

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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Consumer Advocate

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May 24, 2010

Rosemary Chiavetta
Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17105-3265

RE: Pennsylvania Public Utility Commission
v.
PPL Electric Utilities Corporation
Base Rate Proceeding
Docket No. R-2010-2161694

Dear Secretary Chiavetta:

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

Copies have been served on the parties of record as indicated on the enclosed Certificate of Service.

Sincerely,

A handwritten signature in black ink, appearing to read "Aron J. Beatty".

Aron J. Beatty
Assistant Consumer Advocate
PA Attorney I.D. # 86625

Enclosures

cc: Hon. Susan D. Colwell/ALJ
Parties of Record
125999

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission,	:	
	:	
v.	:	Docket No. R-2010-2161694
	:	
PPL Electric Utilities Corporation	:	

PREHEARING MEMORANDUM
OF THE
OFFICE OF CONSUMER ADVOCATE

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

I. INTRODUCTION

On March 31, 2010, PPL Electric Utilities Corporation (PPL or the Company) filed Supplement No. 83 to Tariff Electric - Pa. P.U.C. No. 201 (Supplement No. 54) to become effective June 1, 2010, seeking Commission approval of rates and rate changes that would modify existing tariff provisions and increase the level of rates that PPL charges for providing electric distribution service to its customers. If Supplement No. 83 becomes effective as proposed, the Company would benefit from an opportunity to recover an estimated annual increase in operating revenues of \$114.7 million, an approximate increase of 16.5% over the Company's present distribution rates. PPL serves more than 1.4 million residential, commercial and industrial customers in over twenty-nine counties throughout Pennsylvania.

The OCA filed a Complaint against the proposed revenue increase on April 26, 2010.

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. In addition, the OCA is reviewing the list of issues identified by the Commission for investigation in its May 20, 2010 Order suspending implementation of the proposed rate increases. The OCA anticipates that its review will include many, if not all, of the issues identified by the Commission.

The OCA has served seven 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 to be addressed 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, 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.
- 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 claim for cash working capital
- The Company's proposal to recover a return on land held for future use in current rates

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, 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
- Salaries of PPL employees, including executive compensation

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

Lafayette Morgan
Exeter Associates, Inc.
Suite 300
10480 Little Patuxent Parkway
Columbia, MD 21044

Telephone: 410-992-7500
Fax: 410-992-3445
E-mail: lmorgan@exeterassociates.com

B. Rate Structure

Glen Watkins
Technical Associates, Inc.
1051 East Cary Street
James Center III, Suite 601
Richmond, VA 23219

Telephone: 804-644-4000
Fax: 804-644-2977
E-mail: Watkins@tai-eco.com

C. Rate of Return

Steven Hill
Hill Associates
4000 Benedict Road
Hurricane, WV 25526

Telephone: 304-562-3645
Fax: 304-562-3645
E-mail: hillassociates@gmail.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

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 presiding Administrative Law Judge and all parties of record will be notified.

IV. SERVICE ON THE OCA

The OCA will be represented in this case by Assistant Consumer Advocates Aron J. Beatty and Joel H. Cheskis. Two copies of the documents should be served on the OCA as follows:

Aron J. Beatty
Joel H. Cheskis
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Telephone: (717) 783-5048
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E-mail: abeatty@paoca.org
jcheskis@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 2007 PPL base rate proceeding, to the discovery regulations:

- A. Answers to written interrogatories be served in-hand within ten (10) calendar days of service of the interrogatories. Discovery

propounded on a Friday after 12:00 noon be treated as if served the following business day for purposes of determining the due date of the responses.

- B. Objections to interrogatories be communicated orally within three (3) days of service; unresolved objections be served to the ALJ in writing within five (5) days of service of interrogatories.
- C. Motions to dismiss objections and/or direct the answering of interrogatories be filed within three (3) days of service of written objections.
- D. Answers to motions to dismiss objections and/or direct the answering of interrogatories be filed within three (3) days of service of such motions.
- E. Responses to requests for document production, entry for inspection, or other purposes be served in-hand within ten (10) calendar days.
- F. Requests for admission be deemed admitted unless answered within ten (10) days or objected to within five (5) days of service.

VI. PUBLIC INPUT HEARINGS

The OCA requests that public input hearings be held throughout 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. The Administrative Law Judge has identified five locations for public input hearings in this case: Harrisburg, Wilkes-Barre, Scranton, Allentown, and Bethlehem. At this time, the OCA submits that the Administrative

Law Judge's proposed locations are reasonable. The OCA reserves the right to request additional locations for public input hearings in response to future requests from ratepayers and/or legislators.

VII. PROPOSED SCHEDULE

The OCA is working with the parties to develop a mutually acceptable schedule.

Respectfully submitted,



Aron J. Beatty
Attorney Id. No. 86625
Assistant Consumer Advocate

Counsel for:
Irwin A. Popowsky

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DATED: May 24, 2010

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CERTIFICATE OF SERVICE

Pennsylvania Public Utility Commission :
v. : Docket No. R-2010-2161694
PPL Electric Utilities Corporation :
Base Rate Proceeding :

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 24th day of May 2010.

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