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File #: 2507/140056

September 26, 2011

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: PPL Electric Utilities Corporation Supplement No. 110 to Tariff Electric - Pa.
P.U.C. No. 201 - Time-of-Use Rates
Docket No. R-2011-**

Dear Secretary Chiavetta:

Enclosed please find eight (8) copies of PPL Electric Utilities Corporation's Supplement No. 110 to Tariff Electric – Pa. P.U.C. No. 201 – Time-of-Use Rates. Supplement No. 110 is filed with an issue date of September 26, 2011 and an effective date of March 1, 2012. Supplement No. 110 is being filed pursuant to the Pennsylvania Public Utility Commission's Order entered on August 25, 2011 at Docket No. M-2011-225873 which directed the Company to submit proposed revisions to its TOU program.

Respectfully Submitted,

Anthony D. Kanagy

ADK/skr
Enclosures
cc: Certificate of Service

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PA PUC
SECRETARY'S BUREAU

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 FIRST CLASS MAIL

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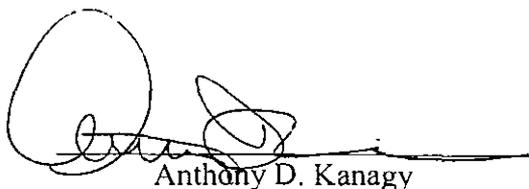
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Date: September 26, 2010

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Anthony D. Kanagy

**PPL Electric Utilities Corporation
Supplement No. 110 to
Tariff – Electric Pa. P.U.C. No. 201
Time-of-Use Rates**

Statement of Reasons

I. INTRODUCTION

In this filing, PPL Electric Utilities Corporation (“PPL Electric” or the “Company”) proposes to implement a new Time-of-Use (“TOU”) program for its residential and small commercial and industrial (“small C&I”) customer classes to become effective for service beginning with the participating customer’s first bill cycle commencing after March 1, 2012.¹

Under PPL Electric’s current TOU program, TOU rates are calculated based upon projected spot market prices for the Application Period plus or minus the applicable over/under collection from prior periods. Thus, TOU rates do not have a direct relationship with the Company’s fixed price default service rates and can be significantly higher or lower depending upon projected spot market prices for the Application Period and the amount of over/under collection from prior periods. If both on-peak and off-peak rates are lower than the Company’s fixed price default service rates, customers have an incentive to choose the lower TOU rates, but their incentive to shift load to off-peak periods is reduced because even the on-peak rate is lower than the fixed price default service rate. If both on-peak and off-peak TOU rates are higher than the Company’s fixed price default service rates, customers have no incentive to select the TOU rates because they will not have an opportunity to save on their electric bill, even if they shift load to off-peak periods.

¹ As explained below, the Company will implement the TOU program within 30 days after it is approved or on March 1, 2012, whichever is later. Customers that elect TOU service will begin receiving the TOU rates commencing with a new billing cycle, and the Company will not implement new TOU rates for customers in the middle of a billing cycle.

The Company has experienced both of these situations. For the January 1, 2011 through May 31, 2011 Application Period, both the on-peak and off-peak TOU rates were lower than the Company's fixed price default service rates. Customers who chose the TOU option for that time period saved money as compared to the fixed price default service rate even if they did not shift load from on-peak to off-peak periods. The opposite occurred for the June 1, 2011 through August 31, 2011 Application Period where both the on-peak and off-peak TOU rates were higher than the fixed price default service rate, and customers paid higher rates even if they shifted usage from on-peak to off-peak periods.²

This problem was accentuated when the Company made its August 22, 2011 Generation Supply Charge-1 ("GSC-1") default service rate filing for the September 1, 2011 through November 30, 2011 Application Period. Under that filing, the TOU rates were almost four times the applicable fixed price default service rates. Given the high TOU rates and price differential between the fixed price default service rates and the TOU rates, the Company requested that the Pennsylvania Public Utility Commission ("Commission") suspend the TOU rates for investigation, and also proposed the submission of a revised TOU program within 30 days to address the TOU pricing issues. By Order entered August 25, 2011, the Commission suspended the Company's TOU rates contained in the August 22, 2011 filing and ordered the Company to maintain its current TOU rates for up to a six-month period. The Commission also directed PPL Electric to submit a plan proposing a revision to the pricing of its TOU rates in an effort to avoid or minimize TOU pricing issues in the future.

Pursuant to the Commission's August 25, 2011 Order, PPL Electric hereby submits its proposal to implement a new TOU program to become effective March 1, 2012. Based upon

² Due to the increase in TOU rates as of June 1, 2011, approximately 17,341 or 79% of TOU customers switched back to fixed price default service.

PPL Electric's experience, it is now clear that any reasonable TOU plan must be designed around the applicable fixed price default service rate so that the TOU on-peak rate is higher than the fixed price default service rate and the TOU off-peak rate is lower than the fixed price default service rate. As explained in more detail below, PPL Electric is proposing a TOU program that adds a percentage charge or premium to the fixed price default service rate in on-peak periods and provides a percentage discount off of the fixed price default service rate in off-peak periods. This methodology will maintain the appropriate relationship between TOU rates and fixed price default service rates, and should provide the appropriate incentive for customers to shift load from on-peak to off-peak periods. The Company's proposed TOU program is set forth below.

