

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, Pennsylvania 17105-3265

Pennsylvania Public Utility
Commission v. PPL Electric
Utilities Corporation

Public Meeting: December 5, 2012
2290597-OSA
Docket Nos. R-2012-2290597

DISSENTING STATEMENT OF COMMISSIONER GARDNER

Before the Pennsylvania Public Utility Commission (Commission) for consideration and disposition is the base rate case of PPL Electric Utilities Corporation (PPL) filed on March 30, 2012.

I dissented to the Cost of Service Study (COSS) methodology used by PPL in its 2010 base rate case and I will do the same in the present case.

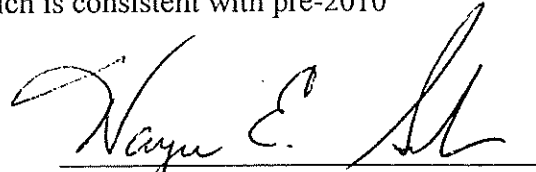
In 2010, the system average rate of return was 6.33%. Using the COSS methodology used by PPL in its 2004 and 2007 distribution base rate cases, the primary residential class reached a return of 5.23% at current rates, approximately 83% of the system average return. This is an important point to make because the Commonwealth Court's decision in *Lloyd v. Pa. PUC*, 904 A.2d 1010 (Pa. Cmwlth. 2006) made clear that PPL should move its classes to the system average rate of return with deliberate haste. PPL did, in fact, commit to achieving a rate design reflective of the cost of serving the classes within three rate cases.

In the 2010 case, the third case, PPL proposed using a new COSS methodology which resulted in the residential class providing a return of 3.12%, approximately 49% of the system average return. By accepting the new COSS methodology in the 2010 case, the case where PPL was supposed to meet its goal of moving the classes to or near their cost of service, the Commission essentially moved the goal line further down the field just as the residential class was close to reaching it.

In the present case, PPL utilizes the 2010 COSS methodology. Using the COSS methodology that was in place in 2004 and 2007, the period in which PPL began moving customer classes toward cost of service, the primary residential class would have achieved a return of 6.90%, approximately 112% of the system average return, at present rates. Using PPL's COSS results, at present rates, the residential class only reaches a return of 4.57%, 74% of the system average return. Using PPL's COSS results, at the proposed rates, moves the residential class to 7.94%, or 94% of the system average return. The result of the change of COSS made in 2010 and in this case is that the residential class will continue to bear the majority of any rate increase.

For this reason, I respectfully dissent from the majority on the adoption of PPL's COSS. Instead, I support the OCA's COSS which is consistent with pre-2010 methodology.

December 5, 2012



Wayne E. Gardner, Commissioner