



17 North Second Street
12th Floor
Harrisburg, PA 17101-1601
717-731-1970 Main
717-731-1985 Fax
www.postschell.com

John H. Isom

jisom@postschell.com
717-612-6032 Direct
717-731-1985 Fax
File #: 2507/143889

May 24, 2010

BY E-FILE

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-2010-2161694**

Dear Secretary Chiavetta:

Enclosed please find the original Prehearing Conference Memorandum of PPL Electric Utilities Corporation in the above-referenced proceeding.

Copies have been provided to the persons as indicated on the certificate of service.

Respectfully Submitted,

John H. Isom

JHI/jl

Enclosures

cc: Honorable Susan D. Colwell (*via e-mail and hand delivery*)
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 52 Pa. Code § 1.54 (relating to service by a participant).

VIA E-MAIL & FIRST CLASS MAIL

Steven C. Gray
Office of Small Business Advocate
Commerce Building, Suite 1102
300 North Second Street
Harrisburg, PA 17101

Richard A. Kanaskie
Lawrence Barth
Office of Trial Staff
Commonwealth Keystone Building
400 North Street, 2nd Floor West
PO Box 3265
Harrisburg, PA 17105-3265

Aron J. Beatty
Tanya J. McCloskey
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923

Thomas S. Catlin
Lafayette Morgan
Exeter Associates Inc.
5565 Sterrett Place, Suite 310
Columbia, MD 21044
Consultants for OCA

Stephen G. Hill
Hill Associates
PO Box 587
4000 Benedict Road
Hurricane, WV 25526
Consultant for OCA

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

Glenn A. Watkins
Technical Associates Inc.
1051 East Cary Street
Suite 602
Richmond, VA 23219
Consultant for OCA

Joseph L. Vullo
Burke Vullo Reilly Roberts
1460 Wyoming Avenue
Forty Fort, PA 18704
Commission on Economic Opportunity

Kenneth L. Mickens
The Sustainable Energy Fund of Central
Eastern Pennsylvania
316 Yorkshire Drive
Harrisburg, PA 17111
*Sustainable Energy Fund of Central Eastern
Pennsylvania*

Todd S. Stewart
Hawke, McKeon & Sniscak LLP
100 N. 10th Street
PO Box 1778
Harrisburg, PA 17101
Dominion Retail, Inc.

Gary A. Jeffries
Assistant General Counsel
Dominion Retail, Inc.
501 Martindale Street, Suite 400
Pittsburgh, PA 15212-5817
Dominion Retail, Inc.

Scott J. Rubin
Public Utility Consulting
333 Oak Lane
Bloomsburg, PA 17815
*International Brotherhood of Electrical
Workers, Local 1600*

Pamela C. Polacek
Shelby A. Linton-Keddie
McNees, Wallace & Nurick
100 Pine Street
PO Box 1166
Harrisburg, PA 17108-1166
PPLICA

Craig A. Doll
25 West Second Street
PO Box 403
Hummelstown, PA 17036
Richards Energy Group, Inc.

Frank Richards
Richards Energy Group, Inc.
781 S. Chiques Road
Manheim, PA 17545
Richards Energy Group, Inc.

John K. Baillie, Esquire
Citizens for Pennsylvania's Future
425 Sixth Avenue, Suite 2770
Pittsburgh, PA 15219
Counsel for PennFuture

Eric Joseph Epstein
4100 Hillsdale Road
Harrisburg, PA 17112

VIA FIRST CLASS MAIL

Donald L. Foreman
305 Hillside Road
Elizabethtown, PA 17022-1206

Ashley A. Buck
156 Johnson Drive
S. Williamsport, PA 17702

Elaine B. Santarelli
521 Second Avenue
Jessup, PA 18434

Neal P. Goodman, Chair
Northeast Democratic Delegation
PA House of Representatives
G-07 Irvis Office Building
PO Box 202123
Harrisburg, PA 17120-2123

Elaine & Clayton Andrews, Jr.
2014 Evergreen Drive
Tamaqua, PA 18252

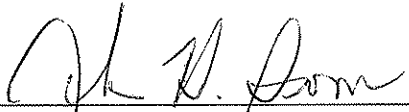
Peter Grieger
1810 Ridge Road
Elizabethtown, PA 17022

Gerard Martin
26 Brentwood Road
Camp Hill, PA 17011

Linda M. Johnson
62 Stones Throw
East Stroudsburg, PA 18301

Dr. Elaine F. Wasileswski
Lancaster Chiropractic & Massage
Therapy Associates
2215 Dutch Gold Drive
Lancaster, PA 17601

