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File #: 207003

October 15, 2024

VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
P.O. Box 3265
Harrisburg, PA 17105-3265

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

Dear Secretary Chiavetta:

Attached for filing, please find the Reply Brief of PPL Electric Utilities Corporation in the above-referenced proceeding. Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,

Devin Ryan

DR/skr
Attachment

cc: The Honorable Arlene Ashton (*via email*)
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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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

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Dated: October 15, 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.

On October 1, 2024, PPL Electric, the Commission's Bureau of Investigation and Enforcement ("I&E"), Office of Consumer Advocate ("OCA"), and Office of Small Business Advocate ("OSBA") filed their Main Briefs.

As explained in the Company's Main Brief, PPL Electric'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. Therefore, 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.

Here, PPL Electric submits its Reply Brief, which is focused on responding to any arguments or issues raised in the other parties' Main Briefs that were not previously addressed by the Company.

II. **SUMMARY OF ARGUMENT**

The Company's Petition for a waiver and increase of the DSIC cap from 5% to 9% should be approved because such relief is necessary to ensure and maintain adequate, efficient, safe, reliable, and reasonable service. PPL Electric's proposal comports with the statute explicitly authorizing a waiver of the DSIC cap and the long line of cases where the Commission has granted such waivers in the past. Nothing in the other parties' Main Briefs warrants a different outcome. Although the Company addressed many of the other parties' arguments in its Main Brief, they present other arguments that warrant response and, ultimately, rejection by Administrative Law Judge Arlene Ashton ("ALJ") and the Commission.

Foremost, the other parties fail to grasp what is and should be required for a waiver and increase of the DSIC cap. The question is not whether a DSIC cap waiver is needed for PPL Electric to comply with its Modified Third Long-Term Infrastructure Improvement Plan ("LTIIP"). It is whether a waiver and increase of the DSIC cap is needed to "ensure and maintain" adequate, efficient, safe, reliable, and reasonable service. Therefore, while PPL Electric has committed to comply with its LTIIP, the other parties gloss over how the Company's proposal would free up funding for non-LTIIP projects that would improve safety and reliability of service. PPL Electric has a statutory duty and an overriding corporate commitment to provide safe and reliable service to its approximately 1.5 million customers and, consistent with that duty and commitment, should be granted its proposed DSIC cap waiver so that it has the funding to pursue both LTIIP and non-LTIIP projects that will improve safety and reliability of service.

In addition, the OCA's claims about PPL Electric's reliability performance are all based on stale data and **disregard any data for 2024**. The OCA points to statements in the **2023** Reliability Report as alleged support for its position that the Company is an "excellent SAIFI benchmark performer" and that its System Average Interruption Frequency Index ("SAIFI") performance has a “positive performance trend” that “has been consistently sustained by PPL Electric.” (OCA MB, pp. 7, 11, 13.) While that may have been true in 2023, the Company’s SAIFI performance has deteriorated in 2024. At no point did the OCA present any evidence demonstrating the opposite. Thus, the OCA’s claims about the Company’s reliability performance should be rejected.

Further, the OCA and OSBA erroneously view the Company’s Petition as incapable of addressing the impact of vegetation management on PPL Electric’s reliability performance. This is not an either-or proposition, where the Company must spend on LTIIP projects or vegetation management. The DSIC cap waiver would allow PPL Electric to pursue both types of reliability projects by freeing up additional funding. Indeed, although vegetation management expenses are not recoverable through the DSIC, PPL Electric presented uncontroverted testimony that its proposal would free up funding for increased spending in vegetation management. Specifically, if the DSIC cap waiver is granted, PPL Electric can fund its vegetation management program at approximately $30-40 million (up from an original 2023 budget of approximately $22 million). PPL Electric agrees that vegetation management is important to reducing vegetation-caused outages, and the Company’s proposal is designed to better facilitate and fund those projects.

