

**PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, Pennsylvania 17120**

**Petition of PPL Electric Utilities
Corporation for a Waiver of the
Distribution System Improvement Charge
Cap of 5% of Billed Revenues**

**Public Meeting held February 20, 2025
3048732-OSA
Docket No. P-2024-3048732**

MOTION OF COMMISSIONER RALPH V. YANORA

Before the Pennsylvania Public Utility Commission (Commission) for consideration and disposition are the Exceptions of PPL Electric Utilities Corporation (PPL or Company), filed on December 11, 2024, in the above-captioned proceeding. The Exceptions were filed in response to the Recommended Decision (R.D. or Recommended Decision) of Administrative Law Judge (ALJ) Arlene Ashton. Replies to Exceptions were filed on December 23, 2024, by the Commission’s Bureau of Investigation and Enforcement (I&E), the Office of Consumer Advocate (OCA), and PP&L Industrial Customer Alliance (PPLICA).

On April 26, 2024, PPL filed a Petition for a Waiver of the Distribution System Improvement Charge (DSIC) Cap of 5% of Billed Revenues (Petition). In the Petition, PPL requested that the Commission grant a waiver of Section 1358(a) of the Public Utility Code (Code), 66 Pa.C.S. § 1358(a), to increase the current DSIC cap from 5% to 9% of billed revenues, effective on or after January 1, 2025. As an alternative to the 9% DSIC cap increase requested by PPL, I&E proposed that if the Commission grants the Petition, then the Commission limit the DSIC cap to a maximum of 7.5%.

The DSIC mechanism allows certain utilities, including EDCs, such as PPL, to recover the costs related to the repair, improvement, and replacement of eligible property. As a precondition to implementing a DSIC, Act 11 requires that a utility file a Long-Term Infrastructure Improvement Plan (LTIIIP) with the Commission, which specifies the information to be included in the LTIIIP.¹ Section 1353(a) of the Code explains the process for requesting approval of a DSIC and allows a utility to petition the Commission for approval of a DSIC “to provide for the timely recovery of the reasonable and prudent costs incurred to repair, improve or replace eligible property in order to ensure and maintain adequate, efficient, safe, reliable and reasonable service.”²

Section 1358(a)(1) of the Code provides that a DSIC may not exceed 5% of distribution rates billed for an EDC. However, Section 1358(a)(1) of the Codes provides that upon petition, the Commission may grant a waiver of the 5% limit in order for the EDC “to ensure and maintain adequate, efficient, safe, reliable and reasonable service.”³ The Commission routinely grants DSIC waivers to utilities. By way of example, on March 12, 2020, the Commission

¹ 66 Pa.C.S. § 1352.

² 66 Pa.C.S. § 1353(a).

³ 66 Pa.C.S. § 1358(a)(1).

approved a DSIC cap waiver for Pennsylvania Power Company (Penn Power), from 5% to 7.5%, based on Penn Power's reliability performance.⁴

In the instant matter, PPL asserts that its requested DSIC waiver and increase is necessary to ensure and maintain adequate, efficient, safe, reliable, and reasonable service for PPL's customers, as required by Section 1501 of the Code, 66 Pa.C.S. § 1501. PPL asserted that the Company currently faces issues and challenges to maintain and improve reliability of service, including, *inter alia*: (1) more frequent and severe weather events in its service territory; and (2) increased materials costs, which, in turn, force the Company to absorb such costs within its budgets for projects that are designed to improve service reliability.

In the Recommended Decision, the ALJ concluded that PPL failed to sustain its burden of proving that: (1) a waiver of the 5% DSIC cap is necessary to ensure and maintain adequate, efficient, safe, reliable, and reasonable service; and (2) an increase of the DSIC cap, from 5% to 9%, is just and reasonable. Thus, the ALJ recommended that the Commission deny PPL's Petition. Specifically, the ALJ found that PPL failed to present evidence to show that an increase to the DSIC cap is necessary and in the public interest, given PPL's strong financial condition and its assurance that it will meet its LTIP obligations without a waiver. The ALJ noted that PPL can renew its request for a DSIC cap waiver and increase in its next base rate case filing or thereafter, the timing of which would be entirely under PPL's control.

Exception No. 1

In its Exception No. 1, PPL asserts that: (a) the ALJ erred in finding that the Company did not meet its burden of proof to demonstrate that its proposed waiver and increase of the DSIC cap is necessary to ensure and maintain adequate, efficient, safe, reliable, and reasonable service; (b) the ALJ erred in relying on the Company's statement that it will comply with its Modified LTIP, regardless of whether the DSIC cap is waived, as a basis for recommending that the Commission deny the Petition; (c) the ALJ erred in finding that because the Company last filed a base rate case in 2015, the Company should seek additional revenues to fund system enhancements through a base rate filing; and (d) the ALJ erred in determining that the Company's proposal would produce an exceptional DSIC rate and a significant increase in monthly and annual utility costs to be borne by the Company's customers.

