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File #: 2507/134433

February 19, 2009

James J. McNulty  
Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2nd Floor North  
PO Box 3265  
Harrisburg, PA 17105-3265

**RE: Petition of PPL Electric Utilities Corporation for Approval of a  
Rate Mitigation Plan - Docket No. P-2009-**

Dear Secretary McNulty:

Enclosed, for filing, is the Petition of PPL Electric Utilities Corporation for Approval of a Rate Mitigation Plan. As indicated on the certificate of service, copies of the Petition have been served on the parties in the manner indicated.

Very truly yours,

  
David B. MacGregor

DBM/skr  
Enclosures  
cc: Certificate of Service

## CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of § 1.54 (relating to service by a participant).

### VIA E-MAIL AND FIRST CLASS MAIL

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Date: February 19, 2009

  
Andrew S. Tubbs

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of PPL Electric Utilities :  
Corporation for Approval of a Rate : Docket No. P-2009-\_\_\_\_\_  
Mitigation Plan :

**PETITION OF PPL ELECTRIC UTILITIES CORPORATION  
FOR APPROVAL OF A RATE MITIGATION PLAN**

1. PPL Electric Utilities Corporation (“PPL Electric” or the “Company”), pursuant to 52 Pa. Code § 5.41, hereby petitions the Pennsylvania Public Utility Commission (“Commission”) for approval of a rate mitigation plan (“RMP”) for most of the Company’s residential and small commercial and industrial (“Small C&I”) customers. Specifically, PPL Electric seeks approval to file a tariff supplement, to be effective on one day’s notice, implementing a Rate Mitigation Plan Rider (“RMP Rider”). The proposed RMP is based on PPL Electric’s Commission-approved Rate Stabilization Plan (“RSP”) and is similar to the rate mitigation plan approved by the Commission as part of Allegheny Power’s default service plan.<sup>1</sup>

2. The RMP is designed to ease the transition from current capped generation rates to market-based rates that reflect the results of PPL Electric’s Commission-approved Competitive Bridge Plan (“CBP”). Specifically, the RMP, if approved, will enable eligible customers to voluntarily elect (i.e., “opt-in”) to defer a portion of PPL Electric’s January 1, 2010 forecasted rate increase. Deferred amounts, plus carrying charges, would be fully recovered by

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<sup>1</sup> *Petition of the West Penn Power Company d/b/a Allegheny Power for Approval of its Retail Electric Default Service Program and Competitive Procurement Plan for Service at the Conclusion of the Restructuring Transition Period*, Docket No. P-00072342, Opinion and Order entered July 25, 2008.

the end of 2012. Most of PPL Electric's residential and Small C&I customers<sup>2</sup> will be eligible to participate in the RMP. PPL Electric is not proposing an RMP for its large commercial and industrial customers.

3. The proposed term of the RMP is three years, i.e., January 1, 2010 through December 31, 2012. Similar to the RSP, customers in each rate schedule will be divided into strata based on their usage levels. Customers in each strata will receive a fixed monthly dollar credit designed, on average, to limit the 2010 total bill rate increase to 25% and an additional 25% in 2011 for each strata based on the currently estimated 2010 generation rate increase. Any remaining increase will be implemented on January 1, 2012. All amounts deferred, plus carrying costs (accumulated interest), will be recovered through a fixed monthly RMP charge. The amount and timing of the credits and charges will vary by strata, but, in general, rates are designed to recover deferred amounts as soon as possible in order to reduce carrying charges. To retain competitive neutrality, the RMP credits and charges will be recovered through a non-bypassable rider. Proposed pro forma tariff pages establishing a RMP Rider to implement the RMP are contained in Attachment A.

4. PPL Electric requests expedited review of the proposed plan. Specifically, PPL Electric requests that the Commission approve the RMP by April 17, 2009, to provide sufficient time for the Company to make the necessary changes to its billing system and to fully inform its customers of the RMP. The April 17, 2009 effective date also will give customers sufficient time to make an informed decision regarding their participation.

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<sup>2</sup> As explained in Section III of this Petition, residential customers enrolled in PPL Electric's Customer Assistance Program ("OnTrack") have an existing mechanism for rate mitigation and therefore are not eligible to participate in the proposed RMP. In addition, Small C&I customers taking service on Rate Schedule GS-1 are not eligible because PPL Electric currently does not expect the average rate class increase in 2010 to exceed the 25% threshold.

