

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of PPL Electric Utilities Corporation :
For Approval of a Default Service Program : Docket No. P-2016-2526627
And Procurement Plan for the Period :
June 1, 2017 through May 31, 2021 :

REBUTTAL TESTIMONY

OF

RICHARD S. HAHN

REGARDING PPL ELECTRIC UTILITIES CORPORATION
2017 DEFAULT SERVICE PROGRAM

ON BEHALF OF THE

PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

May 23, 2016

Table of Contents

I. INTRODUCTION 1

II. SUMMARY AND RECOMMENDATIONS 1

III. RESPONSE TO RESA DIRECT TESTIMONY..... 2

IV. CONCLUSION 5

1 **I. INTRODUCTION**

2
3 **Q. Please state your name and business address.**

4
5 A. My name is Richard S. Hahn. My business address is Daymark Energy Advisors
6 (“Daymark”, formerly La Capra Associates), One Washington Mall, Boston,
7 Massachusetts 02108.

8
9 **Q. On whose behalf do you testify in this proceeding?**

10
11 A. I am testifying on behalf of the Pennsylvania Office of Consumer Advocate
12 (“OCA”).

13
14 **Q. Have you previously submitted testimony in this proceeding?**

15
16 A. Yes. My direct testimony was filed on April 20, 2016.

17
18 **Q. What is the purpose of your rebuttal testimony in this proceeding?**

19
20 A. The purpose of my rebuttal is to respond to the direct testimony of Mr. Matthew
21 White on behalf of the Retail Energy Supply Association (RESA) filed on April 20, 2016.

22 **II. SUMMARY AND RECOMMENDATIONS**

23
24 **Q. Please summarize your conclusions and recommendations.**

25
26 A. My conclusions and recommendations for this rebuttal testimony can be
27 summarized as follows:

- 28
29
 - I continue to support a term of four years for PPL’s DSP IV.

- The measures proposed by Mr. White on behalf of RESA to inject transparency into PPL’s Network Integration Transmission Service (“NITS”) rates should be implemented. Furthermore, additional measures, as described later in this testimony, that would facilitate the development of a forecast of PPL’s NITS rate should also be implemented.

III. Response to RESA Direct Testimony

Q. What issues are raised by the direct testimony of Mr. White on behalf of RESA that you wish to respond to.

A. Mr. White opposes extending the term of DSP IV to four years. In addition, Mr. White addresses the issues of the responsibility for Network Integration Transmission Service (NITS) costs. Specifically, he does not at this time recommend that PPL be responsible for such costs for all load serving entities (“LSEs”), but Mr. White proposes to implement measures to inject transparency into the establishment of these charges.

Q. In his direct testimony, what does Mr. White state regarding the plan term?

A. Mr. White acknowledges that he supported a plan term of four years in the proceeding to review FirstEnergy’s DSP IV, but stated that his support was part of a broader settlement which contains other provisions that in aggregate RESA could accept. His main argument in this proceeding for a two-year plan appears to be that a “two-year term would allow the Company to appropriately adjust its procurement mix if we were to enter a period of rapidly escalating energy costs.”¹ I do not agree that this concern is sufficient to warrant a two-year plan. A well designed procurement plan should function properly in markets with varying conditions. If RESA believes that prices will increase dramatically in the future, the answer is not to shorten the Plan period and expose customers to volatility and uncertainty. Rather, the measured mix of products that I

¹ See the RESA testimony on page 3, line 25 to page 4 line 7.

1 recommend in my direct testimony in Exhibit OCA-RSH-3 and Exhibit OCA-RSH-4 will
 2 address these concerns.

3

4 **Q. How do you respond to the issue of the term of DSP IV?**

5

6 A. PPL has proposed a four-year term in its application, and I supported a four-year
 7 term in my direct testimony. Nothing in Mr. White’s direct testimony has caused me to
 8 alter that position.

9

10 **Q. What does Mr. White propose to improve the transparency of NITS charges?**

11

12 A. In order to provide additional transparency into how rates for NITS will change in
 13 the future, Mr. White proposes the following.

