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November 19, 2012

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

VIA ELECTRONIC FILING

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

Dear Secretary Chiavetta:

Please find enclosed for filing with the Pennsylvania Public Utility Commission ("PUC" or "Commission") the Reply Exceptions of the PP&L Industrial Customer Alliance ("PPLICA") in the above-referenced proceeding.

As evidenced by the attached Certificate of Service, all parties to the proceeding are being duly served with a copy of the document. Thank you.

Very truly yours,

McNEES WALLACE & NURICK LLC

By
Adeolu A. Bakare

Counsel to the PP&L Industrial Customer Alliance

AAB/sar
Enclosure
c: Administrative Law Judge Susan D. Colwell (via E-mail and First Class Mail)
Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the participants listed below in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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Counsel to PP&L Industrial Customer Alliance

Dated this 19th day of November, 2012, at Harrisburg, Pennsylvania.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

REPLY EXCEPTIONS OF THE PP&L INDUSTRIAL CUSTOMER ALLIANCE

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Dated: November 19, 2012

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I. INTRODUCTION

On March 30, 2012, PPL Electric Utilities Corporation ("PPL" or "Company") filed with the Pennsylvania Public Utility Commission ("PUC" or "Commission") Supplement No. 118 to Tariff-Electric-Pa. P.U.C. No. 201 ("Supplement No. 118"), to become effective on June 1, 2012. Supplement No. 118 proposed to increase PPL's distribution rates by approximately $104.6 million, or 14.3% over the Company's present annual distribution revenues. The Company stated that the requested distribution rate increase was necessary in order to attract capital, expand investment for its distribution system and maintain strong reliability for its customers. If approved, the Company's distribution rate increase request would produce an overall rate increase of approximately 3%. In order to protect large customers' interests in the Company's service territory and in an attempt to prevent unreasonable distribution charges for large commercial and industrial ("C&I") customers as a result of this filing, the PP&L Industrial Customer Alliance ("PPLICA") filed a Complaint in this proceeding on May 25, 2012.

Pursuant to the procedural schedule established in this proceeding, PPLICA filed a Main Brief on August 29, 2012, and a Reply Brief on September 14, 2012. In general, PPLICA's Main and Reply Briefs supported PPL's Class Cost of Service Study ("CCOSS") and proposed revenue allocation, recommended approval of the revenue-based scaleback proposed by the Office of Small Business Advocate ("OSBA"), proposed that any recovery of PPL's Competitive Enhancement Rider ("CER") should be on a per-customer basis, with costs directly allocated to a customer class when possible, and opposed the proposal of Direct Energy Services LLC ("Direct Energy") to collect unbundled uncollectibles through a non-bypassable surcharge. On October 19, 2012, Administrative Law Judge ("ALJ") Susan D. Colwell issued a Recommended Decision ("R.D.") in this proceeding.

PPLICA generally supports the ALJ's well-reasoned R.D. with regard to issues of importance to PPL's large C&I customers. Specifically, the R.D. appropriately recognizes that PPL's proposed CCOSS conforms most closely with the NARUC cost-of-service principles and should be used to allocate rates. *See* R.D., p. 107. In addition, the ALJ has reasonably approved a reduced rate increase of approximately $64 million. R.D., p. 110. The ALJ also agreed with PPLICA that PPL's proposed CER should be recovered on a per-customer basis rather than a per-kWh basis and that Direct Energy's proposal to recover unbundled uncollectibles through a non-bypassable charge is inherently unfair. R.D., pp. 128, 133.

On November 8, 2012, PPLICA filed Exceptions recommending that the Commission approve the revenue-based scaleback proposed by OSBA. On the same date, PPLICA received Exceptions from PPL, the Office of Consumer Advocate ("OCA"), OSBA, Bureau of Investigation and Enforcement ("I&E"), Dominion Retail, Inc. ("Dominion"), and Direct Energy.

In response to the Exceptions of the OCA and Direct Energy, PPLICA now files these Reply Exceptions. Specifically, PPLICA responds to OCA's Exceptions recommending approval of OCA's proposed CCOSS, revenue allocation, proportional increase-based scaleback, and CER rate design. PPL also responds to Direct Energy's Exceptions recommending approval of a non-bypassable charge for recovery of unbundled uncollectibles currently recovered through PPL's Purchase of Receivables ("POR") discount or merchant function charge ("MFC").

