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October 1, 2024

VIA ELECTRONIC FILING

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

**Re: Petition of PPL Electric Utilities Corporation for a Waiver of the Distribution System Improvement Charge Cap of 5% of Billed Revenues
Docket Nos. P-2024-3048732, et al.**

Dear Secretary Chiavetta:

Attached for filing on behalf of PPL Electric Utilities Corporation (“PPL Electric” or the “Company”) is the Company’s Main Brief and associated Appendices A through E.

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

Respectfully submitted,


Devin Ryan

DR/dmc
Attachments

cc: The Honorable Arlene Ashton (*via email; w/attachments*)
Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of this filing has 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).

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Date: October 1, 2024



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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of PPL Electric Utilities Corporation :
for a Waiver of the Distribution System : Docket No. P-2024-3048732
Improvement Charge Cap of 5% of Billed :
Revenues :

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PPL ELECTRIC UTILITIES CORPORATION**

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Dated: October 1, 2024

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I. INTRODUCTION

On April 26, 2024, PPL Electric filed a Petition requesting that the Pennsylvania Public Utility Commission (“Commission”) waive the Company’s Distribution System Improvement Charge (“DSIC”) cap of 5% of billed revenues and increase the maximum allowable DSIC to 9% for bills rendered on or after January 1, 2025. A DSIC cap of 9% is necessary to ensure and maintain adequate, efficient, safe, reliable, and reasonable service for the benefit of PPL Electric’s customers and as required by Section 1501 of the Public Utility Code, 66 Pa. C.S. § 1501.

As explained in this Main Brief, the Company’s proposal is the most effective, efficient, and targeted solution to address the electric service reliability challenges on PPL Electric’s distribution system, all while having a minimal impact on customers’ bills. Accordingly, the Commission should approve PPL Electric’s Petition because the proposed increase in the DSIC cap from 5% to 9% of billed revenues is reasonable and in the public interest and will ensure that the Company can provide and maintain adequate, efficient, safe, reliable and reasonable service.

II. STATEMENT OF THE CASE

On April 26, 2024, PPL Electric filed the above-captioned Petition with the Commission.

On May 16, 2024, the Office of Small Business Advocate (“OSBA”) filed a Notice of Intervention, Public Statement, and Verification at the above-captioned docket.

Also on May 16, 2024, the Commission’s Bureau of Investigation and Enforcement (“I&E”) and the Office of Consumer Advocate (“OCA”) filed Answers to the Petition.

Throughout the course of the proceeding, Formal Complaints were filed on behalf of Michael L. Sperazza (C-2024-3049979), Paula Mercuri (C-2024-3050027), Angela Pesola (C-

2024-3050205), John Theisen (C-2024-3050443), Sharon Frankenfield (C-2024-30450646), and John Gadomski (C-2024-3050661).

On May 28, 2024, an Initial Telephonic Prehearing Conference Notice was issued, scheduling a telephonic prehearing conference for June 3, 2024, at 10:00 before Administrative Law Judge Arlene Ashton (the “ALJ”).

On May 29, 2024, the ALJ issued a Prehearing Order, which, among other things, directed the parties to file Prehearing Conference Memoranda on or before 10:00 AM on May 31, 2024.

On May 31, 2024, PPL Electric, OCA, I&E, and OSBA filed Prehearing Conference Memoranda.

The initial Prehearing Conference was held as scheduled on June 3, 2024. At the Prehearing Conference, the ALJ and the parties discussed, *inter alia*: (1) the form, content, timing, and means of publication or distribution of notice of the proceeding to the public and PPL Electric’s customers, (2) identification of issues to be resolved; (3) the procedural schedule; (4) discovery modifications; (5) the need for public input hearings; and (6) the timing and duration of evidentiary hearings. Because a consensus was not reached on any of these issues, except for the need for public input hearings, the ALJ directed the parties to resolve the outstanding issues and report the outcome of their discussions to the ALJ.

On June 11, 2024, the parties reported to the ALJ that the parties had reached full agreement on the procedural and litigation schedule, discovery modifications, and the form and content of notices of the proceeding to the public and PPL Electric’s customers.

On June 18, 2024, the ALJ issued the Prehearing Order #2, which memorialized the procedural matters agreed upon by the parties, including the procedural schedule and discovery modifications.

On June 29, 2024, notice of the Petition was published in the Pennsylvania Bulletin.

On July 10, 2024, the PP&L Industrial Customer Alliance (“PPLICA”) filed a Petition to Intervene.

On July 18, 2024, OCA, I&E, and OSBA served their written direct testimony.

On July 22, 2024, a Notice of Telephonic Hearing on Evidence and Oral Rejoinder Testimony was issued, scheduling telephonic hearings for September 4 and 5, 2024, at 10:00 AM.

On July 25, 2024, the ALJ issued an Order Granting Petition to Intervene and Consolidating Dockets, which granted PPLICA’s Petition to Intervene and consolidated the Formal Complaints filed by Mr. Sperazza, Ms. Mercuri, and Ms. Pesola at Docket No. P-2024-3048732.

On July 30, 2024, the parties held a settlement conference as required under the litigation schedule set forth in Prehearing Order #2.

On August 13, 2024, PPL Electric served its rebuttal testimony. No other party served rebuttal testimony.

On August 27, 2024, I&E, OCA, and OSBA served surrebuttal testimony. No other party served surrebuttal testimony.

On August 28, 2024, the ALJ issued an Interim Order Consolidating Dockets, which consolidated the Formal Complaints filed by Mr. Theisen, Ms. Frankenfield, and Mr. Gadomski at Docket No. P-2024-3048732.

On August 30, 2024, PPL Electric served its rejoinder testimony. No other party served rejoinder testimony.

On September 4, 2024, the evidentiary hearing was held as scheduled.

On September 5, 2024, a Cancellation Notice was issued, which canceled the second day of hearings scheduled for September 5, 2024.

Also on September 5, 2024, the ALJ issued a Briefing Order setting forth requirements for the briefs to be submitted in this proceeding.

III. LEGAL STANDARDS

On February 14, 2012, Governor Corbett signed into law Act 11 of 2012 (“Act 11”), which, among other things, amended Chapter 13 of Title 66 of the Public Utility Code to allow the Commission to approve a DSIC for electric distribution companies (“EDCs”). The DSIC is designed to facilitate the recovery of reasonable and prudent capital costs incurred to repair, improve or replace certain eligible distribution property that is part of the EDC’s distribution system in order to encourage investment into the distribution system while including important customer protections.

Eligible property for DSIC recovery is defined in Section 1351 of the Public Utility Code. *See* 66 Pa. C.S. § 1351.

Under Section 1352 of the Public Utility Code, a utility must file a Long-Term Infrastructure Improvement Plan (“LTIIIP”), which identifies the types and age of eligible property owned or operated by the utility for which the utility would seek recovery through the DSIC. *See id.* § 1352.

Section 1358 of the Public Utility Code sets forth several customer protections related to the DSIC. *See id.* § 1358. For example, Section 1358(e) sets out specific audit and

reconciliation procedures, including refunds with interest to customers of any over-collections. *See id.* § 1358(e). Furthermore, under Section 1358(a)(1), the DSIC for an EDC “may not exceed 5% of the amount billed to customers under the applicable rates of the” EDC. *Id.* § 1358(a)(1).

However, Section 1358(a)(1) specifically states that the Commission “may upon petition grant a waiver of the 5% limit under this paragraph for a utility in order to ensure and maintain adequate, efficient, safe, reliable and reasonable service.” *Id.* § 1358(a)(1).

IV. SUMMARY OF ARGUMENT

The Commission should increase the Company’s DSIC cap from 5% to 9% so that PPL Electric can ensure and maintain adequate, efficient, safe, reliable, and reasonable service. The Company presented substantial evidence that its reliability performance has been deteriorating largely due to more frequent and severe weather events and aging infrastructure. Based on the latest available data, PPL Electric will not meet the Commission’s reliability benchmarks for System Average Interruption Duration Index (“SAIDI”), Customer Average Interruption Duration Index (“CAIDI”), and System Average Interruption Frequency Index (“SAIFI”) in 2024. Specifically, PPL Electric has missed the Commission’s SAIDI benchmark in nine quarters since 2021 and has failed to meet the Commission’s CAIDI benchmark in every quarter since 2020. Further, despite historically meeting its SAIFI benchmark, PPL Electric is projected to have a Commission SAIFI performance of 1.23 in 2024, well above the 0.98 benchmark. The Company’s reliability performance in these benchmarks has been greatly affected by more frequent and severe weather events, which are having a particular impact on PPL Electric’s service territory. Indeed, the Company experienced 45 storms in 2023, surpassing the previous high of 42 storms in 2021.

PPL Electric does not take these reliability challenges lightly, nor should the Commission. To respond to those issues, PPL Electric must accelerate its investments in both LTIP and non-LTIP projects that will harden the distribution system and improve electric service reliability. However, rising supply costs present a significant hurdle to pursuing and accelerating those investments within existing budgets. The Company's DSIC rate also has been at the 5% cap from the First Quarter of 2023 to present. As a result, the Company's ability to respond to these reliability challenges and price pressures is unduly constrained by the 5% cap on the DSIC rate.

The Company's proposed waiver and increase of the DSIC cap is the most effective, efficient, and targeted solution to address those reliability challenges. Not only will the Company be able to accelerate the reliability-focused projects set forth in its current LTIP, but PPL Electric's proposal will free up additional funding for projects not included in the Company's LTIP that can improve reliability of service, such as additional vegetation management, installation of grid modernization devices, new substations, batteries, and 3-phase tie lines. Collectively, these projects are well-designed to improve the Company's reliability performance and maintain adequate, efficient, safe, reliable, and reasonable service.

