



17 North Second Street  
12th Floor  
Harrisburg, PA 17101-1601  
717-731-1970 Main  
717-731-1985 Main Fax  
www.postschell.com

---

Michael W. Hassell

mhassell@postschell.com  
717-612-6029 Direct  
717-731-1985 Direct Fax  
File #: 157102

March 13, 2018

***VIA ELECTRONIC FILING***

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

**Re: 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**

**Petition of PPL Electric Utilities Corporation for Approval of a New Pilot Time-of-Use Program, Docket Nos. P-2013-2389572 and M-2016-2578051**

Dear Secretary Chiavetta:

Enclosed please find the Joint Petition for Settlement in the above-referenced proceeding. Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,

Michael W. Hassell

MWH/skr  
Enclosure

cc: Honorable Joel H. Cheskis  
Certificate of Service

## CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing 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).

### VIA E-MAIL AND FIRST CLASS MAIL

Aron J. Beatty  
Office of Consumer Advocate  
555 Walnut Street, 5<sup>th</sup> Floor  
Harrisburg, PA 17101-1923

Steven C. Gray  
Office of Small Business Advocate  
300 North Second Street, Suite 1102  
Harrisburg, PA 17101

Pamela Polacek  
Adeolu A. Bakare  
Alessandra L. Hylander  
McNees, Wallace & Nurick  
100 Pine Street  
Harrisburg, PA 17108-1166  
*Counsel for PPLICA*

Kenneth L. Mickens  
The Sustainable Energy Fund of Central  
Eastern Pennsylvania  
316 Yorkshire Drive  
Harrisburg, PA 17111  
*Counsel for SEF*

Patrick M. Cicero  
Elizabeth R. Marx  
Kadeem Morris  
Pennsylvania Utility Law Project  
118 Locust Street  
Harrisburg, PA 17101  
*Counsel for CAUSE-PA*

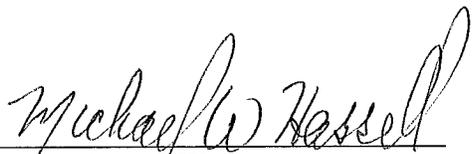
Mark S. Stewart  
Karen O. Moury  
Carl R. Shultz  
Eckert Seamans Cherin & Mellott, LLC  
213 Market St., 8<sup>th</sup> Floor  
Harrisburg, PA 17101  
*Counsel for DCIDA*

Robert D. Knecht  
Industrial Economics Incorporated  
2067 Massachusetts Avenue  
Cambridge, MA 02140

Steven L. Estomin Ph. D  
Exeter Associates Inc.  
10480 Little Patuxent Parkway  
Suite 300  
Columbia, MD 21044

John Costlow  
Consultant for Sustainable Energy Fund  
1005 Brookside  
Allentown, PA 18106

Date: March 13, 2018

  
Michael W. Hassell

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

|  |   |             |                                  |
|--|---|-------------|----------------------------------|
| 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                   |
|  | : |             |                                  |
|  | : |             |                                  |
|  | : |             |                                  |
|  | : |             |                                  |
| Petition of PPL Electric Utilities Corporation for Approval of a New Pilot Time-of-Use Program   | : | Docket Nos. | P-2013-2389572<br>M-2016-2578051 |
|  | : |             |                                  |

**JOINT PETITION FOR SETTLEMENT**

TO THE HONORABLE JOEL H. CHESKIS, ADMINISTRATIVE LAW JUDGE:

PPL Electric Utilities Corporation (“PPL Electric” or the “Company”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”), the Sustainable Energy Fund (“SEF”), and the Dauphin County Industrial Development Authority (“DCIDA”) (collectively, the “Joint Petitioners”) respectfully submit this Joint Petition for Settlement (“Settlement”) and request that Administrative Law Judge Joel H. Cheskis (the “ALJ”): (1) approve the Settlement of this proceeding without modification; and (2) recommend that the Pennsylvania Public Utility (“Commission”) adopt the Settlement without modification.<sup>1</sup> Joint Petitioners have agreed to a full Settlement that resolves all issues among the parties to the above-captioned proceeding concerning PPL Electric’s new Time-of-Use (“TOU”) Program.

In support of their request, the Joint Petitioners state as follows:

---

<sup>1</sup> The PP&L Industrial Customer Alliance (“PPLICA”) is not a Joint Petitioner and does not oppose this Settlement.

## I. BACKGROUND

1. On June 1, 2017, PPL Electric filed a Petition for Approval of a New TOU Program (“June 1, 2017 Petition”). PPL Electric filed the June 1, 2017 Petition pursuant to 52 Pa. Code § 5.41 and in compliance with the Commission’s Secretarial Letter dated April 6, 2017 in *Petition of PPL Electric Utilities Corporation for Approval of a New Pilot Time-of-Use Program*, Docket Nos. P-2013-2389572 and M-2016-2578051, and *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, which required the Company to file a new TOU proposal on or before June 1, 2017.

2. Previously, on August 23, 2013, PPL Electric filed a petition requesting Commission approval of a Pilot TOU Program. By Order entered September 11, 2014, the Commission approved the Pilot TOU Program. *Petition of PPL Electric Utilities Corporation for Approval of a New Pilot Time-of-Use Program*, Docket No. P-2013-2389572 (Order entered September 11, 2014) (*September 2014 Order*). Thereafter, DCIDA appealed the *September 2014 Order*. In *Dauphin County Industrial Development Authority v. Pa. PUC*, 123 A.3d 1124 (Pa. Cmwlth. 2015) (*DCIDA*), the Commonwealth Court of Pennsylvania (“Commonwealth Court”) reversed and remanded the Commission’s Order. PPL Electric filed a Petition for Allowance of Appeal from the Commonwealth Court’s decision with the Pennsylvania Supreme Court. On June 1, 2016, the Supreme Court denied the Petition. *Petition for Allowance of Appeal from the Opinion of the Commonwealth Court, No. 1814 C.D. entered September 9, 2015, Reversing and Remanding the Opinion and Order of the Pennsylvania Public Utility Commission, Docket No. P-2013-2389572 entered September 11, 2014*. In response to the Commonwealth Court’s *DCIDA* Order, on December 2, 2016, the Commission issued a Secretarial Letter inviting interested parties to submit written comments regarding the

Commission's intent to initiate a proceeding to comply with the directives arising from the Commonwealth Court's *DCIDA* Order. Subsequently, the Commission issued its April 6, 2017 Secretarial Letter providing guidance for the Company's new TOU Proposal to be filed on or before June 1, 2017.

3. Answers in response to the Company's June 1, 2017 Petition were filed by the OSBA, OCA, SEF, DCIDA and CAUSE-PA. PPLICA filed a Petition to Intervene.

4. The Joint Petitioners submitted prehearing conference memoranda on September 8, 2017.

5. A prehearing conference was held on September 15, 2017.

6. On September 20, 2017, the ALJ issued a Scheduling Order.

7. The Joint Petitioners submitted direct, rebuttal and surrebuttal testimony pursuant to the procedural schedule established in this proceeding.

8. A significant amount of information was supplied by PPL Electric both formally in response to interrogatories as well as informally through settlement discussions.

9. Prior to the evidentiary hearing, PPL Electric notified the ALJ that the Joint Petitioners had achieved a settlement in principle to resolve all issues in this proceeding.

10. At the hearing held on January 30, 2018, the Joint Petitioners submitted their respective testimony and exhibits for the record by stipulation.

11. Jointly proposed Findings of Fact and Conclusions of Law are set forth in the following Sections II and III, and the Terms and Conditions of the Settlement and are set forth in Section IV.

## **II. PROPOSED FINDINGS OF FACT**

12. The Company has developed a Primary and Contingency TOU Plan. (PPL Electric St. No. 1, p. 7)

13. Implementation of the TOU rates will be timed to correspond with the semi-annual effective date of fixed default service rate changes (i.e., December 1 or June 1). (PPL Electric St. No. 1, p. 9)

14. The TOU Program will remain in effect through May 31, 2021. (PPL Electric St. No. 1, p. 9) This is the termination date of PPL Electric's currently-effective Default Service Program ("DSP").

15. The TOU Program is specifically designed for Residential and Small Commercial & Industrial ("Small C&I") customers.<sup>2</sup> Large C&I customers are not eligible to participate. (PPL Electric St. No. 1, p. 9)<sup>3</sup>

16. Residential customers enrolled in PPL Electric's Customer Assistance Program ("CAP"), OnTrack, are not eligible to participate in the TOU Program. (PPL Electric St. No. 1, p. 9)

17. OnTrack customers will still be eligible to select an alternative electric generation supplier by participating in PPL Electric's CAP Standard Offer Program ("CAP SOP"), as approved in the Company's last Default Service Plan, or remain on the Default Service rate. (PPL Electric St. No. 1, p. 10)

18. Approved Net Metering ("NM") customers are eligible to participate in the TOU Program, except that virtual NM customers are not eligible to participate. (PPL Electric St. No. 1, pp. 8, 9)

---

<sup>2</sup> The Small C&I customer class for TOU rate purposes includes customers taking service under the following tariff schedules: GS-1, GS-3 (below 100kW in peak demand), LP4 (below 100kW in peak demand), GH-2 (R), BL, SA, SM (R), SHS, SE, TS (R), SLE.

<sup>3</sup> The Large C&I customer class for TOU rate purposes includes customers taking service under the following tariff schedules: GS-3 (at or above 100 kW in peak demand), LP-4 (at or above 100 kW in peak demand), LP-5, LPEP and L5S. Large C&I default service customers already receive hourly priced rates under Schedule GSC-2.

19. All eligible customers participating in the TOU Program must have a smart meter. Unmetered accounts are not eligible. (PPL Electric St. No. 1, p. 9)

20. The Company is seeking to procure two types of TOU supply products –full requirements load following supply for Residential customers and full requirements load following supply for Small C&I customers. Within each of the two customer classes, there are two seasonal periods – Summer and Winter. Each seasonal period is further broken down into on-peak and off-peak hourly terms. The seasonal periods and hourly terms determine the payments to winning wholesale supplier(s) and the rates paid by TOU customers. (PPL Electric St. No. 1, pp. 9-10)

21. The Summer and Winter TOU terms align with the six-month Price-to-Compare (“PTC”) terms, running June through November and December through May, respectively. (PPL Electric St. No. 1, pp. 11)

22. The TOU Program will have different on-peak and off-peak hourly periods for the Summer and Winter seasons. The on-peak and off-peak hourly periods for each season will be the same for both the Residential and Small C&I customer groups. (Settlement ¶ 58)

23. Under the Primary Plan, the Company will hold energy auctions to solicit wholesale supplier bids, which will be used to create TOU rates. Suppliers will bid off-peak prices, with the lowest overall bid per customer class winning the supply obligation for a 6 month term. The on-peak prices are a function of a multiplier established by a defined formula and the supplier off-peak price. This method establishes both on-peak and off-peak prices, by which suppliers will be paid. (PPL Electric St. No. 1, p. 7; Settlement ¶ 59)

24. Wholesale suppliers must submit bid applications and bid collateral to qualify to participate in the auction. On the bid day, qualifying wholesale suppliers are directed to submit a

bid. PPL Electric's Auction Manager will review all bids, ranking the prices from lowest to highest, and select the single lowest bid per customer group. Once the commensurate contract is executed by both parties, the winning supplier per customer class has a responsibility to supply all power product obligations for the six-month duration of the contract. (PPL Electric St. No. 1, pp. 15-16)

25. PPL Electric will hold auctions twice a year, as is done with the basic DSP. This will reduce customer confusion and encourage wholesale supplier participation through ease of participation. (PPL Electric St. No. 1, pp. 16)