Moreover, the OCA errs in characterizing PPL Electric’s proposal as seeking a DSIC cap waiver and increase for an “indefinite basis.” As explained in the Company’s testimony and Main Brief, PPL Electric can support a specified period of either the duration of the Company’s Third LTIIP (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. Notably, I&E stated in its Main

Brief that if PPL Electric ultimately receives a waiver and increase of the DSIC cap, these parameters would be acceptable.

Additionally, the OCA's reliance on PPL Corporation's August 2024 investor presentation as support for opposing the DSIC cap waiver and increase should be rejected. I&E witness Kubas originally cited this presentation in his surrebuttal testimony, alleging how it showed that PPL Electric was reducing operation and maintenance ("O&M") expenses from 2015 to 2023 and reducing its pole inspection hours per year. However, PPL Electric explained in rejoinder testimony how the Company should not be foreclosed from a DSIC cap waiver merely because it has been efficient and targeted with its O&M expenditures. Also, the pole inspection hours per year were reduced because the Company moved to a more advanced and less time and crew-intensive process. Therefore, the Company's shift to this more advanced process reflects how the Company prioritizes safety in its operations while having the added benefit of reducing O&M expenditures.

The ALJ and Commission also should deny the other parties' attempts to distinguish the many DSIC cap waivers and increases granted to other utilities, such as Aqua Pennsylvania, Inc. ("Aqua"), Pennsylvania-American Water Company ("PAWC"), United Water Pennsylvania, Inc. ("United"), Philadelphia Gas Works ("PGW"), UGI Central Penn Gas, Inc. ("UGI-CPG"), and Pennsylvania Power Company ("Penn Power"). PPL Electric's DSIC cap waiver and increase will, like in Aqua, PAWC, and United Water, enable the Company to accelerate infrastructure investments under its Third LTIIP, which will help improve reliability of service. Further, although the Company's proposal is not intended to address at-risk pipe like PGW or UGI-CPG, the General Assembly did not limit a waiver of the DSIC cap to gas utilities or to address only particular issues affecting safety or reliability. The crucial and, in fact, only, consideration is whether the DSIC cap waiver is necessary to ensure and maintain adequate, efficient, safe, reliable, and reasonable service. PPL Electric has met that standard here. In fact, as in Penn Power's situation, PPL Electric's proposal is designed to combat the reliability challenges on its system. PPL Electric should not have to wait until its reliability of service deteriorates even further before it can be granted a waiver and increase of the DSIC cap, especially when the statute warrants that relief in order to "ensure and maintain" reliable service.

Also, the waiver granted to UGI-CPG supports the Company's proposal and undercuts the other parties' arguments about the time since PPL Electric's last base rate case, given that UGI-CPG was granted its DSIC cap waiver when its last base rate case, at that time, was almost seven years ago. The OCA even argued in that case that the proposed waiver should be denied because the company failed to make a commitment to reduce the frequency of base rate cases. That argument conflicts with the OCA's position here, where the OCA argues that PPL Electric should file a base rate case instead of pursuing a DSIC cap waiver.

Finally, the other parties' arguments about the size of the requested increase and the projected bill impacts should be rejected. The OCA inaccurately asserts that the Company failed to address the impact on large customers' bills, relying on I&E witness Kubas's direct testimony. PPL Electric presented specific evidence on this question in its rebuttal testimony, which the OCA completely overlooks or ignores. Furthermore, neither OCA nor OSBA addresses what increase should be granted if PPL Electric establishes that a waiver of the DSIC cap is justified. In contrast, I&E recommends that if the Company meets that threshold question, the Commission should not increase the cap above 7.5%. Although the Commission has not previously granted a DSIC cap increase above that level, PPL Electric has proven in this case that a cap of 9% properly balances the Company's interests and the impact on customers' bills.

