

**PENNSYLVANIA PUBLIC UTILITY COMMISSION
HARRISBURG, PENNSYLVANIA 17120**

**Pennsylvania Public Utility
Commission v. PPL Electric
Utilities Corporation**

**Public Meeting December 5, 2012
2290597-OSA
Docket No. R-2012-2290597**

**MOTION OF
CHAIRMAN ROBERT F. POWELSON**

Before us today for disposition is the Recommended Decision of Administrative Law Judge Susan D. Colwell in the above-referenced PPL Electric Utilities Corporation's (PPL) base rate case, filed on March 30, 2012. Exceptions and Reply Exceptions were filed.

Rate of return on common equity (ROE) is frequently the most material and most contested item in a base rate case proceeding. This case is no different, and the setting of ROE is even more critical as our Pennsylvania utilities implement plans to accelerate the much-needed replacement of aging infrastructure. Attracting capital to Pennsylvania at reasonable rates has never been more important to PPL, its customers, and the Commonwealth.

In this case the range of ROE recommendations presented by the parties, based on the Discounted Cash Flow (DCF) methodology, is 8.38% to 11.25%. I would adjust this initial range to 9% to 11.25%, which excludes a proposed adjustment to the DCF growth rate based on linear regression analysis. Based upon my review of the testimony, data and cost models presented, as well as briefs and exceptions, I believe that the record evidence in this case supports an ROE finding in the reasonable range of 9.75% to 10.5% using the DCF method as the foundation. Considering PPL's need to fund \$1.6 Billion of distribution system improvements from 2012 to 2016, along with the results of ROE models other than DCF (a necessary check that negates the need for a leverage adjustment) and management effectiveness, the ROE should be 10.4%.

THEREFORE, I move that the Office of Special Assistants prepare an Order consistent with this Motion.



Robert F. Powelson
Chairman

Date: December 5, 2012