II. BACKGROUND

PPL Electric filed its TOU program for 2010 on July 31, 2009. As explained in detail in that filing and in the testimony of PPL Electric's witnesses that was submitted in the proceeding, PPL Electric already had procured its default supplies for 2010 pursuant to the Company's Commission approved Competitive Bridge Plan ("CBP"). *Petition of PPL Electric Utilities Corporation for Approval of a Competitive Bridge Plan*, Docket No. P-00062227, Order entered May 17, 2007. Therefore, PPL Electric designed its TOU program to accommodate its existing obligations under the CBP plan.

For the 2010 TOU program, PPL Electric developed load shapes for residential and small commercial customers. The Company then estimated hourly generation prices that would be consistent with the results of the auctions conducted pursuant to the CBP plan. As to cost recovery, the Company proposed to reconcile all TOU costs and recoveries with its other default service costs and recoveries under the Company's generation supply charge ("GSC").

On March 9, 2010, the Commission entered an Order modifying, in part, the Company's proposed TOU program in *Pennsylvania Public Utility Commission v. PPL Electric Utilities Corporation*, Docket No. R-2009-2122718 (Order entered March 9, 2010). In relevant part, the Commission adopted PPL Electric's proposed TOU rate structure and rates. However, the Commission ordered that PPL Electric could not reconcile through the proposed cost recovery mechanism any over/under-recoveries resulting from increased or decreased revenues due to shifted demand from the TOU program.

On September 23, 2010, PPL Electric filed Supplement No. 94 to Electric – Pa. P.U.C. No. 201 with the Commission, which contained a revised TOU program. In its filing, PPL Electric revised its TOU program to acquire TOU supplies from the spot market energy purchases that were included in the Company's default supply portfolio. On-peak and off-peak TOU rates reflected projected spot market prices for the Application Period, adjusted to reflect capacity, ancillary services, administrative costs, alternative energy credits and gross receipts tax. In addition, TOU rates included reconciliation of prior period over/under collections. However, PPL Electric only reconciled projected TOU costs with actual costs and did not reconcile any over/under recoveries resulting from increased or decreased revenues due to shifted demand because all TOU supplies were acquired in the spot market.

On August 22, 2011, PPL Electric submitted its GSC-1 quarterly rate update, proposing updates to its default service rates, including TOU rates, in accordance with its GSC-1 Rider. The rates were proposed to become effective on September 1, 2011. As explained above, the TOU rates were significantly higher than the Company's fixed price default service rates. Therefore, PPL Electric requested that the TOU rates be suspended for investigation. The Company further stated that it would file a revised TOU program within 30 days. By Order

entered on August 25, 2011, the Commission suspended the TOU rates contained in the August 22, 2011 filing, ordered that the Company's currently effective TOU rates remain in effect for up to a six-month period and ordered PPL Electric to submit a revised TOU plan within 30 days. *Generation Supply Charge-1 Rider Order*, Docket Number M-2011-2258733. This filing is made in compliance with that Order.

III. DISCUSSION OF THE NEW TOU PROGRAM

A. Introduction.

The proposed TOU program for Residential and small C&I customers is set forth in Supplement No. 110 to PPL Electric's Tariff-Electric Pa. P.U.C. No. 201 ("Supplement No. 110"). PPL Electric is requesting that the Commission permit Supplement No. 110 to become effective for service beginning with the participating customer's first bill cycle commencing after March 1, 2012. If the Commission does not approve this TOU program by January 31, 2012, the Company will implement the program within 30 days after approval. The transition process is described in more detail below. Attachment 1 to this Statement of Reasons is a copy of Supplement No. 110. Attachment 2 to this Statement of Reasons contains supplemental information required by the Commission's regulations at 52 Pa. Code § 53.52(a) and (b).

B. TOU Rates - Overview.

The objective of the TOU program is to provide pricing that encourages customers to shift electricity usage from on-peak periods, when wholesale electricity demands and prices generally are higher, to off-peak periods, when demands and prices generally are lower. The shifting of use from on-peak to off-peak periods reduces peak demands on generation resources, contributes to reducing wholesale electricity prices during the hours of highest demand, and provides customers with an opportunity to reduce their monthly electric bills. However, such a

program also requires participants to pay closer attention to when they use electricity in order for the program to achieve these benefits and for the participants themselves to save money. It is important that a time-of-use program be carefully designed to reflect the difference between on-peak and off-peak prices for energy and to ensure that load shifting by customers on a time-of-use rate does not create new peaks and higher energy prices.