Yet, the other parties argue that a DSIC cap waiver is unnecessary. First, I&E and OCA point to prior statements about PPL Electric's reliability performance as support. In particular, I&E highlights the Commission's statement in its LTIP Review Order issued on December 22, 2022, as proof that the Company's reliability performance has improved and that the changes to the LTIP were necessary to continue to maintain and improve reliability. Similarly, OCA points to the Company's statement in its most recent Annual Asset Optimization Plan ("AAOP") filed in February 2024 showing that the Company has been a first quartile SAIFI performer for the last

several years. Both of these statements are not based on the latest data available, with the LTIP Review Order being issued in December 2022, and the AAOP filing being based on 2023 data. I&E's witness also admitted that he “did not evaluate PPL’s electric service reliability claims,” nor the Company’s “electric safety claims in this proceeding.” (PPL Electric Exhibit SDS-1R [Answers to PPL to I&E-I-1 and 2]) (emphasis added). Therefore, when compared to the Company’s substantial evidence on its reliability performance, which is based on the latest available data in 2024, the other parties’ arguments should be denied.

Second, the other parties contend that the Company should file a base rate case instead if it needs the funding necessary to accelerate and pursue these reliability projects. The other parties also claim that the Company cannot be granted a DSIC cap waiver because PPL Electric’s last base rate case was filed in 2015. The ALJ and Commission should reject the other parties’ arguments.

Nothing in the Public Utility Code requires a public utility to file a base rate case within a certain number of years before being granted a waiver and increase of the DSIC cap of 5%. The statute only requires the utility to demonstrate that the DSIC cap waiver is necessary to ensure and maintain adequate, efficient, safe, reliable, and reasonable service. In this proceeding, PPL Electric has presented overwhelming evidence about how the DSIC cap waiver is needed to improve service reliability and would be more efficient and effective than a base rate case. Moreover, a base rate case would be more costly, time-intensive, and burdensome for the Company, interested stakeholders, and the Company’s customers. In fact, an increase in the DSIC rate would only affect the recovery of DSIC-eligible projects, whereas a base rate case would involve an increase in distribution base rates to recover all of the Company’s jurisdictional capital costs and expenses. Essentially, the other parties are turning the DSIC’s purpose on its

head, as the DSIC was intended to: (1) accelerate utility infrastructure improvement projects by reducing regulatory lag and financing costs for debt incurred to complete infrastructure improvement projects in between base rate cases; and (2) reduce the frequency of base rate cases. By contrast, PPL Electric's proposal is specifically authorized by statute and aligns directly with the purpose of the DSIC.

Third, the OCA argues that the Company can issue debt financing to increase its cash flow, as opposed to increasing the DSIC cap, if PPL Electric needs to increase capital. However, the OCA's witness failed to provide any support that indicates assumptions or calculations, such as the cost of debt, amount of debt issues, or term of debt, he may have used to establish that issuing debt is a better or less expensive alternative to the Company's proposal. Further, this argument fails to acknowledge how customers pay for any costs of debt because the DSIC rate uses the Company's actual debt cost.

Finally, the Company's proposal appropriately balances the need to fund these reliability improvements with any impact on customers' bills. The current monthly cost of the DSIC at the maximum surcharge rate of 5% for a residential customer using 1,000 kWh per month is approximately \$2.96 per month. By increasing the maximum DSIC rate to 9%, the Company's proposal is expected to result in an estimated increased customer cost of approximately \$2.37 per month at the cap, representing a 1.4% increase in the overall residential customer bill. Essentially, for every 1% increase in the DSIC cap, residential customers would see a \$0.59 increase in their monthly bill. On the commercial and industrial side, PPL Electric likewise calculated that the bill impact would be small (*e.g.*, a Rate GS-1 customer using 1,500 kWh would see a \$1.14/month increase or a total bill increase 0.6%, and a Rate GS-3 customer using 10,000 kWh and 40 kW would see a \$9.51/month increase or a total bill increase of 0.7%).

When compared to the benefits related to improvements in electric service reliability that would flow from the DSIC cap waiver and increase, these modest bill impacts are more than justified.

For these reasons, and as explained in more detail herein, the ALJ and Commission should approve PPL Electric's Petition, grant the waiver of the DSIC cap of 5%, and increase the DSIC cap to 9%.

V. ARGUMENT

The Commission has long been an innovative regulator, and the DSIC is but one example. Pennsylvania was the first state in the country to implement a DSIC for any type of utility, when the Commission approved Petitions by Philadelphia Suburban Water Company and Pennsylvania-American Water Company to establish DSICs in their tariffs pursuant to Section 1307(a) of the Public Utility Code.¹ The Commission has recognized that DSICs can produce several benefits, such as (a) accelerating the replacement of aging infrastructure; (b) recovering fixed costs of certain non-revenue producing, non-expense reducing infrastructure improvement costs placed into service between rate cases; (c) reducing the number of base rate cases and the associated expenses; (d) better absorbing increases in other categories of costs for a longer period of time; (e) implementing solutions to regional supply problems; and (f) promoting economic development.²

¹ *Petition of Phila. Suburban Water Co. for Approval to Implement a Tariff Supplement Establishing a Distribution System Improvement Charge*, 1996 Pa. PUC LEXIS 211, at *21 (Order entered Aug. 22, 1996) (“*Philadelphia Suburban 1996*”); *Petition of Pennsylvania-American Water Co. for Approval to Implement a Tariff Supplement Establishing a Distribution System Improvement Charge*, 1996 Pa. PUC LEXIS 182, at *22 (Order entered Aug. 26, 1996) (“*PAWC 1996*”).

² (See PPL Electric Exhibit 1, p. 10) (citing *System Improvement Charges Distribution and Collection*, Pennsylvania Public Utility Commission, available at https://www.puc.pa.gov/general/consumer_ed/pdf/dsic_fs.pdf). On economic development, Governor Shapiro recognized the critical importance of electric infrastructure in driving economic development over the 2024-2033 period in his Economic Development Strategy, stating, in pertinent part:

For more than a decade, PPL Electric has utilized the DSIC to accelerate its repair and replacement of aging infrastructure with a focus on safety and reliability of service. (PPL Electric Exhibit 1, p. 11.) Since the Company's DSIC was implemented in March 2013, approximately 39% of PPL Electric's DSIC eligible investments have been in automation and reliability improvement programs, approximately 46% of the DSIC-eligible investments have been in improving the underground and overhead infrastructures, and approximately 15% of DSIC-eligible investments have been in upgrading the substation infrastructure and restoring and improving pole plant system wide. (PPL Electric Exhibit 1, p. 11.) Additionally, the DSIC has helped reduce the frequency of PPL Electric's base rate case filings and, by extension, the time and expenses parties and the Commission must dedicate to those proceedings. (PPL Electric Exhibit 1, p. 11.) Indeed, the Company's last base rate case was filed in 2015 at Docket Nos. R-2015-2469275, *et al.* (PPL Electric Exhibit 1, p. 11.)

Nevertheless, PPL Electric's current ability to optimize the potential of the DSIC is limited by the 5% cap. (PPL Electric Exhibit 1, p. 11.) The Commission should increase the Company's DSIC cap to 9% because such increase is needed to improve and maintain service reliability. (PPL Electric Exhibit 1, p. 11.) In particular, the proposal will allow the Company to timely recover and accelerate its investments in projects that will support and improve reliability

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- Critically, energy production, transmission, and distribution are a key enablers of our entire economy. Each are especially important for energy-intensive industries, like additive and advanced manufacturing.
 - Our diverse energy resources position us well to innovate across the energy space. We can leverage our formidable electric grid to deploy next generation power technologies and deliver businesses the energy needed to manufacture the products that will help the world decarbonize.

(PPL Electric Exhibit 1, p. 10) (quoting *A Ten-Year Strategic Plan for Economic Development in Pennsylvania*, Governor Shapiro, *available at* https://pagetsitdone.com/wp-content/uploads/EconomicDevelopmentStrategy-DCED_2024_FINAL.pdf).

of service outlined in its LTIP.³ (PPL Electric Exhibit 1, p. 11; PPL Electric St. No. 1, p. 10.) Relatedly, the DSIC cap waiver and increase will free up funding for additional projects that can improve service reliability but are not set forth in the LTIP. (PPL Electric Exhibit 1, p. 11; PPL Electric St. No. 1, pp. 10-13.) Meanwhile, the increase in the DSIC cap to 9% will have a minimal impact on customers' bills. (PPL Electric Exhibit 1, p. 12; PPL Electric St. No. 2, pp. 6-7; PPL Electric St. No. 2-R, pp. 20-21.)

Not only will PPL Electric's proposal allow the Company to optimize the DSIC's potential and improve and maintain service reliability, but a waiver and increase of the DSIC cap are expressly considered and authorized under Act 11 of 2012. *See* 66 Pa. C.S. § 1358(a)(1). Further, in Section 1358(c) of the Public Utility Code, the statute notes that unless expressly provided, nothing shall be construed as limiting the existing ratemaking authority of the Commission. *See id.* § 1358(c). Although the other parties continue to argue that the Company should not be granted its requested DSIC cap waiver because it last filed a base rate case in 2015, there is no statutory requirement that a public utility seeking a DSIC cap waiver must have filed a base rate case in a certain number of years. The only statutory requirement is that the public utility must demonstrate that the waiver of the DSIC cap is necessary to ensure and maintain adequate, efficient, safe, reliable, and reasonable service. Also, the other parties fail to recognize that customers would be more impacted by a base distribution rate case because the Company would seek to recover all costs and not just those related to the LTIP. To best balance the rate impact on customers and the Company's need to accelerate projects that are designed to improve reliability of service, the Commission should approve PPL Electric's proposal.