14

- 15 • *The Companies will provide notice to EGSs and default service suppliers of any*
 16 *public, docketed FERC filings that modify the NITS rate for any transmission*
 17 *company providing service to one of the Companies. This includes but is not*
 18 *limited to any informational filings implementing annual rate changes under a*
 19 *formula rate. All such notices will be provided via email through the Supplier*
 20 *Support communications process, and through updating FAQs on the default*
 21 *service auction website not later than ten days after such filing is made at the*
 22 *FERC. All communications will be archived on the Companies' Supplier Support*
 23 *website, as well as the Companies' default service auction website.*
- 24 • *The Companies will add a page to their Supplier Support website titled "NITS*
 25 *Rate Information." This page will include the information and notices referenced*
 26 *in the foregoing provision. The website will also include a prominent table*
 27 *displaying the currently-effective NITS rate for each of the Companies, the*
 28 *effective dates of the NITS rate, and a column labeled "Future NITS Rate." The*
 29 *"Future NITS Rate" will reflect any proposed rate filed at the FERC as well as the*
 30 *proposed effective date of the rate.*

31

32 **Q. How do you respond to the NITS issue?**

33

34 A. I agree with Mr. White that some measures could and should be implemented to
 35 inject some transparency into PPL’s rates for NITS. The measures that Mr. Whites
 36 proposes are reasonable, and should not be burdensome to PPL to implement. In

1 addition, I believe that other measures could be implemented that would not be
2 burdensome to PPL and would inject even greater transparency.

3
4 **Q. Please describe these additional measures.**

5
6 A. Transmission rates are almost always cost-based rates developed by cost of
7 service calculations that are well established. Many transmission rates are formula rates,
8 where the cost of service calculations are provided and the inputs are taken from FERC
9 accounts, such as transmission plant in-service or transmission O&M costs. For
10 companies that utilize historic test year data, such data is often available in public
11 documents such as the FERC Form 1 Report. For companies that use forward-looking
12 test years, a forecast of these inputs is needed. New transmission lines do not materialize
13 overnight. These projects involve years of planning, design, and construction, so it is
14 relatively straightforward to track the progress of such projects. PPL could add to its
15 website a quarterly update of the status of the construction of its major transmission
16 projects and capital spending. Armed with such information, any EGS could prepare a
17 reasonable forecast of what PPL's NITS rate could be several years into the future. The
18 EGS could use this forecasted rate to decide what prices to offer to potential customers.

19
20 **Q. Has such an approach been done previously?**

21
22 A. In the ISO New England ("ISO-NE") control area, one component of the cost of
23 NITS is the Regional Network Service ("RNS") rate. This rate is set annually and
24 recovers the cost of Pool Transmission Facilities ("PTF"), which are transmission
25 facilities whose costs are socialized across, and paid for by, all LSEs, no matter where in
26 New England the transmission facilities or the LSEs are located. In recent times, the
27 RNS rate has been increasing substantially because a large number of transmission
28 projects have been approved and constructed. Each year, ISO NE publishes a five-year
29 forecast of what RNS rates could be going forward. Exhibit OCA-RSH-1-R provides a
30 public copy of that forecast. I see no reason why a similar process could not be

1 implemented in PPL's territory. This information could be posted on the web sites
2 identified by Mr. White.

3

4 **Q. What do you recommend?**

5

6 A. The measures proposed by Mr. White should be implemented. Furthermore,
7 additional measures as described above that would facilitate the development of a
8 forecast of PPL's NITS rate should also be implemented.

9

10 **IV. CONCLUSION**

11

12 **Q. Does this conclude your testimony?**

13 A. At this time, yes. Should additional information become available through the
14 discovery process, I will seek to supplement this testimony as appropriate.

15

16 221415.doc

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of PPL Electric Utilities Corporation :
For Approval of a Default Service Program : Docket No. P-2016-2526627
And Procurement Plan for the Period :
June 1, 2017 through May 31, 2021 :

EXHIBIT ACCOMPANYING

THE

REBUTTAL TESTIMONY

OF

RICHARD S. HAHN

REGARDING PPL ELECTRIC UTILITIES CORPORATION
2017 DEFAULT SERVICE PROGRAM

ON BEHALF OF THE

PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

May 23, 2016



RNS Rates: 2015 – 2019 PTF Forecast

PTO AC – Rates Working Group – Presentation

NEPOOL Reliability Committee/Transmission Committee – Summer Meeting

July 14-15, 2015

Presentation Overview

	<u>Page</u>
● 2015 Forecast Comparison - Summary	3
● 2015 Forecast Comparison - Detail	4
● 2016 – 2019 Forecast - Disclaimer	5
● 2016 – 2019 Forecast - Summary	6
● New England RNS Rate Forecast - Summary	7
● 2016-2019 Forecast Components	8

2015 Forecast Comparison - Summary

- Three factors contribute to a variance:
 - Capital additions in-service and CWIP
 - Carrying charge factors
 - Average 12CP RNS loads
- Actual June 1, 2015 RNS rate forecast reflects:
 - Updated PTF additions in-service and CWIP
 - Based on 2014 carrying charge factors
 - Based on 2014 average 12CP RNS load
 - These updates caused a \$0.02 kW/yr decrease in the RNS rate relative to what was projected for 2015 last year.