26. Wholesale suppliers who qualify in the preceding default service auction will automatically qualify for the TOU Program auction. (PPL Electric St. No. 1, pp. 16)

27. Although no PPL Electric affiliates currently participate in the default service procurement, PPL Electric affiliates are eligible to be a bidder in the TOU Program Request for Proposals Process. (PPL Electric St. No. 1, pp. 30)

28. The auction dates will be in May and November for the Summer and Winter TOU periods, respectively. (PPL Electric St. No. 1, pp. 16)

29. Winning TOU suppliers are required to provide energy, capacity, ancillary costs, and renewable energy credits. (PPL Electric St. No. 1, pp. 16)

30. Customers will be charged distinct on-peak and off-peak rates, based upon the winning wholesale supplier on-peak and off-peak generation prices, plus the default service administrative cost, E-factor, merchant function charge, transmission service charge, and applicable State Tax Adjustment Surcharge. (PPL Electric St. No. 1, pp. 7-8)

31. PPL Electric's third-party default service auction manager, NERA Economic Consulting, will manage the TOU Auction and all Commission reporting requirements. (PPL Electric St. No. 1, pp. 26)

32. The designated on-peak and off-peak hours reflect Summer and Winter customer consumption patterns. (PPL Electric St. No. 1, pp. 7-8; Settlement ¶ 58)

33. PJM Day Ahead Spot Market Pricing for the PPL Residual Aggregation Zone will be used to determine the on-peak to off-peak multiplier. (PPL Electric St. No. 1, p. 15; Settlement ¶ 59)

34. Suppliers will bid an off-peak rate as a percentage of the generation rate of the PTC. (PPL Electric St. No. 1, p. 17)

35. Directing that the off-peak rate be a percentage of the generation portion of the PTC assures that customers could save money by shifting usage. (PPL Electric St. No. 1, p. 17)

36. In the event of an auction failure or a supplier default, the Contingency Plan will be implemented for either customer group, or both, until the Company can re-bid TOU supply at a subsequent TOU auction date. The Contingency Plan will establish an on-peak and off-peak rate that are based upon the generation rate of the PTC in effect at that time. (PPL Electric St. No. 1, pp. 8, 23)

37. The Contingency Plan has the same seasons, on-peak hours, and off-peak hours as the Primary Plan. (PPL Electric St. No. 1, pp. 8, 23)

38. In the event the Contingency Plan is enacted, supply will be provided by wholesale suppliers under the DSP. At the next available TOU auction, the Residential and Small C&I products will be bid. The Contingency Plan will cease upon the submission and Commission approval of a winning bid. (PPL Electric St. No. 1, p. 23-24)

39. Under the Contingency Plan, Default Service wholesale suppliers will be paid their Default Service bid price for all power provided. Suppliers providing power under the Contingency Plan will not be paid any component of the TOU rates. (PPL Electric St. No. 1, p. 25)

40. If the Contingency Plan is implemented following a failed TOU auction, the Company's website and call center scripts will be updated to reflect the Contingency Plan rates. Letters will be issued to actively participating TOU customers notifying them of the implementation of the Contingency Plan and their available options. (PPL Electric St. No. 1, p. 24)

41. The Company will maintain a log of each customer's on-peak and off-peak usage through its Meter Data Management System ("MDMS"). The MDMS records usage on at least an hourly basis. (PPL Electric St. No. 1, p. 20)

42. PJM does not actively recognize NM customers and does not allow for excess generation, represented as a negative value in the market space, to be submitted during its first submission phase, called Settlement A or Backcast. For purposes of settling excess generation with the PJM market, any excess generation produced by NM customers will be zeroed out and the negative load will be spread to all other active suppliers, shopping and non-shopping. Then, during the Settlement B or Reconciliation phase, 60 days later, PPL Electric will be able to submit a negative value extracting the excess generation applied to the other suppliers and recognizing a negative value on the supplier account and subsequent bill. (PPL Electric St. No. 1, p. 22)

43. In instances where NM customers' monthly supply exceeds customer consumption, PPL Electric will not transfer complementary alternative energy credits to the wholesale supplier. (PPL Electric St. No. 1, pp. 26)

44. Eligible customers interested in participating in the TOU Program must contact PPL Electric for sign-up. Customers may enroll through PPL Electric's call center or online. (PPL Electric St. No. 1, p. 22)

45. A customer that signs up for TOU Service will remain on TOU service until the customer proactively elects to return to basic default service or to shop for supply. (PPL Electric St. No. 1, p. 27)

46. At the start of the TOU Program, the Company will utilize the PPL Electric bill insert newsletter "PPL Connect" to communicate the commencement of the program. The Company's website also will offer information to customers on the TOU Program. (PPL Electric St. No. 1, p. 29-30)

47. There are six areas of technical change that are required to implement the TOU Program: 1) update the Energy Auction website, 2) update the PPL wholesale supplier contract management system, 3) update the Default Service invoicing system, 4) update the customer web platforms including the customer portal and PPL Electric website, 5) update the PPL Electric Customer Service System ("CSS"), which manages customer billing and Net Metering customer excess generation tracking and compensation, and 6) update the MDMS to appropriately track and aggregate TOU data fed to CSS for customer billing and PJM for market settlements. (PPL Electric St. No. 1, p. 27)

48. PPL Electric projects an estimated cost of at least \$1,000,000 to implement the TOU Program. (PPL Electric St. No. 1, p. 30)

49. The Company will recover TOU Program costs through the E-factor as a component of the GSC-1.

50. Over/under reconciliations will be calculated in total by customer class and will be recovered from all customers in the respective class, regardless of whether the customer has elected a TOU rate. (PPL Electric St. No. 1, p. 30; PPL Electric St. No. 2, p. 3; Settlement ¶ 62)

51. PPL Electric estimates that it will need nine months to implement the necessary information technology changes for the new TOU Program. (PPL Electric St. No. 1, p. 9)

### **III. PROPOSED CONCLUSIONS OF LAW**

52. PPL Electric's Petition for Approval of a New Time-of-Use Program, as modified by the Settlement, adheres to the guidelines set forth in the Commission's Secretarial Letter dated April 6, 2017 in *Petition of PPL Electric Utilities Corporation for Approval of a New Pilot Time-of-Use Program*, Docket Nos. P-2013-2389572 and M-2016-2578051, and *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.

53. PPL Electric's proposed TOU Program, as modified by the Settlement, satisfies the Company's obligation to offer a TOU rate option to the Company's default service customers, pursuant to 66 Pa. C.S. § 2807(f)(5).

54. The Settlement is in the public interest and should be approved in its entirety.

55. PPL Electric's TOU Supply Master Agreement is approved as an affiliated interest agreement, pursuant to 66 Pa. C.S. § 2102.

### **IV. SETTLEMENT TERMS AND CONDITIONS**

56. The following terms of this Settlement reflect a carefully balanced compromise of the interests of all the Joint Petitioners in this proceeding. The Joint Petitioners unanimously

agree that the Settlement is in the public interest. The Joint Petitioners respectfully request that the Settlement be approved as specified below:

**A. TOU PROGRAM OVERVIEW**

57. The proposals set forth in PPL Electric's June 1, 2017 Petition are acceptable and should be approved by the Commission, subject to the terms and conditions of the Settlement.

**B. RATE DESIGN**

58. The on-peak and off-peak hours for the Residential and Small C&I customer classes will be identical. The on-peak hours during the Summer Season<sup>4</sup> will be 2 p.m. - 6 p.m., Monday through Friday, excluding weekends and PJM Interconnection LLC ("PJM") holidays. The Winter Season on-peak hours will be 4 p.m. - 8 p.m., Monday through Friday, excluding weekends and PJM holidays.

59. The multipliers will be calculated with the first TOU auction, and updated annually thereafter. A rolling five years of historical PJM Day Ahead Spot Market Pricing data for the PPL Residual Aggregation Zone will be used, beginning with the month the auction opens, minus one month (January or August, respectively). An on-peak to off-peak price multiplier will be derived as follows:

- (a) For each calendar month, a simple average of hourly on-peak and off-peak prices will be calculated, using the seasonal and peak period definitions specified in paragraph (58);
- (b) For each calendar month, a ratio of the average on-peak price to the average off-peak price will be calculated;
- (c) The average seasonal on-peak to off-peak ratio for summer will be derived as a simple average of the monthly ratios for the 30 summer months in the historical period;

---

<sup>4</sup> The Summer Season is defined as June 1 – November 30, and the Winter Season is defined as December 1 – May 31.

(d) The average seasonal on-peak to off-peak ratio for winter will similarly be derived as a simple average of the monthly ratios for the 30 winter months in the historical period.

**C. TOU CONTINGENCY PLAN**

60. In the event the Contingency Plan is implemented for a customer class, the summer period generation component of the off-peak rate shall be 90% (i.e., a discount of 10%) of the generation component of the then-applicable Price-to-Compare (“PTC”) for the affected customer class; the winter period generation component of the off-peak rate shall be 90% (i.e., a discount of 10%).

**D. NET METERING CUSTOMERS**

61. The cash-out price for excess generation by a TOU net metering customer shall consist of the following components: 1) on-peak and off-peak generation rate, E-factor, Administration Charge, Merchant Function Charge (MFC), Transmission Service Charge (TSC), State Tax Adjustment Surcharge (STAS), and Gross Receipts Tax (GRT); each determined in the manner proposed by the Company using the first in – first out methodology to determine the bank. The monthly credits for excess generation shall not include customer charge or demand charge components of the distribution charges.<sup>5</sup>

**E. RECONCILIATION**

62. The Company’s proposals for over/undercollection reconciliation and for recovery of TOU implementation costs are adopted until the effective date of a subsequent TOU program. PPL agrees to collect data showing the exact amount of TOU related under and over-recoveries and the impact of those under/over-recoveries on fixed price default service customers in its next TOU or DSP filing. Nothing contained herein limits the rights of parties to propose or

---

<sup>5</sup> All parties preserve their respective rights to propose or oppose changes to the calculation of the annual cash out amount in a future Default Service or Time-Of-Use Proceeding.

to oppose alternative reconciliation mechanisms in any future PPL Electric proceeding, or any other proceeding, involving TOU rates.

**F. TOU PROGRAM COMMUNICATION**

63. The Company agrees to maintain the communication plan proposed in its petition. This includes a one-time article in the PPL Electric bill insert newsletter (Connect) kicking off the program, and updates to the PPL Electric external website following each TOU auction with the TOU rates to be implemented. The Company will not issue any additional notifications to customers. The Company affirms its commitment to provide parties to this proceeding the opportunity to review and provide feedback on customer communications concerning the TOU Program.

**V. PUBLIC INTEREST CONSIDERATIONS**

64. The Commission's policy encourages settlements. 52 Pa. Code § 5.231(a).

65. Under the Settlement, PPL Electric's TOU Program will offer a TOU rate option to the Company's default service customers, thereby satisfying the requirement of 66 Pa. C.S. § 2807(f)(5). The Settlement achieves this result without the need for further litigation, thereby conserving Commission resources.

66. The TOU Program, as proposed by PPL Electric and as modified by the Settlement, is consistent with the Commission's guidance as set forth in its April 6, 2017 Secretarial Letter.

67. The Joint Petitioners are in full agreement and respectfully submit that expeditious Commission adoption of the Settlement is in the best interests of all parties and PPL Electric's customers.

## VI. ADDITIONAL TERMS AND CONDITIONS

68. Except as otherwise provided in this Settlement, the Settlement is proposed by the Joint Petitioners to settle issues in the instant case and is made without any admission against, or prejudice to, any position which any Joint Petitioner might adopt during subsequent litigation, including further litigation of this case.