For these reasons, and as explained in more detail in PPL Electric's Main Brief and in this Reply Brief, the ALJ and the Commission should approve PPL Electric's Petition for an increase in the DSIC cap from 5% to 9%. The statute explicitly authorizes the Commission to waive the DSIC cap of 5% upon an appropriate showing. Pursuant to that authority, the Commission has granted such waivers several times and should do so again here.

III. ARGUMENT

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

1. Section 1358(a)(1) of the Public Utility Code Does Not Require a Showing that the DSIC Cap Waiver Is Needed to Comply with an LTIIP

OCA and I&E contend that PPL Electric's proposal should be denied because it is not needed for the Company to comply with its LTIIP. (OCA MB, pp. 6, 25; I&E MB, pp. 5, 9.) According to them, a DSIC cap waiver and increase can or should only be granted when they are necessary for a utility to complete the projects set forth in its LTIIP. (OCA MB, pp. 6, 25; I&E MB, pp. 5, 9.) The OCA also alleges that "a waiver to increase the 5% DSIC cap rate may only be granted if a utility shows that the statutory 5% DSIC rate cap is not sufficient to support planned levels of plant replacement and DSIC-eligible spending corresponding to the utility's LTIIP." (OCA MB, p. 6.)

Section 1358(a)(1) of the Public Utility Code does not require the Company to demonstrate that it is unable to comply with its Modified Third LTIIP without the requested DSIC cap waiver. The controlling question is whether a waiver and increase of the DSIC cap is necessary to "ensure and maintain" adequate, efficient, safe, reliable, and reasonable service. 66

Pa. C.S. § 1358(a)(1).

Here, PPL Electric fully demonstrated that the DSIC cap waiver and increase is needed to address the reliability challenges on its distribution system, which are largely caused by more frequent and severe weather events and aging infrastructure. (PPL MB, pp. 12-17.) Indeed, PPL Electric's proposal would leverage and accelerate both LTIIP and non-LTIIP projects to improve reliability of service. Specifically, by freeing up additional funding, PPL Electric's proposal would enable the Company to: (1) accelerate the projects set forth in its LTIIP; and (2) pursue increased spending on projects that are not in the LTIIP, such as additional vegetation management, installation of grid modernization devices, new substations, batteries, and 3-phase tie lines. (PPL Electric St. No. 1, pp. 10-11; PPL Electric St. No. 1-R, pp. 9-10.) The fact that the Company would comply with its LTIIP, as required under the Commission's regulations, is not controlling. *See* 52 Pa. Code § 121.8(a)-(b). The bottom line is that PPL Electric needs to address the reliability challenges on its distribution system, and the current cap of 5% is insufficient to support the projects that will respond to such challenges. (*See* PPL Electric St. No. 1, pp. 10-11; PPL Electric St. No. 1-R, pp. 9-10; PPL Electric St. No. 2-R, p. 20.)

2. The OCA Relies on Stale Reliability Performance Data from 2023 and Completely Ignores Data in the Record for 2024

In its Main Brief, the OCA alleges that PPL Electric has had a "positive" SAIFI "trend" and has been an "excellent SAIFI benchmark performer" based on the Commission's 2023 Reliability Report. (OCA MB, pp. 7, 11, 13.) The OCA also claims that the "positive performance trend" in SAIFI "has been consistently sustained by PPL Electric" and "is considered under control," citing that same report. (OCA MB, p. 13.)

The OCA's arguments about PPL Electric's reliability performance should be rejected. The OCA exclusively relies on the Commission's 2023 Reliability Report, which only has data through 2023. (OCA Hearing Exhibit 1, p. iv.) In doing so, the OCA completely disregards the Company's reliability performance data for 2024 that was presented in this proceeding. As explained in PPL Electric's Main Brief, back 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.) Based on the 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 to miss the Commission's benchmarks 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.)

As such, the OCA's claim that there is a "positive" SAIFI "trend" that the Company has "consistently sustained" and "is considered under control" has no merit. While that may have been true in 2023 and years prior, it is not the case today. Thus, when adjudicating PPL Electric's Petition, the ALJ and Commission should base their decision on the best and most recent data available presented by the Company, not the stale data relied upon by the OCA.

