



June 21, 2017

KENNETH L. MICKENS, ESQUIRE LLC  
LEGAL CONSULTING

Rosemary Chiavetta, Secretary  
PA Public Utility Commission  
P.O. Box 3265  
Harrisburg, PA 17105-3265

**Re: *Petition of PPL Electric Utilities Corporation for Approval of a  
New Pilot Time-of-Use Program***  
**Docket No. P-2013-2389572; Docket No. M-2016-2578051**

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

**Answer of the Sustainable Energy Fund**

Dear Secretary Chiavetta:

Enclosed please find the Answer of the Sustainable Energy Fund for filing in the above-cited proceeding pursuant to the Secretarial Letter dated April 6, 2017. Please contact me if you have any questions concerning this matter.

Sincerely,

A handwritten signature in cursive script, appearing to read "Kenneth L. Mickens".

Kenneth L. Mickens, Esq.  
Attorney for the Sustainable  
Energy Fund

## CERTIFICATE OF SERVICE

**Docket Nos. P-2016-2526627, P-2013-2389572 & M-2016-2578051**

I hereby certify that I have this day served a copy of the foregoing SEF Answer upon the following persons via e-mail and first class mail in accordance with the requirements of 52 Pa. Code § 1.54 et seq.

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Dated: June 21, 2017

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of PPL Electric Utilities Corporation for Approval of a Default Service and Procurement Plan for the Period June 1, 2017 through May 31, 2021	:	
	:	Docket No. P-2016-2526627
	:	
	:	
	:	
Petition of PPL Electric Utilities Corporation for Approval of a New Pilot Time-of-Use Program	:	Docket Nos. P-2013-2389572 & M-2016-2578051

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**ANSWER OF THE  
SUSTAINABLE ENERGY FUND**

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**I. INTRODUCTION**

This Answer is offered by the Sustainable Energy Fund (“SEF”) in response to PPL Electric Utilities Corporation’s (“PPL Electric” or “Company”) Petition filed on June 1, 2017 and identified in the above caption. In the past, PPL Electric has proposed various Time of Use (“TOU”) rates with limited success in implementation. PPL Electric now puts forth an additional TOU program as directed by an April 6, 2017, Public Utility Commission Secretarial Letter. Sustainable Energy Fund has testified in PPL Electric’s TOU rate proceedings at Docket Numbers R-2009-21222718 and P-2013-2389572 and PPL Electric’s recent Default Service proceeding at Docket No. P-2016-2526627.

## II. ANSWER

1. Sustainable Energy Fund supports TOU rates when such rates are properly designed and implemented. TOU rates reduce peak consumption and tend to reduce the use of the most expensive generation resources. In addition, TOU rates create a pricing differential between “on-peak” and “off-peak” periods with “on-peak” periods at a higher price than “off-peak” periods. For example, under a traditional flat rate, ratepayers pay the same price to run a dishwasher at 5 p.m., when electricity demand and rates are higher, as they do at midnight, when electricity demand and rates are lower. However, by communicating appropriate market-pricing signals to the ratepayer instead of creating an artificial flat rate, different rates for different time periods are developed in a manner that directly corresponds with electricity demand and rates. This difference in rates provides an opportunity for ratepayers to lower utility bills by shifting load from relatively more expensive “on-peak” generation resources to comparatively less expensive “off-peak” generation resources.

2. Unfortunately, PPL Electric’s instant TOU Petition is deficient in several respects. First, the Petition does not include

the proposed tariffs and lacks specificity concerning net metering compensation. Consequently, SEF recommends that the Commission modify the process for approval of PPL Electric's TOU rate to include a period for discovery. The TOU rate has been an issue since at least 2009. This is not a coincidence. Developing a meaningful TOU rate is a complicated process. Consequently, SEF submits that approving the rate without a hearing (including an allowance for discovery of the actual processes and procedures) is not in the best interest of ratepayers.

3. Second, PPL Electric has proposed residential on-peak hours of 4 p.m. to 8 p.m., commercial summer on-peak hours of 10 a.m. to 4 p.m. and commercial winter on-peak hours of 8 a.m. to 3 p.m. excluding Saturdays, Sundays and PJM holidays.<sup>1</sup> However, these time periods are not adequately supported. In this regard, PPL Electric's Petition states that the on-peak hours were selected based on respective customer class peak hours, PPL Electric system usage and PJM's system peaks.<sup>2</sup> In fact, of the three criteria, the only one that is truly impactful is the reference to PJM

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<sup>1</sup> PPL Electric Petition, p. 8.