The Company's TOU option will be a separate default service option for customers. Upon election by the customer, these time-varying rates will replace the standard GSC charges. Residential and small C&I customers who choose the TOU option will pay the same non-generation supply charges (i.e., distribution, transmission, and non-bypassable charges, including those related to the recovery of costs related to Act 129 and universal service) paid by residential and small C&I customers who elect standard service, as those charges may change from time-to-time. The TOU rates for capacity and energy will reflect time-of-use as follows:

- Separate on-peak and off-peak periods have been established that will be consistent throughout the entire year. The rationale for the selection of the on-peak and off-peak periods is discussed in Section C, below.
- Higher rates will be charged during on-peak hours and lower rates will be charged during off-peak hours. In order to develop the on-peak rates, the Company will apply a fixed percentage premium to the standard default rate for each Application Period. Likewise, in order to develop the off-peak rates, the Company will apply a fixed percentage discount to the standard default rate for each Application Period. The development of pricing is described in more detail in Section D, below.

- PPL Electric will procure default supplies for its TOU customers pursuant to the Company's POLR II plan that has been approved by the Commission. *Petition of PPL Electric Utilities Corporation for Approval of a Default Service Program and Procurement Plan for the Period January 1, 2011 through May 31, 2013*, Docket No. P-2008-2060309, Order entered June 30, 2009.
- The Company has designed the on-peak rates to be higher than the off-peak rates to incent customers to shift load to off-peak periods. In developing the TOU on-peak premium and off-peak discount, the Company reviewed historic load shapes for the residential and small C&I classes. The Company designed the TOU program to minimize free riders, or customers that could achieve savings under the TOU program even if they did not shift usage.
- As noted above, the on-peak and off-peak rates will be based on the fixed price default service rate for each Application Period. However, the Company's fixed price default service rate for each application period is an estimate of its projected costs and is reconciled for actual costs each quarter. Any over or under collection is included in the GSC-I rates for the next Application Period. In reconciling costs for TOU customers in the reconciliation mechanism, the Company will not use actual revenues received from TOU customers, but rather will assume that revenues from TOU customers equal TOU customer kWh usage times the fixed price default service rate. As a result, this reconciliation process will not reflect any amounts for reduced consumption or shifted demand.³ Therefore, TOU

³ However, consistent with 66 Pa. CS Section 2807(f)(4), any shifts in usage patterns will be reflected in future base rate proceedings.

customers can shift their loads from on-peak to off-peak periods and save money.

The reconciliation methodology is discussed in more detail in Section D below.

The purpose of selecting on-peak and off-peak prices is to encourage customers to reduce demand during periods of high system usage and to provide customers who can reduce demand at those times an opportunity for savings.

C. TOU On-Peak and Off-Peak Periods.

The proposed on-peak and off-peak periods for residential customers are different than those that exist under the Company's current TOU program. Under its previous TOU programs, the Company had separate on-peak and off-peak periods for the summer and non-summer seasons for residential customers. The summer peak hours were from 1:00 p.m. to 6:00 p.m. and the non-summer peak hours were from 5:00 p.m. to 7:00 p.m. Under its new TOU program, the Company is proposing to simplify its on-peak and off-peak periods so that the on-peak period is from 12:00 p.m. to 7:00 p.m. year-round, excluding weekends and holidays.⁴ This new peak period captures both the summer and non-summer peak periods from the Company's previous TOU programs. In addition, because it is a consistent time period, it will simplify TOU program implementation for customers because it will: (1) be easier for them to remember, (2) not require them to reset timers on appliances or other devices, or (3) not require them to change usage patterns on a seasonal basis.

PPL Electric evaluated the relationship between the historical market prices and load shapes to determine the on-peak and off-peak periods for the TOU rates for residential customers. The 2010 Locational Marginal Price ("LMP") for the PPL Zone and the actual load shape for the residential class were used to determine the hourly percentage variance from the

⁴ Holidays are those recognized by PJM Interconnection, LLC which are New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

annual average for all possible combinations of on-peak and off-peak periods. The on-peak periods were evaluated based on several criteria:

- Sufficient premium discount to encourage shifting of load and/or conservation
- Reasonable time frame to encourage participation, but long enough to provide reasonable price differentials
- Periods to include the typical summer and winter peak load time periods

The on-peak and off-peak periods for small C&I customers under the Company's proposed TOU program are the same time periods that currently exist. The on-peak period for small C&I customers is from 7:00 a.m. to 7:00 p.m., also on a year-round basis, excluding weekends and holidays.

As the Company has explained in its previous TOU filings, Rate Schedules GS-1 and GS-3 include a diverse population of customers that includes retail and manufacturing, small and large usage, operations that end at 5:00 PM, as well as those that operate around-the-clock, and other attributes that can vary widely from customer-to-customer. Analysis of usage patterns of Rate Schedule GS-1 and GS-3 customers has revealed no on-peak periods that would produce significant price differentials in the non-summer months. In the summer months, late afternoon/early evening periods were revealed as potential on-peak periods. However, while customers might be willing to shift lighting or air conditioning on a few occasions, it is unlikely that they would be willing to inconvenience their customers or hamper their operations for what would probably be relatively small savings on an on-going basis. Customers taking optional off-peak space heating and water heating service under commercial Rate Schedules GS-1 and GS-3 have equipment that already is controlled to minimize use during a 7:00 AM to 7:00 PM on-

peak, so that period was established as the on-peak period in both seasons and prices were developed accordingly for this specific group of customers. Off-peak space heating involves proven technology that can be adopted by other customers and provides a basis for establishing on-peak periods and off-peak periods that could support meaningful shifts in usage. Based on these considerations, and the belief that a simple structure that is the same throughout the year and that provides for evening and weekend off-peak periods would appeal to the largest population of commercial customers, the Company is proposing to continue to apply on-peak pricing to usage between 7:00 AM and 7:00 PM weekdays year-round. The process by which these prices are developed, and periodically revised, is described in Section D, below.

