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File #: 150736

May 23, 2012

BY E-FILE

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

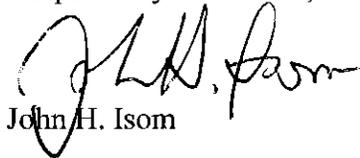
RE: Pennsylvania Public Utility Commission v. PPL Electric Utilities Corporation
Docket No. R-2012-2290597

Dear Secretary Chiavetta:

Enclosed is the Prehearing Conference Memorandum of PPL Electric Utilities Corporation for the above-referenced proceeding.

Copies have been provided to the persons in the manner indicated on the Certificate of Service.

Respectfully Submitted,



John H. Isom

JHI/jl

Enclosures

cc: Honorable Susan D. Colwell
Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the **Prehearing Conference Memorandum of PPL Electric Utilities Corporation** have been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

Via E-Mail & First Class Mail

Tanya J. McCloskey, Esquire
Candis A. Tunilo, Esquire
Darryl Lawrence, Esquire
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923

Todd S. Stewart, Esquire
Hawke McKeon & Sniscak LLP
100 N. 10th Street
PO Box 1778
Harrisburg, PA 17101
Dominion Retail, Inc.
d/b/a Dominion Energy Solutions

Steven C. Gray, Esquire
Office of Small Business Advocate
Commerce Building, Suite 1102
300 North Second Street
Harrisburg, PA 17101

Scott J. Rubin, Esquire
Public Utility Consulting
333 Oak Lane
Bloomsburg, PA 17815
International Brotherhood of Electrical Workers, Local 1500

Regina L. Matz, Esquire
Bureau of Investigation & Enforcement
PO Box 3265
Commonwealth Keystone Building
400 North Street, 2nd Floor West
Harrisburg, PA 17105-3265

Kenneth L. Mickens
The Sustainable Energy Fund of Central
Eastern Pennsylvania
316 Yorkshire Drive
Harrisburg, PA 17111
*Sustainable Energy Fund of
Central Eastern Pennsylvania*

Joseph L. Vullo, Esquire
Burke Vullo Reilly Roberts
1460 Wyoming Avenue
Forty Fort, PA 18704
Commission on Economic Opportunity

Via First Class Mail

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Helen Schwika
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White Haven, PA 18661

Dave A. Kenney
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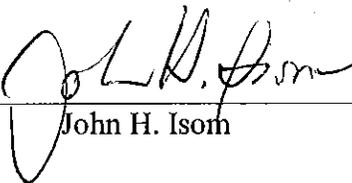
William Andrews
40 Gordon Avenue
Carbondale, PA 18407

Roberta A. Kurrell
591 Little Mnt. Road
Sunbury, PA 17801

Donald Leventry
1154 River Road
Holtwood, PA 17532

Eric Joseph Epstein
4100 Hillsdale Road
Harrisburg, PA 17112

Date: May 23, 2012



John H. Isom

**THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission,	:	
	:	R-2012-2290597
v.	:	
	:	
PPL Electric Utilities Corporation.	:	

**PREHEARING CONFERENCE MEMORANDUM OF
PPL ELECTRIC UTILITIES CORPORATION**

TO ADMINISTRATIVE LAW JUDGE SUSAN D. COLWELL:

Pursuant to 52 Pa. Code § 5.224(c) and Administrative Law Judge Susan D. Colwell's Prehearing Conference Order dated May 17, 2012, PPL Electric Utilities Corporation ("PPL Electric" or the "Company") hereby submits this Prehearing Conference Memorandum.

I. SERVICE OF DOCUMENTS

1. PPL Electric requests that all documents be served on:

John H. Isom (ID # 16569)
Post & Schell, P.C.
17 North Second Street
12th Floor
Harrisburg, PA 17101-1601
Phone: 717-731-1970
Fax: 717-731-1985
E-mail: jisom@postschell.com

PPL Electric agrees to receive service of documents electronically in this proceeding. Further, to the extent that materials are available electronically, it is requested that copies be served upon Paul E. Russell at perussell@pplweb.com, David B. MacGregor at dmacgregor@postschell.com, and Christopher T. Wright at cwright@postschell.com.

II. PROCEDURAL HISTORY.

2. This proceeding was initiated on March 30, 2012, when PPL Electric filed with the Pennsylvania Public Utility Commission (“Commission”) Supplement No. 118 to PPL Electric’s Tariff – Electric Pa. P.U.C. No. 201 (“Supplement No. 118”). Supplement 118, issued to be effective for service rendered on or after June 1, 2012, proposes changes to PPL Electric’s base retail distribution rates designed to produce an increase in revenues of approximately \$104.6 million, based upon data for a *pro forma* future test year ending December 31, 2012. The filing was made in compliance with the Commission’s regulations and contains all supporting data and testimony required to be submitted in conjunction with a tariff change seeking a general rate increase.

