

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of PPL Electric Utilities Corporation :
for Approval of Its Default Service Plan for : Docket No. P-2020-3019356
the Period June 1, 2021 through May 31, :
2025 :

**SURREBUTTAL TESTIMONY
OF
DAVID F. CIARLONE**

**ON BEHALF OF THE
INDUSTRIAL ENERGY CONSUMERS OF PENNSYLVANIA**

August 2020

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SURREBUTTAL TESTIMONY OF DAVID F CIARLONE

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

2 A. My name is David F. Ciarlone. My business address is 185 Springmeadow Drive,
3 Pittsburgh, PA 15241.

4

5 **Q. Did you submit Direct Testimony in this proceeding?**

6 A. Yes. I submitted Direct Testimony on behalf of the Industrial Energy Consumers of
7 Pennsylvania ("IECPA").

8

9 **Q. What is the purpose of your Surrebuttal Testimony?**

10 A. I will respond to PPL Electric Utilities Corporation ("PPL" or "Company") witness Mr.
11 Hartman regarding his opposition to my recommendation regarding the appropriate
12 methodology for allocating PJM Interconnection Inc. ("PJM") transmission costs on the retail
13 level. I will also briefly address the issue raised by the Electric Generation Supplier ("EGS")
14 Parties witness Mr. Kallaher, and responded to by the PPL Industrial Customer Coalition
15 ("PPLICA") witness Mr. Peters, PPL witness Mr. Rouland, and Calpine Retail Holdings, LLC
16 ("Calpine") witness Ms. Merola in their Rebuttal statements, regarding the collection of
17 Network Integration Transmission Services ("NITS") costs.

1 **Q. Did you read PPL witness Mr. Hartman's Rebuttal Testimony addressing your**
2 **recommendation that PPL employ a 1 Coincident Peak ("CP") methodology for**
3 **assigning and allocating transmission costs to conform to the wholesale methodology**
4 **employed by PJM?**

5 A. Yes, I did.

6
7 **Q. Did Mr. Hartman address the substance of your recommendation?**

8 A. I do not believe he did. My recommendation is that PPL should employ the same customer-
9 specific single zonal CP that PJM assigns to Load Serving Entities ("LSEs") for the purpose
10 of calculating network service peak load ("NSPL") contributions to align retail cost allocation
11 with wholesale cost causation principles, in order to send proper price signals to customers
12 and to make the retail system more efficient and reliable. Based on my reading and
13 understanding of his Rebuttal Testimony, it does not appear that Mr. Hartman disagrees with
14 my cost causation position. Rather, Mr. Hartman appears to suggest that the reason for PPL's
15 deviation from the PJM methodology is a contrived notion of fairness, rather than a reasonable
16 assessment of the adequacy of rates. Specifically, on page 5 of his Rebuttal Testimony, Mr.
17 Hartman suggests that my proposal "would allow customers who can forecast and reduce load
18 during the single peak hour to shift costs to customers without the same ability." According
19 to Mr. Hartman, this "would inflate costs to customers who are unable to forecast and reduce
20 load during peak periods and their costs would not be in line with their typical usage during
21 peak periods."

1 **Q. Is he correct?**

2 A. No. When a customer reduces load during a peak period, that customer does not "shift" any
3 costs to any other customers. By reducing load during a peak period, a customer is simply
4 not contributing to a load obligation for that portion of reduced consumption, and is therefore
5 not causing those costs to be incurred. This does not "shift" any costs to other customers.
6 Every customer will still be assigned and allocated the costs that they actually cause within
7 the system. This is the basic principle of cost causation. Although Mr. Hartman presented a
8 hypothetical scenario in his Exhibit GMH-1R, this hypothetical only confirms my cost
9 causation argument.

10

11 While it is true that the remaining customers who do not reduce load will incur a greater
12 proportion of the PPL zone's capacity and transmission obligations for that event, these
13 customers are still only incurring the obligation for costs that they cause, consistent with cost
14 causation principles. They are not incurring obligations caused by the load-reducing
15 customers because the customers reducing load are not causing those costs to be incurred. It
16 appears from Mr. Hartman's testimony that PPL believes customers who traditionally
17 consume more electricity during peak periods should be responsible for a greater share of
18 PPL's costs at all times, irrespective of whether these customers actually cause higher costs
19 during those peak periods. In other words, it appears that PPL believes transmission
20 obligations should be decoupled from actual cost causation.

1 **Q. Should the fact that other customers might incur costs that "would not be in line with**
2 **their typical usage during peak periods," as Mr. Hartman states, be the basis for PPL's**
3 **methodology?**

4 A. No. This is not a cost causation argument. In fact, I'm not aware of any ratemaking principle
5 that adopts this reasoning. Customers should be responsible for paying costs that they actually
6 cause the utility's system to incur. It should not matter whether those costs at a specific time
7 may deviate from "typical usage."