II. REPLIES TO EXCEPTIONS

A. Reply to OCA Exception No. 7: The R.D. properly determined that the CCOSS proposed by OCA is contrary to Commission precedent, unsupported by NARUC guidelines, and should be rejected by the Commission.

(1) Introduction

Throughout this proceeding, OCA has advocated for approval of its CCOSS over PPL's filed proposal. As described in detail in PPLICA's Main Brief, PPL's filed CCOSS generally follows the same principles approved by the Commission in PPL's 2010 base rate case.[1] The Company used the "minimum size system" methodology to allocate distribution costs based partially on the number of customers and partially on the basis of peak demand.[2] PPLICA M.B., p. 6. Conversely, OCA proposed a CCOSS recommendation based partially on a density study that was rejected by the Commission in PPL's 2010 base rate case, and a minimum size system study that fails to conform to NARUC principles. PPLICA M.B., p. 7. The R.D. correctly observed that PPL developed and proposed a CCOSS consistent with Commission precedent and NARUC principles. R.D., pp. 107-08. OCA's Exceptions generally attempt to establish "changed circumstances" since PPL's 2010 base rate case, and request that the Commission approve its alternate CCOSS recommendation. OCA Ex., p. 21. However, as demonstrated in PPLICA's Main and Reply Briefs, OCA has failed to produce any credible evidence necessitating reversal of the R.D. PPL's proposed CCOSS is firmly supported by NARUC principles, designed to achieve cost of service rates, and should be approved by the Commission.

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[1] *Pa. Pub. Util. Comm'n v. PPL Elec. Utilities. Corp.*, R-2010-2161694 (Order entered Dec. 21, 2010) [hereinafter "2010 Order"].

[2] PPL utilized the class maximum non-coincident peak ("NCP") demand method to allocate demand-related costs. PPLICA M.B., p. 6.

(2) PPL's proposal to allocate the majority of primary distribution plant on a customer-basis is consistent with NARUC cost-of-service principles and should be approved by the Commission.

The R.D. accurately concluded that PPL's proposed CCOSS follows cost of service principles previously found by the Commission to be consistent with the 1992 NARUC Electricity Utility Cost Allocation Manual ("NARUC Manual"). *See* R.D., p. 108. However, OCA excepts to the R.D.'s findings, arguing that the Commission should reject PPL's proposed CCOSS due to findings from a 2000 Report prepared by the Regulatory Assistance Project ("Rate Design Report") and a density study developed by OCA Witness Glenn Watkins. OCA Ex., p. 24. OCA claims that the Rate Design Report and Mr. Watkins' density study provide "additional" evidence that was not part of the record when the Commission initially approved PPL's current CCOSS methodology in the Company's 2010 rate case. *Id.* Specifically, OCA suggests that the Rate Design Report is an update of the NARUC Manual and further argues that the Rate Design Report establishes PPL's minimum system CCOSS as an outlier methodology. OCA Ex., pp. 20-21. OCA erroneously claims that both the Rate Design Report and the density study support assignment of all distribution plant costs solely on a demand-basis, rather than the dual customer-based and demand-based classification reflected in PPL's proposed CCOSS.

PPLICA's Main and Reply briefs addressed the inherent flaws of OCA's reliance on the Rate Design Report. First, while OCA refers to the Rate Design Report as a "NARUC" Report, the document is not an official NARUC publication. *See* PPLICA M.B., p. 12 *citing* Tr. 517-18, 522-23; *but see* OCA Ex., p. 18 (referring to the "updated" 2000 NARUC Report). Second, OCA's claim that the Rate Design Report establishes PPL's minimum size system CCOSS as an outlier is specious. The Rate Design Report simply states that a "basic customer method" of allocating primary distribution plant on a 100% demand basis "is used in more than thirty states." OCA Stmt. No. 3, at 20, Schedule GAW-4. As clarified in PPLICA's Reply Brief, this observation dates back to 2000, almost 13 years ago. PPLICA R.B., p. 6. Just as PPL classified primary distribution plant on a 100% demand basis before updating its classification methods in 2010, many of the states referenced in the Rate Design Report may have similarly updated or otherwise modified their methods for classifying distribution plant. *Id.* Simply put, the Commission should not accord significant weight to stale data. The R.D. correctly disregarded OCA's claim that PPL's proposed CCOSS is "contrary to the industry norm" and concluded that the Company's CCOSS follows the cost of service principles outlined in the NARUC Manual. The Commission should adopt the R.D.'s well-reasoned findings.