69. This Settlement is conditioned upon the Commission's approval of the terms and conditions contained herein without modification. If the Commission should disapprove the Settlement or modify the terms and conditions herein, this Settlement may be withdrawn by any of the Joint Petitioners upon written notice to the Commission and all active parties within five business days following entry of the Commission's Order and, in such event, shall be of no force and effect.

70. The Joint Petitioners acknowledge and agree that this Settlement, if approved, shall have the same force and effect as if the Joint Petitioners had fully litigated these proceedings.

71. The Settlement is proposed by the Joint Petitioners to settle all issues in the instant proceeding. If the Commission disapproves the Settlement or the Company or any other Joint Petitioner elects to withdraw as provided above, the Joint Petitioners reserve their respective rights to fully litigate this case, including but not limited to presentation of witnesses, cross-examination and legal argument through submission of Briefs, Exceptions and Replies to Exceptions.

72. The Joint Petitioners acknowledge that the Settlement reflects a compromise of competing positions and does not necessarily reflect any Joint Petitioner's position with respect to any issues raised in this proceeding. This Settlement may not be cited as precedent in any

future proceeding, except to the extent required to effectuate the terms and agreements of the Settlement in these and future proceedings involving PPL Electric.

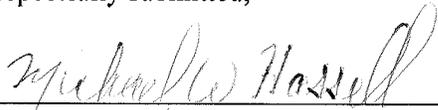
73. Joint Petitioners agree that the Settlement, upon Commission approval without modification, will be enforceable according to its terms.

74. If the ALJ, in his Recommended Decision, recommends that the Commission adopt the Settlement as herein proposed, the Joint Petitioners agree to waive the filing of Exceptions. However, the Joint Petitioners do not waive their rights to file Exceptions with respect to any modifications to the terms and conditions of this Settlement or any additional matters proposed by the ALJs in their Recommended Decision. The Joint Petitioners also reserve the right to file Replies to any Exceptions that may be filed.

**VII. CONCLUSION**

WHEREFORE, the Joint Petitioners, by their respective counsel, respectfully request that the Administrative Law Judge and the Commission approve this Joint Petition for Settlement including all terms and conditions herein without modification.

Respectfully submitted,

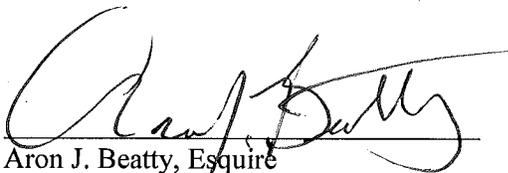


David B. MacGregor, Esquire  
Michael W. Hassell, Esquire  
Lindsay A. Berkstresser, Esquire  
Post & Schell, PC  
17 North 2<sup>nd</sup> Street, 12<sup>th</sup> Floor  
Harrisburg, PA 17101-1601

*Counsel for PPL Electric Utilities Corporation*

3/13/2018  
Date

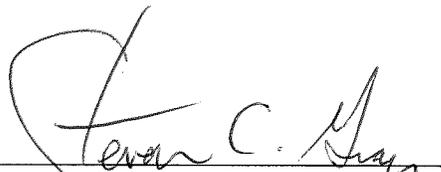
Kimberly A. Klock, Esquire  
PPL Services Corporation  
Two North Ninth Street  
Allentown, PA 18101



Aron J. Beatty, Esquire  
Office of Consumer Advocate  
555 Walnut Street  
Forum Place, 5th Floor  
Harrisburg, PA 17101-1923

March 13, 2018  
Date

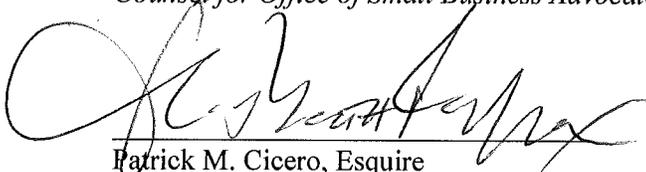
*Counsel for Office of Consumer Advocate*



Steven C. Gray, Esquire  
Office of Small Business Advocate  
300 North Second Street, Suite 202  
Harrisburg, PA 17101

March 12, 2018  
Date

*Counsel for Office of Small Business Advocate*



Patrick M. Cicero, Esquire  
Elizabeth R. Marx, Esquire  
Kadeem Morris, Esquire  
Pennsylvania Utility Law Project  
118 Locust Street  
Harrisburg, PA 17101

March 13, 2018  
Date

*Counsel for Coalition for Affordable Utility  
Services and Energy Efficiency in Pennsylvania*



Kenneth L. Mickens, Esquire  
The Sustainable Energy Fund of Central Eastern  
Pennsylvania  
316 Yorkshire Drive  
Harrisburg, PA 17111

March 13, 2018  
Date

*Counsel for Sustainable Energy Fund*



---

Mark S. Stewart, Esquire  
Karen O. Moury, Esquire  
Eckert Seamans Cherin & Mellott, LLC  
213 Market Street, 8th Floor  
Harrisburg, PA 17101

*Counsel for Dauphin County Industrial  
Development Authority*

March 13, 2018

---

Date

# Appendix A

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

|  |   |             |                                  |
|--|---|-------------|----------------------------------|
| 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                   |
|  | : |             |                                  |
|  | : |             |                                  |
|  | : |             |                                  |
|  | : |             |                                  |
| Petition of PPL Electric Utilities Corporation for Approval of a New Pilot Time-of-Use Program   | : | Docket Nos. | P-2013-2389572<br>M-2016-2578051 |

**PPL ELECTRIC UTILITIES CORPORATION'S  
STATEMENT IN SUPPORT OF  
JOINT PETITION FOR SETTLEMENT**

TO THE HONORABLE JOEL H. CHESKIS, ADMINISTRATIVE LAW JUDGE:

**I. INTRODUCTION**

PPL Electric Utilities Corporation (“PPL Electric” or the “Company”) hereby submits this Statement in Support of the Joint Petition for Settlement (“Settlement”) entered into by PPL Electric, the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”), the Sustainable Energy Fund (“SEF”), the Dauphin County Industrial Development Authority (“DCIDA”), and the PP&L Industrial Customer Alliance (“PPLICA”) (collectively, the “Joint Petitioners”). The Settlement, if approved, resolves all issues among the parties to the above-captioned proceeding concerning PPL Electric’s new Time-of-Use (“TOU”) Program.

PPL Electric provides electric distribution, transmission, and provider of last resort services to approximately 1.4 million customers in a certificated service territory that spans approximately 10,000 square miles in all or portions of 29 counties in eastern and central

Pennsylvania. PPL Electric is a “public utility” and an “electric distribution company” as those terms are defined under the Pennsylvania Public Utility Code, 66 Pa. C.S. §§ 102 and 2803.

On June 1, 2017, PPL Electric filed a Petition for Approval of a New TOU Program (“June 1, 2017 Petition”). PPL Electric filed the June 1, 2017 Petition pursuant to 52 Pa. Code § 5.41 and in compliance with the Commission’s Secretarial Letter dated April 6, 2017 in *Petition of PPL Electric Utilities Corporation for Approval of a New Pilot Time-of-Use Program*, Docket Nos. P-2013-2389572 and M-2016-2578051, and *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, which required the Company to file a new TOU proposal on or before June 1, 2017.

Previously, on August 23, 2013, PPL Electric filed a petition requesting Commission approval of a Pilot TOU Program. By Order entered September 11, 2014, the Commission approved the Pilot TOU Program. *Petition of PPL Electric Utilities Corporation for Approval of a New Pilot Time-of-Use Program*, Docket No. P-2013-2389572 (Order entered September 11, 2014) (*September 2014 Order*). A key aspect of the Pilot TOU Program was that all TOU service would be provided by eligible Natural Gas Suppliers (“NGSs”). This was consistent with prior Commission encouragement on the structure of TOU Programs. (PPL Electric St. No. 1 at p. 4.) Thereafter, DCIDA appealed the *September 2014 Order*. In *Dauphin County Industrial Development Authority v. Pa. PUC*, 123 A.3d 1124 (Pa. Cmwlth. 2015) (*DCIDA*), the Commonwealth Court of Pennsylvania (“Commonwealth Court”) reversed and remanded the Commission’s Order. The Commonwealth Court concluded that TOU service was the responsibility of the Default Service Provider, in this case PPL Electric. PPL Electric filed a Petition for Allowance of Appeal from the Commonwealth Court’s decision with the

Pennsylvania Supreme Court. On June 1, 2016, the Supreme Court denied the Petition. *Petition for Allowance of Appeal from the Opinion of the Commonwealth Court, No. 1814 C.D. entered September 9, 2015, Reversing and Remanding the Opinion and Order of the Pennsylvania Public Utility Commission, Docket No. P-2013-2389572 entered September 11, 2014.* In response to the Commonwealth Court's *DCIDA* Order, on December 2, 2016, the Commission issued a Secretarial Letter inviting interested parties to submit written comments regarding the Commission's intent to initiate a proceeding to comply with the directives arising from the Commonwealth Court's *DCIDA* Order. Subsequently, the Commission issued its April 6, 2017 Secretarial Letter providing guidance for the Company's new TOU Proposal to be filed on or before June 1, 2017.

The Joint Petitioners submitted direct, rebuttal and surrebuttal testimony, engaged in extensive discovery, held several settlement conferences, and exchanged several settlement proposals and counter-proposals. As a result of these efforts, the Joint Petitioners were able to achieve a full settlement in principle prior to the January 30, 2018 evidentiary hearings. As explained in detail below, the Settlement provides for certain modifications to the Company's proposed TOU Program. For the reasons set forth below, the Settlement is just and reasonable and should be approved without modification.

## **II. COMMISSION POLICY FAVORS SETTLEMENT**

Commission policy promotes settlements. *See* 52 Pa. Code § 5.231(a). Settlements lessen the time and expense the parties must expend litigating a case and, at the same time, conserve administrative resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. *See* 52 Pa. Code § 69.401. In order to approve a settlement, the Commission must determine that the

proposed terms and conditions are in the public interest. *Pa. P.U.C. v. Peoples TWP LLC*, Docket Nos. R-2013-23355886, *et al.* (Order Entered Dec. 19, 2013); *Warner v. GTE North, Inc.*, Docket No. C-00902815 (Order Entered Apr. 1, 1996); *Pa. P.U.C. v. C.S. Water and Sewer Assocs.*, 74 Pa. P.U.C. 767, 771 (1991). For the reasons set forth in this Statement in Support of Settlement, PPL Electric believes that the Settlement is just, reasonable, and in the public interest. Therefore, it should be approved without modification.

### **III. THE SETTLEMENT IS IN THE PUBLIC INTEREST**

This Settlement was achieved by the Joint Petitioners after an extensive investigation of the Company's proposed TOU Program, including substantial discovery and the distribution of direct, rebuttal and surrebuttal testimony. The Settlement reflects a fair and reasonable compromise of the Joint Petitioners' positions in this proceeding. Approval of the Settlement is in the public interest because the Settlement, if approved, will enable PPL Electric to provide a TOU rate option to eligible customers within its service territory, consist with its obligation pursuant to Section 2807(f)(5) of the Public Utility Code, 66 Pa. C.S. § 2807(f)(5), which requires default service providers to offer TOU rates.

PPL Electric's new TOU Program, as modified by the Settlement, was designed to avoid the various problems the Company has experienced with prior TOU Programs. By establishing a TOU rate that is reflective of current market conditions, the TOU Program seeks to encourage customers to elect a TOU rate option based on their ability to shift usage. The Settlement provides that the Company will communicate the availability of a TOU rate opinion to its customers. The Settlement also provides for a TOU Contingency Plan in the event of an auction failure or supplier default.