Date: May 24, 2010



John H. Isom

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

| | | |
|---|---|----------------|
| Pennsylvania Public Utility Commission, | : | |
| | : | R-2010-2161694 |
| v. | : | |
| | : | |
| PPL Electric Utilities Corporation. | : | |

**PREHEARING CONFERENCE MEMORANDUM OF
PPL ELECTRIC UTILITIES CORPORATION**

TO ADMINISTRATIVE LAW JUDGE SUSAN D. COLWELL:

Pursuant to 52 Pa. Code § 5.224(c) and Administrative Law Judge Susan D. Colwell's First Prehearing Order dated May 17, 2010, PPL Electric Utilities Corporation ("PPL Electric" or the "Company") hereby submits this Prehearing Conference Memorandum.

I. SERVICE OF DOCUMENTS

1. PPL Electric requests that all documents be served on:

John H. Isom (ID # 16569)
Post & Schell, P.C.
17 North Second Street
12th Floor
Harrisburg, PA 17101-1601
Phone: 717-731-1970
Fax: 717-731-1985
E-mail: jisom@postschell.com

PPL Electric agrees to receive service of documents electronically in this proceeding. Further, to the extent that materials are available electronically, it is requested that copies be served upon Paul E. Russell at perussell@pplweb.com, David B. MacGregor at dmacgregor@postschell.com, Michael W. Gang at mgang@postschell.com, and Christopher T. Wright at cwright@postschell.com.

II. PROCEDURAL HISTORY.

2. This proceeding was initiated on March 31, 2010, when PPL Electric filed with the Pennsylvania Public Utility Commission (“Commission”) Supplement No. 83 to PPL Electric’s Tariff – Electric Pa. P.U.C. No. 201 (“Supplement No. 83”). Supplement 83, issued to be effective June 1, 2010, proposes changes to PPL Electric’s base retail distribution rates designed to produce an increase in revenues of approximately \$114.7 million, based upon data for a *pro forma* future test year ending December 31, 2010. The filing was made in compliance with the Commission’s regulations and contains all supporting data and testimony required to be submitted in conjunction with a tariff change seeking a general rate increase.

3. On April 7, 2010, a Petition to Intervene was filed by the Commission on Economic Opportunity.

4. On April 16, 2010, Petitions to Intervene were filed separately by the Sustainable Energy Fund of Central Eastern Pennsylvania (“SEF”) and Dominion Retail, Inc.

5. On April 23, 2010, a Petition to Intervene was filed by the International Brotherhood of Electrical Workers, Local 1600.

6. On April 26, 2010, the Office of Consumer Advocate (“OCA”) filed a Notice of Appearance and a Formal Complaint at Docket No. C-2010-2171967.

7. On April 26, 2010, the Office of Trial Staff (“OTS”) filed a Notice of Appearance.

8. On April 29, 2010, the Office of Small Business Advocate (“OSBA”) filed a Notice of Appearance and Formal Complaint at Docket No. C-2010-2174138.

9. On May 12, 2010, a Petition to Intervene was filed by Richards Energy Group, Inc.

10. PPL Electric has been served with Formal Complaints by the following: Dr. Elaine F. Wasilewski, Docket No. C-2010-2153060; Donald L. Foreman, Docket No. C-2010-2171268; Eric Epstein, Docket No. C-2010-2171487; Elaine and Clayton Andrews, Jr., Docket No. C-2010-2174117; Ashley A. Buck, Docket No. C-2010-2172723; Elaine B. Santarelli, Docket No. C-2010-2172729; Gerard Martin, Docket No. C-2010-2177205; Peter Grieger, Docket No. C-2010-2177233 and Linda M. Johnson, Docket No. C-2010-2177258.

11. On May 17, 2010 Administrative Law Judge Susan D. Colwell issued the First Prehearing Order, scheduling a prehearing conference in the above-captioned matter at 10:00 a.m. Wednesday, May 26, 2010, in Hearing Room 2, Commonwealth Keystone Building, 400 North Street, Harrisburg, PA.

12. On May 20, 2010, the Commission opened an investigation of PPL Electric's proposed rate increase and allowed the effective date of that increase to be suspended by operation of law until January 1, 2011.