³ The Commission recently approved major modifications to the Company's LTIP, which, among other things, increased the overall LTIP budget. *See Petition of PPL Electric Utilities Corp. for Approval of Major Modifications to its Existing Long-Term Infrastructure Improvement Plan*, Docket No. P-2022-3034972 (Order entered July 11, 2024).

Furthermore, the Company recognizes that in other matters in which the Commission has approved a DSIC cap waiver, there was a specified duration.⁴ PPL Electric would be amenable to a specified period of either the duration of the Company's Third LTIP (applicable through December 31, 2027, and included for cost recovery in the DSIC mechanism for the rates effective April 1, 2028, which include plant-in-service for December 2027, January 2028 and February 2028) or the effective date of new distribution rates resulting from a distribution base rate case, whichever were to occur first. (PPL Electric St. No. 2-R, p. 4.)

As explained in the following sections, the Company has demonstrated that a waiver and increase of the DSIC cap is necessary to ensure and maintain adequate, efficient, safe, reliable, and reasonable service. Thus, the ALJ and Commission should accordingly waive the DSIC cap of 5% and increase the cap to 9% because doing so: (1) is needed to improve and maintain service reliability; (2) will facilitate the implementation of projects that are beneficial to customers; and (3) will have a minimal impact on customers' bills.

A. WHETHER PPL ELECTRIC MET THE LEGAL STANDARD TO SHOW A WAIVER OF THE DSIC 5% CAP IS NECESSARY TO ENSURE AND MAINTAIN ADEQUATE, EFFICIENT, SAFE, RELIABLE AND REASONABLE SERVICE UNDER SECTION 1358

PPL Electric has established that a waiver of the DSIC cap of 5% is necessary to ensure and maintain adequate, efficient, safe, reliable, and reasonable service. Specifically, PPL Electric needs the DSIC cap waiver to address the significant reliability challenges on its system in an efficient, effective, and timely manner. (PPL Electric St. No. 1-R, p. 2.)

Over recent years, PPL Electric's reliability performance has deteriorated. PPL Electric has missed the Commission's SAIDI benchmark in nine quarters since 2021 and has failed to meet the Commission's CAIDI benchmark in every quarter since 2020. (PPL Electric St. No. 1,

⁴ See note 16, *infra*.

p. 7.) The Company’s reliability has continued to trend downward in the months since the Petition in this case was filed on April 26, 2024. (PPL Electric St. No. 1-R, p. 6.) In April 2024, PPL Electric was projected to miss the Commission’s SAIFI benchmark for 2024 with an estimated performance of 0.982 verses a target of 0.98. (PPL Electric St. No. 1, p. 7.) However, based on actual performance data available at the time of rebuttal testimony in August 2024, the Company has projected a Commission SAIFI performance of 1.23 for 2024, well above the 0.98 benchmark. (PPL Electric St. No. 1-R, p. 6.) The Company’s CAIDI and SAIDI performance also deteriorated, with year-end projections increasing substantially from 265 and 260, respectively, to 301 and 370, respectively. (See PPL Electric St. No. 1-R, p. 6.) “Both of those metrics would be in excess of the Commission’s benchmarks for CAIDI and SAIDI of 145 and 142, respectively.” (PPL Electric St. No. 1-R, p. 6.) The Company’s Customers Experiencing Multiple Interruptions (“CEMI”) performance projection also doubled from 4% to 8%. (See PPL Electric St. No. 1-R, p. 6.)

PPL Electric is facing several factors that make it difficult to maintain and improve reliability of service, including severe weather events, aging infrastructure, and rising supply costs. (PPL Electric St. No. 1, p. 8; PPL Electric Exhibit 1, p. 2.) As noted by PPL Electric witness Selkregg, “A leading factor is more frequent and severe weather events.” (PPL Electric St. No. 1, p. 8.) “Although these more frequent and severe weather events are affecting many electric utilities, PPL Electric’s service territory is being particularly impacted.” (PPL Electric St. No. 1, p. 8.) As the Commission observed in its *2022 Pennsylvania Electric Reliability Report*, PPL Electric saw 36 total storms in 2022, “which is the second most on record in terms of PUC storm cases and third most for PUC Storm customers interrupted.” (PPL Electric St. No. 1, pp. 8-9.) The Company also experienced a total of 45 storms in 2023, surpassing the previous

high of 42 storms in 2021, as noted recently in the Commission's *2023 Pennsylvania Electric Reliability Report*. (PPL Electric St. No. 1, p. 9; OCA Hearing Exhibit 1, p. 70.)

Additionally, the cost of materials has increased due to inflation and supply chain constraints, which are being driven by commodity shortages, transportation costs, and increased industry demand. (PPL Electric St. No. 1, p. 9.) For example, the procurement costs for transformers between 2016 and 2020 averaged approximately \$590,000. (PPL Electric St. No. 1, p. 9.) Since 2021, however, those costs have averaged over \$1 million. (PPL Electric St. No. 1, p. 9.) Industry demand also remains at the highest levels seen in the last five years and continues to drive higher costs and extend lead times for distribution units from vendors. (PPL Electric St. No. 1, p. 9.) Those cost increases force PPL Electric to absorb these increased costs within its existing budgets for projects that are designed to improve service reliability. (PPL Electric St. No. 1, p. 9.) Because PPL Electric continues to invest in DSIC-eligible projects focused on reliability despite these cost increases, the Company currently exceeds the 5% cap on a regular basis. (PPL Electric St. No. 1, p. 9.)

PPL Electric's proposal to increase the DSIC cap from 5% to 9% will help the Company address its reliability issues in an effective and efficient manner by: (1) timely recovering its investments in projects that will support and improve reliability of service that are outlined in PPL Electric's LTIIP; and (2) freeing up funding for additional projects that can improve service reliability but are not set forth in the LTIIP. (PPL Electric St. No. 1, p. 10.) Approval of the proposed DSIC cap waiver will allow PPL Electric to increase and accelerate infrastructure investments that consistently improve SAIFI, SAIDI, and CEMI performance, including new electronic reclosers, low tension primary network cable, equipment, and structures, substations, reliability and protection and control. (PPL Electric St. No. 1, pp. 10-11.) Moreover, approval

of the Company's proposal will provide funding for PPL Electric to pursue projects that are not in the Company's LTIP, such as additional vegetation management, installation of grid modernization devices, new substations, batteries, and 3-phase tie lines. (PPL Electric St. No. 1-R, pp. 9-10.) These projects are expected to improve the reliability and, therefore, improve customer experience.

The Commission has recently recognized the importance of PPL Electric pursuing these investments. In its *2023 Pennsylvania Electric Reliability Report*, the Commission highlighted the weather impacts on reliability “not to excuse a slip in reliability performance of the EDCs, but rather to reiterate the importance of the EDCs continuing to invest in reliability improvement and resiliency to weather events.” (OCA Hearing Exhibit 1, p. 88.) As noted previously, the Company's DSIC cap waiver is specifically designed to facilitate investments in reliability and resiliency.

Likewise, on July 11, 2024, the Commission released the results of its Management and Operations Audit of PPL Electric at Docket No. D-2023-3039488, which included 19 recommendations for improving the Company's operations. (PPL Electric St. No. 1-R, p. 7.) Two of those recommendations concerned improvements to the Company's reliability performance. (PPL Electric St. No. 1-R, p. 7.) Specifically, the Commission recommended that PPL Electric: (1) “[i]mprove SAIDI and CAIDI performance to consistently achieve the minimum thresholds set by the Commission benchmarks and standards on reliability”; and (2) “[m]odify or expand existing reliability programs to eliminate CEMI10+ and set goals for reducing CEMI4.” (PPL Electric Exhibit SDS-3R, p. 11.) In the Company's Implementation Plan, which was also released on July 11, 2024, PPL Electric accepted those recommendations and set forth its plan for addressing them, which consists of “additional reliability programs or

acceleration of existing mitigation programs and/or projects for reliability or other investments to minimize outages associated with increased storm activity.”⁵ (PPL Electric St. No. 1-R, p. 8.) Therefore, as recommended and accepted as part of the Commission’s Management and Operations Audit, PPL Electric will be expanding and increasing programs to address and eliminate CEMI10+. (PPL Electric St. No. 1-R, p. 8.) Additionally, the Company will accelerate circuit hardening projects, some of which include: an approximately 1.5 mile reconductor from a section running through the woods to Hendrix cable along the road, additional 3-phase ties built on radial sections, reconductoring and installation of stronger poles in areas that see high quantities of vegetation related outages, and installation and upgrading of sectionalizing devices to allow for additional remote restoration capabilities have been added to the Company’s business plan. (PPL Electric St. No. 1-R, pp. 8-9.) The DSIC cap waiver will help facilitate the acceleration of these circuit hardening projects and put the Company in a much better position to implement the recommendations from the Commission’s Management and Operations Audit. (PPL Electric St. No. 1-R, p. 9.)

⁵ For the first recommendation, PPL Electric stated the following:

PPL Electric agrees with the need to improve its CAIDI and SAIDI performance to consistently achieve the minimum thresholds set by the Commission. PPL Electric has and will continue to evaluate opportunities for new storm hardening programs or acceleration of existing mitigation programs and/or projects for reliability to minimize outages associated with increased storm activity. The Company also has and will continue to evaluate options for accelerated investments to minimize impact of storms to our customers which have the biggest impact to SAIDI and CAIDI.

As for the second recommendation, the Company explained:

PPL Electric agrees to modify or expand its existing reliability programs to eliminate CEMI10+ and set specific and measurable goals for reducing CEMI4. PPL Electric has and will continue to evaluate opportunities for additional reliability programs or acceleration of existing mitigation programs and/or projects for reliability or other investments to minimize outages associated with increased storm activity.