As explained below, the Settlement adheres to the guidelines set forth in the Commission's Secretarial Letter dated April 6, 2017 in *Petition of PPL Electric Utilities Corporation for Approval of a New Pilot Time-of-Use Program*, Docket Nos. P-2013-2389572 and M-2016-2578051, and *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.

**A. TOU PROGRAM OVERVIEW**

The Settlement adopts the proposals set forth in PPL Electric's June 1, 2017 Petition, subject to the terms and conditions of the Settlement. Settlement ¶ 57. PPL Electric will provide a TOU rate option in its tariff to eligible customers. This is consistent with *Dauphin County Industrial Development Authority v. Pa. PUC*, 123 A.3d 1124 (Pa. Cmwlth. 2015), in which the Commonwealth Court held that default service suppliers are responsible for providing a TOU offering to eligible customers in their service territory.

The Company's TOU Program creates two distinct seasons—summer and winter. The TOU Program also establishes on-peak and off-peak hourly periods for the Residential and Small Commercial and Industrial (C&I) customer groups. PPL Electric St. No. 1 at p. 7. Approved net metering customers will be eligible to participate in the TOU Program. PPL Electric St. No. 1 at p. 8.

The new TOU Program will be implemented at least nine months subsequent to a final Commission Order in this proceeding. The implementation will be timed to correspond to the first semi-annual (December 1 or June 1) period following the nine month implementation time. This period is necessary to provide the time needed to make all of the information technology changes needed to properly price and track TOU service, including the provision of TOU service to net metering customers. The time also will enable the Company to establish billing protocols

and resolve potential issues with PJM Interconnection LLC. The TOU Program will remain in effect through May 31, 2021. PPL Electric St. No. 1 at p. 9. This is the termination date of PPL Electric's currently-effective Default Service Program. No party opposed this implementation process.

Pursuant to the Primary Plan, PPL Electric will hold semi-annual auctions to solicit wholesale supplier bids, which will be used to create TOU rates. Implementation of the TOU rates will be timed to correspond with the semi-annual effective date of fixed default service rate changes (i.e., December 1 or June 1). PPL Electric St. No. 1 at p. 9. The Settlement provides for the calculation of an on-peak to off-peak multiplier using a rolling five years of historical PJM Day Ahead Spot Market Pricing data. Settlement ¶ 59. In the event of an auction failure or supplier default, the Company has proposed a Contingency Plan which would establish an off-peak rate at a percentage discount to the applicable Price-to-Compare ("PTC"). PPL Electric St. No. 1 at p. 8; Settlement ¶ 60.

## **B. COMMISSION GUIDELINES**

The Commission's April 6, 2017 Secretarial Letter set forth the following guidelines that PPL Electric should consider when designing a new TOU Program:

- PPL will hold semi-annual wholesale auctions, one auction for a summer season TOU product and another for a winter season TOU product.
- The exact time-period for winter and summer seasons will be appropriately determined by PPL to best reflect the distinction between winter and summer peaks, as well as any shoulder season load profile characteristics.
- Participating auction bidders will be held to the same eligibility criteria used for PPL's existing fixed price full-requirements auctions and/or spot price full-

requirements auctions, including, inter alia, authorization to sell power to Load Serving Entities at wholesale rates within PJM.

- PPL will designate on and off-peak hours that appropriately reflect summer and winter peak consumption profiles.
- PPL will design on and off-peak multipliers (or ratios) which will appropriately motivate shifting of consumption from on-peak to off-peak periods.
- TOU auction participants will bid an off-peak fixed-price full requirements price per Megawatt-hour (MWh). The lowest bid(s) win the auction. The on-peak price will be formulaically calculated based on the on/off peak multiplier (or ratio) established by PPL.
- The TOU rate option will be available to all default service procurement class customers who are not eligible for PPL's spot-market only default service portfolio. Any existing Commission-approved limitations on customer shopping shall apply to this TOU product option as shall all consumer protections contained in the Commission's regulations.
- A webpage will be established by PPL dedicated to the TOU product. The page will include educational material regarding the product.
- PPL's TOU design will address reconciliation of costs in the event of TOU-specific under-collections or over-collections.
- If any PPL TOU auction fails to result in full subscription, PPL will apply a contingency on-peak/off-peak multiplier to its Price-to-Compare (PTC).

- PPL’s contingency on and off-peak multiplier(s) will be designed to appropriately motivate shifting of consumption from on-peak to off-peak periods for each TOU product and season.
- PPL will provide all TOU product eligible customers generation-weighted net-metering. Specifically, PPL will calculate the value of any excess generation based on the time period it was generated. Off-peak generation will receive the off-peak rate while on-peak generation will receive the on-peak rate.

*Petition of PPL Electric Utilities Corporation for Approval of a New Pilot Time-of-Use Program*, Docket Nos. P-2013-2389572 and M-2016-2578051, and *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. As explained next, the proposed TOU Program, as modified by the Settlement, complies with the Commission’s recommended guidelines.

### **C. PROCUREMENT AND RFP PROCESS**

PPL Electric will hold semi-annual wholesale procurements for the TOU product. The Company will separately procure Residential and Small C&I TOU products. The summer season is designed as the period from June 1-November 30; the winter season is the period from December 1-May 31. June 1, 2017 Petition at ¶ 14. The Company’s proposed procurement for the TOU product complies with guidelines contained in the Commission’s April 6, 2017 Secretarial Letter, which directs that PPL Electric hold semi-annual auctions, one for the summer season TOU product and one for the winter season TOU product. *April 6, 2017 Secretarial Letter* at p. 6. The established winter and summer seasons are also consistent with the Commission’s guideline to determine an appropriate time period for the winter and summer

seasons that best reflect the distinction between winter and summer peaks, as well as any shoulder season load profile characteristics. *April 6, 2017 Secretarial Letter* at p. 6.

The TOU Program's procurement process mirrors the currently effective default service auction process. PPL Electric St. No. 1 at 15. The Company will hold auctions twice per year as done with the basic Default Service Plan. Holding the auctions in May and November following the basic default service auction will reduce customer confusion and encourage wholesale suppliers to engage in the process through ease of participation. Wholesale suppliers who qualify in the preceding default service auction will automatically qualify for the TOU Program auction. PPL Electric St. No. 1 at p. 16.

On the bid day, qualifying wholesale suppliers will be directed to submit a bid. The bids will be reviewed by PPL Electric's third-party auction manager, NERA Economic Consulting, who will select the single lowest bid per customer group. The winning supplier per customer class will be responsible for supplying all power product obligations for the 6-month duration of the TOU season. PPL Electric Statement No. 1 at pp. 16, 26. Consistent with the April 6, Secretarial Letter, participating auction bidders will be held to the same eligibility criteria as the Company's existing fixed priced dull-requirements auctions. *April 6, 2017 Secretarial Letter* at p. 6.

#### **D. RATE DESIGN**

Pursuant to the Settlement, the on-peak and off-peak hours for the Residential and Small C&I customer classes will be identical. The on-peak hours during the summer season will be 2 p.m. - 6 p.m., Monday through Friday, excluding weekends and PJM Interconnection LLC ("PJM") holidays. The winter season on-peak hours will be 4 p.m. - 8 p.m., Monday through Friday, excluding weekends and PJM holidays. Settlement ¶ 58. These hours were agreed to after thorough examination and input from the Joint Petitioners. In particular, these hours reflect

some modification of the Company's original proposal, with particular consideration to the proposal of SEF. SEF St. No. 1, pp. 8-12. PPL Electric believes that these hours will provide customers with an adequate opportunity to shift usage and are therefore in the public interest. The hours established by the Settlement are also consistent with the Commission's directive that on and off-peak hours appropriately reflect summer and winter peak consumption profiles. *April 6, 2017 Secretarial Letter* at p. 6.

The pricing of on-peak and off-peak TOU rates is structured to comply with the Commission's guidelines that the rates reflect on and off-peak multipliers or ratios which appropriately motivate shifting of consumption from on-peak to off-peak periods, and that wholesale suppliers bid in an auction process, with the lowest, winning bid being used to set the off-peak and (based on the multiplier) on-peak price. *April 6, 2017 Secretarial Letter* at p. 6.

The Company's original proposal provided that bidders would bid a percentage off of the generation portion of the Price to Compare ("PTC") to be in effect for the applicable Summer or Winter period. This bid criterion is critical to substantially avoid the potential of both on-peak and off-peak rates being simultaneously both above or below the PTC. (PPL Electric St. No. 1, pp. 17-18.) This was critically important to PPL Electric, based on past experience where TOU customers would sign up or leave TOU not due to savings from shifting usage on-peak, but because they could save or lose money as compared to the PTC without regard to usage. (PPL Electric St. No. 1 at p. 18.) The Settlement preserves this critical aspect of the Company's bidding/pricing proposal. The winning bid proposal would set the generation component of off-peak rates.

Originally, the Company proposed to establish fixed Summer and Winter multipliers applied to the winning bid to set the generation component of on-peak rates, with the multipliers

to remain in effect for the entire term of the TOU Program. However, OCA contended that the multiplier should be recalculated for each auction based on historical market pricing data. The Settlement substantially reflects OCA's proposal. The Summer and Winter multipliers to derive on-peak rates will be calculated with the first TOU auction, and updated annually thereafter. A rolling five years of historical PJM Day Ahead Spot Market Pricing for the PPL Residual Aggregation Zone will be used, beginning with the month the auction opens, minus one month (January or August, respectively). The Settlement sets forth the specific formula pursuant to which the Company will derive the multiplier. Settlement ¶ 58. Updating the multipliers annually using a rolling five years of historical PJM Day Ahead Spot Market Pricing for the PPL Residual Aggregation Zone is in the public interest because it ensures that the on-peak to off-peak price ratio will be reflective of current market conditions throughout the duration of the Company's TOU Program. Thus, the calculation of on-peak to off-peak price ratios as provided for in the Settlement will appropriately motivate shifting of consumption from on-peak to off-peak periods. *April 6, 2017 Secretarial Letter* at p. 6.

Once the generation component of on-peak and off-peak rates are determined, the respective customer group's (Residential or Small C&I) default service administrative rate, E-factor, Merchant Function Charge ("MFC"), Transmission Service Charge ("TSC") and State Tax Adjustment Surcharge ("STAS") are added to the on and off-peak generation components to derive the fully weighted TOU rates. PPL Electric St. No. 1, p. 19. This methodology is important, because it does not distort these components by the multiplier applied to derive the generation component of the on-peak rate.

The winning TOU supplier(s) will be paid their bid price for net generation provided off-peak, and will be paid the calculated on-peak generation rate for net generation provided on-peak

each month. Because the on-peak multiplier will be known before bidding commences for each season, bidders will be able to compute what their on-peak compensation would be, based upon their off-peak bid.

**E. TOU CONTINGENCY PLAN**

In accordance with the Commission's guidelines, in the event any PPL Electric TOU auction fails to result in a full subscription or if a winning supplier defaults, the Company will apply a contingency on-peak/off-peak multiplier to the PTC. *April 6, 2017 Secretarial Letter*, p. 7.

In the event a TOU supplier defaults, or if there is no successful bidder for a TOU product for a Summer or Winter Period, the Company must obtain supply to meet TOU requirements. PPL Electric proposed that default service supply would be obtained from existing fixed-price default service suppliers, pursuant to their contracts to provide supply. PPL Electric St. No. 1, p. 25. The suppliers would be paid their contract prices, and not prices based on contingency plan rates to customers. This is important to minimize potential concerns that fixed price default service suppliers would be asked to take on a pricing risk that they did not originally have for TOU customers. No party opposed the use of fixed price default service suppliers to provide contingency supply, and thus is adopted by the Settlement.