3. PPL Electric's Proposal Will Help Improve Reliability of Service by Freeing Up Millions of Dollars to Be Spent on Vegetation Management

The OCA and OSBA try to criticize the Company for pursuing its Petition rather than spending more on vegetation management expense. (OCA MB, pp. 7-8, 10-14; OSBA MB, p. 4.) As an example, OCA points to the testimony at the hearing about the Company's vegetation management work and argues that the Company should devote more to vegetation management if it wants to improve reliability of service. (OCA MB, pp. 13-14.)

These arguments should be rejected. PPL Electric fully recognizes the benefits that vegetation management can have on improving reliability of service. That is one of the reasons why the Company filed the Petition. Specifically, although vegetation management expenses are not recoverable through the DSIC, the Petition would, if granted, free up funding for increased vegetation management spending. In fact, PPL Electric witness Selkregg testified that if the DSIC cap waiver is granted, PPL Electric can fund its vegetation management program at approximately $30-40 million (up from an original 2023 budget of approximately $22 million). (PPL Electric St. No. 1-R, p. 10.) Nor would the increase in the DSIC cap be "supplanting investments in vegetation management." (PPL Electric St. No. 1-R, p. 10.) The Petition and vegetation management can complement each other and collectively improve the Company's reliability of service.

Consequently, this is not an either-or proposition, where the Company must spend on LTIIP projects or vegetation management. The DSIC cap waiver and increase would allow PPL Electric to pursue both types of reliability projects by freeing up additional funding. As a result, if the parties truly want to help support and facilitate PPL Electric's increased spending on vegetation management, they should support the Petition.

4. PPL Electric Is Not Requesting a Waiver and Increase of the DSIC Cap for an "Indefinite Basis," as Alleged by OCA

The OCA incorrectly states that PPL Electric is seeking a DSIC cap waiver and increase for an "indefinite basis." (OCA MB, p. 6.) The length of the proposed waiver and increase was clarified by the Company. In her rebuttal testimony, PPL Electric witness Johnson explained how PPL Electric can support "a specified period of either the duration of the Company's Third

LTIIP (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.) I&E recognized these parameters and found them acceptable, specifically stating as such in its Main Brief. (I&E MB, pp. 20-21.) Thus, the ALJ and Commission should reject the OCA's claim that the Company's proposal would be for an "indefinite basis."

5. The OCA Mischaracterizes the Information Set Forth in PPL Corporation's August 2024 Investor Presentation

In its Main Brief, the OCA tries to rely on I&E's testimony and exhibit about PPL Corporation's August 2024 investor presentation as grounds for opposing the Company's Petition. (OCA MB, pp. 16-17.) According to the OCA, the presentation shows PPL Electric's: (1) decreased spending on O&M expenses from 2015 to 2023; and (2) projected reduction in pole inspection hours by up to 12,500 hours per year, which the OCA believes is "contrary to [the Company's] expressed concerns regarding safety performance." (OCA MB, pp. 16-17.) The OCA concludes by stating that "[t]his contradictory information is the very reason why base rate case scrutiny is required before increasing rates." (OCA MB, p. 17.)

The OCA's arguments should be rejected, as they are based on mischaracterizations about the presentation that the Company clarified in its rejoinder testimony. Indeed, I&E witness Kubas originally cited this presentation in his surrebuttal testimony, alleging how it showed that PPL Electric was reducing O&M expenses from 2015 to 2023 and reducing its pole inspection hours per year. (I&E St. No. 1-SR, p. 29.)