5. For the reasons set forth below, PPL Electric submits that the RMP provides a reasonable and appropriate mechanism to phase in anticipated 2010 generation rate increases, is in the public interest and should be approved.

## I. INTRODUCTION AND BACKGROUND

6. On January 1, 1997, the *Electricity Generation Customer Choice and Competition Act* (“Customer Choice Act”) became effective, adding Chapter 28 to the Public Utility Code (“Code”).<sup>3</sup> In summary, Chapter 28 deregulated the generation of electricity, established certain caps on rates charged by electric distribution companies (“EDCs”), and created the framework for a competitive retail market in which customers can choose among competing electric generation suppliers (“EGSs”). To implement these various changes, Section 2806(d) required all EDCs in Pennsylvania to file restructuring plans with the Commission.<sup>4</sup> In addition, and of specific relevance to this petition, Section 2807 required each EDC to act as the Provider of Last Resort (“POLR”) for its non-shopping customers until the end of the EDC’s transition period and, thereafter, in accordance with regulations to be promulgated by the Commission.

7. Pursuant to the statutory requirements discussed above, on April 1, 1997, PPL Electric’s predecessor, Pennsylvania Power & Light Company, submitted a comprehensive restructuring plan to the Commission. After evidentiary hearings, issuance of a recommended decision, entry of a final Commission order and extensive post-order settlement discussions, the Company and almost all other active parties reached a settlement of that restructuring case.<sup>5</sup> In a final order entered August 27, 1998, the Commission approved the Restructuring Settlement.<sup>6</sup>

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<sup>3</sup> 66 Pa. C.S. Chapter 28.

<sup>4</sup> 66 Pa. C.S. § 2806(d).

<sup>5</sup> *Joint Petition for Full Settlement of PPL, Inc.’s Restructuring Plan and Related Court Proceedings*, Docket No. R-00973954 (“Restructuring Settlement”).

<sup>6</sup> *Application of Pennsylvania Power & Light Company for Approval of its Restructuring Plan under Section 2806 of the Public Utility Code*, Docket No. R-00973954 (“Restructuring Order”).

8. Among other things, the Restructuring Settlement extended PPL Electric's statutory generation rate cap from the end of 2005 to the end of 2009.<sup>7</sup> It also confirmed that PPL Electric would continue to serve as the POLR for its non-shopping retail customers through December 31, 2009.<sup>8</sup> To meet its POLR obligation within the rate cap constraints, PPL Electric issued a request for proposals to obtain, through a competitive bidding process, the required supply of energy and capacity. PPL EnergyPlus, LLC, an affiliate of PPL Electric, was the winning bidder. On June 20, 2001, the parties executed a generation supply agreement ("GSA") under which PPL Electric purchases its POLR supply requirements from PPL EnergyPlus at a price equal to the rate caps set forth in the Customer Choice Act and agreed to in the Restructuring Settlement. On July 13, 2001, the Commission approved the GSA.<sup>9</sup>

9. By its terms, the GSA terminates on December 31, 2009, and, after that date, PPL EnergyPlus has no obligation to provide generation supply to PPL Electric.<sup>10</sup> As a result, beginning January 1, 2010, PPL Electric must return to the competitive market to obtain the supply needed to meet its POLR obligations. The price for that supply will be set by the market and the costs will be passed on to retail customers through the generation supply charge on PPL Electric customer bills beginning in 2010.

10. On August 2, 2006, PPL Electric filed its CBP that sets forth PPL Electric's proposal to obtain its POLR supply for 2010, which was described as a "bridge" year because PPL Electric's generation rate cap expires one year before most other major Pennsylvania EDCs. After extensive review and several modifications, the Commission approved the CBP on May

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<sup>7</sup> Restructuring Settlement, Section B.3.

<sup>8</sup> See Restructuring Settlement, Section C.1 (*i.e.*, for the duration of the stranded cost recovery period).