2015 Forecast Comparison - Detail

(A) Participating Transmission Owner	2015 Forecast Provided at the 2014 RC/TC Summer Meeting		Actual June 1, 2015 RNS Rate		(F) Variance Impact (\$/kW-Yr)
	(B) 2015 Projected PTF Additions (including CWIP) (\$ in Millions)	(C) Forecasted RNS Revenue Requirements (\$ in Millions)	(D) 2015 Projected PTF Additions (including CWIP) (\$ in Millions)	(E) Forecasted RNS Revenue Requirements (\$ in Millions)	
CMP	101	19	107	19	\$0.05
CTMEEC	0	0	0	0	\$0.00
Emera Maine	0	0	10	1	\$0.05
Eversource (NSTAR)	142	20	146	21	\$0.11
Eversource (CL&P, PSNH, & WMECO)	330	55	326	54	\$0.10
HG&E	0	0	0	0	\$0.00
NHT	2	0	1	0	\$0.00
NGRID	211	31	166	25	(\$0.20)
UI	59	11	42	8	(\$0.10)
VT Transco	35	7	34	6	(\$0.03)
Total	880	143	832	134	
RNS Rate Incremental Impact (\$/kW-Yr)		\$6.80	\$6.78		(\$0.02)

Note: Figures may be off slightly due to rounding.

2016 - 2019 Forecast - Disclaimer

The 2016-2019 forecast herein provides an indicative RNS rate trend; it should be used for illustrative purposes only.

The estimated data utilized by the PTO AC to develop this forecast of RNS rates is based upon estimated capital additions provided to the Committee by all the New England Transmission Owners. Estimates for 2016 capital additions will be finalized during the normal course of update to the RNS rate effective June 1, 2016 and will reflect more current information.

The PTO AC acknowledges that this 2016-2019 forecast is based on a number of assumptions and variables including, among others, estimated project need, design, scope, labor & materials costs, inflation, site & permitting approvals, transmission in-service dates, estimated carrying charges & coincident peak network loads. It is therefore expected that such estimates and assumptions will change over time as more current data become available.

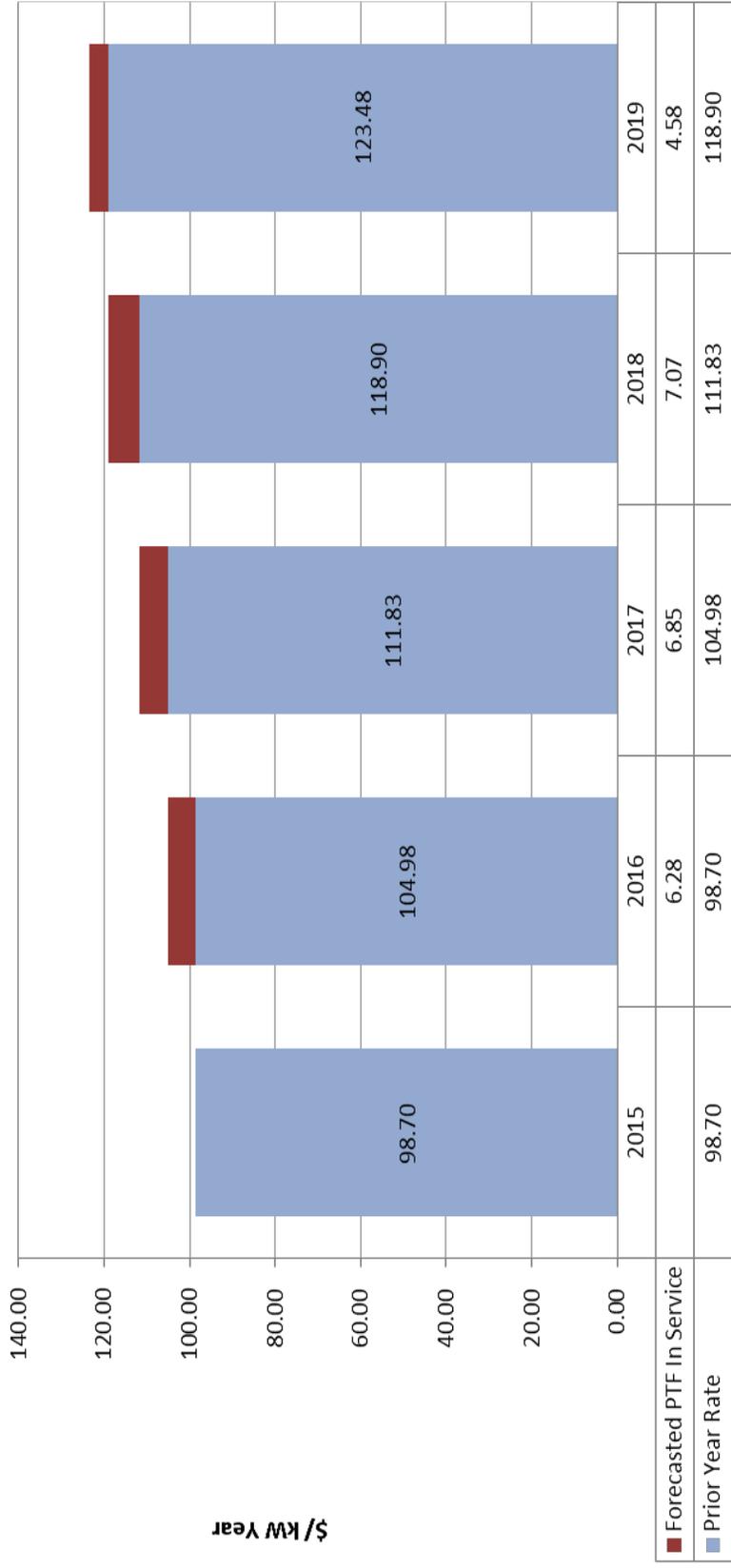
In addition, the 2016-2019 forecast reflects gross costs and does not include assumptions pertaining to savings (e.g., associated with congestion, unlocked capacity, etc.) or prior year true-up adjustments.