III. ISSUES.

13. PPL Electric intends to demonstrate that its request for an overall annual distribution revenue increase of approximately \$114.7 million, based on a future test year ending December 31, 2010, and proposed allowed rate of return on equity of 11.75 percent is just and reasonable and should be approved by the Commission. If granted by the Commission, this request will produce an average increase in distribution rates of approximately 13.4 percent which equates to an average increase in total rates (distribution, transmission, and generation charges) of approximately 2.4 percent.

14. PPL Electric intends to demonstrate that its proposed distribution rate increase is appropriate for the restructured electric utility industry now in place in Pennsylvania. It reflects

PPL Electric's status as a distribution-only electric utility and is based on financial and operating data for that single business line. The requested rate increase reflects the business environment the Company currently faces, particularly its need to make significant capital investments to help ensure that its reliability performance remains strong for customers today and in the future.

15. PPL Electric intends to demonstrate that its proposed 11.75 percent return on equity is the minimum required for the Company to attract capital on reasonable terms, provide safe and reliable service to its customers and fully fund the various innovative programs described above. PPL Electric intends to demonstrate that the proposed return on equity is particularly appropriate in view of PPL Electric's management effectiveness and award-winning customer service in the face of challenging economic and capital market conditions.

16. PPL Electric further intends to demonstrate that that its proposed class cost allocation study is reasonable and consistent with long-standing Commission precedent, and that its proposed allocation of the requested revenue increase is just, reasonable, non-discriminatory, and consistent with principles established by the Common Court in *Lloyd v. Pa. P.U.C.*, 904 A.2d 1010 (Pa. Cmwlth. 2006).

17. PPL Electric also intends to demonstrate that its proposal to update its retail tariff to clarify certain provisions and eliminate other provisions that no longer are effective, and to restructure a number of the rate schedules in its tariff to more closely follow cost-of-service signals is appropriate, just and reasonable, and should be approved by the Commission.

IV. WITNESSES.

18. PPL Electric presently intends to offer the following witnesses to testify in this proceeding on the following subject matters:

| <u>Statement Number</u> | <u>Witness</u> | <u>Subject matter</u> |
|-------------------------|--|---|
| 1 | David G. DeCampi, President, PPL Electric Utilities Corporation Two North Ninth Street Allentown, PA 18101 Phone: 610.774.4247 | <ul style="list-style-type: none"> • Current Financial Condition. • Management Effectiveness. • Perspective on Filing. |
| 2 | Mark A. Velicer, Senior Director, Finance and Regulatory, PPL Electric Utilities Corporation Two North Ninth Street Allentown, PA 18101 Phone: 610.774.4368 | <ul style="list-style-type: none"> • 2010 Capital and Operating Budgets. |
| 3 | Gary Banzhoff, Director-PA Delivery Accounting, PPL Services Corporation Two North Ninth Street Allentown, PA 18101 Phone: 610.774.4789 | <ul style="list-style-type: none"> • 2009 Actual Results of Operations. |
| 4 | Denise A. Cunningham, Manager-Financial Analysis, Financial Planning Department, PPL Services Corporation Two North Ninth Street Allentown, PA 18101 Phone: 610.774.5483 | <ul style="list-style-type: none"> • Rate Base Adjustment. • Revenue Adjustments. • Expense Adjustments. |
| 5 | David R. Woodruff, Manager-Load Analysis, Regulatory Compliance Group, PPL Electric Utilities Corporation Two North Ninth Street Allentown, PA 18101 Phone: 610.774.6833 | <ul style="list-style-type: none"> • Sales Forecast. • Annualization of Sales and Revenue. • Load Research. |