⁴ *Pa. PUC v. Aqua Pennsylvania, Inc.*, Docket Nos. R-2008-2079310, *et al.* (Opinion and Order entered July 23, 2009) (2009 Aqua Order); *Petition of Pennsylvania-American Water Company 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.* (Opinion and Order entered August 14, 2007) (2007 PAWC Order); *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.* (Opinion and Order entered January 28, 2016) (2016 PGW Order), *reconsideration granted* (Opinion and 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 (Opinion and Order entered May 10, 2017) (2017 UGI-CPG Order), *reconsideration denied* (Order entered September 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 (Opinion and Order entered May 10, 2017) (2017 UGI-PNG Order)).

a. PPL's Reliability Performance

I agree with PPL that the Company has established that a waiver of its DSIC cap is necessary for the Company to continue to ensure and maintain safe and reliable service. The Company has failed to meet the Commission's SAIDI benchmark in nine quarters since 2021 and the Commission's CAIDI benchmark in every quarter since 2020. The Commission should not admonish the Company for not meeting reliability metrics, while denying the company the tools necessary to improve these metrics. I also find it compelling that maintaining and improving service reliability are also becoming increasingly difficult due to: (1) the severity and frequency of weather events; (2) aging infrastructure, and (3) rising supply and materials costs due to inflation and supply chain constraints, which are driven by commodity shortages, transportation costs, and increased industry demands. As a result, the Company regularly exceeds the 5% cap because it continues to invest in DSIC-eligible reliability projects. As such, I find that the DSIC waiver is necessary for PPL to maintain safe and reliable service to its customers.

b. PPL's Compliance with LTIP

I agree with PPL that the Company is not required to demonstrate that it is unable to comply with its Modified LTIP without the requested DSIC cap waiver. The Commission should not wait until the Company's performance metrics are at the point of failure through LTIP non-compliance before providing the Company with a DSIC cap waiver.

c. Whether PPL Should File a Base Rate Case

I agree with PPL and I&E that there is no statutory requirement that a utility file a base rate case prior to obtaining a waiver of the DSIC cap. Additionally, a public utility is not required to file a base rate case within a certain number of years before such a waiver and increase is granted. PPL notes that the requested DSIC cap increase, at 9%, is estimated to recover approximately \$45 million annually, when compared to the base rate increases requested by other utilities in 2024, which ranged from approximately \$133 million to \$502 million. The DSIC cap increase at 7.5% is estimated to recover approximately \$28 million annually.

The Commission has the authority and discretion to grant such a waiver, to ensure and maintain reliable service. In this instance, granting a DSIC waiver will not only accelerate infrastructure improvements by the Company, but it will also assist with customer affordability by reducing the frequency and cost of rate cases the Company incurs. I also note that the DSIC process offers numerous consumer protections through comprehensive scrutiny of PPL's LTIP and Asset Optimization Plans (AOP).

d. Whether PPL's Proposed DSIC is Reasonable

I agree with PPL that the DSIC cap waiver would result in a minimal impact on the average customer bill. PPL avers that for every 0.5% increase in the DSIC cap, residential customer bills would increase by \$0.30. Thus, if the DSIC cap is set at 7.5%, the average residential customer bill increase will be approximately \$1.50 a month. I find that this increase is necessary for PPL to maintain safe and reliable service for its customers. Additionally, the

DSIC cap waiver is a much more affordable option for customers as compared to a rate case filing. Further, as previously set forth, the DSIC review process also offers robust customer protections through the LTIP and AOP review procedures.

Exception No. 2

In its Exception No. 2, PPL reinforces its claim that the Company’s DSIC cap should be substantially increased above the current 5% cap until the effective date of rates in the Company’s next base rate case or the end of the Company’s current LTIP (*i.e.*, through December 31, 2027), whichever occurs first. I&E also proposed that if the Commission grants the Petition, then the Commission limit the DSIC cap to a maximum of 7.5%. I agree that PPL’s proposed DSIC cap should be set at 7.5% 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. I find that this limited temporary waiver is reasonable and in the public interest.

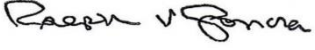
THEREFORE, I MOVE:

1. That the Exceptions of PPL Electric Utilities Corporation, filed on December 11, 2024, to the Recommended Decision of Administrative Law Judge Arlene Ashton, issued on November 21, 2024, at Docket No. P-2024-3048732, are granted in part and denied in part, consistent with this Motion.
2. That the Recommended Decision of Administrative Law Judge Arlene Ashton, issued on November 21, 2024, at Docket No. P-2024-3048732, is modified, consistent with Motion.
3. That the Petition filed on April 26, 2024, by PPL Electric Utilities Corporation, at Docket No. P-2024-3048732, seeking a waiver of its Distribution System Improvement Charge cap of 5% and approval to increase the Distribution System Improvement Charge cap up to 9% of billed revenues, is granted in part, consistent with this Motion.
4. That the following Formal Complaints at the respective docket numbers are dismissed and marked closed by the Commission’s Secretary’s Bureau:

<u>Complainant(s)</u>	<u>P-2024-3048732</u>
Michael L. Sperazza	C-2024-3049979
Paula Mercuri	C-2024-3050027
Angela Pesola	C-2024-3050205
John Theisen	C-2024-3050443
Sharon Frankenfield	C-2024-3050646
John Gadomski	C-2024-3050661

5. That the Office of Special Assistants prepare an Opinion and Order consistent with this Motion.

Date: February 20, 2025



Ralph V. Yanora