With respect to developing TOU rates under the Contingency Plan, it is necessary to establish an off-peak generation price, because there is no bid-price available to use. The Company's original proposal, in the event the Contingency Plan is implemented for a customer class, was that both the summer period and the winter period generation component of the off-peak rate be 90% (i.e., a discount of 10%) of the generation component of the then-applicable PTC for the affected customer class. This maintains the Company's principle, described above, that off-peak rates be below the otherwise applicable PTC, in order to provide an incentive to

shift load in the TOU. This proposal is adopted in the Settlement. Settlement ¶ 60. On-peak rates will be computed using the formula prescribed in ¶ 58 of the Settlement.

This Settlement provision is in the public interest because it will allow for a TOU rate option to be available at all times in the event an auction is unsuccessful or a supplier fails to fulfill its obligation of providing full requirements load following supply for Residential and/or Small C&I customers. Further, the contingency on and off-peak multipliers provided for in the Settlement should appropriately motivate shifting of consumption from on-peak to off-peak periods for each TOU product and season. *April 6, 2017 Secretarial Letter*, p. 7.

#### **F. CUSTOMER ELIGIBILITY**

Consistent with the Commission's April 6, 2017 Secretarial Letter, all Residential and Small C&I customers,<sup>1</sup> except for customers in the Company's low-income customer assistance program ("CAP"), will be eligible to participate in the TOU Program for the term of the program. A customer's participation in the TOU Program is voluntary, and the customer must affirmatively select the TOU rate option. In addition, all customers participating in the TOU Program must have a smart meter installed. PPL Electric St. No. 1 at p. 9. CAP customers will still be eligible to select an alternative electric generation supplier by participating in PPL Electric's CAP Standard Offer Program, as approved in the Company's last Default Service Plan, or remain on the Default Service rate. PPL Electric St. No. 1, p. 10. No party opposed this restriction on CAP customer participation in TOU.

Excluding CAP customers from TOU complies with the Secretarial Letter's provision that any existing Commission-approved limitations on customer shopping would apply to TOU. CAP customers are not eligible to participate in the Company's normal shopping program. PPL

---

<sup>1</sup> The Small C&I customers class is defined as follows: GS-1, GS-3 (<100kW), LP4 (<100kW), GH-2, BL, SA, SM, SHS, SE, TE, SLE, SI-1.

Electric St. No. 1, p. 10. In addition, excluding CAP customers from eligibility for the TOU Program is in the public interest because many CAP customers lack the tools necessary to effectively shift usage. The selection of a TOU rate and subsequent inability to effectively shift usage to off-peak hours would result in a higher electric bill for the CAP customer. Although the CAP customer would pay the same fixed amount, a higher electric bill risks that the customer will be removed from CAP more quickly by exhausting the available CAP credits. This would also result in Residential customers paying a greater amount to make up for the revenue shortfall caused by the difference between a CAP customer's total bill and the amount paid by the CAP customer. PPL Electric St. No. 1 at p. 10.

Eligibility of net metering customers for the TOU Program is discussed in Section G below.

#### **G. NET METERING CUSTOMERS**

In accordance with the Commission's April 6, 2017 Secretarial Letter, net metering customers, with the exception of virtual net metering customers, are eligible to participate in the TOU Program. PPL Electric St. No. 1, p. 20. The Company proposed to exclude virtual net metering customers<sup>2</sup> because of the projected time and cost that would have been required to manage and track these unique customers. PPL Electric St. No. 1, p. 20. No party opposed this provision, and it is adopted by the Settlement.

The cash-out price for excess generation by a TOU net metering customer also complies with the Commission's guidelines that the value of excess generation be based on the time period it was created, with off-peak generation receiving the off-peak rate and on-peak generation receiving the on-peak rate. A net metering customer on TOU will have any monthly excess

---

<sup>2</sup> Virtual net metering customers have one or more premises with renewable energy facilities combined with other premises that do not have any renewable facilities, which "virtually" receive the benefit of excess generation from the renewable energy premises. PPL Electric St. No. 1, p. 20.

transitionally banked for later use or cash out. PPL Electric will be upgrading its information system to actively track when excess generation is created, at each hourly interval. In this way, the Company will be able to assess whether an excess in any hour was created on-peak or off-peak. PPL Electric St. No. 1, p. 21. If a net metering customer consumes more power during a month than it generates, any excess in the customer's bank will be drawn down, on a first-in first-out basis, to reduce or offset the customer's bill at the full retain rate for kWh consumed. PPL Electric St. No. 1, p. 21.

At year end,<sup>3</sup> if the customer has a remaining bank of excess generation, the excess will be cashed out, with on-peak generation in the bank being paid an on-peak rate and off-peak generation being paid an off-peak rate. There was a dispute concerning the calculation of the individual components of the cash out price. The Settlement resolved this dispute by establishing that the cash out would consist of the following components: 1) on-peak and off-peak generation rate, E-factor, Administration Charge, Merchant Function Charge (MFC), Transmission Service Charge (TSC), State Tax Adjustment Surcharge (STAS), and Gross Receipts Tax (GRT); each determined in the manner proposed by the Company using the first in – first out methodology to determine the bank. The monthly credits for excess generation will not include customer charge or demand charge components of the distribution charges. Settlement ¶ 61.

This Settlement provision is in the public interest because it complies with the Commission's Order in *Pa. PUC v. PPL Electric Utilities Corporation*, Docket No. R-2010-2161694 (Order entered December 21, 2010) at p. 52, in which the Commission determined that "customer-generators are responsible for all monthly customer charge and demand charge billing components . . . whether or not the customer-generator's net metering results in excess supply."

---

<sup>3</sup> The cash out year is defined as the twelve month period ending May 31. PPL Electric St. No. 1, p. 21.

Further, the Settlement notes that all parties preserve their respective rights to propose or oppose changes to the calculation of the annual cash out amount in a future Default Service or TOU Proceeding. Settlement ¶ 61.

In the event net metering customers produce more excess generation than consumed by other customers in their customer class, the winning supplier will be responsible to purchase that excess at the applicable on-peak or off-peak generation rate. The process to account for the purchase on PJM is explained in PPL Electric St. No. 1, pp. 22-23. No party opposed this process and it is adopted as part of the Settlement.

#### **H. TOU PROGRAM PROMOTION**

In order to promote the TOU Program, PPL Electric proposed to publish a one-time article in the PPL Electric bill insert newsletter, *Connect*, kicking off the program. The Company will redesign its website to provide clear and transparent information to customers on the TOU program. Thereafter, the Company proposed to provide updates to the PPL Electric external website following each TOU auction with the TOU rates to be implemented. The Customer Portal will be updated to allow customers to review usage information and to elect TOU service online. The Company's Energy Auction website for bidders also will be revised to present necessary information and bidding processes for the TOU product. PPL Electric Statement No. 1 at pp. 28-30. This approach conforms to the Commission's directive that the Company establish a webpage dedicated to the TOU product, including educational material regarding the product. *April 6, 2017 Secretarial Letter* at p. 6. In testimony, certain parties suggested that additional notifications regarding the TOU Program be issued. PPL Electric Statement No. 1-R at pp. 22. In Settlement, the Joint Petitions agreed that PPL Electric would maintain the communication plan proposed in its June 1, 2017 Petition. Settlement ¶ 63.

The Company believes that the customer education efforts as proposed by the Company and as contained in the Settlement are in the public interest because they will provide customers with the necessary information to evaluate the TOU Program and make an informed decision regarding whether to elect a TOU rate. The customer education efforts provided for in the Settlement achieve this objective without adding costly, unnecessary, unworkable and potentially discriminatory communication practices. PPL Electric Statement No. 1-R at pp. 22-24. In addition, the Settlement provides that parties to this proceeding the opportunity to review and provide feedback on customer communications concerning the TOU Program. Settlement ¶ 63.

#### **I. IMPLEMENTATION COSTS AND RECONCILIATION**

The Settlement addresses reconciliation of TOU costs, in accordance with the Commission's guidelines. April 6, 2017 Secretarial Letter at p. 6.

As described in the Direct Testimony of PPL Electric witness James Rouland, significant technical changes are required to implement the TOU Program. PPL Electric St. No. 1 at pp. 27-29. At this time, PPL Electric projects an estimated cost of at least \$1,000,000 to implement the TOU Program. PPL Electric St. No. 1 at p. 30. The Company will recover TOU Program costs through the E-factor as a component of the GSC-1 charged to all sales customers in the respective customer classes.

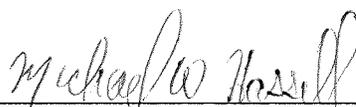
In addition, PPL Electric proposed that over/under collection reconciliations of both TOU costs and recoveries and GSC-1 costs and recoveries be calculated in total by customer class and be recovered from all customers in the respective class. That is, TOU costs and recoveries would not be separately reconciled. PPL Electric St. No. 1 at p. 30; PPL Electric St. No. 2 at p. 3. The Settlement adopts the proposal for purposes of the TOU Program. Settlement ¶ 62. The proposed recovery of implementation costs and reconciliation of over/under collections across the entire respective customer class is in the public interest.

Including TOU over-undercollections in the reconciliation for the entire respective Default Service customer class (Residential or Small C&I) is a critical component to success of the TOU Program. TOU is intended to drive customers to make election of the service, over fixed price default service, and to shift load from on-peak to off-peak times, based upon differences in generation costs. If TOU costs are separately reconciled, then pricing differentials between fixed price Default Service and TOU service could be driven by differences in E-Factor rates. This could cause customers to swing back and forth between fixed price Default Service and TOU service in part based on the greater E-Factor refund, or to avoid the greater E-Factor recoupment. PPL Electric St. No. 2, p. 4. In fact, this very circumstance led to the failure of a prior TOU Program offered by PPL Electric. OSBA St. No. 1, p. 8. The use of a single E-Factor mechanism is consistent with the Commission's prior approval of single reconciliation and its recognition that the TOU program is a form of default service. *See Pa. PUC v. PPL Electric Utilities Corporation*, Docket No. R-2011-2264771 (Order entered August 30, 2012) at p. 23. The Company notes that the Settlement recognizes that the Settlement does not limit the rights of parties to propose or to oppose alternative reconciliation mechanisms in any future PPL Electric proceeding or any other proceeding involving TOU rates. Settlement ¶ 62.

**IV. CONCLUSION**

WHEREFORE, for the reasons explained above, and those set forth in the Settlement, the terms of the Settlement are in the public interest, and the Administrative Law Judge Joel H. Cheskis and the Commission should approve the Settlement without modification. As illustrated above, the Company believes that the Settlement is fair, just, reasonable, non-discriminatory, lawful, and in the public interest.

