

Status of PPL's Rate Requests

Testimony of Eric Epstein

February 11, 2013

On October 15, 2012, Mrs. McConnell stated “1.8% of the District’s budget is devoted to servicing utility bills. On November 5, 2012, I apprised the Board that I have been litigating rate cases at the Pennsylvania Public Utility Commission (“PUC”) for over 25 years, and can attest to the increased burden on property owners and senior citizens to pay monthly energy bills.

PPL's Distribution Rate Increase

In 2012, PPL filed for a distribution rate hike of \$104.6 million with the Public Utility Commission (“PUC”). According to PPL, the rate request reflects “increases in operation and maintenance costs since 2010, including costs associated with major storm events, programs to enhance retail electric competition, and customer education.”

On December 5, 2012, the Public Utility Commission adopted an Order authorizing a \$71.065 million rate increase for PPL Electric Utilities effective on January 1, 2013. **The increase drove up the flat monthly customer charge 62%** from \$8.75 to \$14.09 per month or \$5.32. The PUC allowed PPL a **nominal decrease** in the distribution charge levied on a per kilowatt basis, from 2.55 cents to 2.51 cents.

This charge can not be bypassed. All electric customers in the PPL rate base must pay distribution charges.

Default Service Program and Procurement Plan for the Period June 1, 2013 through May 31, 2015

On May 1, 2012, PPL Electric filed a Petition requesting approval for the terms and conditions under which the Company provide Default Service from June 1, 2013 through May 31, 2015 ("DSP"). The plan covers competitive procurement of Default Service supply and includes including a Time-of-Use ("TOU") rate. Please note that quite often the cheaper the fuel source, the larger the carbon foot print.

Consistent with the Commission's Order issued on January 26, 2013, PPL has scheduled the TOU rate option collaborative and a meeting regarding the Retail Opt-In and Standard Offer Referral Programs on February 22, 2013.

The following issues have been resolved and give consumers **flexibility regarding GSC rates** but will impact next year's District's budget:

- PPL will continue to adjust its **DSP Price to Compare** ("PTC") on a quarterly basis.
- PPL will offer **retail opt-in option** commencing in July, 2013 for customers based on a 5% savings off of PPL's PTC for four months plus a \$50 cash bonus, followed by an eight-month fixed price offer by participating competitive electricity suppliers.
- PPL will continue standard offer **referral program** commencing in August 2013 for customers that opt into a 7% discount to the current Price to Compare for 12 months that will be offered by participating competitive electricity suppliers.

The filing also contained several proposals designed to enhance retail competition in PPL's service area. **These charges can not be bypassed.**

PPL's Petition for Approval of Long-Term Infrastructure Plan

On February 14, 2012, Governor Corbett signed into law Act 11 of 2012 which allows electric distribution companies like PPL and natural gas companies, water utilities and wastewater utilities to establish a distribution system improvement charge. Act 11 allows utilities to recover “responsible” and “prudent” costs associated with the repair, improvement or replacement of property that is part of the utility distribution charge.

The Distribution Service Improvement Charge (“DSIC”) is an automatic adjustment charge that enables companies to recover certain infrastructure improvement costs between base rate cases through a quarterly surcharge on customers’ bills. The DSIC resets to zero when a company files a base rate case or if the utility is over-earning. The company also must notify customers of any change in the DSIC. An annual reconciliation audit is conducted by the PUC to ensure that no over-collections or under-collections have occurred.

PPL is the first electric or gas utility to get a long-term infrastructure improvement plan submitted and approved by the Commission. PPL is proposing a five year plan an estimate cost to rate payers of \$705.15 million. **This charge can not be bypassed** and is currently being litigated.

DSIC increase cannot exceed 5.0% of the amount billed to customers for distribution service

Proposed effective date: May 1, 2013-2017.