D. TOU On-Peak and Off-Peak Pricing.

As explained above, based upon its experience in offering TOU programs, the Company believes that it is necessary for the on-peak and off-peak TOU rates to have a direct relationship to the fixed price default service rate. Otherwise, both on-peak and off-peak rates can be higher or lower than the fixed price default rate. This sends the wrong pricing signal to customers and can discourage customers from shifting usage from on-peak to off-peak periods.

Therefore, the Company has designed its TOU program so that TOU customers pay an adder or premium over the fixed price default service rate for on-peak periods and receive a discount off of the fixed price default service period for off-peak periods. The Company has designed the premium and discount to be fixed percentages that are applied to default service rates. As default service rates change from quarter-to-quarter, the same fixed percentage adder and discount will be applied to the new default service rate. Table 1 below shows the on-peak premium and off-peak discount for residential and small C&I customers:

Table 1

Rate Group	On-Peak Period	On-Peak Premium	Off-Peak Discount
Residential	12 p.m. to 7 p.m.	20 %	5%
Small C&I	7 a.m. to 7 p.m.	12 %	8%

With the current Price to Compare (PTC), the on-peak and off-peak pricing would be as shown in Table 2.

Table 2

Rate Group	On-Peak Period	On-Peak Premium	Off-Peak Discount	Current PTC	On-Peak TOU Price	Off-Peak TOU Price	Price Range
Residential	12 p.m. to 7 p.m.	20%	5%	8.411	10.095	7.990	2.105
Small C&I	7 a.m. to 7 p.m.	12%	8%	10.184	11.407	9.369	2.038

The Company designed the TOU program to provide appropriate incentives for customers to shift usage and minimize “free riders” or customers that can choose the TOU rate and save money without shifting usage. As noted above, the TOU program is an optional program and customers are not required to select it. It is important to design the program so that the majority of customers who select it actually have the appropriate incentive to shift usage as opposed to being able to achieve savings without shifting usage.

The Company will acquire default supplies for TOU customers under its existing default service plan that was approved by the Commission by order entered June 30, 2009 at Docket No. P-2008-2060309. Under its existing default service plan, the Company acquires a mix of default supplies for residential customers, including block, load following and spot market purchases. The Company acquires default supplies for small C&I customers through a mix of load following and spot market purchases. Default service rates for both residential and small C&I customers change on a quarterly basis. Under the Company’s proposed TOU program, the TOU

rates also will change on a quarterly basis and the fixed percentage premium and discount will be applied to the new default service rates to determine the new on-peak and off-peak TOU rates.

The Company also proposes to perform, at the time of each price change, a reconciliation to account for the difference between: (1) the actual fixed price default costs for the applicable quarter and (2) the pro forma revenue calculated on the basis of the cost per kWh for Fixed Price Service for the computation quarter times the actual TOU Program kWh sales for the computation quarter. This is appropriate because the TOU rates are based on the fixed price default service rate and the reconciliation is designed to recover differences in projections of the fixed price default service costs for each quarter with actual costs. It is important to note that PPL Electric will not reconcile any over/under recoveries resulting from increased/decreased revenues due to shifted demand under this methodology.

E. Prior Period TOU Under Collections.

Currently, the Company has an existing under-collection associated with providing TOU service of approximately \$2,350,670 for residential customers and \$102,354 for small C&I customers. Due to the size of the under-collection, PPL Electric does not believe that it will be able to recover this amount from TOU customers because this would add approximately 21.2 cents per kWh to residential TOU rates and 5.8 cents per kWh to small C&I TOU rates.

The Company has filed a Petition with the Commission to implement a Reconciliation Rider (“RR”) and Competitive Transition Rider (“CTR”) to refund and recoup prior period over and under collections related to transmission and generation supply service, including TOU service. *See Petition of PPL Electric Utilities Corporation for Approval to Implement a Reconciliation Rider for Default Supply Service*, Docket No, P-2011-2256365. Under this filing, the Company has proposed to refund or recover its over/under collections as of May 31, 2011 through the CTR, which is a temporary, non-bypassable Section 1307(e) mechanism that will be

applied to all customers. If the Commission approves the CTR prior to ruling in this proceeding, PPL Electric anticipates that the current TOU rate under recovery balance would be recovered through that mechanism.