OCA also suggests that the R.D.'s adoption of PPL's CCOSS should be denied based on the density study conducted by Mr. Watkins. OCA Ex., p. 22. Although not directly stated in OCA's Exceptions, the density study is not referenced in the NARUC Manual. Additionally, PPLICA Witness Richard Baudino testified that OCA's reliance on the density study to oppose customer-based classification of distribution plant is incorrect because "[w]hether customers live in rural or urban areas has no bearing whatever on the classification of certain distribution system costs as demand or customer related." PPLICA M.B., p. 9. Further, OCA conducted the same density study in PPL's 2010 rate case, where the Commission declined to adopt the findings therein and instead approved PPL's proposal to allocate primary distribution costs based partially on a customer-basis and partially on a demand-basis. PPLICA M.B., p. 10. Like the exaggerated implications of the Rate Design Report, OCA's density study provides no justification for modifying or otherwise denying the R.D.'s adoption of PPL's proposed CCOSS.

(3) PPL's minimum size study is completely consistent with the NARUC Manual and should be approved by the Commission.

In addition to alleged inconsistencies with the Rate Design Report, OCA attempts to show that PPL's proposed CCOSS fails to fully conform to the NARUC Manual itself. OCA

Ex., p. 24. It is worth noting that that the same minimum size system study employed by PPL in this proceeding was fully litigated in the Company's 2010 base rate case, where the Commission concluded that "PPL has carried it's burden of proof on this issue and we shall adopt the ALJ's recommendation that PPL's COSS JMK-2A is reasonable." 2010 Order, p. 36. However, OCA asserts that:

> PPL's minimum size study, the basis for its proposed CCOSS, not only fails to conform to Commission precedent on the structure of a minimum size system, but also fails to adequately account for the significant load carrying capability of such a system – in direct contravention of specific instruction contained in the 1992 NARUC Manual.

OCA Ex., p. 26. OCA's language erroneously suggests that the NARUC Manual mandates recognition of demand costs from even a minimum size system. *Id.* As evidenced by the below excerpt, the NARUC Manual merely acknowledges the potential for some degree of load carrying capability to remain on a minimum-size system.

> Cost analysts disagree on how much of the demand costs should be allocated to customers when the minimum-size distribution method is used to classify distribution plant. When using this distribution method, the analyst must be aware that the minimum-size distribution equipment has a certain load-carrying capability, which can be viewed as a demand-related cost.

OCA Stmt. No. 3, Schedule GAW-3 (NARUC Manual), p. 11. The NARUC Manual draws no conclusions and issues no "direct instructions" requiring adjustment for any load-carrying capability reflected in the minimum size system. *Id.* To the contrary, the NARUC Manual clarifies that "the minimum-size method assumes that a minimum size distribution system can be built to serve the *minimum loading requirements* of the customer," thereby acknowledging that even a minimum-size system may retain some load-carrying capacity. OCA Stmt. No. 3, Schedule GAW-3 (NARUC Manual), p. 6 [Emphasis added].

The NARUC Manual further recognizes that a properly developed minimum size method involves determining the minimum size, pole, conductor, cable, transformer, and service that is *currently* installed by the utility. *Id.* [Emphasis added]. Accordingly, PPL's minimum size study reflects the Company's actual installations rather than the theoretical adjustments applied by OCA. *See* PPLICA M.B., p. 10.

As determined by the Commission in PPL's 2010 rate case and reinforced by the R.D. in this proceeding, PPL' s CCOSS methodology follows the prescriptions set forth in the NARUC Manual. *See* R.D., p. 108; 2010 Order, pp. 35-36. Therefore, OCA's assertion that PPL's proposed CCOSS is in any way inconsistent with the NARUC Manual is unfounded and should be rejected by the Commission.

(4) PPL's proposed CCOSS contains no inherent bias towards any rate class and should be approved by the Commission.

