

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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Consumer Advocate

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June 20, 2011

Rosemary Chiavetta, Secretary
PA Public Utility Commission
Commonwealth Keystone Bldg.
400 North Street
Harrisburg, PA 17101

Re: PPL Electric Utilities Corp. Proposed Transmission
Reconciliation for the Twelve Months Ending
November 30, 2010
Docket No. M-2010-2213754

Dear Secretary Chiavetta:

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

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

Respectfully Submitted,

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: Certificate of Service
Louise Fink Smith/Law Bureau
Richard Wallace/Bureau of Audits
Hon. Susan D. Colwell/ALJ

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PPL Electric Utilities Corp. Proposed :
Transmission Reconciliation for the : Docket No. M-2010-2213754
Twelve Months Ending November 30, 2010 :

Comments of the Office of
Consumer Advocate

On May 19, 2011, the Pennsylvania Public Utility Commission (Commission) entered an Order concerning the reconciliation provisions of PPL Electric Utilities Corporation's Transmission Service Charge. The Commission deferred consideration of the Recommended Decision of Administrative Law Judge Susan D. Colwell in order to more fully evaluate the impact of PPL's calculation of the TSC. In its May 19 PPL Order, the Commission required PPL to file certain data and respond to several questions concerning its TSC procedures. The Company filed its supplemental data on June 3, 2011. The Commission's Order provided that the statutory advocates would have 15 days to respond to the PPL supplemental filing. On June 3, 2011, the OCA intervened in the proceeding to help ensure that any proposed changes to the TSC calculation that may result from the Commission's investigation are just, reasonable, and otherwise consistent with Pennsylvania law. The OCA is filing these comments in accordance with the Commission's May 19 Order.

In its May 19 Order, the Commission noted that "We need not address PPL's TSC charges on a going-forward basis in this proceeding because we are examining, on an industry-wide, at Docket

No. M-2011-2239714, the full panoply of TSC reconciliation methods on a going-forward basis.” May 19 Order at 5. The OCA will, therefore, limit discussion in these Comments to the reconciliation of transmission rates for the 2010 period.¹

As explained in the attached affidavit of Glenn Watkins, PPL’s methodology for reconciling 2010 TSC revenues and costs for the December 2009 through November 2010 time period across customer classes utilizes demand allocation factors based on 2009 data.² PPL states that this is appropriate because this approach is consistent with the manner and timeframe in which transmission costs were projected to be incurred by PPL from PJM; i.e., projected (or forward-looking) transmission costs were estimated to be incurred by PPL based on 2009 planning year data. Affidavit at Paragraph 4.

It is the OCA’s position that the TSC reconciliation provision submitted by PPL, as adjusted by PPL to reflect the correct 2009 demand data, should be implemented for the reconciliation of 2010 transmission charges. The use of 2009 annual 5-CP demand allocation factors are appropriate for this proceeding because it is consistent with the TSC rate setting methodology currently in-place for PPL, as well as the transmission charge and reconciliation provisions set forth in the Joint Petition For Settlement of Remand Proceeding that has governed the operation of the TSC in prior years. Changing a reconciliation method now for prior period costs would result in a shifting of

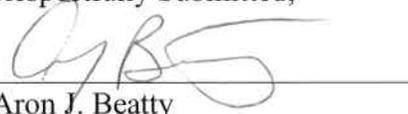
¹ The Commission opened an industry-wide investigation into the TSC reconciliation practices of EDCs by Order entered May 19, 2011 at Docket Number M-2011-2239714. The OCA will file Comments regarding prospective changes to the TSC in that proceeding.

² Mr. Watkins is a Principal and Senior Economist with Technical Associates, Inc., an economics and financial consulting firm. Mr. Watkins has conducted marginal and embedded cost of service, rate design, cost of capital, revenue requirement, and load forecasting studies involving numerous electric, gas, water/wastewater, and telephone utilities, and has provided expert testimony in Alabama, Arizona, Georgia, Illinois, Kansas, Kentucky, Maine, Maryland, Massachusetts, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Vermont, Virginia, South Carolina, Washington, and West Virginia.

costs from what was agreed upon in the Joint Petition for Settlement of Remand proceeding. The OCA submits that it would be unreasonable to retroactively modify established procedures approved by the Commission and agreed to by the parties to the Remand Settlement of PPL's 2004 base rate proceeding. The Commission should approve the 2010 TSC reconciliation mechanism approved by ALJ Colwell, with the appropriate modifications proposed by the Company to reflect the correct 2009 demand data to reconcile 2010 TSC demand charges.

The OCA would note that changes may be needed for the prospective treatment of transmission rates. The Commission has established a separate docket to address the treatment of TSC rates going-forward at Docket No. M-2011-2239714. The Commission established a period for Comments and Reply Comments in that proceeding, and the OCA will address prospective changes that may be needed in that docket.