In the event that the Commission does not approve the CTR prior to ruling in this proceeding, PPL Electric requests that it be permitted to recover prior period TOU under collections from all default service customers (by customer class) through the Company's GSC-1 reconciliation mechanism. PPL Electric believes that this is reasonable because otherwise it will not be able to recover this TOU under collection from only TOU customers due to the size of the under collection. Further, the inclusion of the prior period under collections in future TOU rates under the proposed new TOU program would result in prices that would be higher than the default service rate in both on-peak and off-peak periods, resulting in pricing that would not achieve the objectives of the new program design.

PPL Electric believes that this approach is reasonable because all customers will benefit from TOU rates over time. Shifting energy use from on-peak periods to off-peak periods ultimately will reduce the cost of that energy. This reduced cost of energy should be reflected in a lower default service rate for all non-shopping customers, including customers who are not participating in the TOU rate option, in subsequent default service proceedings because customer load shapes will reflect lower usage during on-peak periods. Also, the Company notes that all residential and small C&I customers will have the option of participating in the TOU rate option and, thereby, enjoying a lower cost of electricity immediately.

F. TOU Program Eligibility.

The proposed TOU rate program permits voluntary participation by existing and new customers, who are served under Rate Schedules RS, RTS(R), GS-1, GH-1(R), GH-2(R), and IS-1(R). Customers who are served under Rate Schedule GS-3, and those who take standby service

for Rate Schedule GS-3 and have a demand less than 500 kW as determined pursuant to the terms of the settlement of the POLR II plan also are eligible. Customers who are served under Rate Schedule RTD(R) may participate in the program by accepting service under Rate Schedule RS. Customers on budget billing and customers with payment arrangements also will be eligible to participate. To be eligible, customers must take Basic Utility Supply Service (“BUSS”) from PPL Electric, as defined in Rule 1 of the Company’s tariff. This service includes the purchase of electric capacity (kW) and energy (kWh) from PPL Electric.

PPL Electric notes that OnTrack, Renewable Energy Development Rider and Net Metering Rider customers will be eligible for the TOU option.

Street lighting customers will not be eligible to participate in the TOU option. PPL Electric notes that these customers do not have meters, but their usage is determined from tables that establish daylight and non-daylight hours. Street lighting customers cannot shift load from on-peak to off-peak periods and, therefore, could not properly implement the TOU rate option.

PPL Electric is not proposing to make the TOU rate option available to Large C&I customers. Under the POLR II plan approved by the Commission, PPL Electric’s energy supply solicitations for those customers include an hourly spot market option. Because customers in the large C&I customer class already have the option to elect real time prices, it is not necessary to offer the TOU rate option to them.

G. Customer Transition Process

Eligible customers must apply to PPL Electric to participate in the proposed TOU rates. Customers that currently take TOU service under the Company’s existing TOU program will not be automatically transferred to the new TOU program. Instead these customers will be notified by mail and a follow-up phone call that the existing TOU program is ending and that they have the opportunity to: (1) shop with a competitive supplier; (2) move to fixed price default service;

or (3) choose the new TOU program. Customers that do not make an affirmative election will be transferred to the Company's fixed price default service.

Participation will commence at the beginning of the customer's first billing cycle on or after a customer signs up for the TOU rate after March 1, 2012 or within 30 days after the Commission approves the TOU program, whichever is later. Electric service under the proposed TOU rates will continue until the customer notifies the Company of his/her intent to leave the program, until the customer begins to receive competitive generation supply, or until the TOU program expires.⁵ A customer receiving competitive supply who returns to Basic Utility Supply Service will return to standard default service. The customer then may notify the Company of his/her desire to again take service under TOU rates, and the Company will switch the customer, consistent with existing billing practice regarding rate changes, on either the next billing cycle or the next subsequent billing cycle.

H. Notification, Enrollment and Customer Education.

PPL Electric will provide customer notice and education at the time the Commission acts on this proposal, prior to initial implementation and during its term. The Company anticipates issuing a press release at the time of Commission approval that will update current TOU participants regarding changes in the program and, for potential participants, describe the nature of the proposed TOU rates, how they might benefit customers, and information about education and enrollment opportunities. The Company will prepare and send a bill insert to customers identifying the eligible rate schedules and other eligibility requirements. The insert will provide information on how customers might benefit, how they can enroll, and when enrollments will be

⁵ PPL Electric anticipates that it will file an updated TOU program to become effective on June 1, 2013, consistent with its next default service plan.

effective. The insert also will serve as an additional notice to current participants of changes that will be in place once the proposed TOU rates go into effect.

PPL Electric will update the portion of its website developed and maintained in support of the current program. That portion of the website will include a description of the program, eligibility requirements, enrollment information, a bill calculator, and other appropriate links and information. The bill calculator allows customers to input their monthly usage and calculate what their bill would have been on standard default service. Information also will be provided so that customers can evaluate TOU against the option of obtaining competitive supply from an EGS. Among the links provided is a link to the Company's Energy Analyzer website. On that website, participants are able to analyze their energy use and the benefits associated with their energy-use choices. Through this application, they also have access to their historical hourly use so that they can see their actual on-peak and off-peak usage, and gain a better understanding of how to take advantage of the program.