(PPL Electric St. No. 1-R, p. 8.)

Moreover, the Commission has acknowledged the important role the DSIC cap waiver can play in improving reliability. For example, the Commission approved a settlement that increased Pennsylvania Power Company's ("Penn Power") DSIC cap from 5% to 7.5% when Penn Power was struggling to meet the Commission's reliability benchmarks.⁶ The Commission had determined, in its Periodic Review of Penn Power's LTIIIP, that Penn Power's reliability performance had deteriorated and changes to the LTIIIP I were necessary in order to "maintain and improve reliability," going so far as to remind the company that a DSIC cap waiver was available to help utilities achieve reliability goals.⁷ As such, the deterioration of Penn Power's reliability metrics was the driving force of the Commission's approval of its DSIC cap waiver.⁸ PPL Electric seeks a waiver and increase of the DSIC cap now so that the Company can efficiently and effectively respond to the reliability challenges on its system before its reliability performance deteriorates even further. (*See, e.g.*, PPL Electric St. No. 1, pp. 8-13.)

Nonetheless, the other parties allege that the Commission should deny the Company's proposal. First, the other parties question the Company's claim that the DSIC cap waiver and increase is needed to respond to reliability challenges on its system. These arguments are flawed for several reasons. I&E, OCA, and OSBA generally argue that the Company has not demonstrated that the proposed waiver of the DSIC cap is necessary to ensure and maintain adequate, efficient, safe, reliable, and reasonable service. (*See, e.g.*, I&E St. No. 1, p. 8; OCA St.

⁶ *See Petition of Pa. Power Co. for a Waiver of the Distribution System Improvement Charge Cap of 5% of Billed Distribution Rate Revenue and Approval to Increase the Maximum Allowable Distribution System Improvement Charge Cap to 11.81%*, Docket No. P-2019-3012628, at 21-22 (Recommended Decision dated Feb. 5, 2020) ("*Penn Power RD*"), *adopted without modification*, Docket No. P-2019-3012628 (Order entered Mar. 12, 2020) ("*Penn Power Order*") (collectively referred to herein as "*Penn Power*").

⁷ Periodic Review of Pennsylvania Power Company's Long-Term Infrastructure Improvement Plan, Docket No. P-2018-3000948, p. 17 (Order entered September 20, 2018) ("*Penn Power LTIIIP Review Order*"). The *Penn Power LTIIIP Review Order* analyzed Penn Power's compliance with the reliability benchmarks of SAIFI, CAIDI, SAIDI, and Momentary Average Interruption Frequency Index ("MAIFI"), finding that Penn Power was largely failing to meet these established benchmarks and performance standards and reminding Penn Power that a DSIC cap waiver was available to help utilities achieve reliability goals. *See id.*, pp. 14-19.

⁸ *Penn Power RD*, p. 22.

No. 1, pp. 7-8; OSBA St. No. 1, pp. 4, 7.) However, none of the other parties truly dispute the Company's claims about its recent and projected performance in CAIDI, SAIDI, or SAIFI. In fact, OSBA witness Ewen failed to directly respond to the Company's data about CAIDI, SAIDI, or SAIFI at all. (*See generally* OSBA St. Nos. 1, 1-S.) Meanwhile, I&E witness Kubas and OCA witness Mierzwa selectively point to stale statements and data about PPL Electric's reliability performance as alleged support for countering the Company's arguments. (*See* I&E St. No. 1, p. 8; OCA St. No. 1, p. 7.) These arguments have been fully rebutted and should be rejected.

Specifically, I&E witness Kubas relies on the Commission's statement in its LTIP Review Order issued on December 22, 2022, as proof that the Company's reliability performance has improved and that the changes to the LTIP were necessary to continue to maintain and improve reliability. (*See* I&E St. No. 1, p. 8.) Based on that statement, Mr. Kubas concludes that "[t]here is no indication that the Company will not be able to continue to provide safe, reliable, and reasonable service to customers if the requested DSIC increase is not approved." (I&E St. No. 1, p. 8.) However, the Commission's LTIP Review Order was issued more than a year and a half ago. (PPL Electric St. No. 1-R, p. 3.) Therefore, the Commission's statement from December 2022 does not reflect the Company's recent and projected reliability performance data. (PPL Electric St. No. 1-R, p. 3.)

Similarly, OCA witness Mierzwa points to the Company's statement in its most recent AAOP filed in February 2024 showing that the Company has been a first quartile SAIFI performer for the last several years. (*See* OCA St. No. 1, p. 7.) However, Mr. Mierzwa disregards the Company's testimony in this proceeding about how PPL Electric's SAIFI performance has deteriorated significantly this year. (*See* PPL Electric St. No. 1, p. 7.) The

Company has continued to see even more substantial challenges in its reliability performance during the instant proceeding, which, as noted previously, resulted in even worse projections for the Company's SAIFI performance through the end of 2024. (PPL Electric St. No. 1-R, pp. 3, 5-6.)

Also, PPL Electric's testimony on electric service reliability and the need for the DSIC cap waiver should be given more weight. (PPL Electric St. No. 1-R, p. 5.) In discovery, I&E witness Kubas admitted that he "does not have specific education/experience concerning electric service reliability" or "electric service safety," further conceding that he "did not evaluate PPL's electric service reliability claims," nor the Company's "electric safety claims in this proceeding." (PPL Electric Exhibit SDS-1R [Answers to PPL to I&E-I-1 and 2]) (emphasis added). Likewise, OCA witness Mierzwa conceded that he "has had no formal education concerning electric service reliability" or "electric service safety" and that he "has never worked for an electric utility and, therefore, has no direct experience concerning electric service reliability" or "electric service safety." (PPL Electric Exhibit SDS-2R [Answers to PPL to OCA-I-1 and 2].)

By contrast, PPL Electric witness Selkregg has extensive experience concerning electric service reliability and safety, working directly on facilitating and designing reliability improvement projects in the Transmission and Distribution organizations within PPL Electric, providing leadership within industry leading organizations like the Electric Power Research Institute ("EPRI"), and benchmarking reliability with other utilities. (PPL Electric St. No. 1-R, pp. 4-5.) Thus, when evaluating the parties' competing claims about the Company's electric service reliability and the need for the DSIC cap waiver to address those reliability challenges, PPL Electric's testimony in these areas is more credible and should be given more weight than that of Mr. Kubas or Mr. Mierzwa. (PPL Electric St. No. 1-R, p. 5.)

Second, the other parties assert that PPL Electric does not need the DSIC cap waiver and increase because the Company should file a base rate case instead. To this point, I&E witness Kubas and OCA witness Mierzwa argue that the Company's request should be denied because the Company has not filed a base rate case since 2015. (*See* I&E St. No. 1, pp. 14-17; OCA St. No. 1, pp. 9-10.) In support of this position, OCA witness Mierzwa contends that Commission considers the timing of rate case filings when determining whether a waiver request should be granted, with the Commission approving DSIC cap increases that "encourage reasonably frequent base rate cases of approximately two to three years" and rejecting requests where a utility has not filed a base rate case for a longer period. (*See* OCA St. No. 1, p. 10; OCA St. No. 1SR, p. 5.) Similarly, I&E witness Kubas argues that the 5% DSIC cap was put in place in part to "prevent long term evasion of base rate cases" and that the Company is seeking the waiver as a "substitute for a base rate proceeding." (I&E St. No. 1, p. 15.) I&E witness Kubas also cites the requirement in the Commission's DSIC Tentative Implementation Order⁹ that a DSIC filing must include certification that a base rate case has been filed within the past 5 years to be DSIC eligible. (I&E St. No. 1, p. 11.) The OCA's and I&E's arguments attempting to condition eligibility for a DSIC cap waiver on the timing of a utility's latest rate case should be rejected because they lack basis in the statutory text.

Crucially, Act 11 contains no requirement that a rate case be filed for a waiver to be granted. Instead, it is within the Commission's authority and discretion to grant PPL Electric a waiver of the 5% limit "in order to *ensure and maintain* adequate, efficient, safe, reliable and reasonable service." 66 Pa. C.S. § 1358(a)(1) (emphasis added). This statutory safeguard to ensure and maintain reliable service is precisely the reason the Company has filed its Petition.

⁹ *Implementation of Act 11 of 2012*, Docket No. M-2012-2293611, Tentative Implementation Order, p. 12 (Order entered May 11, 2012).

Although Act 11 requires a public utility to file a base rate case within the past five years before petitioning to establish a DSIC, it contains no similar requirement that a public utility must file a base rate case within a certain number of years before receiving a waiver of the DSIC cap. *See* 66 Pa. C.S. §§ 1353(b)(4), 1358(a)(1). As such, the statute confirms that the General Assembly considered if and when rate cases should be filed and if and under what conditions there should be opportunity for a waiver. Ultimately, the General Assembly chose not to condition a DSIC cap waiver on the timing of a utility's most recent base rate case filing.

Also, by arguing that a base rate case should be filed instead, the other parties are turning the DSIC's purpose on its head. As confirmed by Act 11 of 2012's legislative history, the DSIC was intended to: (1) "promote the acceleration of utility infrastructure improvement projects" by "reduc[ing] regulatory lag and financing costs for debt incurred to complete infrastructure improvement projects" in between base rate cases; and (2) reduce the frequency of base rate cases. HB 1294, 198th Leg., Legislative House Journal, p. 155 (Pa. 2012). The legislative history also notes how without the DSIC, "utilities are forced to repeatedly litigate costly utility rate cases, costing millions of dollars, that [are] being passed on to . . . consumers and ratepayers here in Pennsylvania. *Id.*, p. 157. Thus, the other parties' attempts to read a new condition into the already detailed requirements of Act 11 should be rejected because they have no basis in the statutory text, conflict with the DSIC's purpose, and do not consider the broader scope and impact of a distribution base rate case.

