

**PENNSYLVANIA PUBLIC UTILITY COMMISSION**  
**Harrisburg, Pennsylvania 17105-3265**

**PPL Electric Utilities Corp.  
Proposed Transmission Service  
Charge Reconciliation for the  
Twelve Months ending  
November 30, 2010**

**Public Meeting: May 5, 2011  
2213754-ALJ  
Docket No. M-2010-2213754**

**MOTION OF COMMISSIONER CAWLEY**

Before us for consideration is the Recommended Decision (RD) of ALJ Susan D. Colwell in the above-captioned proceeding. The RD recommends that PPL's 2010 Transmission Service Charge (TSC) reconciliation for the period December 1, 2009, to November 30, 2010, be accepted as it is undisputed by the parties to the proceeding. The RD recognizes that acceptance of the reconciliation would: (1) be expressly subject to further review and revision as necessary based on Commission audit or other proceeding, and (2) not constitute approval of the accuracy of the reported figures or the reasonableness of the underlying transactions. Nevertheless, we cannot at this time adopt the RD.

On December 10 and 14, 2010, PPL submitted its final 2010 TSC and final 2010 Generation Supply Charge (GSC) reconciliation reports, respectively. Approximately 100 large commercial and industrial (C&I) customers who had not elected to shop experienced significant TSC under-collection reconciliation increases to their 2011 bills for 2010 service, while the residential class received a substantial TSC reconciliation refund pursuant to rates that became effective January 1, 2011. While the reconciliation statement may be mathematically accurate, the staff review of the underlying components has revealed two issues that require further review.

First, PPL discovered and has self-reported that it used the wrong vintage of demand allocators (PLCs or Peak Load Contribution factors) for its TSC reconciliation calculation. Correction of this miscalculation will substantially reduce the TSC under-collection from the C&I customers and will reduce the refund to residential customers presently being paid. On April 29, 2011, PPL filed its TSC reconciliation of actual costs and revenues for December 1, 2010 through March 31, 2011, which contained an adjustment to the over/under collection amount that reflects a correction of the miscalculation, going forward.

Second, and potentially more significant, is a generic policy issue regarding the manner in which PPL allocates demand for TSC reconciliation purposes. PPL allocated its 2010 actual TSC demand charges based on allocators calculated using historical 2009 TSC demand usage. Staff review of this matter indicates that using 2009 demand

allocators may have resulted in a misalignment between certain costs and cost causers and may have created inter-class subsidies.

Under these circumstances, we shall defer our consideration of the RD and direct the Bureau of Audits (Audits) to move up its schedule for an audit of PPL's 2010 TSC and GSC reconciliations. Audits will then prepare an audit report for Public Meeting to be considered in conjunction with the RD.

In order to understand the implication of using historic demand as compared to using current demand for reconciliation purposes, PPL will provide to staff and to the parties in this proceeding, within 15 days of entry of this order, revised schedules/worksheets and rates showing what the over/under amounts would have been had 2010 PLC actual monthly demand factors been used in the reconciliation. In particular, PPL will provide revised Schedules 1, 2, and 3 of the TSC 1307(e) Reconciliation Statement showing what would have been filed on December 10, 2010, if 2010 PLC actual monthly demand factors had been used. PPL is further to provide worksheets showing precisely how the 2008, 2009, and 2010 PLCs were calculated. Also, in order to facilitate an accurate understanding of what the rates would have been as of January 1, 2011, had 2010 actual monthly demand been used, PPL will also provide a revised Schedule A to the TSC final rate calculation.<sup>1</sup> In conjunction with this set of illustrative schedules/worksheets and rates, PPL shall provide written justification and address the pros and cons for using the 2009 PLC to reconcile 2010 TSC charges.

On a parallel timeline at a new docket, we shall provide a comment period of 30 days after entry of this order and a reply comment period of 15 days thereafter for interested parties to address the various methods of reconciling TSC charges. The comments are to address, in particular, whether, for reconciliation purposes, it is appropriate to allocate an EDC's current TSC demand costs based on historic TSC demand (PPL's current method), based on actual monthly TSC demand per customer class, based on a volumetric basis or whether some other method better aligns demand costs with cost causation during the period to be reconciled. The parties should also address the use of quarterly reconciliation reports and the timing of reconciliations. Additionally, the comments may address the use of riders in conjunction with reconciliations.

**THEREFORE, I MOVE:**

1. That the Bureau of Audits move up its schedule for an audit of PPL's 2010 TSC and GSC reconciliations.
2. That PPL is to provide to staff and to the parties in this proceeding, within 15 days of the entry of this order, revised schedules/worksheets showing what the

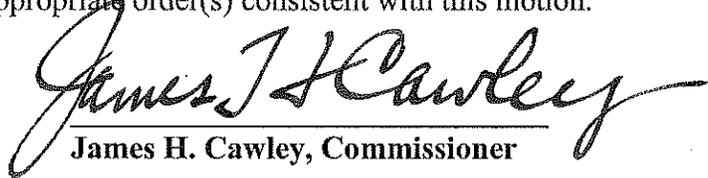
---

<sup>1</sup> Should staff request additional schedules or statements, especially for GSC, we expect that PPL will furnish them in a complete and similarly timely fashion. The schedules, spreadsheets, and worksheets provided to staff are to include formulae and supporting documentation.

over/under reconciliation amounts and rates would have been had 2010 PLC demand factors been used in the reconciliation. This filing shall include PPL's written justification and pros and cons for reconciling 2010 TSC charges to 2009 PLC demand factors. .

3. That the parties at this docket and other interested entities be given the opportunity at a new docket to submit comments to this order within 30 days of entry of this Order, and reply comments within 15 days thereafter. The comments and reply comments are to address, in particular, whether, for reconciliation purposes, it is appropriate to allocate an EDC's current TSC demand costs based on historic TSC demand (PPL's current method), based on current TSC demand per customer class, based on a volumetric basis, or whether some other method better aligns demand costs with cost causation during the period to be reconciled. The comments should also address the use of quarterly reconciliation reports and the timing of reconciliations. Additionally, the comments may address the use of riders in conjunction with reconciliations. .
4. That the Law Bureau draft the appropriate order(s) consistent with this motion.

May 5, 2011  
Date

  
James H. Cawley, Commissioner