<sup>2</sup> PPL Electric Petition, pp. 8-9.

Interconnection system economic peaks. All customers and customer classes purchase their electricity from the same grid, PJM. SEF submits that if there is a benefit to TOU rates to be derived from the further build out of PPL Electric's distribution system, this is a matter that should have been litigated during PPL Electric's last base rate proceeding. The only matter at issue in this proceeding concerns the generation portion of the customer's bill, not the distribution portion. Consequently, PPL Electric has erred in its proposal since the on-peak period of import relates only to the PJM Grid. In fact, the extent to which residential and commercial on-peak periods of PPL Electric customers differ from PJM peaks, only serves to offer better pricing to PPL Electric customers. Significantly, the period of peak summer consumption on the PJM Grid is from 2 to 6 p.m. Consequently, both residential and commercial on-peak periods should be established as from 2 p.m. to 6 p.m. Peaks are properly determined for PPL Electric by reference to the PJM Interconnection, which is the regional transmission organization ("RTO") that coordinates the movement of wholesale electricity in Pennsylvania, as well as all or parts of twelve other states and the District of Columbia.

4. Historically, the peaks have occurred between hours ending 16:00 and 18:00 as indicated in the following table:

Year	Time
1998	17:00
1999	17:00
2000	17:00
2001	16:00
2002	17:00
2003	17:00
2004	17:00
2005	16:00
2006	17:00
2007	16:00

Year	Time
2008	17:00
2009	16:00
2010	17:00
2011	17:00
2012	18:00
2013	17:00
2014	18:00
2015	17:00
2016	16:00

**Summer 2016 RTO Coincident Peaks<sup>3</sup>**

Day	Date	Hour
Thursday	8/11/2016	16:00
Monday	7/25/2016	16:00
Friday	8/12/2016	16:00
Wednesday	7/27/2016	17:00
Wednesday	8/10/2016	17:00

In addition, using long on-peak periods for commercial and industrial customers allows them little opportunity to shift loads and participate in the TOU rate. Similarly, a 4 p.m. to 8 p.m. residential on-peak period would not encourage rate payers to set their thermostats back during the summer months while at work and reset the temperature when they return home.

<sup>3</sup> Summer 2016 RTO Coincident Peaks retrieved from PJM June 14, 2017.

5. Sustainable Energy Fund supports the installation and operation of renewable energy systems and associated net metering policies. Establishing an on-peak period of 10 a.m. to 4 p.m. for small commercial and industrial does not align with the grid peak of 2 p.m. to 6 p.m. Consequently, the value for solar production during the proposed on-peak period will not be aligned with the true on-peak period. This misalignment of economic value will result in over valuing solar production from 10 a.m. to 2 p.m. This will be a problem because some small commercial and industrial customers have little load and large solar systems, which will result in large banks of on-peak production and eventual payout. The unintended consequence of this action may be to limit the attraction of EGSs to serve the TOU load. If this occurs and the default mechanism is used, non-generating small commercial and industrial customers will bear the cost of this economic mismatch.

6. Sustainable Energy Fund may support PPL Electric's proposal to track on-peak and off-peak usage of net metering customers, but SEF has questions relating to the mechanics of the banking of excess credits and the billing of differences. For

example, suppose a customer generates 8,000 kWh in a month, 2,000 of which is on-peak and 6,000 of which is off-peak. The customer consumes 800 kWh on-peak and 8,000 kWh off-peak. Would this customer then bank 1,200 kWh at the on-peak rate and be billed for 2,000 kWh at the off-peak rate? If so, how would the customer be credited at the full retail rate for excess generation since compensation at the end of the PJM year is paid out at the on-peak generation rate? For residential customers, this would result in the loss of reimbursement for distribution charges, which is a portion of the full retail rate. There are also other scenarios that raise similar concerns.

**AFFIDAVIT**

I, John M. Costlow, certify that I am President/CEO of the Sustainable Energy Fund and that, in said capacity, I am authorized to and do make this Affidavit for it, that the facts set forth in the foregoing SEF Answer concerning PPL Electric Utilities Corporation's Time-of-Use Program (at Docket #s P-2013-2389572, M-2016-2578051 & P-2016-2526627) are true and correct to the best of my knowledge, information and belief. I understand that false statements made herein are made subject to the penalties of 18 Pa. C.S. § 4904, relating to unsworn falsifications to authorities.

John M. Costlow

John M. Costlow  
President/CEO  
Sustainable Energy Fund

Dated: June 21, 2017