I. Term of the TOU Plan.

PPL Electric has proposed that its updated TOU program be effective through May 31, 2013. As explained above, this is the term of PPL Electric's POLR II plan that has been approved by the Commission. PPL Electric will file for Commission approval of a TOU program to become effective on June 1, 2013 prior to the expiration of this TOU program and the POLR II plan.

J. Public Interest Considerations.

PPL Electric's proposal to implement TOU rates is in the public interest for several reasons. The primary reasons are discussed below.

First, the proposed TOU rate program will provide eligible customers with an option for reducing their electric bills. The TOU rates have been designed so that customers who shift their

usage from on-peak periods to off-peak periods will have the opportunity to save money. Importantly, the Company's customer education program, particularly the brochure and website, will give customers considering participation the information they need to compare participation in the TOU program to other options available to them, including competitive options, and to make full use of these rate options should they choose to enroll.

Second, the proposed TOU rate program will provide participating customers with an understanding of the cost and rate differentials between on-peak and off-peak periods. This knowledge will assist participating customers as they consider opportunities to shop for their electric supply in the competitive retail market and opportunities to undertake energy efficiency and conservation measures.

Third, the Company is obligated under Act 129 of 2008 to offer TOU and real-time-price options to its customers. The Company believes that the proposed program properly balances the competing public policy objectives that require the Company to offer TOU rates to its customers, but to do it in a way that does not unfairly advantage the Company's program relative to competitive options while still providing the Company the opportunity to recover the costs it incurs to provide the program.

IV. CONCLUSION

WHEREFORE, PPL Electric Utilities Corporation respectfully requests that the Commission approve Supplement No. 110 to the Company's Tariff-Electric Pa. P.U.C. No. 201, without modification, and that Supplement No. 110 be permitted to become effective beginning with the customer's first bill cycle on and after March 1, 2012.

Attachment 1



PPL Electric Utilities Corporation

GENERAL TARIFF

**RULES AND RATE SCHEDULES
FOR ELECTRIC SERVICE**

In the territory listed on pages 4, 4A, and 4B
and in the adjacent territory served.

ISSUED: September 26, 2011

EFFECTIVE: March 1, 2012

DAVID G. DeCAMPLI, PRESIDENT
Two North Ninth Street
Allentown, PA 18101-1179

NOTICE

THIS TARIFF MAKES (CHANGES) IN EXISTING RATES. SEE PAGE TWO.

LIST OF CHANGES MADE BY THIS SUPPLEMENT

CHANGES:

Generation Supply Charge -1 (GSC-1)

Page Nos. 19Z.5A, 19Z.5B, 19Z.5C,
and 19Z.5D

The design and charges for the new TOU
program are set forth for the period beginning
March 1, 2012.

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(Continued)

GENERATION SUPPLY CHARGE -1 (Continued)

(C)

TIME-OF-USE – RESIDENTIAL & SMALL COMMERCIAL/INDUSTRIAL

PURPOSE

Beginning on March 1, 2012, this Time-of-Use (TOU) Program provides for the voluntary participation of eligible existing and new residential and small commercial & industrial customers in a year-round TOU Program. Eligible customers must meet the APPLICATION PROVISIONS of this TOU Program. The objective of this TOU Program is to provide eligible residential and small commercial & industrial customers with an opportunity to shift energy usage away from the on-peak periods, when wholesale electricity demand and prices are high, to off-peak periods, when demands and prices are lower.

PRICING PROVISIONS

The TOU GSC-1, determined in accordance with the formula set forth below, shall be applied to all kilowatt-hours billed for BUSS service provided during the billing month:

$$\text{TOU GSC-1} = \left[\frac{\text{GS}_{\text{TOU}} - E}{S} \right] \times \frac{1}{(1-T)}$$

Where:

GSC-1 = The Generation Supply Charge-1, stated in cents per kilowatt hour, shall be calculated separately for each of the following two Customer Classes: (1) residential, and (2) small commercial and industrial (taking service at secondary voltage levels) as designated above.

GS_{TOU} = The total estimated direct and indirect costs to be incurred by the Company to acquire generation supply from any source on behalf of participating BUSS customers in the applicable Customer Class.

The computation quarter (c) shall be each quarter of the PJM Planning Year over which the TOU GSC-1, as computed, will apply. Projections of the Company's costs to acquire generation supply, adjusted for losses and including Alternative Energy Credits, for the computation quarter shall include all direct and indirect costs of generation supply to be acquired by the Company from any source plus any associated generation supply-related procurement and administration costs.

E = Experienced net over or undercollection of costs associated with the acquisition of generation supply for participating BUSS customers as of the end of the calendar quarter ended one month prior to the computation quarter, including applicable interest. Interest shall be computed monthly from the month the over or undercollection occurs to the month in which the overcollection is refunded or the undercollection is recouped. Interest on recoveries of undercollections shall be calculated at the legal rate of interest. Interest on refunds of overcollections shall be calculated at the legal rate of interest plus 2 percent annual interest.

S = The Company's total retail KWH sales to participating BUSS customers in the applicable Customer Class, projected for the computation quarter (c).

