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January 24, 2013

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 for electronic filing is the Answer of PPL Electric Utilities Corporation to the Office of Consumer Advocate's Petition for Reconsideration or Clarification in the above-referenced proceeding. Copies have been provided as 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 foregoing **Answer** 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).

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Date: January 24, 2013

John H. Isom

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

ANSWER OF PPL ELECTRIC UTILITIES CORPORATION TO THE OFFICE OF CONSUMER ADVOCATE'S PETITION FOR RECONSIDERATION OR CLARIFICATION

TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

PPL Electric Utilities Corporation ("PPL Electric") hereby answers the Office of Consumer Advocate's ("OCA") Petition for Reconsideration or Clarification ("Petition") which was filed on January 14, 2013 in PPL Electric's above-captioned 2012 base rate proceeding. The OCA's Petition requests that the Pennsylvania Public Utility Commission ("Commission") reconsider or clarify its final Opinion and Order that was entered on December 28, 2012 ("Order") in PPL Electric's 2012 base rate proceeding. Specifically, OCA requests that the Commission reconsider or clarify the portion of its Order dealing with storm damage expenses, which is found at pages 35-38 of the Order. This portion of the Commission's Order directed: "PPL to file a rider for storm damage expense recovery within ninety days of the date of entry of this Opinion and Order." The Commission also concluded that: "[r]ecovery of PPL's revised FTY storm damage expenses of $23.199 million shall be through base rates. Any recovery through a Storm Damage Rider shall be permitted only to the extent that such expense exceeds the amount included within base rates." Order, p. 38.

In order to facilitate the development of a storm damage rider, the Commission directed PPL Electric to meet with the OCA, Office of Small Business Advocate and the Bureau of Investigation and Enforcement ("Statutory Parties"). PPL Electric intends to fully comply with all of these Commission's directives and orders regarding recovery of storm damage expense between base rate cases.

The OCA, in its Petition, requested that the Commission direct PPL Electric and the Statutory Parties to include in the discussions the creation of a storm damage reserve account.

OCA's Petition regarding storm damage expense is curious because nowhere in its testimony, exhibits, main brief, reply brief, exceptions or replies to exceptions did OCA address the issue. Although OCA contends that its Petition meets the legal standard for reconsideration because the Commission "overlooked" language in the Recommended Decision and evidence produced by PPL Electric and I&E regarding storm damage expense reserve account, the Commission could not have "overlooked" any contention of OCA on the subject because there was none. More importantly, OCA omitted from its Petition any definition of what it means by a "reserve account." This omission makes it difficult for PPL Electric and presumably the Commission to evaluate OCA's Petition.

In support of its Petition, OCA states that PPL Electric, in its Exceptions, supported the possibility of "the creation of a storm damage reserve account *or* a rider for future recovery of extraordinary storm damage and was not limited to only the creation of a rider for this purpose." Petition, p. 3. OCA is mistaken in two respects. First, all references by PPL Electric in its Exceptions to the means of recovery of storm damage expenses include a single "reserve/tracker mechanism" or an "automatic adjustment clause." PPL Electric Exceptions pp. 23-24. Nowhere does PPL Electric support the creation of a reserve account without tariff provisions for current

recovery of storm damage expenses between rate cases. Second, nowhere did PPL Electric suggest that the storm damage automatic adjustment clause be limited to damage from extraordinary storms.

PPL Electric is not aware of any consensus definition of the term "reserve account." It is PPL Electric's understanding that, in general terms, a "reserve account" represents funds set aside for specific purposes such as debt service or maintenance. Here, the reserve would be for storm damage expenses. A reserve would be a contra asset that reduces a corporation's capital surplus. The term "reserve account" can apply to either rate-regulated corporations or unregulated corporations. The term does not identify any particular ratemaking treatment for recovery of the expense for which the reserve account is being created.

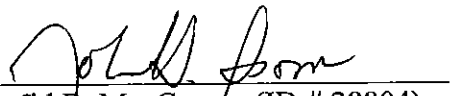
Although PPL Electric is willing to discuss the accounting treatment of storm damage expenses in conjunction with the establishment of a rider for current recovery of storm damage expenses between base rate cases, the focus of discussions among PPL Electric and the Statutory Parties must be the ratemaking treatment of storm damage expenses between base rate cases, including the manner in which expenses will be recovered. Focusing the discussion on the mechanism for recovery of storm damage expenses is mandated by the Commission's Order.

The Commission directed that the following issues be discussed: "(1) provisions for interest on under and over collections; (2) timing of reconciliation; (3) reporting of storm damage expenses and revenue for their recovery; (4) methods for adjusting the annual level of the expense in rates; and (5) exact categories of storm damage expense that would be subject to the reconciliation." Order p. 37. Thus, the Commission has made it clear that storm damage expenses between base rate cases are to be recovered on a current basis, that there should be reconciliation of storm damage expenses and revenues for recovery of storm damage expenses,

and that rates should be adjusted based on the annual level of the expense. These are all ratemaking issues and will require a tariff provision – a rider – to implement. A reserve account, alone, obviously cannot address these issues and would not be compliant with the Commission's Order.

Again, PPL Electric is uncertain what OCA intends in its Petition regarding storm damage expenses. If OCA wishes to include the accounting treatment of storm damage expenses in discussion of ratemaking issues, PPL Electric does not oppose OCA's request. If, however, OCA is suggesting the possibility that issues related to PPL Electric's substantial and highly variable storm damage expenses can be resolved by mere accounting entries without current funding of recoveries, then PPL Electric opposes OCA's Petition. PPL Electric opposes any proposal that would purport to resolve storm damage expense recovery issues solely through accounting entries and defer issues related to recovery of expenses to future litigation as impractical, contrary to all evidence in the rate case, contrary to the Recommended Decision and, most importantly, contrary to the Commission's clear directives in the Order. Certainly, there is no testimony, exhibit, brief, exception or reply to exceptions by PPL Electric that suggests that such an approach would be reasonable or appropriate.

Respectfully submitted,



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Date: January 24, 2013

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