PPL Electric responded in rejoinder testimony, explaining how the Company should not be foreclosed from a DSIC cap waiver merely because it has been efficient and targeted with its

O&M expenditures. (PPL Electric St. No. 1-RJ, p. 2.) Further, the pole inspection hours per year were reduced because the Company moved to a more advanced and less time and crew-intensive process. Specifically, "[u]nder PPL Electric's old pole inspection and excavation process, the Company required contractors to have four to five-person crews visit each pole location to complete the following three steps: (1) dig around the pole and chip away at subsurface decay; (2) inspect the pole and manually enter the pole's information in the data acquisition system; and (3) treat the pole, fill holes, and clean the site." (PPL Electric St. No. 1-RJ, p. 2.) "The costs associated with the work were expensed." (PPL Electric St. No. 1-RJ, p. 2.) However, "under PPL Electric's current universal resistance drill method, the Company only requires a one to two-person crew to inspect the pole and then treat the pole, fill holes, and clean the site." (PPL Electric St. No. 1-RJ, pp. 2-3.) "By moving to this more advanced and less time and crew-intensive process, PPL Electric has saved over 150,000 hours across the system during an inspection cycle (*i.e.*, (approximately 900,000 poles x 10 minutes saved per site) / 60 minutes = 150,000 hours saved)." (PPL Electric St. No. 1-RJ, p. 3.) Accordingly, the Company's shift to this more advanced process reflects how the Company prioritizes safety in its operations while having the added benefit of reducing O&M expenditures.[1] (PPL Electric St. No. 1-RJ, p. 3.)

For these reasons, PPL Electric fully rebutted these claims about the investor presentation, and the OCA's reliance on these mischaracterizations of the presentation should be rejected.

6. Prior Cases on DSIC Cap Waivers and Increases Support Commission Approval of PPL Electric's Petition, Contrary to the Arguments of OCA, I&E, and OSBA

OCA, I&E, and OSBA also try to distinguish the Company's proposal from the DSIC cap

[1] Tellingly, I&E did not reiterate these arguments about the investor presentation in its Main Brief, even though its witness, and not OCA's witness, raised the presentation in his surrebuttal testimony.

waivers and increases approved for other companies, such as Aqua, PAWC, United Water, PGW, UGI-CPG, and Penn Power. (OCA MB, p. 22; I&E MB, pp. 6, 14-15; OSBA MB, pp. 10-11.) According to OCA, the water utilities were granted DSIC cap waivers and increases because they were "necessary to accelerate infrastructure replacement." (OCA MB, p. 22.) Meanwhile, I&E and OSBA allege that PPL Electric's proposal is distinguishable because it is not intended to address at-risk pipe, like in the PGW and UGI-CPG cases. (I&E MB, pp. 6, 14-15; OSBA MB, pp. 10-11.) I&E also asserts that in Penn Power's case, the Commission found that the waiver and increase were needed to "maintain and improve reliability given the deterioration in reliability performance from 2016 through the second quarter [of] 2018." (I&E MB, pp. 14-15.) OSBA also claims that the Penn Power case should not be cited as precedent because it was the product of a settlement. (OSBA MB, p. 11.)

These arguments should be rejected. First, OCA overlooks PPL Electric's evidence that the DSIC cap waiver and increase will, like in Aqua, PAWC, and United Water, enable the Company to accelerate infrastructure investments under its Third LTIIP, which will help improve reliability of service. (PPL Electric St. No. 1, pp. 10-11.)

Second, PPL Electric recognizes that its proposal is not intended to address at-risk pipe like PGW or UGI-CPG. However, the General Assembly did not limit a waiver of the DSIC cap to gas utilities or to address only particular issues affecting safety or reliability. The only requirement is that the DSIC cap waiver is necessary to ensure and maintain adequate, efficient, safe, reliable, and reasonable service. *See* 66 Pa. C.S. § 1358(a)(1). As explained in the Company's Main Brief, PPL Electric met that standard. (PPL MB, pp. 12-26.)