2016 - 2019 Forecast - Summary

(A)	(B) 2016	(C) 2017	(D) 2018	(E) 2019
(1) Estimated Additions In-Service and CWIP (\$M)	748	833	893	563
(2) Forecasted Revenue Requirement (\$M)	124	135	140	90
(3) Estimated RNS Rate Impact (\$/kW-Yr)	6	7	7	4
(4) Estimated RNS Rate Forecast (\$/kW-Yr)	105	112	119	123
(5) Estimated RNS Rate Forecast (\$/kWh)	0.020	0.021	0.023	0.024
Assumes a 59.4% Load Factor				

Forecast is preliminary and for illustrative purposes only. Estimates are consistent with the March 2015 RSP and do not reflect revised ISO forecasts. Figures may be off slightly due to rounding.

New England RNS Rate Forecast – Summary



Total RNS Rate Effective June 1	98.70	104.98	111.83	118.90	123.48
\$/kWh (assumes a 59.4% load factor)	.019	.020	.021	.023	.024

Forecast is preliminary and for illustrative purposes only. Estimates are consistent with the March 2015 RSP and do not reflect revised ISO forecasts. Figures may be off slightly due to rounding.

2016-2019 Forecast Components

Participating Transmission Owner	2016-2019 Projected PTF Additions (including CWIP) (\$in Millions)	Key Drivers - Major Projects >\$50M in One Calendar Year
CMP	140	
CTMEEC	0	
Emera Maine	15	
Eversource (NSTAR)	739	New Electric Ave SS & Line, Greater Boston Project
Eversource (CL&P, PSNH, & WMECO)	938	Pittsfield - Greenfield Projects, Greater Hartford Central Connecticut Projects, Southwest Connecticut Projects
HG&E	5	
NHT	13	
NGRID	639	NEEWS, Greater Boston Projects
UI	249	Baird to Housatonic River Crossing 88006A - 89006B 115 kV Line Upgrades, Baird to Congress 8809A - 8909B 115 kV Line Upgrades
VT Transco	299	Connecticut River Valley Project and Structure Condition Improvement and PV 20 Projects
Total	3,037	

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of PPL Electric Utilities Corporation :
For Approval of a Default Service Program : Docket Nos. P-2016-2526627
And Procurement Plan for the Period :
June 1, 2017 through May 31, 2021

VERIFICATION

I, Richard S. Hahn, hereby state that the facts above set forth in my Rebuttal Testimony, OCA Statement No. 1-R are true and correct and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Signature: Richard S. Hahn
Richard S. Hahn

Consultant Address: Daymark Energy Advisors
One Washington Mall, 9th Fl.
Boston, MA 02108

DATED: May 23, 2016