8
9 **Q. Even if "fairness" is a proper consideration in this context, is the methodology that you**
10 **recommend unfair?**

11 A. No. As an initial point, as explained above, I do not believe that it is fair for customers to pay
12 costs that they do not cause.

13
14 Apart from that, Mr. Hartman seems to imply that it is unfair for customers who are able to
15 forecast and reduce load during PPL zonal peaks to take advantage of those opportunities
16 when there are customers who are not able to do so. To my knowledge, large industrial and
17 manufacturing customers who reduce load during peak periods primarily do so in conjunction
18 with Conservation (or Curtailment) Service Providers ("CSPs") and through participation in
19 load response programs offered by PJM or an Electric Distribution Company ("EDC"), such
20 as PPL. In fact, while I am not an expert on these programs, I believe that PPL currently
21 offers load reduction programs to smaller customers, as well, including Small Commercial
22 and Industrial ("C&I"), through the Phase III Energy Efficiency and Conservation ("EE&C")
23 plan, which is also in coordination with CSPs. Therefore, I believe it is overstated and

1 inaccurate to imply that only a small subset of customers have the ability to reduce load during
2 peak periods, particularly when PPL itself promotes such activity for its system.

3
4 Furthermore, when a large industrial or manufacturing customer reduces load during a peak
5 period, it does not do so without significant costs or risks. These include the costs of changing
6 production schedules and the risks and potential costs of changing delivery schedules in
7 exchange for the benefit of participation in load reduction programs. Indeed, this is why load
8 reduction programs place value on a participant's load reduction response. And it is also the
9 reason that customers who may be able to reduce load during peak periods do not always do
10 so.

11
12 Regardless, by adhering to an artificial notion of fairness, I believe PPL is actively interfering
13 with price signals that would otherwise function to make the system as efficient as possible
14 and therefore maximize the benefits of load reductions to all customers.

15
16 **Q. Mr. Hartman asserts on page 7 of his Rebuttal Testimony that PPL's methodology of**
17 **calculating each customer's capacity and transmission tags in the same manner "does**
18 **not violate cost causation principles because it calculates and allocates with more**
19 **granularity the cost implications of providing service to individual customers." What is**
20 **your response?**

21 A. I'm not sure what Mr. Hartman means by "more granularity" or "cost implications," or even
22 if those concepts are relevant. The fact remains that PPL does not allocate transmission costs
23 to its customers in the same manner that PJM assigns those obligations. Regardless of

1 "granularity" or "implications," PPL is not charging customers the costs that PJM identifies
2 as being caused by them. This indeed violates the principle of cost causation.

3
4 **Q. Turning to the issue of the collection of NITS costs, did you read the Rebuttal Testimony**
5 **of PPLICA witness Mr. Peters, PPL witness Mr. Rouland, and Calpine witness Ms.**
6 **Merola in response to the EGS Parties witness Mr. Kallaher's proposal to assign NITS**
7 **cost responsibility for shopping customers to PPL, instead of EGSs, and to require PPL**
8 **to create a non-bypassable charge for the collection of NITS charges?**

9 A. Yes, I did.

10
11 **Q. What is your position on this issue?**

12 A. After reviewing Mr. Kallaher's Direct Testimony and the Rebuttal Testimony from Mr. Peters,
13 Mr. Rouland, and Ms. Merola, I agree with the positions expressed by PPLICA, PPL, and
14 Calpine. Specifically, as Mr. Peters indicated in his Rebuttal Testimony, I agree that the
15 Pennsylvania Public Utility Commission's ("Commission") adoption of the EGS Parties'
16 recommendation could harm Large C&I customers who have the sophistication and value the
17 ability to negotiate supply contracts with EGSs based on their individual requirements, which
18 could mean either a pass-through of NITS charges or a fixed rate. At core, the EGS Parties
19 are proposing a regulatory solution to a contracting problem.

20
21 Therefore, I agree with PPLICA, PPL, and Calpine that the Commission should reject the
22 EGS Parties' request, or in the alternative, at least exempt Large C&I customers from any non-
23 bypassable charge requirement, as suggested by PPLICA.

1 Q. Does this complete your Surrebuttal Testimony?

2 A. Yes.

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VERIFICATION

I, David F. Ciarlone, hereby state that the facts in my Surrebuttal Testimony, are true and correct to the best of my knowledge, information, and belief, and that I expect to be able to prove the same at any hearing held in this matter. I understand the statements herein are made subject to the penalties of 18 Pa. C.S. §4904 (relating to falsification to authorities).

Date: 8/6/20

David F. Ciarlone
David F. Ciarlone
DFC Energy Strategies LLC