(Continued)

GENERATION SUPPLY CHARGE – 1 (Continued) (C)
TIME-OF-USE – RESIDENTIAL & SMALL COMMERCIAL/INDUSTRIAL (Continued)

T = The Pennsylvania gross receipts tax rate in effect during the billing month, expressed in decimal form.

APPLICATION PROVISIONS

Beginning March 1, 2012, this TOU Program is available to existing and new residential and small commercial & industrial customers who are served, or qualify to be served, under Rate Schedules RS, RTS (R), GS-1, GS-3 (customers with peak demands less than 500 KW), GH-1 (R), GH-2 (R), and IS-1 (R). Customers taking service under the above-referenced rate schedules, who also participate in the Company's OnTrack, Net-Metering or Renewable Energy Development Rider programs, are eligible for the TOU Program. (C)

Customers served under this TOU Program must receive Basic Utility Supply Service (BUSS) as defined in Rule 1 of this Tariff.

Residential customers served under Rate Schedule RTD (R) may participate in this TOU Program by accepting service under Rate Schedule RS. However, if these residential customers terminate participation under this TOU Program at any time, they would remain on Rate Schedule RS and would not be returned to service provided under Rate Schedule RTD (R). Also, small commercial & industrial customers served under Rate Schedules GS-1, GS-3 (customers with peak demands less than 500 KW), GH-1 (R), GH-2 (R), and IS-1 (R), may participate in this TOU Program. This includes Volunteer/Non-Profit organizations (Volunteer Fire Companies, Non-Profit Senior Citizen Centers, Non-Profit Rescue Squads, and Non-Profit Ambulance Services) served under Rate Schedules GS-1 and GS-3.

Customers in the Company's OnTrack program who participate in the TOU Program will continue to receive a billing credit that reflects their payment arrangement under that program. The effect of their participation in the TOU Program will be reflected on their bill after the OnTrack credit has been applied. Customers served under the Company's rider for Net Metering for Renewable Customer- Generators who participate in the TOU Program, and who carry excess generation from one billing month to the next billing month, will have that excess applied to on-peak and off-peak periods on a pro rata basis consistent with metering that has been installed and the information obtained from that metering. In the event that a Net Metering customer has excess generation for the annual reporting period ending May 31, the customer will receive a credit calculated at the Company's Price to Compare for the applicable rate schedule.

ON-PEAK AND OFF-PEAK HOURS (C)

On-peak hours for billing purposes are shown on the following table and reflect eastern prevailing time, Mondays to Fridays. Off-peak hours are all other weekday hours, weekends, New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

(Continued)

GENERATION SUPPLY CHARGE -1 (Continued) (C)
TIME-OF-USE – RESIDENTIAL & SMALL COMMERCIAL/INDUSTRIAL (Continued)

TIME-OF-USE GENERATION SUPPLY CHARGES (C)

The following Generation Supply Charges apply for service under the TOU Program.

Rate Schedules RS and RTS (R)	Peak Hours (12:00 PM to 7:00 PM)
On-Peak Hours	9.367 cts per kWh
Off-Peak Hours	7.262 cts per kWh

Rate Schedules GS-1, GS-3 (< 500 kW), GH-1 (R), GH-2 (R), and IS-1 (R)	Peak Hours (7:00 AM to 7:00 PM)
On-Peak Hours	10.542 cts per kWh
Off-peak Hours	8.504 cts per kWh

CUSTOMER PARTICIPATION (C)

Customer participation will commence at the beginning of the customer's first billing cycle on or after March 1, 2012. If the customer leaves the TOU Program, and is still receiving BUSS, the customer will return to the standard GSC-1. This change will commence at the beginning of the customer's next billing cycle. The TOU Program set forth herein will expire on May 31, 2013.

GSC – 1 RECONCILIATION PROVISIONS

The GSC-1 for Fixed Price Service and the on/off-peak TOU Program shall be filed with the Pennsylvania Public Utility Commission (Commission) ten (10) days prior to the effective date of the rate for each computation quarter. The rate shall become effective for BUSS service rendered during the computation quarter, unless otherwise ordered by the Commission, and shall remain in effect for one quarter.

For Fixed Price Service and the on/off peak TOU Program, on a combined basis, the company will file with the Commission ten (10) days prior to each computation quarter, a quarterly reconciliation of the GSC-1 revenue recovery for the most recently available actual computation period, pursuant to 66 Ps. C.S. §1307. The reconciliation shall become effective for service rendered during the computation quarter and shall remain in effect for a period of one quarter, or until new GSC-1 rates are approved by the Commission. (C)

(Continued)

GENERATION SUPPLY CHARGE – 1 (Continued) (C)
TIME-OF-USE – RESIDENTIAL & SMALL COMMERCIAL/INDUSTRIAL (Continued)

GSC – 1 RECONCILIATION PROVISIONS (Continued)