Respectfully submitted,



Kimberly A. Klock (PA ID # 89716)  
Amy E. Hirakis (PA ID # 310094)  
PPL Services Corporation  
Two North Ninth Street  
Allentown, PA 18101  
Phone: 610-774-5696  
Fax: 610-774-6726  
E-mail: [kklock@pplweb.com](mailto:kklock@pplweb.com)  
E-mail: [aehirakis@pplweb.com](mailto:aehirakis@pplweb.com)

David B. MacGregor (PA ID # 28804)  
Post & Schell, P.C.  
Four Penn Center  
1600 John F. Kennedy Boulevard  
Philadelphia, PA 19103-2808  
Phone: 215-587-1197  
Fax: 215-320-4879  
E-mail: [dmacgregor@postschell.com](mailto:dmacgregor@postschell.com)

Michael W. Hassell (PA ID # 34851)  
Lindsay A. Berkstresser (PA ID #318370)  
Post & Schell, P.C.  
17 North Second Street  
12th Floor  
Harrisburg, PA 17101-1601  
Phone: 717-612-6029  
Fax: 717-731-1985  
E-mail: [mhassell@postschell.com](mailto:mhassell@postschell.com)  
E-mail: [lberkstresser@postschell.com](mailto:lberkstresser@postschell.com)

Dated: March 13, 2018

Attorneys for PPL Electric Utilities Corporation

## Appendix B

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

---

STATEMENT OF THE  
OFFICE OF CONSUMER ADVOCATE  
IN SUPPORT OF THE JOINT PETITION  
FOR SETTLEMENT

---

The Office of Consumer Advocate (OCA), a signatory party to the foregoing Joint Petition for Settlement (Settlement) filed on March 13, 2018 in the above-captioned proceeding, respectfully requests that the terms and conditions of the Settlement be approved by Administrative Law Judge (ALJ) Joel Cheskis, and the Pennsylvania Public Utility Commission (Commission). The Settlement provides a reasonable resolution of the proceeding that addresses PPL Electric Utilities Inc.'s (PPL or Company) Time of Use (TOU) obligation. It is the position of the OCA that the proposed Settlement is in the public interest and in the interest of PPL's residential customers.

**I. INTRODUCTION**

On April 6, 2017, the Commission issued a Secretarial Letter setting forth TOU program design guidance for PPL in this proceeding. In its Secretarial Letter, the Commission fully addressed the background leading to the current TOU proceeding. In summary, this

proceeding results from the Commonwealth Court of Pennsylvania's decision in Dauphin County Industrial Development Authority v. Pa. PUC (DCIDA) to reverse and remand PPL's approved TOU program. DCIDA v. Pa. PUC, 123 A.3d 1124 (Pa. Cmwlth. 2015). In DCIDA, the Court held that PPL, as default service provider, must offer a time of use program. Specifically, the Court held that Pennsylvania law "provides plainly, that '[t]he default service provider shall offer the time-of-use rates ... to all customers that have been provided with smart meter technology.'" DCIDA, 123 A.3d at 1136.

Prior to issuing its April 6 Secretarial Letter, the Commission requested Comments from all interested parties regarding the future structure of TOU programs given the DCIDA decision. The OCA filed extensive Comments in response to the Commission's request.<sup>1</sup> In its Comments, the OCA supported the use of wholesale energy contracts by Default Service Providers when providing TOU service. The OCA further submitted that wholesale suppliers could bid on tranches of supply for TOU customers, similar to those full requirements contracts currently procured for standard default service supply by PPL.

After review of the stakeholders' Comments, the Commission issued its, "Proposed PPL TOU Design." Secretarial Letter at 3-4. The Commission's proposal included the use of wholesale auctions for a TOU product provided by PPL as the default service provider. In addition, the Commission's proposal included a framework for a contingency plan should the wholesale auction fail to attract sufficient supply. Finally, the Commission directed PPL to address reconciliation of costs in the event of TOU-specific under-collections and over-collections. See, Secretarial Letter at 3.

---

<sup>1</sup> Comments were also filed by the Sustainable Energy Fund (SEF), Duquesne Light Company (DLC), the Retail Energy Supply Association (RESA), PPL, the Office of Small Business Advocate (OSBA), the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA), PECO Energy Company (PECO) and jointly by Metropolitan Edison Company (Met Ed), Pennsylvania Electric Company (Penelec) and West Penn Power Company (WPP).

On June 1, 2017, PPL filed a Petition for Approval of a New TOU Program (“June 1, 2017 Petition”). In the June 1, 2017 Petition, PPL generally followed the Commission’s guidance in its April 6 Secretarial Letter. As noted in the Joint Petition for Settlement, under PPL’s Primary Plan, the Company will hold energy auctions to solicit wholesale supplier bids, which will be used to create TOU rates. Suppliers will bid off-peak prices, with the lowest overall bid per customer class winning the supply obligation for a 6 month term. The on-peak prices are a function of a multiplier established by a defined formula and the supplier off-peak price. This method establishes both on-peak and off-peak prices, by which suppliers will be paid. Settlement at ¶23.

In this proceeding, the OCA conducted an extensive review of the Company’s TOU proposal. As part of its review, the OCA retained an expert witness to ensure that TOU plan was reasonable, consistent with the recent DCIDA decision and all other applicable laws, and would provide benefits to consumers. As part of its review, the OCA propounded extensive discovery and thoroughly reviewed the Company’s TOU plan. OCA witness Steven L. Estomin examined the TOU proposal and contingency plans in relation to wholesale market peak demand conditions. Dr. Estomin focused his recommendations on ways to ensure that the TOU program design properly reflected peak demand and price periods and, as a result, provided the proper incentives for customers to move from high cost times of use to lower cost periods, while complying with the decision in DCIDA. See, OCA St. 1; OCA St. 1-R; OCA St. 1-S.

Upon completion of its review, the OCA entered into settlement discussions with the parties to the proceeding and supports the resulting Settlement as a reasonable TOU option provided by PPL. The OCA submits that PPL’s proposed TOU program, as modified by the Settlement, is in the public interest and should be approved.

## II. SETTLEMENT PROVISIONS

### A. TOU Program Overview. (Settlement at ¶57)

Under the Settlement, the proposals set forth in PPL Electric's June 1, 2017 Petition are agreed to by the parties with modifications. Settlement at ¶57. As the OCA addressed above, the PPL June 1 filing generally followed the Commission's guidance issued through its April 6, 2017 Secretarial Letter. The Commission proposed that PPL utilize wholesale providers for PPL-provided TOU service. Secretarial Letter at 3. The Company's filing is based on this proposed wholesale supply framework. See, Settlement ¶¶20-35. Importantly, TOU service remains a voluntary service available for those customers that are interested in paying time differentiated rates. The OCA fully addressed these issues in Comments to the Commission and continues to support their implementation throughout Pennsylvania.

### B. Rate Design. (Settlement at ¶¶58-59)

Under the Settlement, TOU customers will be charged distinct on-peak and off-peak rates, based upon the winning wholesale supplier on-peak and off-peak generation prices, plus the default service administrative cost, E-factor, merchant function charge, transmission service charge, and applicable State Tax Adjustment Surcharge. ¶30. The on-peak and off-peak rates charged to customers will be based on multipliers established prior to each wholesale auction. Under the Primary Plan, the Company will hold energy auctions to solicit wholesale supplier bids, which will be used to create TOU rates. Suppliers will bid off-peak prices, with the lowest overall bid per customer class winning the supply obligation for a 6 month term. The on-peak prices are a function of a multiplier established by a defined formula and the supplier

off-peak price. This method establishes both on-peak and off-peak prices, by which suppliers will be paid. Settlement at ¶23.

OCA witness Estomin testified that the Company's proposal included fixed multipliers throughout the term of the proposed TOU plan. OCA St. 1 at 8. Dr. Estomin further testified that using fixed multipliers for the term of the TOU plan could result in on-peak and off-peak rates that reflected stale data that was not adequately tied to appropriate market conditions. OCA St. 1 at 8-10. To address this concern, the Settlement modifies PPL's filing to ensure that multipliers are updated throughout the term of the TOU plan, as follows:

59. The multipliers will be calculated with the first TOU auction, and updated annually thereafter. A rolling five years of historical PJM Day Ahead Spot Market Pricing for the PPL Residual Aggregation Zone will be used, beginning with the month the auction opens, minus one month (January or August, respectively). An on-peak to off-peak price multiplier will be derived as follows:

- (a) For each calendar month, a simple average of hourly on-peak and off-peak prices will be calculated, using the seasonal and peak period definitions specified in paragraph (58);
- (b) For each calendar month, a ratio of the average on-peak price to the average off-peak price will be calculated;
- (c) The average seasonal on-peak to off-peak ratio for summer will be derived as a simple average of the monthly ratios for the 30 summer months in the historical period;
- (d) The average seasonal on-peak to off-peak ratio for winter will similarly be derived as a simple average of the monthly ratios for the 30 winter months in the historical period.

Settlement at ¶59.

The OCA submits that the modifications to the rate multipliers contained in the Settlement adequately address the concerns of OCA witness Estomin on this issue and should be approved.

C. TOU Contingency Plan. (Settlement at ¶60)

In its April 6 Secretarial Letter, the Commission proposed that PPL should implement a contingency plan based on on-peak and off-peak multipliers applied against its existing price to compare. Secretarial Letter at 3. The Commission further stated that such multipliers should be designed to “appropriately motivate shifting of consumption from on-peak to off-peak periods for each TOU product and season.” Secretarial Letter at 4.

Under the Settlement, PPL will provide TOU service on a contingency basis as follows:

60. In the event the Contingency Plan is implemented for a customer class, the summer period generation component of the off-peak rate shall be 90% (i.e., a discount of 10%) of the generation component of the then-applicable Price-to-Compare (“PTC”) for the affected customer class; the winter period generation component of the off-peak rate shall be 90% (i.e., a discount of 10%).

Settlement at ¶60.

The OCA submits that the Settlement’s contingency provisions comply with the directives contained in the Secretarial Letter and should be approved.

D. Net Metering Customers. (Settlement at ¶61)

The OCA did not address the net metering issues as related to TOU service in testimony and does not oppose the provisions contained in the Settlement.

E. Reconciliation. (Settlement at ¶62)

Under the Settlement, the Company’s proposals for over/undercollection reconciliation and for the recovery of TOU implementation costs are adopted until the effective date of a subsequent TOU program. Settlement at ¶60. The OCA was concerned, however, with the potential adverse effects reconciliation could have on non-TOU customer rates, particularly

under the contingency plan that relies on existing (non-TOU) wholesale supply. See, OCA St. 1 at 16.

Under the Settlement, PPL will be required to track the impact of TOU-related reconciliations on all residential customers. The Settlement provides as follows:

PPL agrees to collect data showing the exact amount of TOU related under and over-recoveries and the impact of those under/over-recoveries on fixed price default service customers in its next TOU or DSP filing. Nothing contained herein limits the rights of parties to propose or to oppose alternative reconciliation mechanisms in any future PPL Electric proceeding, or any other proceeding, involving TOU rates.

Settlement at ¶62.

Given that PPL is starting a new TOU program under this Settlement, the OCA does not object to the Company's reconciliation proposal, with the above reporting requirements, for this initial period.

F. TOU Program Communications. (Settlement at ¶63)

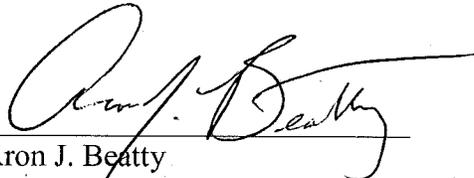
The Settlement maintains the customer communication plan contained in PPL's Petition. The plan includes a one-time article in the PPL Electric bill insert newsletter (Connect) kicking off the program, and updates to the PPL Electric external website following each TOU auction with the TOU rates to be implemented. Settlement at ¶63. The Company further commits to provide parties with an opportunity to review and provide feedback on customer communications concerning the TOU program. Settlement at ¶63. The OCA will work with the parties as PPL implements this new TOU program to ensure customers receive complete and accurate information. At the same time, consideration must be given to the costs of such communications that are ultimately recovered from ratepayers. The OCA submits that the

Settlement reaches a reasonable balance between consumer education and cost containment for this initial TOU plan.

### III. CONCLUSION

For the foregoing reasons, the OCA respectfully requests that the Administrative Law Judge and the Public Utility Commission approve the terms and conditions of the Joint Petition for Settlement without modification as being in the public interest.

