BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Docket No. P-2014-2417907

PPL Electric Utilities Corporation

Statement No. 3

Direct Testimony of Bethany L. Johnson

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I. Introduction

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

A. My name is Bethany L. Johnson. My business address is 2 North Ninth Street, Allentown, Pennsylvania, 18101.

Q. **By whom are you employed and in what capacity?**

A. I am employed as the Manager of Regulatory Compliance by PPL Electric Utilities Corporation ("PPL Electric" or the "Company").

Q. **What are your duties as Manager-Regulatory Compliance?**

A. I am responsible for PPL Electric's compliance with the regulatory requirements of the Pennsylvania Public Utility Commission ("PUC" or the "Commission"). As part of this function, I am responsible for the preparation and review, and technical oversight and guidance, of the development, content, and structure of cost allocation and revenue requirement studies. In addition, I am responsible for all aspects of PPL Electric's rates and distribution tariffs. I also prepare and present expert testimony regarding these and other ratemaking-related issues.

Q. **What is your educational background?**

A. I graduated from King's College in 1999 with a Bachelor of Science Degree in Finance, and from Moravian College in 2003 with a Master of Business Administration.

Q. **Please describe your professional experience.**

A. In 2000, I was employed by PPL Global Operations, where I supported the accounting and financial reporting activities of the company's domestic activities. In 2001, as a result of realignment, I joined PPL Generation. In this position, my responsibilities included cost control, budgeting, reporting and management of the forecasting process for large construction projects, as well as the administration of construction and financing contracts. In 2004, I rejoined PPL Global as a Senior Business Analyst with responsibility for maintaining, analyzing, consolidating, and presenting the business plans and operational performance results of the Company's international affiliates. In 2008, I joined PPL Energy Services Group as a Business Analyst providing financial modeling and analytical support for the evaluations of acquisition, development, and divestiture opportunities. In 2009, I joined PPL Electric as a Project Controls Specialist providing advanced cost analysis for distribution and transmission projects. Later in 2009, I assumed the position of Financial Business Planning Specialist in the Regulatory Compliance Department. In August, 2012, I was named to my current position as Manager – Regulatory Compliance for PPL Electric.

Q. Have you previously testified as a witness before the Pennsylvania Public Utility Commission ("Commission")?

A. Yes, I testified before this Commission in PPL Electric's most recent base rate case at Docket No. R-2012-2290597. In addition, I have testified in several Section 1307(e) reconciliation hearings. I have testified relative to PPL Electric's Generation Service Charge Rider at Docket No. C-2013-2367475, the calculation and implementation of the Company's Distribution System Improvement Charge at Docket No. P-2013-2325034, and the Company's Transmission Service Charge Refund Plan at Docket Nos. M-2010-2213754 and M-2011-2239806.

Q. What is the subject matter of your testimony?

A. My testimony and accompanying exhibits describe and support PPL Electric's proposed modifications of its existing Section 1307(e) cost recovery mechanism that will be used to recover the costs of its proposed Default Service Program and Procurement Plan for the period June 1, 2015 through May 31, 2017 ("DSP III").

Q. Are you sponsoring any exhibits in this proceeding?

A. Yes. I am sponsoring the *pro forma* tariff pages that are provided as Attachment D to the "Petition of PPL Electric Utilities Corporation for Approval of a Default Service Program and Procurement Plan for the Period June 1, 2015 through May 31, 2017" ("Petition"). Included in Attachment D is a *pro forma* tariff rider setting forth the Company's proposed Generation Supply Charge-1 ("GSC-1"), a *pro forma* tariff rider setting forth the Company's proposed Generation Supply Charge-2("GSC-2"), and a *pro forma* tariff rider setting forth the Company's proposed Transmission Service Charge ("TSC").

