

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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May 1, 2015

Rosemary Chiavetta, Secretary  
PA Public Utility Commission  
Commonwealth Keystone Bldg.  
400 North Street  
Harrisburg, PA 17120

Re: Pa. Public Utility Commission  
v.  
PPL Electric Utilities Corporation  
Docket No. R-2015-2469275

Dear Secretary Chiavetta:

Enclosed please find the Office of Consumer Advocate's Prehearing Memorandum, in the above-referenced proceeding.

Copies have been served upon all parties of record as shown on the attached Certificate of Service.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Lauren M. Burge".

Lauren M. Burge  
Assistant Consumer Advocate  
PA Attorney I.D. # 311570

Enclosures

cc: Honorable Susan D. Colwell, ALJ  
Certificate of Service

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BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2015-2469275
	:	
PPL Electric Utilities Corporation	:	

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PREHEARING MEMORANDUM  
OF THE  
OFFICE OF CONSUMER ADVOCATE

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Pursuant to Section 333 of the Public Utility Code, 66 Pa. C.S. Section 333, and in response to the Prehearing Conference Order issued by Administrative Law Judge Susan D. Colwell (Judge Colwell) in the above-captioned matter, the Office of Consumer Advocate (OCA) provides the following information:

**I. INTRODUCTION**

On March 31, 2015, PPL Electric Utilities Corporation (PPL or the Company) filed Supplement No. 179 to Tariff Electric – Pa. P.U.C. No. 201. In Supplement No. 179, the Company proposes to increase distribution rates to produce additional annual operating revenues of \$167.5 million, or about 3.9% over total present rates (distribution, transmission, and default service). This represents an approximate increase of 18.5% in distribution-only revenues. The proposed rate increase would be effective on June 1, 2015. PPL serves approximately 1.4 million residential, commercial and industrial customers in over 29 counties throughout

Pennsylvania. The OCA filed a Formal Complaint against the proposed revenue increase on April 6, 2015.

## **II. ISSUES AND SUB-ISSUES**

Based upon a preliminary analysis of PPL's base rate increase filing, the OCA has compiled a list of issues which it anticipates will be included in its investigation of this rate request. It is anticipated that other issues may arise and may be pursued once the answers to all of the OCA's interrogatories have been received and analyzed.

The OCA has served five sets of interrogatories to date. Upon receipt of the answers to those interrogatories, the OCA may then be able to narrow the scope of additional information requests. Once the discovery process has been completed, the OCA will file direct testimony which will set forth the specific issues that the OCA will address in this proceeding. At that time, the OCA will also be able to make and to quantify its specific recommendations.

The following list sets forth the issues, at this time, that the OCA anticipates it may raise.

### **A. Rate of Return**

- **Cost of Common Equity:** The OCA will perform a detailed analysis of the cost of common equity claimed by PPL. Also, the OCA will carefully examine the Company's methodologies and supporting data used to develop its final cost of common equity claim, as well as the risks of PPL.
- **Capital Structure:** The OCA will examine whether the capital structure claimed by PPL is representative of the period in which rates will be in effect and is otherwise appropriate for ratemaking purposes.
- **Embedded Cost of Debt and Preferred Stock:** The OCA will examine the embedded cost of debt and preferred stock.

B. Rate Base/Measure of Value

The OCA will examine the reasonableness of the Company's filing as it relates to rate base/measures of values, including the following areas:

- The Company's plant in service claims in order to determine whether the plant claimed is used and useful in providing utility service;
- The Company's reserve for depreciation claim to determine consistency with claimed depreciation expense; and
- The Company's claim for cash working capital.

C. Revenue and Expenses

The OCA will examine the reasonableness of the Company's filing as it relates to revenues and expenses, including the following areas:

- The sales forecast utilized by the Company in order to project future test year sales and revenues;
- PPL's proposed depreciation expense (including the depreciation study, service life study and application of the straight-line remaining life method);
- The Company's rate case expense, labor expense, environmental remediation expense, uncollectible account expense, and advertising expense;
- Inter-company charges due to the fact that PPL has been allocated a share of its parent company's overhead and shared costs;
- PPL's affiliate charges, e.g., rents, fees or charges which were assessed for the use of PPL Electric's lines to provide internet, communication or entertainment services;
- PPL employee salaries, including executive compensation and variable pay plans; and
- The Storm Damage Expense and related Riders.

D. Rate Structure/Cost of Service/Rate Design

- The OCA will examine the cost of service study, including the methodology used and the reasonableness of the allocations.
- The OCA will examine the Company's proposed customer charge.
- The OCA will examine whether the rate design proposed by the Company is reasonable and appropriate.
- The OCA will examine the Company's proposed distribution of the revenue increase among customer classes.
- The OCA will examine the reasonableness and appropriateness of the Company's proposed tariff changes.

E. Universal Service Programs

- The OCA will review the Company's Customer Assistance Program, "OnTrack", to ensure that the budget amount is reasonable and that costs are recovered appropriately.
- The OCA will review the Company's Low-Income Usage Reduction Program, "WRAP", to ensure that the budget amount is reasonable and that costs are recovered appropriately.
- The OCA will review the cost recovery mechanism to ensure that the Company recovers only those costs.

**III. WITNESSES**

The OCA intends to present the direct, rebuttal, and surrebuttal testimony, as may be necessary, of the following witnesses in this proceeding. The witnesses will present testimony in written form and will also attach various exhibits, documents, and explanatory information which will assist in the presentation of the OCA's case. In order to expedite the resolution of this proceeding, the OCA requests that copies of all interrogatories, testimony, and answers to

interrogatories be mailed directly to the expert witnesses responsible for the area of the case, as well as mailing a copy to counsel for the OCA.