Respectfully Submitted,



Aron J. Beatty  
Senior Assistant Consumer Advocate  
PA Attorney I.D. # 86625  
E-Mail: ABeatty@paoca.org

Counsel for:  
Tanya J. McCloskey  
Acting Consumer Advocate

Office of Consumer Advocate  
555 Walnut Street 5th Floor, Forum Place  
Harrisburg, PA 17101-1923  
Phone: (717) 783-5048  
Fax: (717) 783-7152

March 13, 2018

00245097.docx

## Appendix C

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Proceeding Initiated to Comply with Directives** :  
**Arising from the Commonwealth Court Order** :  
**In DCIDA v. PUC, 123 A3d 1123 (Pa.CmwltH 2015)** :  
**Reversing and Remanding the Order of the** : **M-2016-2578051**  
**Commission Entered September 22, 2014 at** :  
**Docket Number P-2013-2389572 in which the** :  
**Commission had Approved PPL’s Time of Use** :  
**Plan** :

**STATEMENT OF  
THE OFFICE OF SMALL BUSINESS ADVOCATE  
IN SUPPORT OF THE  
JOINT PETITION FOR SETTLEMENT**

**Introduction**

This proceeding arises from the decision of the Commonwealth Court in *Dauphin County Industrial Development Authority v. Pennsylvania PUC*, 123 A3d 1124 (Pa. CmwltH. 2015).

As a result of the Commonwealth Court decision, PPL Electric Utilities Corporation (“PPL” or the “Company”) filed a Petition for Approval of a New Time-of-Use Program (“*TOU Petition*”) on June 1, 2017.

The Small Business Advocate is authorized and directed to represent the interests of the small business consumers of utility services in the Commonwealth of Pennsylvania under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50. Pursuant to that statutory authority, the Office of Small Business Advocate (“OSBA”) the OSBA filed an Answer to the *TOU Petition* on June 21, 2017.

The OSBA actively participated in the negotiations that led to the proposed settlement and is a signatory to the Joint Petition for Settlement (“*Joint Petition*”). The OSBA submits this statement in support of the *Joint Petition*.

## **The Joint Petition**

The *Joint Petition* sets forth a list of issues that were resolved through the negotiation process. The following issues were of particular significance to the OSBA when it concluded that the *Joint Petition* was in the best interests of PPL's small business customers.

### **1. Interest in PPL's TOU Program**

Overall, the OSBA concluded that interest in a TOU product by "regular" default service small business customers in the Small Commercial and Industrial ("Small C&I") rate class is likely to be minimal. OSBA witness Mr. Robert Knecht testified that: the shopping rate for Small C&I customers is already high; many small businesses have limited ability to shift loads; and PPL has a dismal history providing TOU rates. This unhappy combination will likely cause Small C&I customer interest to be low. *See* OSBA Statement No. 1, at 8-9.

It is important to note that the need to restructure the Company's TOU program comes *not* from load customer interest in TOU service, but from the large, net metered customer Dauphin County Industrial Development Authority ("DCIDA"). DCIDA has substantial excess generation that it wishes to sell back at TOU rates. *See* PPL Statement No. 1, at 4-5.

### **2. Procurement of TOU Supply**

The OSBA observes that the *TOU Petition's* proposes to competitively and independently procure supplies for TOU loads. The OSBA does not oppose PPL's proposal. Nevertheless, the OSBA believes PPL's proposal is unlikely to succeed, at least for the Small C&I customers. As explained by Mr. Knecht, generation suppliers for TOU service would face load risk in two directions: net metered customers switching to TOU service if the rates are too

high; and load customers switching to TOU service if the rates are too low. These risks cannot easily be hedged, and, thus, the OSBA anticipates that the Company's Contingency Plan will prevail. *See* OSBA Statement No. 1, at 9-10.

The *Joint Petition* essentially retains the Company's Contingency Plan, in which supplies for TOU service will be provided as part of the overall default service procurement, with on- and off-peak prices being set around the regular default service price. *See Joint Petition*, at Paragraph 60. *See also* OSBA Statement No. 1, at 5. This approach will avoid one of the subject failures of the past, namely a situation in which on-peak and off-peak TOU prices were both higher, or both lower, than the regular default service price.

### 3. **Cashing Out Excess Generation**

In its *TOU Petition*, PPL proposed that the rates for cashing out excess generation from net metered TOU customers (*e.g.*, DCIDA) would be based *only* on the generation portion of electricity costs and would *exclude* all other components of the price to compare ("PTC").

In general, the OSBA is sympathetic to concerns raised by PPL that Pennsylvania law allows customers who are essentially large merchant generators (*e.g.*, DCIDA) to masquerade as net metered customers, thereby allowing these merchant generators to obtain above-market prices for excess generation.

Nevertheless, the OSBA concluded that the PPL's proposal to apply different cash-out mechanisms for regular and TOU net metered customers was inconsistent with the Public Utility Code as well as the basic regulatory principle of avoiding undue discrimination.

Furthermore, based on representations made by PPL in both formal and informal discovery, OSBA believes that excess generation from net metered customers *does* serve to

reduce both generation capacity and transmission costs for default service customers. Based on those representations, the OSBA concludes that crediting net metered customers for those costs will not impose an undue economic burden on regular default service customers. *See* OSBA Statement No. 1-S, at 1-2.

Consequently, the OSBA concludes that the regular and TOU net metered customer cash-out mechanisms should include comparable price components. The *Joint Petition* adopts the OSBA position. *See Joint Petition*, at Paragraph 61.

#### **4. On and Off-Peak Periods**

The OSBA also argued against the Company's filed proposal to establish different definitions for on- and off-peak periods between rate classes. The objective of TOU rates is to send reasonable price signals for shifting load *from* on-peak *to* off-peak periods. Since market price signals are the same for all rate classes, establishing different definitions for on- and off-peak periods makes little sense. *See* OSBA Statement No. 1, at 10-11.

The *Joint Petition* adopts the OSBA position by using the same definition of on- and off-peak periods for both Residential and Small C&I TOU service. *See Joint Petition*, at Paragraph 58.

#### **5. Price Ratios**

In this proceeding, the Office of Consumer Advocate ("OCA") argued that price ratios for TOU service should be regularly updated to reflect changing market conditions. *See* OCA Statement No. 1, at 12. The OSBA agreed with this proposal, and the *Joint Petition* includes this change. *See Joint Petition*, at Paragraph 59.

This “regular update” required the development of a specific formula for calculating the price ratios. The OSBA actively participated in the development of the formula proposed in the *Joint Petition* and believes it to be superior to the analysis prepared by the Company in its original *TOU Petition*. See *Joint Petition*, at Paragraph 59.

## **6. Developing E-Factors**

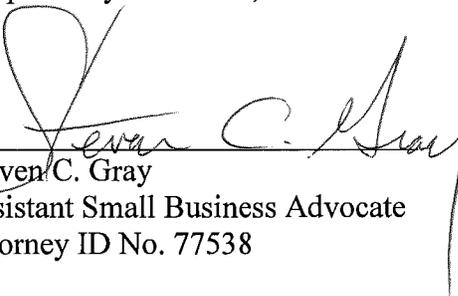
In this proceeding, the OCA also argued that revenue-cost differences should be reconciled *separately* for regular and TOU default service customer groups, for the purpose of developing E-factors. See OCA Statement No. 1, at 16. The OSBA believes that this approach has significant risk of being a disaster if it were applied to Small C&I customers, for the basic reason that it has already proven to be a disaster in the past. See OSBA Statement No. 1-R, at 4-5.

The *Joint Petition* retains the Company’s proposal to combine the variances between regular and TOU customers *within* each rate class group, for the purpose of developing E-factors. The OSBA supports the Company’s proposal in an effort to avoid repeating past mistakes. See *Joint Petition*, at Paragraph 62.

**Conclusion**

For the reasons set forth in the *Joint Petition*, as well as the additional factors that are enumerated in this statement, the OSBA supports the proposed *Joint Petition* and respectfully requests that the ALJ and the Commission approve the *Joint Petition* in its entirety.

Respectfully submitted,



Steven C. Gray  
Assistant Small Business Advocate  
Attorney ID No. 77538

Office of Small Business Advocate  
300 North Second Street, Suite 202  
Harrisburg, PA 17101

Dated: March 12, 2018

## Appendix D

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

|  |   |             |                                  |
|--|---|-------------|----------------------------------|
| 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                   |
|  | : |             |                                  |
|  | : |             |                                  |
|  | : |             |                                  |
|  | : |             |                                  |
| Petition of PPL Electric Utilities Corporation for Approval of a New Pilot Time-of-Use Program   | : | Docket Nos. | P-2013-2389572<br>M-2016-2578051 |
|  | : |             |                                  |

---

**STATEMENT OF THE COALITION FOR AFFORDABLE UTILITY SERVICES AND ENERGY EFFICIENCY IN PENNSYLVANIA (CAUSE-PA) IN SUPPORT OF THE JOINT PETITION FOR APPROVAL OF SETTLEMENT OF ALL ISSUES**

---

The Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA), a signatory party to the Joint Petition for Approval of Settlement of All Issues (Joint Petition or Settlement), respectfully requests that the terms and conditions of the Joint Settlement be approved by the Honorable Joel H. Cheskis, Administrative Law Judge, and the Pennsylvania Public Utility Commission (Commission). CAUSE-PA believes that the Settlement is in the public interest and should be approved.

CAUSE-PA was a signatory party to PPL's previous Time of Use Plan, which included an exemption for customers enrolled in its Customer Assistance Program (CAP), known as OnTrack.<sup>1</sup> This exemption was adopted to ensure that vulnerable, low income customers enrolled in OnTrack were not exposed to potential rate volatility inherent in time of use rates. In response to PPL

---

<sup>1</sup> See Petition of PPL Electric Utilities Corp. for Approval of a New Pilot Time-of-Use Program, Opinion and Order, Docket No. P-2013-2389572 (Order entered September 11, 2014).

Electric's current Petition for the Approval of a new Time of Use Pilot Program, CAUSE-PA intervened to ensure that vulnerable, low income consumers enrolled in OnTrack would remain exempt from time of use rates.

As originally proposed by PPL, and consistent with its last TOU plan, the Joint Settlement explains that PPL's TOU program will exclude customers enrolled in OnTrack. (Joint Pet. at 4, ¶ 16). OnTrack customers will still be able to select an alternative electric generation supplier through participation in the PPL Electric's Standard Offer Program ("CAP SOP"), as approved by the Commission in the Company's last DSP or remain on default service with PPL. (Joint Pet. at 4, ¶ 17). The Joint Settlement also affirms PPL's commitment to engage in a stakeholder process as it develops the marketing materials for its TOU program. This includes an opportunity for stakeholders to review and provide feedback on customer communications regarding the TOU. (Joint Pet. at 13, ¶ 63).

The Commission's regulations fully support settlements, declaring: "It is the policy of the Commission to encourage settlements."<sup>2</sup> Settlements are preferred because they "lessen the time and expense that Parties must expend litigating a case and, at the same time, conserve resources."<sup>3</sup> In reviewing whether to approve a proposed settlement, the Commission must determine whether the terms and conditions are in the interest of the public based on a preponderance of the evidence "showing a likelihood or probability of public benefits that need not be quantified or guaranteed."<sup>4</sup>

---

<sup>2</sup> 52 Pa. Code § 5.231.