Q. **Please describe the GSC-1 as proposed by the Company in this proceeding.**

A. The proposed GSC-1 provides a Section 1307(e) cost recovery mechanism for PPL Electric that will be used to recover all of the costs that it incurs to obtain generation supply required to provide the Fixed Price rate option for default service customers in the Residential and Small Commercial and Industrial ("Small C&I") Customer Classes. The proposed GSC-1 will be calculated separately for each of those two Customer Classes. Costs recovered through the proposed GSC-1 will include the costs incurred under the generation supply contracts themselves and other costs incurred as part of the acquisition of that supply, including costs associated with the independent third-party administrator, legal costs incurred to develop contracts and other supporting documentation, as well as other related costs. PPL Electric also proposes to recover through the GSC-1 an amortized portion of any DSP III Program costs incurred prior to June 1, 2015. In addition, the initial GSC-1 computation period under the DSP III Program will include any remaining net over or under collection balance as of May 31, 2015 under the rate options for the Residential and Small C&I Customer Classes. As proposed, beginning for service rendered on and after June 1, 2015, the GSC-1 will be computed for each six-month period of the PJM Planning Year. The combined reconciliation of the proposed GSC-1 for the Fixed Price and prior-period TOU Program over/under reconciliation, as approved in Docket No. M-2011-2258733 will be conducted separately for each of the two Customer Classes. The over/under reconciliation for PPL Electric's TOU Program as of its reconciliation filing at Docket No. M-2013-2393799 is an over collection of approximately $439K for the Residential customer class and an over-collection of approximately $157K for the Small C&I customer class. Any over or under collection will be reflected in the GSC-1 charges for the subsequent computation period on a six-month basis.

Q. **Please describe the Company's prior period costs to be included in the proposed GSC-1.**

A. Under the DSP III Program, the Company proposes to acquire generation supply to meet its default service obligations for the period June 1, 2015 through May 31, 2017. The Company proposes to start those solicitations in April 2015 and continue them semi-annually, in April and October, through October 2016. The Company will incur costs for those solicitations that will include the costs of administering each solicitation, the costs of the third-party administrator and legal costs. Some of these costs will be incurred before the proposed GSC-1 becomes effective on June 1, 2015. The Company is entitled to recover these costs as appropriate generation supply acquisition expenses of the DSP III Program, and the Company proposes that these costs be amortized ratably over the 24-month life of the DSP III Program and that the amortization amount be recovered, without carrying charges, through the proposed GSC-1.

Q. **Please explain the proposed semi-annual computation of the GSC-1.**

A. The proposed GSC-1 will be revised semi-annually on June 1 and December 1, on ten (10) days' advance notice, to reflect changes in the costs described above. In addition, any net over or under collection of these rate components as of the end of the 6-month period ending April 30 and September 30 immediately preceding the computation period will be refunded or recouped through a separate E-Factor reconciliation component that will become effective for service rendered on and after the following June 1 and December 1, respectively. This methodology is largely consistent with the quarterly computation applied for the GSC-1 during DSP II, except that the rate and reconciliation period proposed is six months instead of the three month period applied in GSC-1.

Q. **Will the Commission have an opportunity to review the proposed GSC-1 on a periodic basis?**

A. Yes. The Commission will have a number of opportunities to review the proposed GSC-1. First, and most fundamentally, the Commission will have an opportunity to review each of the Company's semi-annual computation and annual reconciliation filings of the proposed GSC-1. Moreover, as specifically stated in the Company's tariff, "application of the GSC-1 shall be subject to continuous review and audit by the Commission in intervals it shall determine."

Q. **Please describe the GSC-2 as proposed by the Company in this proceeding.**

A. The proposed GSC-2 provides a Section 1307(e) cost recovery mechanism for PPL Electric that will be used to recover all of the costs that it incurs to obtain generation supply required to provide default service to customers in the Large C&I Customer Class. Costs recovered through the proposed GSC-2 will include the following:

- An energy charge per kWh based on the real-time hourly spot-market price for the PPL Zone and the customer's actual hourly energy use.
- A capacity charge per kW based on the PJM Reliability Pricing Model ("RPM") price for capacity for the PPL Zone and the customer's peak load contribution.
- An energy charge per kWh to recover all supplier charges and PPL Electric's cost of administration, both prospective costs and an amortization of previously incurred costs over the term of the DSP III program.

The proposed GSC-2 will include the total direct and indirect costs incurred by the Company to acquire generation supply for its default service customers in the Large C&I Customer Class. These costs will include administrative costs incurred as part of the acquisition of generation supply, such as costs associated with the independent third-party administrator and legal costs incurred to develop contracts and other supporting documentation, as well as other related costs. PPL Electric also proposes to recover through the proposed GSC-2 an amortized portion of any DSP III Program costs incurred prior to June 1, 2015. In addition, the initial GSC-2 computation period under the DSP III Program will include any remaining net over or under collection balance as of May 31, 2015 related to the application of the GSC-2 for the Large C&I Customer Class.