Nor is PPL Electric petitioning for a DSIC waiver as a substitute for a base rate proceeding, as alleged by I&E witness Kubas. (*See* I&E St. No. 1, p. 15.) Rather, the Company is seeking to supplement its revenue to accelerate and invest in LTIP work and non-LTIP work that is designed to measurably improve electric service reliability. (*See, e.g.*, PPL Electric St.

No. 1, pp. 8-13.) By requesting a DSIC cap waiver, PPL Electric is balancing continued investment in reliability with customer bill impacts. (PPL Electric St. No. 2-R, p. 9.) Additionally, neither I&E witness Kubas nor OCA witness Mierzwa has noted that customers would be more impacted by a base distribution rate case because the Company would seek to recover all costs and not just those related to the LTIP. (PPL Electric St. No. 2-R, p. 5.) Waiver of the DSIC cap supports the theory of gradualism in that customers may see an increase up to 9% over time. (PPL Electric St. No. 2-R, p. 5.) In fact, the DSIC cap increase from 5% to 9% as requested by the Company is estimated to recover approximately \$45 million per year. (PPL Electric St. No. 2-R, p. 9.) This is a far cry from the base rate increases requested by PPL Electric's peer utilities in 2024, which range from approximately \$133 million to \$502 million. (PPL Electric St. No. 2-R, p. 9.) At the same time, approval of a DSIC cap waiver still "caps" the return on equity that PPL Electric can earn at the level stated in the Commission's quarterly financial report, while there is no such "cap" on the revenue earned under distribution base rates between base rate cases. (PPL Electric St. No. 2-R, p. 9.) This is critical because an increase in the DSIC cap results in a higher cap on revenues under Section 1358(a)(1) of the Public Utility Code; it does not increase Section 1358(b)(3)'s cap on earnings at which point the DSIC would reset to zero. See 66 Pa. C.S. § 1358(a)(1), (b)(3). Therefore, under PPL Electric's proposal, the DSIC would still reset to zero "if in any quarter, data filed with the commission in" PPL Electric's "most recent annual or quarterly earnings report show that the utility will earn a rate of return that would exceed the allowable rate of return used to calculate its fixed costs under the distribution system improvement charge." *Id.* § 1358(b)(3). Thus, approval of the DSIC cap waiver and increase would be more effective and less burdensome (on both the Commission, stakeholders, and customers) than a base rate case.

PPL Electric’s proposed DSIC cap waiver also is distinguishable from the Newton Artesian Water Company (“NAWC”) proceeding, which OCA witness Mierzwa cites as support for the theory that Commission precedent requires utilities to file a rate case within a certain time frame to justify a waiver. (*See* OCA St. No. 1, p. 10.) In that case, NAWC had not filed a rate case in 6 years and tried to justify its proposed waiver of the DSIC cap based on: (1) its annual revenue shortfall if the DSIC rate were not increased; and (2) three other water utilities were granted DSIC cap waivers.¹⁰ The Commission was not persuaded by these arguments.¹¹ Further, NAWC had only exceeded the DSIC cap in two consecutive quarters and had base rates that were designed based on a Future Test Year (“FTY”),¹² not a Fully Projected Future Test Year (“FPFTY”).¹³ The Commission determined that “if NAWC filed a base rate case utilizing the FPFTY, NAWC could be permitted to recover a larger portion of LTIP expenses and reduce its reliance on DSIC recovery.”¹⁴ Thus, the Commission did not base its decision solely on the fact that NAWC had not filed a base rate case in the last 6 years.

Here, PPL Electric’s situation is readily distinguishable from NAWC’s proposal. (PPL Electric St. No. 2-R, p. 8.) PPL Electric is not simply proposing to increase the DSIC cap to make up for any annual revenue shortfall. (PPL Electric St. No. 2-R, p. 8.) The requested waiver is necessary to ensure and maintain adequate, efficient, safe, reliable, and reasonable service, particularly to address the significant reliability challenges on the Company’s distribution system. (PPL Electric St. No. 2-R, p. 8.) Further, unlike NAWC, PPL Electric has been meeting its overall LTIP project completions and accelerating them, has exceeded the

¹⁰ *Pa. PUC v. Newtown Artesian Water Co.*, Docket Nos. R-2017-2624240, *et al.*, pp. 10-11 (Order entered July 12, 2018) (“NAWC”).

¹¹ *Id.*, pp. 20-21.

¹² *See Pa. PUC v. Newtown Artesian Water Co.*, Docket Nos. R-2011-2230259, *et al.*, 2011 Pa. PUC LEXIS 7, at *1 (Recommended Decision dated Sept. 12, 2011), *adopted*, Docket Nos. R-2011-2230259 (Order entered Oct. 14, 2011).

¹³ *Id.*, pp. 13, 22.

¹⁴ *Id.*

DSIC cap in 14 quarters (as compared to the two consecutive quarters experienced by NAWC), and has base rates that are designed based on a FPFTY. (PPL Electric St. No. 2-R, p. 8.) Thus, although the Commission did call attention to the length of time since NAWC last filed a base rate case, these other critical facts distinguish the *NAWC* decision from PPL Electric's proposal. (PPL Electric St. No. 2-R, p. 8.)

OCA and I&E also argue that the Company's earnings reports evidence that the requested waiver is unnecessary and that PPL Electric seeks to postpone a rate case and preserve higher earnings by "push[ing] these costs onto ratepayers through a DSIC increase rather than funding them from base rate revenue that would erode their earnings." (OCA St. No. 1-SR, p. 9; *see also* I&E St. No. 1-SR, pp. 22-23.) Although OCA witness Mierzwa is correct that "PPL's reported earnings made it ineligible to charge a DSIC for 7 of those 14 quarters," Mr. Mierzwa wholly fails to account for when those 7 quarters occurred. (PPL Electric St. No. 2-RJ, p. 3.) All of them occurred before January 1, 2023, with the most recent of those 7 quarters being the Fourth Quarter of 2022. (*See* OCA Exhibit JDM-5, p. 2.) From the First Quarter of 2023 to present, the Company has reached its DSIC cap, which means that PPL Electric has already experienced earnings erosion. (PPL Electric St. No. 2-RJ, p. 3.) Critically, it is not 2022. PPL Electric is seeking a DSIC cap waiver and increase today when the Company has reached the DSIC cap of 5% for 7 straight quarters. (PPL Electric St. No. 2-RJ, pp. 3-4.) Also, as noted previously, the Company's proposed DSIC cap waiver and increase, if granted, would have no effect on the statutory requirement to reset the DSIC if the Company is overearning in any quarter. *See* 66 Pa. C.S. § 1358(b)(3). The Company is requesting an increase in the cap on revenues, not an increase on the cap on earnings. As such, these arguments based on the Company's reported earnings should be rejected.

Furthermore, I&E witness Kubas and OSBA witness Ewen argue that the length of time since the Company's last base rate case warrants denial of the Company's Petition, because a DSIC cap increase would exacerbate any class cost of service changes that occurred since 2015. (See I&E St. No. 1, p. 15; OSBA St. No. 1, pp. 5-6.) However, it is the base rate case process that establishes cost responsibility, and that cost responsibility remains in place until a new rate case is filed. (PPL Electric St. No. 2-R, p. 11.) For example, there are no Section 1307 automatic adjustment clauses that require an updated class cost of service study. See 66 Pa. C.S. § 1307. If I&E's and OSBA's witnesses were correct, then all Section 1307 mechanisms, including the DSIC, would have been rejected. (PPL Electric St. No. 2-R, p. 11.)

Moreover, there is no evidence that the Company's current class cost of service is unreasonable. (PPL Electric St. No. 2-R, pp. 11-12.) Existing rates, including the underlying cost and revenue allocation and rate design, are presumed to be just and reasonable, and parties have a "very heavy burden" to prove that existing rates are unjust and unreasonable.¹⁵ The length of time between base rate cases does not suddenly transform existing rates from being presumed just and reasonable to being presumed unjust and unreasonable. (PPL Electric St. No. 2-R, p. 12.) The requirement for a class cost of service study is not included in the statute and, as far as PPL Electric is aware, has not been contemplated by the Commission in any of the proceedings or Orders issued implementing a DSIC mechanism or approving a waiver. (PPL Electric St. No. 2-R, p. 12.) This cost of service argument is yet another new and unwritten condition that the parties are seeking to impose on the decision to approve PPL Electric's DSIC Cap Waiver Petition and should be rejected. (PPL Electric St. No. 2-R, p. 12.) The argument also fails to account for the broader impact of a base rate case, as the Company would seek to recover all

¹⁵ *Cup v. Pa. PUC*, 556 A.2d 470, 472 (Pa. Cmwlth. 1989); *Brockway Glass Co. v. Pa. PUC*, 437 A.2d 1067, 1070 (Pa. Cmwlth. 1981); *Shenango Twp. Bd. of Supervisors v. Pa. PUC*, 686 A.2d 910, 914 (Pa. Cmwlth. 1996) (citations omitted).

costs and not just those related to the LTIP. Given that impact, it is counterintuitive that the Company should be forced to file a base rate case simply to update its class cost of service study for a Section 1307 surcharge mechanism.

Finally, the OCA argues that the Company can issue debt financing to increase its cash flow, as opposed to increasing the DSIC cap, if it needs to increase capital. (*See* OCA St. No. 1, p. 8.) However, Mr. Mierzwa failed to provide any support that indicates assumptions or calculations, such as the cost of debt, amount of debt issues, or term of debt, he may have used to establish that issuing debt is a better or less expensive alternative to the Company's proposal. (*See* OCA St. No. 1, p. 8.) He seems to be implying that the Company could issue debt instead of seeking recovery from customers; however, he fails to point out customers also pay for any costs of debt because the DSIC rate uses the Company's actual debt cost. (PPL Electric St. No. 2-R, p. 10.)

