

Alternative Utility Rate Structures Would Benefit Customers and the Environment

PPL Electric Utilities executive testifies in favor of House Bill 1782

ALLENTOWN, Pa. (Nov. 20, 2017) — To keep the electric grid strong and secure, and to provide the most support for customers who use energy efficiently and adopt new energy technologies like solar panels, utilities should have the option to propose new ways to structure their rates, a PPL Electric Utilities executive said today.

“Decoupling” is an alternative rate structure that would be good for customers and for the Commonwealth of Pennsylvania, as well as for the state’s utilities, said Greg Dudkin, PPL Electric Utilities president. He was testifying before the Pennsylvania House Consumer Affairs Committee in support of House Bill 1782, Alternative Rate Mechanisms.

The bill also could enable “performance-based rates,” which would help hold utilities accountable for reliability and other key performance measures on behalf of customers.

Decoupling separates, or “decouples,” utility revenues from electricity sales. It breaks the traditional link between how much power a utility sells and how much revenue it collects. A form of electric decoupling is already working in 18 states.

“Decoupling will help keep the electric grid strong and secure, it will benefit the environment by embracing energy efficiency and new energy technologies, and it will help PPL continue to welcome and support customers who want to install their own solar panels,” Dudkin said.

The average customer would notice very little difference between the current rate structure and decoupling, Dudkin said. Customers would still pay per kilowatt-hour for electricity. They still would have an incentive to use less energy, and those who use less electricity will have smaller bills. The PUC would still approve in advance what PPL can charge for electric delivery.

Under decoupling with a multi-year rate plan, the form of decoupling advocated by PPL, utility revenues would be fixed and approved in advance by the PUC. A utility would be able to collect only that fixed amount – no more and no less – over a multiple-year time period. There would be regular rate “true-ups” for customers, adjusting their price per kilowatt-hour up or down to account for any over- or under-collection of the utility’s authorized revenues.

“The electric grid is evolving, from simply delivering electricity to being part of a smarter energy future,” said Dudkin. “Decoupling would help enable us do our part to keep the grid strong and reliable, and to making sure it’s not vulnerable to cyber- or physical attack.”

Any proposal to change from the current rate structure to a decoupled structure would need to be approved by the Pennsylvania Public Utility Commission.

PPL Electric Utilities provides electric delivery service to more than 1.4 million homes and businesses in Pennsylvania and ranks among the best utility companies in the country for customer service and reliability. PPL Electric Utilities is a major employer in the communities it serves. It is a subsidiary of PPL Corporation (NYSE: PPL). For more information visit www.pplelectric.com.

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