3. On April 9, 2012, a Petition to Intervene was filed by Dominion Retail, Inc. d/b/a Dominion Energy Solutions.

4. On April 10, 2012, the Commission’s Bureau of Investigation and Enforcement (“I&E”) filed a Notice of Appearance.

5. On April 23, 2012, the Office of Consumer Advocate (“OCA”) filed a Notice of Appearance and a Formal Complaint at Docket No. C-2012-2300266.

6. On April 27, 2012, the Office of Small Business Advocate (“OSBA”) filed a Formal Complaint at Docket No. C-2012-2301063.

7. On April 30, 2012, a Petition to Intervene was filed by the Commission on Economic Opportunity.

8. On May 1, 2012, a Petition to Intervene was filed by the International Brotherhood of Electrical Workers, Local 1600.

9. On May 3, 2012, a Petition to Intervene were filed by the Sustainable Energy Fund of Central Eastern Pennsylvania (“SEF”).

10. On May 21, 2012, PPL Electric was served with a Formal Complaint filed by Eric Joseph Epstein.¹

11. PPL Electric has been served with Formal Complaints by the following: John Lucas, Docket No. C-2012-2298593; Helen Schwika, Docket No. C-2012-2299335; Dave Kenney, Docket No. C-2012-2299539; William Andrews, Docket Nos. C-2012-2300402 and C-2012-2300410; Roberta Kurrell, Docket No. C-2012-2304870; and Donald Leventry, Docket No. C-2012-2304903.

12. On May 17, 2012 Administrative Law Judge Susan D. Colwell issued the Prehearing Order, scheduling a prehearing conference in the above-captioned matter at 10:00 a.m. Thursday, May 31, 2012, in Hearing Room 2, Commonwealth Keystone Building, 400 North Street, Harrisburg, PA.

III. ISSUES.

13. PPL Electric intends to demonstrate that its request for an overall annual distribution revenue increase of approximately \$104.6 million, based on a future test year ending December 31, 2012, and proposed allowed rate of return on equity of 11.25 percent is just and reasonable and should be approved by the Commission.

14. PPL Electric intends to demonstrate that its proposed distribution rate increase is appropriate for the restructured electric utility industry now in place in Pennsylvania. It reflects PPL Electric's status as a distribution-only electric utility and is based on financial and operating data for that single business line. The requested rate increase reflects the business environment the Company currently faces, particularly its need to make significant capital investments to help ensure that its reliability performance remains strong for customers today and in the future.

¹ Mr. Epstein's Formal Complaint was filed at Docket No. R-2012-2290597 and, as of the date of this Prehearing Memorandum, has not been assigned a separate complaint docket number.

15. PPL Electric intends to demonstrate that its proposed 11.25 percent return on equity is the minimum required for the Company to attract capital on reasonable terms, provide safe and reliable service to its customers, and fully fund the various innovative programs described above. PPL Electric intends to demonstrate that the proposed return on equity is particularly appropriate in view of PPL Electric's management effectiveness and award-winning customer service in the face of challenging economic and capital market conditions.

16. PPL Electric further intends to demonstrate that its proposed class cost allocation study is reasonable and consistent with long-standing Commission precedent, and that its proposed allocation of the requested revenue increase is just, reasonable, non-discriminatory, and consistent with principles established by the Common Court in *Lloyd v. Pa. P.U.C.*, 904 A.2d 1010 (Pa. Cmwlth. 2006).

17. PPL Electric also intends to demonstrate that its proposal to update its retail tariff to clarify certain provisions and eliminate other provisions that no longer are effective, and to restructure a number of the rate schedules in its tariff to more closely follow cost of service is appropriate, just and reasonable, and should be approved by the Commission.

IV. WITNESSES.

18. PPL Electric presently intends to offer the following witnesses to testify in this proceeding on the following subject matters:

<u>Statement Number</u>	<u>Witness</u>	<u>Subject matter</u>
1	Gregory N. Dudkin President PPL Electric Utilities Corporation Two North Ninth Street Allentown, PA 18101 Phone: 610.774.6077	<ul style="list-style-type: none"> • Current Financial Condition. • Management Effectiveness. • Perspective on Filing.
2	Gary L. Banzhoff Director-PA Delivery Accounting PPL Services Corporation Two North Ninth Street Allentown, PA 18101 Phone: 610.774.4789	<ul style="list-style-type: none"> • 2011 Actual Results of Operations. • 2012 Capital and Operating Budgets. • Rate Base Adjustments. • Revenue Adjustments. • Expense Adjustments.
3	Denise A. Cunningham Manager-Financial Analysis Financial Planning Department PPL Services Corporation Two North Ninth Street Allentown, PA 18101 Phone: 610.774.5483	<ul style="list-style-type: none"> • Support Group Costs. • Employee Benefit Costs.
4	David R. Woodruff Manager-Load Analysis Regulatory Compliance Group PPL Electric Utilities Corporation Two North Ninth Street Allentown, PA 18101 Phone: 610.774.6833	<ul style="list-style-type: none"> • Sales Forecast. • Annualization of Sales and Revenue. • Load Research.
5	Douglas A. Krall Manager-Regulatory Strategy PPL Electric Utilities Corporation Two North Ninth Street Allentown, PA 18101 Phone: 610.774.5736	<ul style="list-style-type: none"> • Strategic Rate Design. • Retail Markets Investigation. • Rate Design. • Class Revenue Allocation. • Proposed Tariff. • Proofs of Revenue. • Pro Forma Revenue Adjustments.