<sup>9</sup> Affiliated Interest Agreement Between PPL Electric and PPL EnergyPlus for the Supply by PPL EnergyPlus of Wholesale Capacity and Energy Sufficient to Meet 100% of PPL Electric's Obligation as a Provider of Last Resort, Docket No. G-00010886.

<sup>10</sup> GSA, Article 2.1.

17, 2007 at Docket No. P-00062227. Under the CBP, PPL Electric will obtain supply to meet its 2010 POLR obligation through a series of six solicitations over three years (2007-2009). PPL Electric has completed four solicitations (comprising two-thirds of its 2010 requirements for Residential and Small C&I customers). The results of these four solicitations, if repeated over the next two solicitations, are projected to produce a total bill increase to an average residential customer (assuming 1000 kWh of use per month) of approximately 36%. On this same basis, PPL Electric estimates that small and mid-size business customers also will experience sizable rate increases. These estimates are subject to change if the prices resulting from the last two solicitations under the CBP differ from the prices that resulted from the first four solicitations.

11. These projected increases are substantial and reflect the fact that PPL Electric's generation rates have been essentially capped since 1995.<sup>11</sup> The proposed increases also are consistent with significant increases seen in other recent POLR supply acquisitions in the competitive market. As shown by recent experience in Pennsylvania and elsewhere, such rate increases can create substantial concern among customers, because customers tend to focus on the immediate increase and its effect on their budgets, as opposed to the fact that their rates have been capped for many years.

12. The Commission's *Default Service and Retail Electric Markets Policy Statement*<sup>12</sup> provides for default service providers (also referred to as POLR) to offer rate mitigation options to their customers under certain conditions. Specifically, Section 69.1811(a) provides:

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<sup>11</sup> Pursuant to Section 2804(4) of the Customer Choice Act, rates were capped at 1997 levels. PPL Electric's rates at 1997 were established in its 1994 rate case at Docket No. R-00943271, with an effective date of September 28, 1995. Except for modest changes agreed to in PPL Electric's Restructuring Settlement, generation rates are essentially the same as those established in 1995.

<sup>12</sup> 52 Pa. Code §§ 69.1801 *et seq.*

[w]hen a [Default Service Provider's] total retail rate for a customer class rises by more than 25% following the expiration of a generation rate cap ... DSPs should offer all residential and small business customers of up to 25 kW in maximum registered peak load the opportunity to prepay or defer some portion of the rate increase for as long as 3 years.<sup>13</sup>

In addition, the Commission's Policy Statement states that DSPs will be able to fully recover reasonable carrying costs associated with a rate increase deferral program, including associated administrative costs.<sup>14</sup>

13. To address the anticipated rate increase due to the expiration of its generation rate caps, PPL Electric developed the RSP. Under the RSP, the Company's customers can choose to make additional payments on their electric bills through December 2009, and receive corresponding credits on their bills from January 2010 through December 2011. The RSP is available to most Residential, Small C&I and Rate Schedule SE customers. On August 7, 2008, at Docket No. P-2008-2021776, the Commission approved a settlement of the RSP proceeding, and PPL Electric filed compliance tariffs on August 14, 2008.

14. To provide customers with an additional option for mitigating the effects of rate cap expiration in 2010, PPL Electric has developed the RMP, which is designed to phase-in the effects of rate cap expiration over a period of up to three years and, thereby, provide customers with an opportunity to mitigate the anticipated one-time, month-over-month increase in their electricity bills.

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<sup>13</sup> 52 Pa. Code § 69.1811(a).

<sup>14</sup> *Id.*

## II. DESCRIPTION OF THE PROPOSED RATE MITIGATION PLAN

15. Consistent with the Commission's Policy Statement, the proposed RMP is designed to phase-in the estimated 2010 generation rate increase through a series of non-bypassable credits and charges. These credits and charges are designed to limit the increase in total charges, on an average rate class strata basis, to no more than 25% in 2010 and an additional 25% in 2011 based on the currently estimated 2010 generation rate increase.<sup>15</sup>

16. PPL Electric's current rates contain bundled cost-of-service vestiges, such as declining rate blocks based on usage. As part of the approved CBP, most of these historic rate designs will be eliminated for the generation component of rates. As a result, customers at different usage levels will experience different percentage rate increases in 2010. For example, PPL Electric estimates that an average residential customer (1000 kWh per month) served on Rate Schedule RS will see a 2010 rate increase of 36%. However, estimated 2010 rate increases for all residential customers served on that rate schedule range from 9.8% for low users (0-100 kWh per month) to 45% for high users (3001 kWh and above per month).