Q. **Please explain the costs to administer the DSP III Program that PPL Electric proposes to include in the proposed GSC-2.**

A. As I discussed previously with regard to the proposed GSC-1, under the proposed DSP III Program, PPL Electric will incur administrative costs, including costs associated with the independent third-party administrator and legal costs to develop contracts and other supporting documentation, as well as other related costs. As a result, PPL Electric proposes to include in the proposed GSC-2 a monthly amortization of the actual costs that it incurs to administer the DSP III Program for this Customer Class. The monthly amortization of these costs will be based on the total amount of administrative costs, which are incurred during the most recent 12-month period ended on May 31, amortized ratably over the next 12-month PJM Planning Year (*i.e.,* June 1 through May 31).

Q. **Please explain the proposed annual computation of the GSC-2.**

A. The proposed GSC-2 will be revised annually on June 1, on thirty (30) days' advance notice, to reflect changes in: (1) the PJM capacity charges for the PPL Zone, (2) the supplier's administrative charges; and (3) PPL Electric's administrative charges. In addition, any net over or under collection of these rate components as of the end of the 12-month period ending April 30 immediately preceding the computation period will be refunded or recouped through a separate E-Factor reconciliation component that will become effective for service rendered on and after the following June 1. This is consistent with the annual computation applied for the GSC-2 during DSP II.

Q. **Will the Commission have an opportunity to review the proposed GSC-2 on a periodic basis?**

A. Yes. The Commission will have a number of opportunities to review the proposed GSC-2. First, and most fundamentally, the Commission will have an opportunity to review the Company's annual computation of the proposed GSC-2. Moreover, as specifically stated in the tariff, "application of the GSC-2 shall be subject to continuous review and audit by the Commission in intervals it shall determine."

Q. **Please explain how the Company proposes to recover the Pilot TOU Program costs.**

A. As explained in the direct testimony of Mr. Rouland, on August 23, 2013, PPL Electric filed a Petition at Docket No. P-2013-2389572, requesting Commission approval of a new TOU Program to replace the currently effective TOU rates. On April 11, 2014, the parties to the TOU proceeding filed a Joint Petition for Partial Settlement ("TOU Settlement"). As part of its DSP III Program, PPL Electric proposes to continue the TOU Program as set forth in the TOU Settlement. Under the TOU Program set forth in the TOU Settlement, the Company will rely upon the retail market and Electric Generation Suppliers ("EGSs") to provide TOU service to customers. Because the TOU price options are determined and managed by the EGS, PPL Electric does not anticipate that it will incur any material costs under the new TOU program. Should the Company experience a material level of costs associated with its TOU Program, it will file a cost recovery plan with the Commission.

Q. **Please describe the changes to the Transmission Service Charge proposed in this proceeding.**

A. The only change to the Transmission Service Charge proposed in this proceeding and as indicated in Attachment D of the Company's Petition is an update to the time period for which the Transmission Service Charge discussed in this proceeding will be applied.

Q. Please explain why PPL Electric is requesting a waiver from the requirement to issue a final PTC 45 days prior to the effective date of the PTC.

A. The Company is requesting a waiver from the 45 day requirement for several reasons. First, the PTC is based on the underlying components of the GSC-1 or GSC-2 and the TSC. The GSC-1 is issued 10 days prior to the effective date. The GSC-2 and the TSC are preliminarily issued 30 days prior to the effective date, then reissued after the most current month's reconciliation is filed and the over/under collection is incorporated into the updated rate filing.

Issuance of a final PTC 45 days prior to the effective date may not accurately reflect the actual PTC because the underlying components have not been updated or filed. For the PTC effective June 1, the final PTC would need to be issued on or about April 15. As of April 15, neither the reconciliations nor the rates have been filed. This would create the possibility of a substantial disparity between the estimated and actual PTC In the Company's view, it is neither necessary nor appropriate to introduce estimates into its final PTC that customers rely on when choosing a generation supplier.

Q. Does the Company currently have procedures to inform customers and EGSs of upcoming changes to the PTC?

A. Yes. PPL Electric's current practice is to issue a preliminary PTC approximately 45 days before the effective date. This preliminary PTC reflects the results of the most recent solicitation for new contracts (included in the C Factor component) and an estimate of the E-Factor. The Company also issues its Final PTC approximately 10 days before the effective day, coinciding with its GSC-1 rate filing. The Company proposes to continue this process if its request for a waiver is granted.

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

A. Yes it does.