Finally, OCA argues that PPL's CCOSS is biased towards residential customers, but provides no evidence supporting the claim. As discussed above, PPL adopted modified classification allocators in the 2010 base rate case. R.D., p. 105. Having calculated primary distribution plant on a 100% demand basis in its 2004 and 2007 base rate cases, PPL began to calculate primary distribution costs partially on a customer-basis and partially on a demand-basis. *Id.* As emphasized in PPLICA's Main and Reply Briefs and further observed in the R.D., PPL implemented this change based the availability of new and more accurate data. PPLICA M.B., p. 6; R.D., p. 105. However, based solely on the end results of PPL's objective methodology, OCA argues that the Company's proposed CCOSS is biased towards residential customers. OCA Ex., pp. 27-30. In alleging bias towards residential customers, OCA contends that PPL's CCOSS "unreasonably" requires residential customers to pay customer charges equal to those paid by industrial customers and imposes unduly burdensome rate increases upon residential customers. OCA Ex., pp. 27-28 As evidenced below, OCA fails to substantiate both assertions.

OCA alleges that "PPL's proposed CCOSS, where a single residential customer living in an apartment can be assigned the same level of costs as a major industrial factory, flies in the face of cost causation and common sense." OCA Ex., p. 28. This argument is flawed in many respects. Most significantly, customer size has no bearing on customer-based distribution charges. PPLICA Stmt. No. 1-R, p. 4. Customer size is appropriately reflected in the customer's share of PPL's demand-based charges. *See id.* Further, the argument that differently sized customers should pay different customers charges runs contrary to the NARUC Manual, which states that "the customer component of distribution facilities is that portion of costs which varies with the *number* of customers." OCA Stmt. No. 3, Schedule GAW-3 (NARUC Manual), p. 6 [Emphasis added].

The argument that residential customers pay unduly burdensome rates under PPL's CCOSS is also unsupported and should be rejected by the Commission. OCA first argues that residential rates are unduly burdensome because the relative rate of return for the residential class at present rates is lower than the relative rate of return projected from the 2010 rate case. OCA Ex., p. 29. It is not clear how this trend equates to a flawed CCOSS. Rather, it simply demonstrates that the majority of PPL's investments between the rate cases benefit the residential class. *See* PPL R.B., p. 85 (noting that the residential class uses the largest proportion of PPL's distribution facilities).

OCA's second argument is equally unpersuasive. OCA attempts to illustrate the unreasonableness of residential rates by tracking the amount of PPL's distribution rate increases allocated to the residential class since 2004. OCA observes that residential rates have increased

104% since 2004. OCA Ex., p. 30. However, residential rates had to increase once the transmission and distribution rate cap expired in 2004 because residential distribution rates were significantly below cost of service and inconsistent with the Commonwealth Court's affirmation of cost-of-service as the "polestar" for ratemaking.[3] *Lloyd v. Pa. Pub. Util. Comm'n*, 904 A.2d 1010, 1020 (Pa. Cmwlth. Ct. 2006) (*"Lloyd")*; *see also* PPL Stmt. 8-R, p. 5. Additionally, the largest percentage rate increase recently incurred by PPL's residential customers was the 23.9% increase approved in 2004, which predates PPL's modifications to its CCOSS. *Id.* Further, as previously indicated, it is unclear how a CCOSS resulting in below-cost rates for a particular class can reasonably be deemed flawed based solely on the results of the study. *Id.* Such reasoning is circular, unreasonable, and certainly provides no basis for denying the ALJ's finding that PPL followed the same cost of service principles rightfully approved by the Commission in the Company's 2010 rate case.

For the above reasons, the Commission should deny PPL's Exception No. 1.

B. <u>Reply to OCA Exception No. 8:</u> The R.D. properly accepted PPL's proposed revenue allocation at the full rate increase request.

OCA argues that the R.D. erred in recommending approval of PPL's proposed revenue allocation at the full rate increase request. The R.D. correctly adopted PPL's revenue allocation as consistent with PPL's CCOSS. R.D., p. 109. Contrarily, OCA's Exception rests primarily on the validity of OCA's proposed CCOSS, although OCA also argues that gradualism principles further support its proposed revenue allocation. OCA Ex., p. 31. The Commission should reject both arguments and approve the R.D.'s adoption of PPL's proposed revenue allocation.

[3] For example, under PPL's proposed CCOSS, Rate Schedule LP-5 customers would experience a 59.1% increase at the full rate increase request because the current rates for the class are below PPL's cost-of-service. PPLICA M.B., p. 16.