17. To address this issue, each eligible rate schedule will be divided into six or seven usage strata. The strata are the same as those used in the RSP and were designed so that customers within each strata are expected to experience similar percentage increases in their 2010 bills. For each strata in each rate schedule, a monthly credit has been designed to limit the average total bill increase to 25% in 2010, and to an additional 25% in 2011, for each customer strata based on the currently estimated 2010 generation rate increase. Existing customers will be placed in the appropriate strata based on their actual usage over the 12-month period ending

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<sup>15</sup> Specifically, PPL Electric has designed credits/charges based upon the results of the first four solicitations of the CBP. The actual generation rate increase for 2010 will reflect the final results of all six CBP solicitations and may be greater or less than the currently estimated increase used to establish the RMP credits and charges.

March 31, 2009. New customers will be assigned to a strata based upon an estimate of the customer's anticipated annual usage. All eligible customers must enroll in the RMP by December 15, 2009.

18. Amounts deferred under the RMP will be recovered through additional charges in the RMP Rider. Specifically, all unrecovered costs plus carrying charges at 6% (the legal rate of interest) will be capitalized as a regulatory asset and recovered from customers enrolled in the RMP, by no later than December 31, 2012. The recovery period will vary by rate schedule strata. For some strata, the recovery period will be completed in 2011; for others, recovery will continue through 2012. The RMP Rider generally is designed to recover deferred amounts (plus accumulated interest) as quickly as possible in order to minimize the amount of carrying costs to be paid by participating customers. The RMP is designed to recover all deferrals and carrying charges by December 31, 2012.

19. The RMP credit/charge will be non-bypassable and will be listed separately as a line item on the bills of participating RMP customers. As a result, customers will be able to participate in the program if they now purchase, or at any time in the future choose to purchase, generation supply from an EGS. Therefore, the RMP will not adversely affect retail competition because the charges and credits will not affect PPL Electric's Price to Compare ("PTC") for shopping purposes.

### **III. ELIGIBILITY AND PARTICIPATION IN THE RMP**

20. All residential customers taking service under Rate Schedule RS, RTS(R) or RTD(R), who do not have an existing arrearage, are eligible to participate, including customers on budget billing. However, those customers enrolled in the OnTrack program and those customers enrolled in the RSP will not be eligible to participate in the RMP.

21. The OnTrack program is PPL Electric's residential Customer Assistance Program ("CAP"). OnTrack customers pay a set monthly bill based on their individual ability to pay, which, in each instance, is less than the customer's otherwise applicable annual tariff charges. In most instances, OnTrack customers will not be required to pay any substantial portion of the POLR rate increase in 2010. Additional details regarding operation of the OnTrack program are set forth in PPL Electric's Universal Service and Energy Conservation Plan for the Period 2008-2010 filed in Company's most recent distribution rate case at Docket No. R-00072155, and attached as Appendix A to its Tariff – Electric Pa.P.U.C. No. 201. In that rate filing, PPL Electric recognized the impact that higher energy costs will have on low-income customers and proposed to increase funding for the OnTrack program by almost \$6 million, or 44%. The Company also proposed substantial increases in funding for its other programs for low-income customers. In its final order in that case, the Commission approved these proposals.

22. All Small C&I customers without existing arrearages taking service on Rate Schedule GS-3, GH-1(R) or GH-2(R) are eligible to participate in the RMP. Customers taking service on Rate Schedule GS-1 are not included in the RMP because the average rate increase for these customers on January 1, 2010 is not expected to exceed the 25% threshold.

23. The RMP is presented as an alternative to the RSP. Eligible customers may elect one program or the other, or neither program, but not both at the same time.

24. The RMP will be available to eligible customers who affirmatively elect to participate in the program. PPL Electric will encourage participation by making several enrollment options available to customers, including a special toll-free 800 number and the internet. The deadline for enrolling in the plan will be December 15, 2009. This deadline is

necessary to enable PPL Electric to implement the RMP on a rate schedule strata basis without the need to track deferral and carrying charges on a customer specific basis.