Based on the foregoing, PPL Electric has proven that a waiver of the DSIC cap of 5% is necessary to ensure and maintain adequate, efficient, safe, reliable, and reasonable service.

B. IF PPL ELECTRIC MET THE LEGAL STANDARD, WHAT PERCENTAGE OVER THE 5% CAP IS APPROPRIATE

As explained in the prior section, PPL Electric has met the legal standard for a waiver of the 5% DSIC cap. Therefore, the only remaining issue to be decided is what the new cap should be.

PPL Electric has demonstrated that an increase of the cap to 9% would effectively balance the Company's need to address the reliability challenges on its distribution system with the impact on customers' bills. In direct testimony, the Company explained that, assuming its then-proposed modifications to the LTIP were approved, the DSIC rate would generally be at least 6% in 2024 and range between 8.35% and 11.73% in 2025, 9.67% and 13.25% in 2026, and

10.78% and 14.53% in 2027. (PPL Electric St. No. 2, p. 7.) Under the modified LTIP ultimately approved by the Commission, which removed the predictive failure technology category from the LTIP, the calculated DSIC price could still be as high as 13.63% in 2027. (PPL Electric St. No. 2-R, p. 20.)

In addition, when compared to the benefits of increasing the DSIC cap from 5% to 9% (see Section V.A, *supra*), the incremental cost to customers is small. (PPL Electric St. No. 2, p. 6.) The current monthly cost of the DSIC at the maximum surcharge rate of 5% for a residential customer using 1,000 kWh per month is approximately \$2.96 per month. (PPL Electric St. No. 2, p. 6.) Increasing the maximum DSIC rate to 9% is expected to result in an estimated increased customer cost of approximately \$2.37 per month at the cap, representing a 1.4% increase in the overall residential customer bill. (PPL Electric St. No. 2, p. 6.) Essentially, for every 1% increase in the DSIC cap, residential customers would see a \$0.59 increase in their monthly bill. (PPL Electric St. No. 2, p. 6.) As for commercial and industrial customers, PPL Electric calculated that a Rate LP-4 customer using 200,000 kWh, 1,000 kW, and ICAP demand of 1,000 kW may see a distribution bill increase of 3.8% (LP-4 customers are on real-time pricing for generation and transmission rates, so a total bill estimate has not been calculated). (PPL Electric St. No. 2-R, pp. 20-21.) Additionally, a Rate GS-1 customer using 1,500 kWh would see a \$1.14/month increase or a total bill increase 0.6%, and a Rate GS-3 customer using 10,000 kWh and 40 kW would see a \$9.51/month increase or a total bill increase of 0.7%. (PPL Electric St. No. 2-R, p. 21.) However, because the DSIC rate fluctuates based on plant-in-service and revenue projected, changes to the price are likely to be more gradual than an immediate increase to 9%. (PPL Electric St. No. 2, p. 6.) Thus, the Company's proposed cap of 9% is a reasonable

way to accelerate infrastructure repairs and replacements to improve reliability, while balancing affordability for customers.

Notwithstanding, if the Commission were to give any credence to the other parties' arguments, PPL Electric believes that the Commission should, at the very least, increase the DSIC cap substantially above the current 5% cap until the effective date of rates established in the Company's next base rate case or the end of the Company's 2023-2027 LTIP, whichever occurs first. (PPL Electric St. No. 2-R, p. 21.) Although a DSIC cap less than the Company's original request would not permit PPL Electric to address the reliability challenges on its distribution system as efficiently and effectively as a 9% DSIC cap, the Commission has demonstrated its willingness to grant an increase in the DSIC cap to as high as 7.5% in both settled and litigated DSIC cap waiver petitions when it has determined that such an increase would still help the utilities meaningfully respond to safety and reliability challenges.¹⁶ (PPL Electric St. No. 2-R, p. 21.) Using PPL Electric's recently approved modified Third LTIP, for every 0.5% of an increase in the DSIC cap, residential customers would see an approximately \$0.30 increase in their monthly bill (*i.e.*, 0.17%), with Rate GS-1, GS-3, and LP-4 customers seeing monthly bill increases of approximately \$0.14 (*i.e.*, 0.07%), \$1.19 (*i.e.*, 0.09%), and

¹⁶ See *Pa. PUC v. Aqua Pennsylvania, Inc.*, Docket Nos. R-2008-2079310, *et al.*, 2009 Pa. PUC LEXIS 263 (Order entered July 23, 2009); *Petition of Pennsylvania-American Water Co. for Approval to Implement a Tariff Supplement to Tariff Water-PA P.U.C. No. 4 Revising the Distribution System Improvement Charge*, Docket Nos. P-00062241, *et al.*, 2007 Pa. PUC LEXIS 42 (Order entered Aug. 14, 2007); *Petition of Pennsylvania Power Co. for a Waiver of the Distribution System Improvement Charge Cap of 5% of Billed Distribution Rate Revenue and Approval to Increase the Maximum Allowable Distribution System Improvement Charge Cap to 11.81%*, Docket No. P-2019-3012628 (Recommended Decision dated Feb. 5, 2020), *adopted without modification*, Docket No. P-2019-3012628 (Order entered Mar. 12, 2020); *Petition of Philadelphia Gas Works for Waiver of Provisions of Act 11 to Increase the Distribution System Improvement Charge CAP and to Permit Levelization of DSIC Charges*, Docket Nos. P-2015-2501500, *et al.* (Order entered Jan. 28, 2016), *reconsideration granted*, Docket Nos. P-2015-2501500, *et al.* (Order entered July 6, 2016); *Petition of UGI Central Penn Gas, Inc. for a Waiver of the Distribution System Improvement Charge (DSIC) Cap of 5% of Billed Distribution Revenues and Approval to Increase the Maximum Allowable DSIC to 10% of Billed Distribution Revenues*, Docket No. P-2016-2537609 (Order entered May 10, 2017), *reconsideration denied*, Docket No. P-2016-2537609 (Order entered Sept. 21, 2017); *Petition of UGI Penn Natural Gas, Inc. for a Waiver of the Distribution System Improvement Charge (DSIC) Cap of 5% of Billed Distribution Revenues and Approval to Increase the Maximum Allowable DSIC to 10% of Billed Distribution Revenues*, Docket No. P-2016-2537594 (Order entered May 10, 2017).

\$13.32 (*i.e.*, 0.48%), respectively. (PPL Electric St. No. 2-R, pp. 21-22.) Meanwhile, for every 0.5% increase in the DSIC cap, the Company would receive on average approximately \$5 million in incremental annual revenue to address the reliability challenges on its distribution system, assuming the Company's return on equity ("ROE") is below the Commission's allowed DSIC ROE. (PPL Electric St. No. 2-R, p. 22.)

For these reasons, the Commission should grant the Company an increase of its DSIC cap from 5% to 9%.

VI. CONCLUSION

WHEREFORE, PPL Electric Utilities Corporation respectfully requests that the Pennsylvania Public Utility Commission issue an Order, which: (1) grants a waiver of the current Distribution System Improvement Charge cap of 5% of billed revenues, and (2) approves an increase the maximum allowable Distribution System Improvement Charge from 5% to 9% of billed revenues.

Respectfully submitted,



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Dated: October 1, 2024

Attorneys for PPL Electric Utilities Corp.

APPENDIX A

LIST OF PPL ELECTRIC SPONSORED TESTIMONY AND EXHIBITS

1. PPL Electric Exhibit 1 – PPL Electric Utilities Corporation’s (“PPL Electric” or “Company”) April 26, 2024 initial filing, which included:
 - Petition of PPL Electric Utilities Corporation for a Waiver of the Distribution System Improvement Charge Cap of 5% of Billed Revenues;
 - Appendix A, PPL Electric’s current Commission-approved DSIC tariff; and
 - Appendix B, *pro forma* tariff supplement reflecting the requested increase to the Company’s DSIC cap from 5% to 9%.
 - PPL Electric St. No. 1, the Direct Testimony of Steven D. Selkregg, with PPL Electric Exhibits SDS-1 through SDS-3.
 - PPL Electric St. No. 2, the Direct Testimony of Bethany L. Johnson, with PPL Electric Exhibits BLJ-1 and BLJ-2.
2. PPL Electric St. No. 1-R, the Rebuttal Testimony of Steven D. Selkregg, with PPL Electric Exhibits SDS-1R through SDS-3R.
3. PPL Electric St. No. 2-R, the Rebuttal Testimony of Bethany L. Johnson, with PPL Electric Exhibits BLJ-1R and BLJ-2R.
4. PPL Electric St. No. 1-RJ, the Rejoinder Testimony of Steven D. Selkregg.
5. PPL Electric St. No. 2-RJ, the Rejoinder Testimony of Bethany L. Johnson.

APPENDIX B

PROPOSED FINDINGS OF FACT

1. For more than a decade, PPL Electric has utilized the DSIC to accelerate its repair and replacement of aging infrastructure with a focus on safety and reliability of service. (PPL Electric Exhibit 1, p. 11.)

2. Since the Company's DSIC was implemented in March 2013, approximately 39% of PPL Electric's DSIC eligible investments have been in automation and reliability improvement programs, approximately 46% of the DSIC-eligible investments have been in improving the underground and overhead infrastructures, and approximately 15% of DSIC-eligible investments have been in upgrading the substation infrastructure and restoring and improving pole plant system wide. (PPL Electric Exhibit 1, p. 11.)