As demonstrated above, extensively addressed in PPLICA's Main Brief, and recognized by the R.D., OCA's proposed CCOSS is contrary to Commission precedent and unsupported by the NARUC Manual. *See* Section II.A *supra;* PPLICA M.B., pp. 7-13, R.D., p. 108. Rather than reiterate the multiple flaws of OCA's CCOSS, PPLICA incorporates all relevant arguments from the above Reply to OCA Exception No. 7 and PPLICA's Main Brief. *See* Section II.A *supra;* PPLICA M.B., pp. 7-13. As evidenced by the foregoing arguments, OCA's CCOSS is not in the public interest, and any revenue allocation based on OCA's proposed CCOSS must therefore be summarily rejected.

OCA also argues that gradualism principles justify acceptance of its proposed revenue allocation. OCA Ex., p. 31. PPLICA acknowledges that gradualism is a legitimate ratemaking construct designed to mitigate unreasonable rate increases. Accordingly, the R.D. correctly observes that PPL's proposed revenue allocation includes gradualism adjustments to avoid allocating 100% of the proposed rate increase to residential customers. R.D., p. 108. However, because PPL's CCOSS shows that residential customers are paying rates significantly below cost-of-service, the Company's revenue allocation limits gradualism adjustments to ensure that customers paying above-cost rates move reasonably closer to cost-of-service. R.D., pp. 108-109. Therefore, the R.D.'s recommendation to approve PPL's revenue allocation incorporates gradualism and should be approved by the Commission without modification.

For the above reasons, the Commission should deny OCA's Exception No. 8.

C. <u>Reply to OCA Exception No. 9:</u> The Commission should reject any proposal for approval of a proportional increase-based scaleback.

OCA excepts to the R.D.'s recommendation to apply an increase-based scaleback only with regards to the R.D.'s use of PPL's proposed revenue allocation as the starting point for the scaleback. OCA Ex., p. 34. For reasons discussed in the above Replies to OCA Exceptions

Nos. 7 and 8, OCA's proposed revenue allocation is *per se* unreasonable. *See* Section II.A-B *supra.* Therefore, any scaleback based on OCA's proposed revenue allocation should be disregarded by the Commission. Additionally, as fully addressed in PPLICA's Exceptions, an increase-based scaleback will significantly hinder progress towards cost-based rates. PPLICA Ex., pp. 4-5. The Commission should deny any proposal to apply a proportional increase-based scaleback and adopt the revenue-based scaleback proposed by the OSBA.

For the above reasons, the Commission should deny OCA's Exception No. 9.

D. <u>Reply to OCA Exception No. 11:</u> The R.D. correctly found that PPL should recover costs incurred through the proposed CER on a per-customer basis.

OCA excepts to the R.D.'s determination that costs recovered through PPL's CER should be recovered on a per-customer basis. OCA Ex., pp. 38-39. The R.D. appropriately approved PPL's proposal to recover costs of its Consumer Education Plan and any retail market enhancement ("RME") costs not recoverable from EGSs through the CER, on a per-customer basis. R.D., p. 128. Accordingly, the R.D. denied OCA's proposal to recover CER costs on a per-kWh basis. *Id.* As explained in PPLICA's Main and Reply Briefs, the costs potentially recoverable through the CER are generally customer costs and therefore rightfully recovered on a per-customer basis. PPLICA R.B., p. 11. Specifically, the retail market enhancement costs and Customer Education Plan costs potentially recoverable through PPL's CER are broad marketing and education programs, readily distinguishable from the more consumption or demand-oriented energy efficiency and conservation plans administered under Act 129 of 2008. PPLICA M.B., pp. 22-23; PPLICA R.B., p. 11. Therefore, the Commission should adopt the R.D.'s finding that CER costs must be recovered on a per-customer basis and reject any proposal to recover CER costs on a per-kWh basis.

For the above reasons, the Commission should deny OCA's Exception No. 11.

E. <u>Reply to Direct Energy Exception No. 1:</u> The R.D. correctly rejected Direct Energy's recommendation that PPL implement a non-bypassable charge for recovery of the uncollectibles expense currently recovered through the POR discount/MFC mechanism.