25. A customer participating in the RMP can elect to withdraw from the program at any time, simply by notifying the Company. In addition, a customer will be removed from the plan if the customer’s service is terminated, if the customer fails to pay his/her bill in full for two consecutive billing cycles after joining the plan or if the customer otherwise becomes ineligible for the plan. When a customer’s participation in the RMP ends, the Company will charge the customer for the then current balance of his/her RMP deferrals (including carrying charges).

**IV. DESCRIPTION OF RMP RIDER**

26. The RMP Rider contains and describes all credits and charges for the term of the RMP.<sup>16</sup> Additionally, the RMP Rider contains eligibility criteria, rules for electing to participate and rules for terminating participation in the RMP.<sup>17</sup> An example of how the strata process will work for Rate Schedule RS is illustrated by the following table:

<u>Strata</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>0 to 300 kWh</u>	\$0	\$0	\$ 0
<u>301 to 800 kWh</u>	-\$4.01	\$4.26	\$0
<u>801 to 1,200 kWh</u>	-\$12.39	\$13.15	\$0
<u>1,201 to 2,000 kWh</u>	-\$25.83	\$ 24.20	\$3.43
<u>2,001 to 3,000 kWh</u>	-\$46.01	\$29.30	\$ 20.75
<u>3,001 kWh and above</u>	-\$68.43	\$35.30	\$39.65

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<sup>16</sup> See Attachment A.  
<sup>17</sup> Id.

27. Customers would be placed in a strata based on the average monthly usage for the 12-month period ending March 31, 2009. For example, a customer using 12,000 kWh for that 12-month period would have an average usage of 1,000 kWh per month, placing that customer in the strata 801 to 1,200 kWh per month. Starting with this customer's January 2010 billing, an RMP credit of \$12.39 per month would be reflected on the customer's bill. In January 2011, the customer would begin to pay back the deferral through a monthly payment of \$13.15. The RMP would expire for this customer at the end of 2011.

28. The following table illustrates the charges, credits and the potential resulting rate increase from 2010 through 2012 for an average residential customer (1,000 kWh per month) on Rate Schedule RS:<sup>18</sup>

	<u>1/1/2009</u>	<u>1/1/2010</u>	<u>1/1/2011</u>	<u>1/1/2012</u>
<u>Estimated 1,000 kWh Bill</u>	\$106.06	\$144.97	\$144.97	\$ 144.97
<u>Percent Increase over Previous Year</u>		36.7%	0%	0%
<u>RMP RIDER</u>	\$ 0.00	-\$12.39	\$ 13.15	\$0
<u>Estimated 1,000 kWh Bill With RMP</u>	\$106.06	\$132.58	\$158.12	\$144.97
<u>Percent Increase over Previous Year</u>		25%	19.3%	-8.3%

29. The results illustrated above are not guaranteed, and are based on estimated energy and capacity values obtained from PPL Electric's first four competitive solicitations for supply in 2010, which may change in future solicitations. The results also do not reflect or incorporate changes in energy prices after January 1, 2010.

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<sup>18</sup> The figures in this table are based on currently effective rates, and do not reflect any pending or future rate changes.

30. The RMP, as filed, will not require individual customer reconciliation. The RMP credits and charges will be set on a per month basis and will not be affected by fluctuations in customer use or changes in generation rates. The Company therefore will know precisely how much customers in each strata deferred during the course of the RMP. The recovery period will vary by rate strata. However, the monthly surcharges are designed to complete recovery of deferred amounts (plus accumulated interest) by December 31, 2012. Because the likelihood of over-collection or under-collection is very small, there is no need for any after-the-fact reconciliation.

## **V. PUBLIC NOTICE**

31. PPL Electric will provide customer notice and education at the time the Commission acts on the RMP, before implementation of the RMP and during its term. The Company has identified four primary topics for customer notice and education:

- The magnitude of the expected rate increase in 2010.
- The reasons for that increase.
- Full description of the RMP and its potential impact on rates.
- Full description of how customers can elect to participate in the RMP.