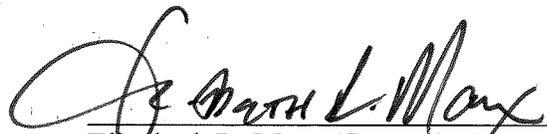
<sup>3</sup> See Commonwealth of Pa. et al. v. IDT Energy, Inc., Docket No. C-2014-2427657, at 35-37 (Tentative Order entered June 30, 2016).

<sup>4</sup> See id. (quoting Popowsky v. Pa. PUC, 594 Pa. 583, 937 A.2d at 1040 (2007)).

CAUSE-PA asserts that the Joint Settlement was reached through good faith negotiation by all parties, and arrives at a compromise program designed to serve the public interest. The Joint Settlement (1) protects PPL's vulnerable, low income customers enrolled in OnTrack from potential price volatility that may be inherent in the TOU Program, and (2) allows the parties to work together with PPL to ensure that marketing materials and information provided to consumers about the Time of Use Program are appropriately targeted to eligible consumers and adequately explain the risks and benefits of selecting a time varying rate. These provisions are reasonably balanced to ensure that vulnerable consumers are protected from unreasonable rate offerings and, in turn, adequately informs and educates ratepayers about this alternative rate offering.

CAUSE-PA is confident that the Joint Settlement, as a whole, balances the interests of the parties and fairly resolves a number of important issues raised by CAUSE-PA and other parties. If the Settlement is approved, the parties will also avoid the considerable cost of further litigation and/or appeals. Accordingly, CAUSE-PA respectfully requests that the Honorable Joel H. Cheskis recommend and the Commission approve the Settlement.

Respectfully Submitted,



Elizabeth R. Marx, Esq., PA ID: 309014  
Patrick M. Cicero, Esq., PA ID: 89039  
Kadeem Morris, Esq., PA ID: 324702  
118 Locust Street  
Harrisburg, PA 17101  
Tel.: 717-236-9486  
Fax: 717-233-4088  
pulp@palegalaid.net

March 13, 2018

*Counsel for CAUSE-PA*

# Appendix E

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

|   |          |          |  |
|---|----------|----------|--|
| <b>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</b> | <b>:</b> | <b>:</b> | <b>Docket No. P-2016-2526627</b>                     |
|   | <b>:</b> | <b>:</b> |  |
|   | <b>:</b> | <b>:</b> |  |
| <b>Petition of PPL Electric Utilities Corporation for Approval of a New Pilot Time-of-Use Program</b>   | <b>:</b> | <b>:</b> | <b>Docket Nos. P-2013-2389572<br/>M-2016-2578051</b> |

**Sustainable Energy Fund  
Statement In Support of  
Joint Petition for  
Settlement**

**To The Honorable Joel H. Cheskis, Administrative Law Judge:**

The Sustainable Energy Fund (“SEF”)<sup>1</sup>, by and through its Attorney, submits that the terms of the foregoing Joint Petition for Settlement (“Joint Petition”) are in the public interest and represent a fair, just, reasonable and equitable balance of the interests of PPL Electric Utilities Corporation (“PPL Electric” or “Company”) and its customers. After settlement discussions, SEF, PPL Electric, the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), the Coalition for Affordable Utility Services and

---

<sup>1</sup> SEF is a non-profit organization dedicated to the use of renewable energy, clean energy technologies, energy conservation and energy education. Founded in 1999 pursuant to a settlement of PPL Electric Utility Corporation’s electric deregulation proceeding, SEF promotes clean and renewable energy initiatives to benefit customers within the PPL Electric service territory and throughout Pennsylvania.

Energy Efficiency in Pennsylvania (“CAUSE-PA”) and Dauphin County Industrial Development Authority (“DCIDA”) (collectively, the “Joint Petitioners”) have agreed upon the terms embodied in the foregoing Joint Petition.<sup>2</sup>

## I. BACKGROUND

SEF submits that the foregoing Joint Petition is in the public interest for the following reasons:

1. On June 1, 2017, PPL Electric filed a Petition for Approval of a New TOU Program (“June 1, 2017 Petition”). PPL Electric filed the June 1, 2017 Petition pursuant to 52 Pa. Code § 5.41 and in compliance with the Commission’s Secretarial Letter dated April 6, 2017 in *Petition of PPL Electric Utilities Corporation for Approval of a New Pilot Time-of-Use Program*. Docket Nos. P-2013-2389572 and M-2016-2578051, and *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, which required the Company to file a new TOU proposal on or before June 1, 2017.
2. SEF filed a timely Answer to PPL Electric’s Petition. A Prehearing Conference was held on September 15, 2017, at which time a litigation schedule

---

<sup>2</sup> PP&L Industrial Customer Alliance (“PPLICA”) does not oppose the Joint Petition.

was set. The Joint Petitioners submitted direct, rebuttal and surrebuttal testimony pursuant to the procedural schedule established in this proceeding. Prior to the evidentiary hearing, PPL Electric informed the ALJ that the Joint Petitioners had achieved a settlement in principle to resolve all issues in this proceeding. At the evidentiary hearing on January 30, 2018, the Joint Petitioners submitted their respective testimony and exhibits for the record by stipulation.

3. Settlement discussions resulted in the foregoing Joint Petition.

## **II. SETTLEMENT TERMS**

4. The specific details of the Settlement terms are provided in Paragraphs 56 through 63 of the Joint Petition. However, SEF initially observes that the settlement enhances PPL Electric's TOU Program by ensuring that PPL Electric's TOU customers will have the opportunity to reduce their energy costs by modifying their energy use profile.

## **III. PUBLIC INTEREST**

5. SEF believes that the foregoing Joint Petition is in the public interest for the following reasons:

- (a). Rate Design: SEF submits that the fact that the on-peak and off-peak hours for the Residential and Small C&I customer classes will be identical (under the Joint Petition) is a significant improvement over the original proposal.

Moreover, the designation of on-peak hours during the Summer Season of 2 pm – 6 pm and the Winter Season on-peak hours of 4 pm – 8 pm are more

representative of the true “on-peak periods” than were offered in the original proposal.

(b) Net Metering: SEF submits that the definition of the cash-out price for excess generation by a TOU net metering customer under the Joint Petition is closer to the actual cash-out price than the definition that appeared in the original proposal.

(c) Discontinue Litigation: The Joint Petition discontinues expensive and unnecessary rate litigation and administrative burden.

6. The foregoing Joint Petition addresses and adjusts all substantial issues that are the subject of dispute. It appears unlikely that full litigation of these matters would result in SEF obtaining a superior outcome.

7. SEF supports the foregoing Joint Petition because it is in the public interest. However, in the event this matter proceeds to full litigation, SEF is prepared to take litigation positions that may differ from the terms of the proposed Joint Petition of Partial Settlement.

Respectfully submitted,



Kenneth L. Mickens, Esquire  
PA Attorney ID #31255  
Attorney for Sustainable Energy  
Fund  
316 Yorkshire Drive  
Harrisburg, PA 17111-6933  
(717) 343-3338

Dated: March 13, 2018

# Appendix F

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

|  |   |             |                                  |
|--|---|-------------|----------------------------------|
| 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                   |
|  | : |             |                                  |
|  | : |             |                                  |
|  | : |             |                                  |
|  | : |             |                                  |
| Petition of PPL Electric Utilities Corporation for Approval of a New Pilot Time-of-Use Program   | : | Docket Nos. | P-2013-2389572<br>M-2016-2578051 |
|  | : |             |                                  |

---

**STATEMENT OF THE  
DAUPHIN COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY  
IN SUPPORT OF THE JOINT PETITION FOR SETTLEMENT**

---

TO THE HONORABLE JOEL H. CHESKIS, ADMINISTRATIVE LAW JUDGE:

Pursuant to 52 Pa. Code §§ 5.231 and 5.232, The Dauphin County Industrial Development Authority (“DCIDA” or “Authority”) files this Statement in Support of Joint Petition for Settlement (“Settlement”) filed in the above-captioned matter. The Settlement comprehensively addresses and resolves all issues raised by the Petition by PPL Electric Utilities (“PPL”) for Approval of a New Time of Use Plan (“TOU Petition”) that was filed with the Commission on June 1, 2017. As a signatory to the Settlement, DCIDA respectfully submits that the terms and conditions of the Settlement are in the public interest and should be approved by the Pennsylvania Public Utility Commission (“Commission” or “PUC”) without modification. In support hereof, DCIDA states as follows:

DCIDA is a customer of PPL, and a customer-generator as that term is defined in the Alternative Energy Portfolio Standards (“AEPS”) Act.<sup>1</sup> DCIDA owns and operates a solar

---

<sup>1</sup> 73 P.S. § 1648, et seq. The AEPS Act defines customer-generator in 73 P.S. § 1648.2.

energy farm in Dauphin County, Pennsylvania and began using net metering in October 2011. DCIDA constructed the farm to advance green energy generation and position Dauphin County as a leader in alternative energy. The farm offers a power source for Dauphin County's emergency management systems and can connect to the County's mobile emergency management unit. In addition, the farm operates in parallel with the electric grid, which allows DCIDA to sell excess generation to PPL – which is both the DCIDA's electric distribution company and its default service provider.

In this proceeding, DCIDA raised issues regarding the original pricing proposal for excess generation from a time of use (“TOU”) net metering customer. Under that proposal, the cash-out price for excess generation by a TOU net metering customer would have consisted only of the “generation component.”<sup>2</sup> DCIDA asserted that said pricing proposal was inconsistent with the AEPS Act and the Commission's regulations.<sup>3</sup> Through the direct testimony of Mr. William A. Napikoski, DCIDA requested that PPL be directed to modify its pricing proposal for customer-generators on the TOU rate so that customer-generators on this rate option are paid the full retail rate for excess electricity purchased by PPL on an annual basis.<sup>4</sup>

DCIDA believes that the Settlement is reasonable and in the public interest. Under the Settlement, PPL agreed to revise pricing proposal for excess generation from TOU net metering customer. As modified, the pricing proposal includes components that reflect the same components used to calculate a PPL's price to compare for other customers.<sup>5</sup> The modifications to the pricing proposal (set forth in Paragraph 61 of the Settlement) resolve all of DCIDA's

---

<sup>2</sup> See TOU Petition at ¶ 48.

<sup>3</sup> See, e.g., 73 P.S. § 1648.5; 52 Pa.Code §§ 75.13(e), 54.182.

<sup>4</sup> DCIDA St. 1 at 2-3, 9-13.

<sup>5</sup> See Settlement at ¶ 61.

concerns on the pricing for excess generation from a TOU net metering customer. In addition, the Settlement preserves DCIDA's right to propose or oppose changes to the calculation of the annual cash out amount in a future Default Service or TOU Proceeding.<sup>6</sup>

On balance, the Settlement represents a fair balancing and compromise of the issues raised in this proceeding. The Settlement was developed as the result of the parties working cooperatively to reach a reasonable and comprehensive compromise of all the issues. In addition, the Settlement reduces the administrative burden and costs to resolve the numerous issues. For all these reasons, and because this proceeding has been resolved in an acceptable manner by all parties without the need for further litigation, DCIDA submits that the Settlement is in the public interest and should be approved by the Commission without modification.

Respectfully submitted,



---

Mark S. Stewart, Esq. (I.D. 75958)  
Karen O. Moury, Esq. (I.D. 36879)  
Carl R. Shultz, Esq. (I.D. 70328)

ECKERT SEAMANS CHERIN & MELLOTT, LLC  
213 Market Street, 8th Floor  
Harrisburg, PA 17101  
Telephone: 717.237.6000  
Fax: 717.237.6019

Date: March 13, 2018

Attorneys for Petitioner,  
The Dauphin County Industrial Development Authority

---

<sup>6</sup> Settlement at p. 12, n4.