A. Rate Base, Revenues, Expenses, and General Accounting

Richard J. Koda  
Koda Consulting, Inc.  
409 Main Street  
Ridgefield, Connecticut 06877

Telephone: (203) 438-9045  
Fax: (203) 438-7854  
E-mail: [rjkoda@earthlink.net](mailto:rjkoda@earthlink.net)

B. Rate Structure

Glenn Watkins  
Technical Associates, Inc.  
9030 Stony Point Parkway  
Suite 580  
Richmond, Va. 23235

Telephone: 804-272-5363  
Fax: 804-272-3598  
E-mail: [watkinsg@tai-econ.com](mailto:watkinsg@tai-econ.com)

C. Rate of Return

David C. Parcell  
Technical Associates, Inc.  
9030 Stony Point Parkway  
Suite 580  
Richmond, Va. 23235

Telephone: 804-272-5363  
Fax: 804-272-3598  
E-mail: [david.parcell@tai-econ.com](mailto:david.parcell@tai-econ.com)

D. Universal Service/CAP

Roger Colton  
Fisher, Sheehan and Colton  
34 Warwick Road  
Belmont, MA 02478

Telephone: 617-484-0597  
Fax: 617-484-0594  
E-mail: [roger@fsconline.com](mailto:roger@fsconline.com)

The OCA specifically reserves the right to call additional witnesses, as necessary. As soon as the OCA has determined whether an additional witness or witnesses will be necessary for any portion of its case, the OCA will promptly notify Judge Colwell and all parties of record.

#### **IV. SERVICE ON THE OCA**

The OCA will be represented in this case by Senior Assistant Consumer Advocate Darryl A. Lawrence, and Assistant Consumer Advocates Lauren M. Burge and Hobart J. Webster. Two copies of all documents should be served on the OCA as follows:

Darryl A. Lawrence  
Office of Consumer Advocate  
555 Walnut Street  
5th Floor, Forum Place  
Harrisburg, PA 17101-1923  
Telephone: (717) 783-5048  
Fax: (717) 783-7152  
E-mail: [DLawrence@paoca.org](mailto:DLawrence@paoca.org)

#### **V. DISCOVERY**

Because the time period for discovery and preparation of testimony is limited, the OCA supports a shortened discovery response time in this proceeding. The OCA, therefore, requests the following modifications, which were approved in the 2012 PPL base rate proceeding, to the discovery regulations:

a. Answers to written interrogatories shall be served in-hand within ten (10) calendar days of service. Discovery and discovery-related pleadings propounded after 12:00 noon on a Friday or after 12:00 noon on any business day immediately preceding a state holiday will be deemed served on the next business day for purposes of determining the due date of the responses and responsive pleadings.

b. Objections to interrogatories shall be communicated orally within three (3) calendar days of service of the interrogatories; unresolved objections

shall be served to the ALJ in writing within five (5) days of service of the interrogatories. Objections to interrogatories served on a Friday shall be communicated orally within four (4) calendar days, and unresolved objections shall be served to the ALJ in writing within six (6) days of service of the interrogatories.

c. Motions to dismiss objections and/or direct the answering of interrogatories shall be filed within three (3) calendar days of service of the written objections.

d. Answers to motions to dismiss objections and/or direct the answering of interrogatories shall be filed within three (3) calendar days of service of such motions.

e. Responses to requests for document production, entry for inspection, or other purposes must be served in-hand within ten (10) calendar days.

f. Requests for admissions will be deemed admitted unless answered within ten (10) calendar days or objected to within five (5) calendar days of service.

In addition to the preceding modifications to the Commission's Discovery Regulations, the OCA has one further request as to the exchange of information for this proceeding. The OCA requests that parties providing Direct and Rebuttal testimony, either include with such testimony electronic workpapers, cited studies and other documents relied on, or, provide same in workable electronic format within two (2) business days of the testimony submission date to all parties. In the OCA's experience, following the submission of these rounds of testimony parties routinely request the information just described through the normal discovery channels. The OCA submits that much time and effort could be saved by agreeing to streamline the process through an informal discovery modification as the OCA proposes here. This proposal was also approved in the 2012 PPL base rate proceeding.

## **VI. PUBLIC INPUT HEARINGS**

The OCA requests that public input hearings be held in the Company's service territory. The OCA has received several requests for public input hearings through its Customer Call Center for hearings throughout the PPL service territory. Judge Colwell's Prehearing Conference Order indicated that public input hearings would be held in Harrisburg during one afternoon and one evening session. It is the OCA's understanding that consumers will have the option to either attend in person or to testify telephonically, and that the proceedings will be broadcast online. This is acceptable to the OCA, provided that those consumers who do not wish to have their testimony included in the webcast will be able to opt out and testify after the webcast portion of the public input hearings have concluded. The OCA reserves the right to request additional locations for public input hearings in response to future requests from ratepayers and/or legislators, and will promptly advise Judge Colwell and the parties of any further requests.

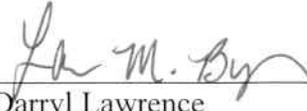
## **VII. PROPOSED SCHEDULE**

The OCA and all current parties have agreed to the proposed schedule as set forth in the Company's Prehearing Memorandum.

## **VIII. SETTLEMENT**

The OCA is willing to participate in settlement discussions at the appropriate time in this proceeding.

Respectfully Submitted,



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Fax: 717-783-7152

DATED: May 1, 2015

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CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utility Commission v. PPL Electric Utilities Corporation  
Docket No. R-2015-2469275

I hereby certify that I have this day served a true copy of the foregoing document, the Office of Consumer Advocate's Prehearing Memorandum, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 1st day of May 2015.

SERVICE BY E-MAIL & INTER-OFFICE MAIL

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