32. PPL Electric will prepare and send a bill insert to all customers identifying the eligible rate schedules and other eligibility requirements. This insert will include details regarding the RMP, including a detailed explanation and examples to ensure that customers understand that they will pay the full amount of the increase plus the carrying costs on the deferred portion. In addition, PPL Electric will inform RMP customers where to find additional information regarding expected generation rate increases and the methods of electing to participate in the RMP.

33. In addition, PPL Electric will brief Community Based Organizations and local business/chamber of commerce groups to enhance their understanding of the RMP. After the RMP becomes effective, the Company will continue to respond to customer questions via the telephone and the internet. The Company also will include information about the program and opportunities to participate to new customers during 2009 in the welcome package that the Company provides to new customers.

## **VI. PUBLIC INTEREST CONSIDERATIONS**

34. The RMP, as proposed by PPL Electric, will provide interested customers with another option for managing the expiration of the generation rate caps in 2010. Based on the completed CBP solicitations to date, PPL Electric estimates that an average residential customer will see an increase in total rates of approximately 36% in 2010. Additionally, Small C&I customers will see sizable increases in total rates for small and mid-size businesses at that time. PPL Electric believes that increases of this magnitude may lead to significant customer dissatisfaction, and believes that the RMP is a reasonable and appropriate measure to address their concerns.

35. The RMP is consistent with the Commission's *Default Service and Retail Electric Markets* Policy Statement because it offers eligible Residential and Small C&I customers the opportunity to defer a portion of PPL Electric's January 1, 2010 forecasted rate increase, to the extent that the generation rate increase currently is expected to result in a total bill increase that exceeds 25%.

36. The RMP is competitively neutral and will not interfere with development of the retail market. A customer can fully participate in the program if the customer is purchasing generation supply from an EGS. The RMP credits and charges will not be treated as generation-related and will not affect the PTC. They will be non-bypassable for participating customers.

The RMP will help a participating customer phase-in the anticipated 2010 increase in generation prices regardless of the customer's choice of supplier.

## **VII. REQUESTED NOTICE**

37. PPL Electric has served copies of this filing upon the Commission's Office of Trial Staff, the Office of Consumer Advocate and the Office of Small Business Advocate, as required by the Commission's regulations at 52 Pa. Code § 5.41, and upon all active parties to PPL Electric's 2007 CBP and RSP proceedings. In addition, PPL Electric has posted this filing on its website at [www.pplweb.com](http://www.pplweb.com). The Company requests that the Commission publish notice of this filing in the *Pennsylvania Bulletin*. In this way, all interested parties will have full notice of the Company's proposals and an opportunity to participate in any Commission proceeding addressing those proposals.

## **VIII. REQUEST FOR EXPEDITED CONSIDERATION**

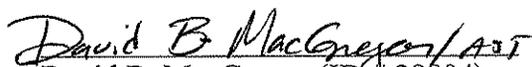
38. PPL Electric is requesting an effective date of April 17, 2009, for the RMP. To ensure a smooth implementation of the RMP, the Company will need a significant period of time to modify its billing programs. In addition, PPL Electric will need several months to inform and educate customers about the RMP, as discussed in Section III, above. Moreover, PPL Electric believes that this petition does not warrant full hearings. Accordingly, PPL Electric requests that the Commission approve the RMP by April 17, 2009. After Commission approval of the RMP, PPL Electric will file the RMP Rider in a tariff supplement to be effective on one day's notice. PPL Electric will initiate its customer notice and education efforts upon Commission approval of the RMP.

## **IX. CONCLUSION**

WHEREFORE, PPL Electric Utilities Corporation respectfully requests that the Pennsylvania Public Utility Commission approve the Rate Mitigation Plan set forth in this

petition, and Attachment A thereto, as a reasonable and appropriate mechanism to assist customers in responding to the significant rate increases expected in 2010. In addition, PPL Electric respectfully requests that the Commission find that the RMP Rider is just and reasonable and permit it to become effective on April 17, 2009. To the extent necessary, PPL Electric requests that the Commission grant waivers of its Policy Statement on Default Service and Retail Electric Markets.