- | | | |
|----|--|--|
| 6 | <p>Douglas A. Krall, Manager-Regulatory Strategy, PPL Electric Utilities Corporation Two North Ninth Street Allentown, PA 18101 Phone: 610.774.5736</p> | <ul style="list-style-type: none"> • Purchase of Receivables. • AMR/Other Capital. • Strategic Rate Design. |
| 7 | <p>Joseph M. Kleha, Manager-Regulatory Compliance, PPL Electric Utilities Corporation Two North Ninth Street Allentown, PA 18101 Phone: 610.774.4486</p> | <ul style="list-style-type: none"> • Cost Allocation Studies. • Cash Working Capital. • Taxes. • Expense Adjustments. • Purchase of Receivables. |
| 8 | <p>Oliver Kasper, Manager-Pricing and Contract Administration, Regulatory Compliance Group, PPL Electric Utilities Corporation Two North Ninth Street Allentown, PA 18101 Phone: 610.774.6463</p> | <ul style="list-style-type: none"> • Specific Rate Design. • Class Revenue Allocation. • Proposed Tariff. • Proofs of Revenue. • Pro Forma Revenue Adjustments. |
| 9 | <p>Timothy R. Dahl, Manager-Regulatory Programs & Business Services, PPL Electric Utilities Corporation Two North Ninth Street Allentown, PA 18101 Phone: 484.634.3297</p> | <ul style="list-style-type: none"> • Universal Service Programs. |
| 10 | <p>John J. Spanos, Vice President, Gannett Fleming, Inc. 207 Seventh Avenue Camp Hill, PA 17011 Phone: 717.763.7211</p> | <ul style="list-style-type: none"> • Depreciation Service Lives. |
| 11 | <p>Paul R. Moul, Managing Consultant, P. Moul & Associates 251 Hopkins Road Haddonfield, NJ 08033 Phone: 856.428.7515</p> | <ul style="list-style-type: none"> • Cost of Common Equity. • Capital Structure. • Embedded Cost of Capital. • Fair Rate of Return. |

12 Julie M. Cannell,
President,
J.M. Cannell, Inc.
P.O. Box 199
Purchase, NY 20688
Phone: 914.686.3245

- Cost of Common Equity.
- Investor Perspective.

PPL Electric has previously filed copies of these statements. The testimony and exhibits fully support PPL Electric's proposed rate increase, allocation of that increase among customer classes and the design of rates to recover that increase from customers.

19. PPL Electric also reserves the right to call and present additional witnesses to address any issues that may arise during the course of the proceeding.

V. DISCOVERY

20. To date, the Office of Consumer Advocate, Office of Trial Staff, and Eric Epstein have served interrogatories on PPL Electric. PPL Electric has objected to certain limited discovery requests posed by Mr. Epstein; however, the parties are working to resolve said objections. PPL Electric is not aware of any need to enter any special order regarding discovery. Based on the nature and scope of these interrogatories, PPL Electric does not believe that any change or modification in the standard timelines for discovery set forth in the Commission's regulations is necessary or appropriate. PPL Electric also encourages the use of informal discovery to expedite the discovery process.

VI. LITIGATION SCHEDULE.

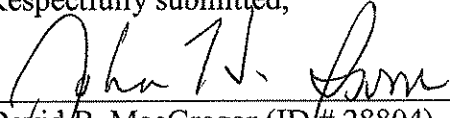
21. PPL Electric proposes the following schedule for resolution of this proceeding, which has been agreed to by many of the parties:

| | |
|---|----------------------------|
| Public Input Hearings | June 14-24, 2010 |
| Other Parties' Direct | June 29, 2010 |
| Rebuttal | July 27, 2010 (12:00 p.m.) |
| Surrebuttal | August 5, 2010 |
| Evidentiary Hearings (including rejoinder testimony) | August 9-13, 2010 |
| Close of Record | August 13, 2010 |
| Main Briefs | September 2, 2010 |
| Reply Briefs | September 13, 2010 |
| Recommended Decision | October 17, 2010 |
| Exceptions | November 8, 2010 |
| Reply Exceptions | November 18, 2010 |
| Public Meeting | December 16, 2010 |

VII. SETTLEMENT

22. As of this time, no settlement discussions have been held. PPL Electric remains open and available for settlement discussions with the other parties and would support initiatives to begin settlement discussions at the earliest possible date.

Respectfully submitted,



David B. MacGregor (ID# 28804)
Post & Schell, P.C.
Four Penn Center
1600 John F. Kennedy Boulevard
Philadelphia, PA 19103-2808
Phone: 215-587-1197
Fax: 215-587-1444
E-mail: dmacgregor@postschell.com

Michael W. Gang (ID# 25670)
John H. Isom (ID # 16569)
Christopher T. Wright (ID # 203412)
Post & Schell, P.C.
17 North Second Street
12th Floor
Harrisburg, PA 17101-1601
Phone: 717-731-1970
Fax: 717-731-1985
E-mail: mgang@postschell.com
jisom@postschell.com
cwright@postschell.com

Paul E. Russell (ID # 21643)
Associate General Counsel
PPL Services Corporation
Two North Ninth Street
Allentown, PA 18106
Phone: 610-774-4254
Fax: 610-774-6726
E-mail: perussell@pplweb.com

Of Counsel:

Post & Schell, P.C.

Date: May 24, 2010

Attorneys for PPL Electric Utilities Corporation