Respectfully Submitted,



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June 20, 2011
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**BEFORE THE PENNSYLVANIA
PUBLIC UTILITY COMMISSION**

PPL Electric Utilities Corp. Proposed
Transmission Service Charge (TSC)
Reconciliation for the Twelve Months Ending
November 30, 2010

Docket No. M-2010-2213754

**AFFIDAVIT OF
GLENN A. WATKINS**

1. My name is Glenn A. Watkins and I am a principal and senior economist with Technical Associates, Inc. ("TAI"), an economics and financial consulting firm headquartered in Richmond, Virginia. My business address is 9030 Stony Point Parkway, Suite 580, Richmond, Virginia 23235.

2. During the last twenty-plus years, I have provided consulting and expert witness services on behalf of the Pennsylvania Office of Consumer Advocate ("OCA") involving public utility rate matters in dozens of proceedings before this Commission, including PPL Electric Utilities Corp's. ("PPL") last general rate case.

3. As part of my assignment in this docket, I have reviewed the following documents:

- (a) The Commission's Order in this docket entered May 19, 2011;
- (b) PPL's Final 2010 Transmission Service Charge Reconciliation Report and supporting schedules dated December 10, 2010;
- (c) PPL's June 3, 2011 Filing including schedules and workpapers (PPL Responses to Information Requests of the Commission) in this docket;
- (d) The Recommended Decision on Remand in Docket No. R-00049255 dated June 29, 2007;
- (e) The Joint Petition For Settlement of Remand Proceeding in Docket No. R-00049255 dated June 15, 2007; and,
- (f) The Commission Investigation Order re Transmission Reconciliation Service Charge (TSC) Reconciliation Methods in Docket No. M-2011-2239714 entered May 19, 2011.

4. As set forth in its June 3, 2011 Filing, PPL's position is that the appropriate method to reconcile 2010 TSC revenues and costs for the December 2009 through November 2010 time period across customer classes is to incorporate demand allocation factors based on 2009 data since this approach is consistent with the way and timeframe in which transmission costs were projected to be incurred by PPL from PJM; i.e., projected (or forward-looking) transmission costs were estimated to be incurred by PPL based on 2009 planning year data.

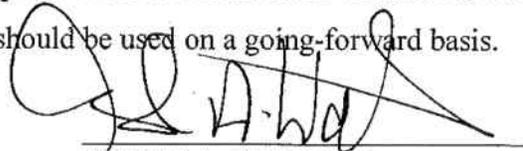
5. Based on my review and analysis of the documents identified in Paragraph 3 above, I concur with PPL's opinion that the use of 2009 annual 5-CP demand allocation factors are appropriate for this proceeding and is consistent with the TSC rate setting methodology currently in-place for PPL, as well as the transmission charge and reconciliation provisions set forth in the Joint Petition For Settlement of Remand Proceeding (Paragraphs 22. through 25.).

6. It is also my opinion that it is inappropriate to consider 2010 monthly demands in this docket for purposes of reconciling 2010 TSC. To now consider a different methodology for purposes of reconciling 2010 TSC would be tantamount to changing the rules of the game on a retroactive basis. That is, it is my understanding that PPL's current method of reconciling TSC costs based upon annual 5-CP customer peak load contributions ("PLC") was agreed to by the parties and approved by the Commission in a prior proceeding.

7. I have examined the calculations and analyses contained in PPL's June 3, 2011 Filing, Attachments 1-4, and have found them to be mathematically accurate.

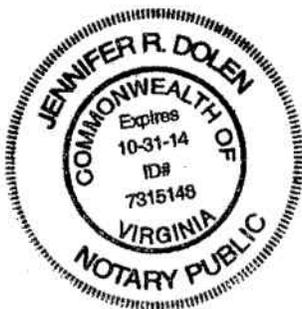
8. I recommend that the Commission approve PPL's recommendations in this docket and adopt the analyses and amounts contained in the Company's June 3, 2011 Filing, Attachment 1.

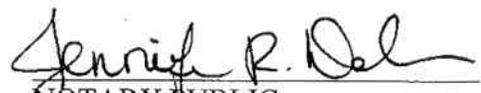
9. In addition to this Affidavit, I have prepared another Affidavit for Docket No. M-2011-2239714 relating to a generic methodology that should be used on a going-forward basis.



GLENN A. WATKINS

SUBSCRIBED AND SWORN to before me, a notary public, on this 20th day of June, 2011.





NOTARY PUBLIC
My Commission Expires: 10/31/14

CERTIFICATE OF SERVICE

Re: PPL Electric Utilities Corp. Proposed Transmission
Reconciliation for the Twelve Months Ending November 30, 2010
Docket No. M-2010-2213754

I hereby certify that I have this day served a true copy of the foregoing document, the Office of Consumer Advocate's Comments, 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 20th day of June 2011.

SERVICE BY E-MAIL & INTER-OFFICE MAIL

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