Third, PPL Electric's proposal is intended to address reliability challenges on its distribution system, just like Penn Power's proposal. (PPL Electric St. No. 1-R, p. 2.) Although the Company's reliability challenges may not have existed as long as Penn Power's, PPL Electric should not have to wait until its reliability of service deteriorates even further before it can be granted a waiver and increase of the DSIC cap. Section 1358(a)(1)'s waiver provision was put in place to "ensure and maintain" reliable service. 66 Pa. C.S. § 1358(a)(1). In fact, the Commission determined in its Periodic Review of Penn Power's LTIIP that Penn Power's reliability performance had deteriorated and changes to the LTIIP I were necessary in order to "maintain and improve reliability" and reminded the company that a DSIC cap waiver was available to help utilities achieve reliability goals.[2] In this case, PPL Electric is pursuing the DSIC cap waiver and increase to respond to the current reliability issues by stopping the downward trend in its reliability performance and, ultimately, improving that performance.

Fourth, the waiver granted to UGI-CPG further supports the Company's proposal and undercuts the other parties' arguments. While the other parties focus on the number of years since PPL Electric's last base rate case, they fail to recognize that when UGI-CPG was granted its DSIC cap waiver, it has been "almost seven years" since its last base rate case was filed.[3] The OCA even argued in that case that the proposed waiver should be denied because the company failed to make a commitment to reduce the frequency of base rate cases. *UGI-CPG*, p. 26. Yet, in this case, the OCA argues that PPL Electric should be denied its waiver and should file a base rate case instead due to the length of time since its last base rate case. (OCA MB, pp. 15-20.) Thus, the OCA's argument conflicts with its position in *UGI-CPG* and should be rejected

[2] *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 LTIIP Review Order*"). The *Penn Power LTIIP 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.

[3] *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, p. 44. (Order entered May 10, 2017) ("*UGI-CPG*"), *reconsideration denied*, Docket No. P-2016-2537609 (Order entered Sept. 21, 2017).

accordingly.

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

1. The Other Parties' Arguments about the Size of the Requested Increase and the Projected Bill Impacts Should Be Rejected

In their Main Briefs, the other parties questioned the size of the Company's requested increase in the DSIC rate and the resulting bill impacts. (OCA MB, pp. 20-24; I&E MB, pp. 15-17, 20-21; OSBA MB, p. 10.) For example, the OCA argues that the Company failed to address the impact on large customers' bills, relying on I&E witness Kubas's direct testimony. (OCA MB, p. 24.) I&E also highlights the alleged bill impact for Rate LP-4 customers as support for opposing the increase to 9%. (I&E MB, pp. 16-17.) Moreover, while neither OCA nor OSBA states what the DSIC cap increase should be if the waiver is granted, I&E recommends that the Commission not increase the cap above 7.5%. (I&E MB, pp. 20-21.)

The ALJ and Commission should deny the other parties' arguments about the size of the requested increase and the projected bill impacts. As an initial matter, PPL Electric specifically addressed the impact on large customers' bills in its rebuttal testimony. (PPL Electric St. No. 2-R, pp. 20-21.) For the OCA to claim otherwise is not supported by the record. Furthermore, PPL Electric also explained that "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, p. 21.)

Finally, PPL Electric's proposed increase to 9% properly balances the Company's need to address the reliability challenges on its system with the impact on customers' bills, as explained in the Company's Main Brief. (PPL MB, pp. 26-29.) Although such an increase would be higher than past Commission decisions, 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, which warrant an increase to 9%. (PPL Electric St. No. 1, p. 8; PPL Electric Exhibit 1, p. 2.) In fact, PPL Electric witness Johnson explained how under the Modified Third 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.) Therefore, the ALJ and Commission should grant the Company's request in full, as opposed to I&E's alternative of 7.5%.

Based on the foregoing, and as explained in PPL Electric's Main Brief, the Commission should grant the Company a waiver of its DSIC cap and increase it from 5% to 9%.

VI. CONCLUSION

WHEREFORE, and as further explained in its Main Brief, 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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