The R.D. correctly denied Direct Energy's proposal to recover PPL's unbundled uncollectibles expense through a non-bypassable charge. R.D., p. 133. The R.D. concluded that uncollectibles rates should be based on actual uncollectible expenses. *Id.* Direct Energy excepts to the R.D. claiming that PPL is incapable of calculating its actual uncollectible expenses and further arguing that a non-bypassable charge to all customers is the appropriate solution. Direct Energy Ex., p. 10. To support this assertion, Direct Energy attempts to marginalize the R.D.'s appropriate conclusion that imposing a non-bypassable charge to collect POR uncollectible expenses is "inherently unfair" and contrary to the Public Utility Code. R.D., p. 133. The R.D.'s rejection of Direct Energy's non-bypassable charge reflects the many flaws inherent in the proposal, including the potential for double charging customers not eligible for PPL's POR program and rebundling generation, transmission, and distribution charges. *See* OSBA R.B., pp. 13-14; *see also* R.D., p. 133; PPLICA M.B., p. 10 *citing* 66 Pa. C.S. § 2804(3). Accordingly, the Commission should adopt the R.D.'s recommendation and deny Direct Energy's Exception.

In attempting to support a non-bypassable charge for recovery of POR uncollectible expenses, Direct Energy acknowledges the R.D.'s finding that PPL's uncollectibles charges must be based on actual uncollectible expenses, but incorrectly suggests that the R.D. favors the proposed non-bypassable charge over the currently effective POR discount/MFC method. Direct Energy Ex., pp. 8-9. Direct Energy bases this allegation on the following language from the R.D.:

> In actuality [Direct Energy's proposal] is simply less unfair in its inherent unfairness, as it does not require the Company to determine the actual amount of its uncollectible expenses in order to recover it.

R.D, p. 133. Direct Energy erroneously interprets this statement as an affirmation that its proposal to recover unbundled uncollectibles expenses through a non-bypassable charge is materially superior to the current POR discount/MFC method. Direct Energy Ex., pp. 8-9. However, the R.D.'s observation that Direct Energy's proposal is "less unfair in its inherent unfairness" simply acknowledges that the non-bypassable charge is consistently applied across shopping and non-shopping customers. *See* R.D., p. 131.

Overall, however, the R.D. properly rejected Direct Energy's proposal because "the actual amount of uncollectible expenses is required in order to fairly charge customers the correct amount." R.D., p. 133. Direct Energy's proposal completely fails to resolve the "inherent unfairness" observed by the ALJ, which arises from PPL's failure to separately calculate uncollectible rates for shopping and default service customers. *See* R.D., p. 131. Additionally, by recovering unbundled uncollectibles through a non-bypassable charge, Direct Energy's proposal would result in double charges for customers that take service from an EGS, but do not use or are ineligible for PPL's POR program. *See* OSBA R.B., pp. 13-14.

Finally, the R.D.'s rejection of Direct Energy's proposal is fully consistent with Commission precedent and the Public Utility Code. The Commission addressed a similar proposal from the Retail Energy Supply Association in PPL's 2010 base rate case and held that "EGSs should bear the collection risk for their own customers, either by including it in the charges to those customers or by selling their receivables to PPL Electric at a discount." PPLICA R.B., p. 10 *citing* 2010 Order, p. 153. The R.D.'s findings are also supported by statute, as adoption of Direct Energy's proposal would violate Section 2804(3) of the Competition Act, which requires EDCs to unbundle generation, transmission, and distribution rates. *See* R.D., p. 133; PPLICA M.B., p. 10 *citing* 66 Pa. C.S. § 2804(3).

For the above reasons, the Commission should deny Direct Energy's Exception No. 1.

III. CONCLUSION

WHEREFORE, the PP&L Industrial Customer Alliance respectfully requests that the Pennsylvania Public Utility Commission:

(a) Adopt the Recommended Decision's approval of PPL's proposed Class Cost of Service Study;

(b) Adopt the Recommended Decision's approval of PPL's proposed revenue allocation;

(c) Deny any request for approval of a proportional-increase based scaleback and approve the revenue-based scaleback proposed by the OSBA;

(d) Adopt the Recommended Decision's finding that any costs recovered through PPL's proposed Competitive Enhancement Rider must be recovered on a per-customer basis;

(e) Adopt the Recommended Decision's denial of Direct Energy's proposal to implement a non-bypassable charge for recovery of unbundled uncollectibles expenses; and

(f) Take any other actions as deemed necessary and appropriate.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By ______________________________

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Dated: November 19, 2012