges customers in the form a fixed fee; the Council is currently in support of PECO slightly increasing its fixed fee.

4 KEEF et al., Direct Testimony of Brendon Baatz at 9:24-10:2 (hereinafter “Baatz”).

5 *Id.* at 10:21-11:2.

6 *Id.* at 4:7-18.

Mr. Baatz also testified that adopting a new revenue recovery system in Pennsylvania known as “decoupling,” would be more beneficial for the state, and, hence, in the public interest. Revenue decoupling “is a regulatory mechanism that allows a utility [ ] to recover its full authorized revenues, regardless of sales volumes or the reason for changes in sales volumes.”<sup>7</sup> By changing the revenue generation mechanism for utilities, it would remove the perverse incentive for utilities to sell more and more electricity. When utilities lose the incentive to sell more, it removes the disincentive for utilities “to promote policies that result in reduced sales.”<sup>8</sup>

#### IV. CONCLUSION

Pennsylvania is the third largest contributor of greenhouse gases (“GHGs”) in the United States.<sup>9</sup> The electricity sector is the largest source of GHGs in Pennsylvania.<sup>10</sup> Pennsylvania’s Department of Environmental Protection has acknowledged that GHGs are a serious problem facing the state and the amount produced should be reduced.<sup>11</sup> The biggest impact on GHG reduction would be for Pennsylvania to reduce the amount of electricity produced. Encouraging customers to take measures that increase energy efficiency, and thus reduce the amount of

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<sup>7</sup> *Id.* at 37:21-24.

<sup>8</sup> *Id.* at 37:20-21.

<sup>9</sup> Donald A. Brown, *On The Need of the Commonwealth of Pennsylvania to Take Certain Actions to Reduce The Threat of Climate Change*, Apr 24, 2013, 12.

<sup>10</sup> Pa. Dept. of Env. Protection, *Pennsylvania Final Climate Change Action Plan*, Dec 18, 2009, 4-1.

<sup>11</sup> *See Id.*



energy those customers consume, and encouraging customers to invest in renewable energy, sources that do not produce GHGs at their point source, are in the public interest.

The Council supports this Joint Petition for the reasons stated above. This Joint Petition is beneficial to the public interest, and adoption by the ALJ and the Commission will avoid costly, and time-consuming administrative and legal proceedings. The Council respectfully requests that Administrative Law Judge Colwell and the Commission approve the Settlement.

Respectfully submitted,



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Date: September 3, 2015

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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 Clean Air Council’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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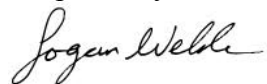
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Respectfully submitted,



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Ernest Logan Welde

Date: September 3, 2015