Respectfully submitted,



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Date: February 19, 2009

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# **ATTACHMENT "A"**

**RATE MITIGATION PLAN RIDER (RMP)**

**PURPOSE**

The Rate Mitigation Plan Rider (RMP) is provided to phase-in the increase in generation rates occurring on January 1, 2010. The phase-in will be implemented by applying additional flat credits/charges to bills of participating customers during the period January 1, 2010 through December 31, 2012. The RMP will be applied to participating customers' bills on a non-bypassable basis.

Customers will be able to participate in the plan whether or not they now purchase, or at any time in the future choose to purchase, generation supply from an Electric Generation Supplier. The Company will charge 6% annual interest, compounded monthly, on all amounts deferred under the RMP. Those interest charges are included in the tables set forth below.

**APPLICATION PROVISIONS**

The RMP is available to eligible Residential customers (Rate Schedules RS, RTS (R), and RTD (R)) and eligible Commercial and Industrial customers (Rate Schedules GS-3, GH-1 (R), and GH-2 (R)), who take distribution service from the Company. Customers enrolled in the Company's On-Track Program, customers whose accounts are in arrears to the Company, and customers enrolled in the Rate Stabilization Plan are not eligible to participate in the RMP.

The RMP is established by usage level strata within the eligible rate schedules at the levels set forth below. Customers are placed in a strata based on their average monthly usage over the 12-month period ending March 31, 2009. For customers with less than 12 months of history, the average monthly use for application of this Rider will be estimated by the Company.

<b>Rate Schedules RS and RTD(R)</b>	<b>1/1/10 – 12/31/10</b>	<b>1/1/11 – 12/31/11</b>	<b>1/1/12 – 12/31/12</b>
Average Usage Strata (kWh)	Mitigation Credit/Charge (\$/month)		
Monthly			
0 – 300	-	-	-
301 – 800	(4.01)	4.26	-
801 – 1,200	(12.39)	13.15	-
1,201 – 2,000	(25.83)	24.20	3.43
2,001 – 3,000	(46.01)	29.30	20.75
3,001 and above	(68.43)	35.30	39.65

(Continued)

**RATE MITIGATION PLAN RIDER (RMP) (Continued)**

**APPLICATION PROVISIONS (Continued)**

<b>Rate Schedule RTS(R)</b>	<b>1/1/10 – 12/31/10</b>	<b>1/1/11 – 12/31/11</b>	<b>1/1/12 – 12/31/12</b>
Average Usage Strata (kWh)	Mitigation Credit/Charge (\$/month)		
Monthly			
0 – 200	-	-	-
201 – 1,000	(15.60)	(7.60)	25.65
1,001 – 1,500	(25.70)	(12.00)	41.71
1,501 – 1,900	(35.20)	(18.20)	59.00
1,901 – 2,300	(43.00)	(23.00)	72.89
2,301 – 2,800	(45.90)	(21.00)	74.03
2,801 and above	(71.30)	(34.50)	117.00

<b>Rate Schedules GS-3, GH-1(R), and GH -2(R)</b>	<b>1/1/10 – 12/31/10</b>	<b>1/1/11 – 12/31/11</b>	<b>1/1/12 – 12/31/12</b>
Average Usage Strata (kWh)	Mitigation Credit/Charge (\$/month)		
Monthly			
0 – 3,500	-	-	-
3,501 – 7,000	-	-	-
7,001 – 11,000	(136.31)	113.63	33.00
11,001 – 18,000	(224.60)	176.24	66.05
18,001 – 40,000	(449.20)	352.50	132.08
40,001 and above	(1,165.89)	905.93	352.34

**PARTICIPATION IN THE RMP**

Before the RMP adjustments begin, eligible customers can voluntarily elect to participate in the plan by contacting the Company and enrolling in the plan prior to December 15, 2009.

**ENDING PARTICIPATION IN THE RMP**

Customer participation in the RMP will end if and when:

1. A customer informs the Company that he/she no longer wishes to participate in the RMP;
2. A customer's service is terminated by the Company;
3. A customer fails to pay his/her bill in full for two consecutive billing cycles after joining the RMP program;
4. A customer otherwise becomes ineligible for the RMP program.

When a customer's participation in the RMP is terminated, the Company will issue a charge to the customer for the then current balance of his/her RMP deferral, including applicable interest. The charge will be applied to the customer's next or final bill, as applicable.

The RMP will terminate on December 31, 2012.