3. The DSIC has helped reduce the frequency of PPL Electric's base rate case filings and, by extension, the time and expenses parties and the Commission must dedicate to those proceedings. (PPL Electric Exhibit 1, p. 11.)

4. The Company's last base rate case was filed in 2015 at Docket Nos. R-2015-2469275, *et al.* (PPL Electric Exhibit 1, p. 11.)

5. PPL Electric's current ability to optimize the potential of the DSIC is limited by the 5% cap. (PPL Electric Exhibit 1, p. 11.)

6. The proposed DSIC cap waiver would allow the Company to timely recover and accelerate its investments in projects that will support and improve reliability of service outlined in its LTIIP. (PPL Electric Exhibit 1, p. 11; PPL Electric St. No. 1, p. 10.)

7. The DSIC cap waiver and increase would free up funding for additional projects that can improve service reliability but are not set forth in the LTIP. (PPL Electric Exhibit 1, p. 11; PPL Electric St. No. 1, pp. 10-13.)

8. PPL Electric has requested the DSIC cap waiver to address the significant reliability challenges on its system in an efficient, effective, and timely manner. (PPL Electric St. No. 1-R, p. 2.)

9. Over recent years, PPL Electric's reliability performance has deteriorated. PPL Electric has missed the Commission's SAIDI benchmark in nine quarters since 2021 and has failed to meet the Commission's CAIDI benchmark in every quarter since 2020. (PPL Electric St. No. 1, p. 7.)

10. The Company's reliability has continued to trend downward in the months since the Petition in this case was filed on April 26, 2024. (PPL Electric St. No. 1-R, p. 6.)

11. In April 2024, PPL Electric was projected to miss the Commission's SAIFI benchmark for 2024 with an estimated performance of 0.982 verses a target of 0.98. (PPL Electric St. No. 1, p. 7.)

12. Based on actual performance data available at the time of rebuttal testimony in August 2024, the Company has projected a Commission SAIFI performance of 1.23 for 2024, well above the 0.98 benchmark. (PPL Electric St. No. 1-R, p. 6.)

13. The Company's CAIDI and SAIDI performance also deteriorated, with year-end projections increasing substantially from 265 and 260, respectively, to 301 and 370, respectively. Both of those metrics would be in excess of the Commission's benchmarks for CAIDI and SAIDI of 145 and 142, respectively. (*See* PPL Electric St. No. 1-R, p. 6.)

14. The Company's CEMI performance projection also doubled from 4% to 8%. (*See* PPL Electric St. No. 1-R, p. 6.)

15. PPL Electric is facing several factors that make it difficult to maintain and improve reliability of service, including severe weather events, aging infrastructure, and rising supply costs. (PPL Electric St. No. 1, p. 8; PPL Electric Exhibit 1, p. 2.)

16. A leading factor is more frequent and severe weather events, and although these more frequent and severe weather events are affecting many electric utilities, PPL Electric's service territory is being particularly impacted. (PPL Electric St. No. 1, p. 8.)

17. As the Commission observed in its *2022 Pennsylvania Electric Reliability Report*, PPL Electric saw 36 total storms in 2022, "which is the second most on record in terms of PUC storm cases and third most for PUC Storm customers interrupted." (PPL Electric St. No. 1, pp. 8-9.)

18. The Company also experienced a total of 45 storms in 2023, surpassing the previous high of 42 storms in 2021, as noted recently in the Commission's *2023 Pennsylvania Electric Reliability Report*. (PPL Electric St. No. 1, p. 9; OCA Hearing Exhibit 1, p. 70.)

19. The cost of materials has increased due to inflation and supply chain constraints, which are being driven by commodity shortages, transportation costs, and increased industry demand. (PPL Electric St. No. 1, p. 9.)

20. The procurement costs for transformers between 2016 and 2020 averaged approximately \$590,000. Since 2021 the costs have averaged over \$1 million. (PPL Electric St. No. 1, p. 9.)

21. Industry demand remains at the highest levels seen in the last five years and continues to drive higher costs and extend lead times for distribution units from vendors. (PPL Electric St. No. 1, p. 9.)

22. PPL Electric must absorb these increased costs within its existing budgets for projects that are designed to improve service reliability. (PPL Electric St. No. 1, p. 9.)

23. Because PPL Electric continues to invest in DSIC-eligible projects focused on reliability despite these cost increases, the Company currently exceeds the 5% cap on a regular basis. (PPL Electric St. No. 1, p. 9.)

24. Approval of the proposed DSIC cap waiver will allow PPL Electric to increase and accelerate infrastructure investments that consistently improve SAIFI, SAIDI, and CEMI performance, including new electronic reclosers, low tension primary network cable, equipment, and structures, substations, reliability and protection and control. (PPL Electric St. No. 1, pp. 10-11.)

25. Approval of the Company's proposal will provide funding for PPL Electric to pursue projects that are not in the Company's LTIP, such as additional vegetation management, installation of grid modernization process, new substations, batteries, and 3-phase tie lines. (PPL Electric St. No. 1-R, pp. 9-10.)

26. In its *2023 Pennsylvania Electric Reliability Report*, the Commission highlighted the weather impacts on reliability "not to excuse a slip in reliability performance of the EDCs, but rather to reiterate the importance of the EDCs continuing to invest in reliability improvement and resiliency to weather events." (OCA Hearing Exhibit 1, p. 88.)

27. On July 11, 2024, the Commission released the results of its Management and Operations Audit of PPL Electric at Docket No. D-2023-3039488, which included 19 recommendations for improving the Company's operations. (PPL Electric St. No. 1-R, p. 7.)

28. The Commission's Management and Operations Audit of PPL Electric recommended that the Company: (1) improve SAIDI and CAIDI performance to consistently achieve the minimum thresholds set by the Commission benchmarks and standards on reliability; and (2) modify or expand existing reliability programs to eliminate CEMI10+ and set goals for reducing CEMI4. (PPL Electric Exhibit SDS-3R, p. 11.)

29. In the Company's Implementation Plan, which was also released on July 11, 2024, PPL Electric accepted the Commission's recommendations and set forth its plan for addressing them, which consists of additional reliability programs or acceleration of existing mitigation programs and/or projects for reliability or other investments to minimize outages associated with increased storm activity. (PPL Electric St. No. 1-R, p. 8.)

30. As recommended and accepted as part of the Commission's Management and Operations Audit, PPL Electric will be expanding and increasing programs to address and eliminate CEMI10+. (PPL Electric St. No. 1-R, p. 8.)

31. The Company will accelerate circuit hardening projects, some of which include: an approximately 1.5 mile reconductor from a section running through the woods to Hendrix cable along the road, additional 3-phase ties built on radial sections, reconductoring and installation of stronger poles in areas that see high quantities of vegetation related outages, and installation and upgrading of sectionalizing devices to allow for additional remote restoration capabilities have been added to the Company's business plan. (PPL Electric St. No. 1-R, pp. 8-9.)

32. The DSIC cap waiver will help facilitate the acceleration of these circuit hardening projects and put the Company in a much better position to implement the recommendations from the Commission’s Management and Operations Audit. (PPL Electric St. No. 1-R, p. 9.)

33. OSBA witness Ewen failed to directly respond to the Company’s data about CAIDI, SAIDI, or SAIFI at all. (*See generally* OSBA St. Nos. 1, 1-S.)

34. I&E witness Kubas and OCA witness Mierzwa selectively point to stale statements and data about PPL Electric’s reliability performance as alleged support for countering the Company’s arguments. (*See* I&E St. No. 1, p. 8; OCA St. No. 1, p. 7.)

35. The Commission’s LTIP Review Order was issued more than a year and a half ago and, therefore, does not reflect the Company’s recent and projected reliability performance data. (PPL Electric St. No. 1-R, p. 3.)

36. OCA witness Mierzwa disregards the Company’s testimony in this proceeding about how PPL Electric’s SAIFI performance has deteriorated significantly this year. (*See* PPL Electric St. No. 1, p. 7.)

37. PPL Electric’s testimony on electric service reliability and the need for the DSIC cap waiver should be given more weight. (PPL Electric St. No. 1-R, p. 5.)

38. In discovery, I&E witness Kubas admitted that he “does not have specific education/experience concerning electric service reliability” or “electric service safety,” further conceding that he “did not evaluate PPL’s electric service reliability claims,” nor the Company’s “electric safety claims in this proceeding.” (PPL Electric Exhibit SDS-1R [Answers to PPL to I&E-I-1 and 2]) (emphasis added).

39. OCA witness Mierzwa conceded that he “has had no formal education concerning electric service reliability” or “electric service safety” and that he “has never worked for an electric utility and, therefore, has no direct experience concerning electric service reliability” or “electric service safety.” (PPL Electric Exhibit SDS-2R [Answers to PPL to OCA-I-1 and 2].)

40. PPL Electric witness Selkregg has extensive experience concerning electric service reliability and safety, working directly on facilitating and designing reliability improvement projects in the Transmission and Distribution organizations within PPL Electric, providing leadership within industry leading organizations like the Electric Power Research Institute, and benchmarking reliability with other utilities. (PPL Electric St. No. 1-R, pp. 4-5.)

41. The DSIC cap increase from 5% to 9% as requested by the Company is estimated to recover approximately \$45 million per year. (PPL Electric St. No. 2-R, p. 9.)

42. Approval of a DSIC cap waiver still “caps” the return on equity that PPL Electric can earn at the level stated in the Commission’s quarterly financial report, while there is no such “cap” on the revenue earned under distribution base rates between base rate cases. (PPL Electric St. No. 2-R, p. 9.)