<u>Statement Number</u>	<u>Witness</u>	<u>Subject matter</u>
6	<p>Thomas C. Stathos Director.- Customer Programs & Services PPL Electric Utilities Corporation Two North Ninth Street Allentown, PA 18101 Phone: 610.774.3760</p>	<ul style="list-style-type: none"> • Consumer Education.
7	<p>Bethany L. Johnson Financial Business Planning Specialist – Regulatory Compliance PPL Electric Utilities Corporation Two North Ninth Street Allentown, PA 18101 Phone: 610.774.7011</p>	<ul style="list-style-type: none"> • Cash Working Capital.
8	<p>Joseph M. Kleha Manager-Regulatory Compliance PPL Electric Utilities Corporation Two North Ninth Street Allentown, PA 18101 Phone: 610.774.4486</p>	<ul style="list-style-type: none"> • Cost Allocation Studies. • Taxes. • Expense Adjustments. • Rate Riders.
9	<p>Timothy R. Dahl Manager-Regulatory Programs & Business Services PPL Electric Utilities Corporation Two North Ninth Street Allentown, PA 18101 Phone: 484.634.3297</p>	<ul style="list-style-type: none"> • Universal Service Programs.
10	<p>Russell R. Clelland Executive Director – Assistant Treasurer PPL Services Corporation Two North Ninth Street Allentown, PA 18101 Phone: 610.774.4480</p>	<ul style="list-style-type: none"> • Capital Structure. • Embedded Cost of Capital.
11	<p>Paul R. Moul Managing Consultant P. Moul & Associates 251 Hopkins Road Haddonfield, NJ 08033 Phone: 856.428.7515</p>	<ul style="list-style-type: none"> • Cost of Common Equity. • Capital Structure. • Embedded Cost of Capital. • Fair Rate of Return.

<u>Statement Number</u>	<u>Witness</u>	<u>Subject matter</u>
12	Julie M. Cannell President J.M. Cannell, Inc. P.O. Box 199 Purchase, NY 20688 Phone: 914.686.3245	<ul style="list-style-type: none"> • Cost of Common Equity. • Investor Perspective.
13	John J. Spanos Vice President Gannett Fleming, Inc. 207 Seventh Avenue Camp Hill, PA 17011 Phone: 717.763.7211	<ul style="list-style-type: none"> • Depreciation.

PPL Electric previously filed copies of these statements. The testimony and exhibits fully support PPL Electric's proposed rate increase, allocation of that increase among customer classes, and the design of rates to recover that increase from customers.

19. PPL Electric also reserves the right to call and present additional witnesses to address any issues that may arise during the course of the proceeding.

V. DISCOVERY

20. To date, the OCA, I&E, and OSBA have served interrogatories on PPL Electric. PPL Electric has objected to certain limited discovery requests; however, the parties are working to resolve said objections. PPL Electric is not aware of any need to enter any special order regarding discovery. Based on the nature and scope of these interrogatories, PPL Electric does not believe that any change or modification in the standard timelines for discovery set forth in the Commission's regulations is necessary or appropriate. PPL Electric also encourages the use of informal discovery to expedite the discovery process.

VI. LITIGATION SCHEDULE.

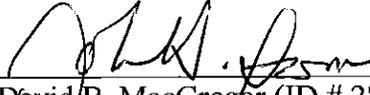
21. The Prehearing Order proposes the following schedule for resolution of this proceeding, which is acceptable to the Company:

Public Input Hearings	June 15, 20-21, 2012
Other Parties' Direct	June 22, 2012
Rebuttal	July 16, 2012
Surrebuttal	August 1, 2012
Evidentiary Hearings (including rejoinder testimony)	August 6, 7, 9, 10, 2012
Close of Record	August 10, 2012
Main Briefs	August 29, 2012
Reply Briefs	September 14, 2012
Recommended Decision	October 19, 2012
Public Meeting	December 20, 2012

VII. SETTLEMENT

22. As of this time, no settlement discussions have been held. PPL Electric remains open and available for settlement discussions with the other parties and would support initiatives to begin settlement discussions at the earliest possible date.

Respectfully submitted,



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Of Counsel:

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E-mail: cwright@postschell.com

Date: May 23, 2012

Attorneys for PPL Electric Utilities Corporation