43. Although OCA witness Mierzwa is correct that “PPL’s reported earnings made it ineligible to charge a DSIC for 7 of those 14 quarters,” Mr. Mierzwa fails to account for when those 7 quarters occurred. (PPL Electric St. No. 2-RJ, p. 3.)

44. From the First Quarter of 2023 to present, the Company has reached its DSIC cap of 5% for 7 straight quarters, which means that PPL Electric has already experienced earnings erosion. (PPL Electric St. No. 2-RJ, pp. 3-4.)

45. There is no evidence that the Company’s current class cost of service is unreasonable. (PPL Electric St. No. 2-R, pp. 11-12.)

46. The OCA argues that the Company can issue debt financing to increase its cash flow, as opposed to increasing the DSIC cap, if it needs to increase capital. (*See* OCA St. No. 1, p. 8.)

47. OCA witness Mierzwa failed to provide any support that indicates assumptions or calculations, such as the cost of debt, amount of debt issues, or term of debt, he may have used to establish that issuing debt is a better or less expensive alternative to the Company's proposal. (*See* OCA St. No. 1, p. 8.)

48. While Mr. Mierzwa appears to be implying that the Company could issue debt instead of seeking recovery from customers, he fails to point out customers also pay for any costs of debt because the DSIC rate uses the Company's actual debt cost. (PPL Electric St. No. 2-R, p. 10.)

49. The Company's proposed cap of 9% is a reasonable way to accelerate infrastructure repairs and replacements to improve reliability, while balancing affordability for customers. (PPL Electric St. No. 2, pp. 6-7; PPL Electric St. No. 2-R, pp. 20-21.)

50. In direct testimony, the Company explained that, assuming its then-proposed modifications to the LTIIP were approved, the DSIC rate would generally be at least 6% in 2024 and range between 8.35% and 11.73% in 2025, 9.67% and 13.25% in 2026, and 10.78% and 14.53% in 2027. (PPL Electric St. No. 2, p. 7.)

51. Under the modified LTIIP ultimately approved by the Commission, which removed the predictive failure technology category from the LTIIP, the calculated DSIC price could still be as high as 13.63% in 2027. (PPL Electric St. No. 2-R, p. 20.)

52. The current monthly cost of the DSIC at the maximum surcharge rate of 5% for a residential customer using 1,000 kWh per month is approximately \$2.96 per month. (PPL Electric St. No. 2, p. 6.)

53. Increasing the maximum DISC rate to 9% is expected to result in an estimated increased customer cost of approximately \$2.37 per month at the cap, representing a 1.4% increase in the overall residential customer bill. (PPL Electric St. No. 2, p. 6.)

54. For every 1% increase in the DSIC cap, residential customers would see a \$0.59 increase in their monthly bill. (PPL Electric St. No. 2, p. 6.)

55. For commercial and industrial customers, PPL Electric calculated that a Rate LP-4 customer using 200,000 kWh, 1,000 kW, and ICAP demand of 1,000 kW may see a distribution bill increase of 3.8% (LP-4 customers are on real-time pricing for generation and transmission rates, so a total bill estimate has not been calculated). (PPL Electric St. No. 2-R, pp. 20-21.)

56. A Rate GS-1 customer using 1,500 kWh would see a \$1.14/month increase or a total bill increase 0.6%, and a Rate GS-3 customer using 10,000 kWh and 40 kW would see a \$9.51/month increase or a total bill increase of 0.7%. (PPL Electric St. No. 2-R, p. 21.)

57. Using PPL Electric's recently approved modified Third LTIIP, for every 0.5% of an increase in the DSIC cap, residential customers would see an approximately \$0.30 increase in their monthly bill (*i.e.*, 0.17%), with Rate GS-1, GS-3, and LP-4 customers seeing monthly bill increases of approximately \$0.14 (*i.e.*, 0.07%), \$1.19 (*i.e.*, 0.09%), and \$13.32 (*i.e.*, 0.48%), respectively. (PPL Electric St. No. 2-R, pp. 21-22.)

58. For every 0.5% increase in the DSIC cap, the Company would receive on average approximately \$5 million in incremental annual revenue to address the reliability challenges on

its distribution system, assuming the Company's return on equity ("ROE") is below the Commission's allowed DSIC ROE. (PPL Electric St. No. 2-R, p. 22.)

APPENDIX C

PROPOSED CONCLUSIONS OF LAW

1. On February 14, 2012, Governor Corbett signed into law Act 11 of 2012 (“Act 11”), which, among other things, amended Chapter 13 of Title 66 of the Public Utility Code to allow the Commission to approve a DSIC for EDCs. The DSIC is designed to facilitate the recovery of reasonable and prudent capital costs incurred to repair, improve or replace certain eligible distribution property that is part of the EDC’s distribution system in order to encourage investment into the distribution system while including important customer protections.

2. Eligible property for DSIC recovery is defined in Section 1351 of the Public Utility Code. *See* 66 Pa. C.S. § 1351.

3. Under Section 1352 of the Public Utility Code, a utility must file an LTIP, which identifies the types and age of eligible property owned or operated by the utility for which the utility would seek recovery through the DSIC. *See id.* § 1352.

4. Section 1358 of the Public Utility Code sets forth several customer protections related to the DSIC. *See id.* § 1358.

5. Under Section 1358(a)(1), the DSIC for an EDC “may not exceed 5% of the amount billed to customers under the applicable rates of the” EDC. *Id.* § 1358(a)(1).

6. A waiver and increase of the DSIC cap are expressly considered and authorized under Act 11 of 2012. *See* 66 Pa. C.S. § 1358(a)(1).

7. Specifically, Section 13581(a)(1) states that the Commission “may upon petition grant a waiver of the 5% limit under this paragraph for a utility in order to ensure and maintain adequate, efficient, safe, reliable and reasonable service.” *Id.* § 1358(a)(1).

8. In Section 1358(c) of the Public Utility Code, the statute notes that unless expressly provided, nothing shall be construed as limiting the existing ratemaking authority of the Commission. *See id.* § 1358(c).

9. There is no statutory requirement that a public utility seeking a DSIC cap waiver must have filed a base rate case in a certain number of years. *See* 66 Pa. C.S. § 1358(a)(1).

10. The requirement for a class cost of service study is not included in the statute either. *See id.*

11. The only statutory requirement is that the public utility must demonstrate that the waiver of the DSIC cap is necessary to ensure and maintain adequate, efficient, safe, reliable, and reasonable service. *See id.*

12. The Company's proposed DSIC cap waiver and increase, if granted, would have no effect on the statutory requirement to reset the DSIC if the Company is overearning in any quarter. *See* 66 Pa. C.S. § 1358(b)(3).

13. Existing rates, including the underlying cost and revenue allocation and rate design, are presumed to be just and reasonable, and parties have a "very heavy burden" to prove that existing rates are unjust and unreasonable. *Cup v. Pa. PUC*, 556 A.2d 470, 472 (Pa. Cmwlth. 1989); *Brockway Glass Co. v. Pa. PUC*, 437 A.2d 1067, 1070 (Pa. Cmwlth. 1981); *Shenango Twp. Bd. of Supervisors v. Pa. PUC*, 686 A.2d 910, 914 (Pa. Cmwlth. 1996) (citations omitted).

14. PPL Electric has proven that a waiver of the DSIC cap of 5% is necessary to ensure and maintain adequate, efficient, safe, reliable, and reasonable service and, therefore, should be granted.

15. PPL Electric has demonstrated that an increase of the DSIC cap to 9% is justified considering the Company's need to address the reliability challenges on its distribution system with the impact on customers' bills.

APPENDIX D

PROPOSED ORDERING PARAGRAPHS

1. That the Petition of PPL Electric Utilities Corporation, filed on April 26, 2024, for a waiver of the distribution system improvement charge cap of 5% and approval to increase the maximum allowable distribution system improvement charge up to 9% of billed distribution revenues is granted.

2. That PPL Electric Utilities Corporation is approved to increase its maximum allowable distribution system improvement charge up to 9% of billed distribution revenues for the duration of the Company's Third LTIP (applicable through December 31, 2027, and included for cost recovery in the DSIC mechanism for the rates effective April 1, 2028, which include plant-in-service for December 2027, January 2028 and February 2028) or the effective date of new distribution rates resulting from a distribution base rate case, whichever were to occur first.

3. That PPL Electric Utilities Corporation shall file a tariff supplement containing the changes permitted by this Opinion and Order through an interim DSIC tariff filing or its next quarterly DSIC filing to become effective on 10 days' notice.

4. That the *pro se* formal complaints opposing the Petition, of Michael L. Sperazza at Docket No. C-2024-3049979, Paula Mercuri at Docket No. C-2024-3050027, Angela Pesola at Docket No. C-2024-3050205, John Theisen at Docket No. C-2024-3050443, Sharon Frankenfield at Docket No. C-2024-30450646, and John Gadomski at Docket No. C-2024-3050661, be denied.

5. That this proceeding be marked closed.

APPENDIX E

LIST OF ACRONYMS

AAOP	Annual Asset Optimization Plan
ALJ	Administrative Law Judge
CAIDI	Customer Average Interruption Duration Index
CEMI	Customers Experiencing Multiple Interruptions
DSIC	Distribution System Improvement Charge
EDC	Electric Distribution Company
EPRI	Electric Power Research Institute
FPFTY	Fully Projected Future Test Year
FTY	Future Test Year
I&E	Bureau of Investigation and Enforcement
LTIIIP	Long-Term Infrastructure Improvement Plan
MAIFI	Momentary Average Interruption Frequency Index
NAWC	Newtown Artesian Water Company
OCA	Office of Consumer Advocate
OSBA	Office of Small Business Advocate
PPLICA	PP&L Industrial Customer Alliance
ROE	Return on Equity
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index