Reconciliation of the GSC-1 for Fixed Price Service and the on/off-peak TOU Program, on combined basis, will be conducted separately for each of the two Customer Classes. The combined reconciliation will include a calculation of the adjustment to the GSC-1, in cents per KWH, required to refund or recover previous application period over or under recoveries of the quarterly generation supply acquisition costs. For the Fixed Price Service component, the reconciliation will be the difference between actual generation supply acquisition costs incurred and actual revenue billed for the computation quarter. For the TOU Program component, the reconciliation will be the difference between actual generation supply acquisition costs incurred and pro forma revenue calculated on the basis of the cost per KWH for Fixed Price Service for the computation quarter times actual TOU Program KWH sales for the computation quarter. Any over/under collection will be reflected in the GSC-1 charges for the subsequent computation quarter. (C)

The Company shall file a report regarding GSC-1 over/under collections within thirty (30) days following the conclusion of each computation quarter. These reports shall be in a form prescribed by the Commission. The report shall be accompanied by a tentative estimate of the GSC-1 for the next computation quarter.

Application of the GSC-1 shall be subject to continuous review and audit by the Commission at intervals it shall determine. The Commission shall review the reasonableness and lawfulness of the level of charges produced by the GSC-1 and the costs included therein.

Attachment 2

Attachment 2

**PPL ELECTRIC UTILITIES CORPORATION
SUPPLEMENT NO. 110 TO TARIFF ELECTRIC PA. P.U.C. NO. 201
SUPPLEMENTAL INFORMATION REQUIRED BY 52 PA. CODE**

PPL Electric Utilities Corporation ("PPL Electric") hereby submits the following information in support of Supplement 110 to Tariff-Electric Pa. P.U.C. No. 201. This tariff supplement proposes to implement a new Time-of-Use ("TOU") program for its residential and small commercial and industrial ("small C&I") customer classes. The new TOU Program will become effective with the participating customer's first bill cycle commencing after March 1, 2012. In response to each of the applicable subsections of 52 Pa. Code § 53.52(a) and (b), PPL Electric states the following:

52 Pa. Code § 53.52(a)(1)

- Q. The specific reasons for each change.
- A. See PPL Electric's Statement of Reasons.

52 Pa. Code § 53.52(a)(2)

- Q. The total number of customers served by the utility.
- A. As of June 30, 2011, PPL Electric served a total of 1,406,377 customers.

52 Pa. Code § 53.52(a)(3)

- Q. A calculation of the number of customers, by tariff subdivision, whose bills will be affected by the change.

A. See PPL Electric's Statement of Reasons.

52 Pa. Code § 53.52(a)(4)

Q. The effect of the change on the utility's customers.

A. See PPL Electric's Statement of Reasons.

52 Pa. Code § 53.52(a)(5)

Q. The effect, whether direct or indirect, of the proposed change on the utility's revenues and expenses.

A. It is expected that the proposed change will have no effect on PPL Electric's revenues and expenses.

52 Pa. Code § 53.52(a)(6)

Q. The effect of the change on the service rendered by the utility.

A. Supplement No. 110 will not affect the service rendered by PPL Electric.

52 Pa. Code § 53.52(a)(7)

Q. A list of factors considered by the utility in its determination to make the change.

The list shall include a comprehensive statement about why these factors were chosen and the relative importance of each. This subsection does not apply to a portion of a tariff change seeking a general rate increase as defined in 66 Pa. Code § 1308 (relating to voluntary changes in rates).

A. See PPL Electric's Statement of Reasons.

52 Pa. Code § 53.52(a)(8)

Q. Studies undertaken by the utility in order to draft its proposed change. This paragraph does not apply a portion of a tariff change seeking a general rate increase as defined in 66 Pa. Code § 1308.

A. See PPL Electric's Statement of Reasons.

52 Pa. Code § 53.52(a)(9)

Q. Customer polls taken and other documentation which indicate customer acceptance and desire for the proposed change. If the poll or other documents reveal discernible opposition, an explanation of why the change is in the public interest shall be provided.

A. See PPL Electric's Statement of Reasons.

52 Pa. Code § 53.52(a)(10)

Q. Plans the utility has for introducing or implementing the changes with respect to its ratepayers.

A. See PPL Electric's Statement of Reasons.

52 Pa. Code § 53.52(a)(11)

Q. FCC, FERC or Commission orders or rulings applicable to the filing.

A. None

52 Pa. Code § 53.52(b)(1)

- Q. The specific reasons for each increase or decrease.
- A. See PPL Electric's Statement of Reasons.

52 Pa. Code § 53.52(b)(2)

- Q. The operating income statement for the utility for a 12-month period, the end of which may not be more than 120 days prior to the filing. Water and sewer utilities with annual revenues under \$100,000 and municipal corporations subject to Commission jurisdiction may provide operating income statements for a 12-month period, the end of which may not be more than 180 days prior to the filing.
- A. A statement of operating income for the 12-month period ended June 30, 2011 is set forth in Appendix A.

52 Pa. Code § 53.52(b)(3)

- Q. A calculation of the number of customers, by tariff subdivision, whose bills will be increased.
- A. See PPL Electric's response to 52 Pa. Code § 53.52(a)(3) and Statement of Reasons.

52 Pa. Code § 53.52(b)(4)

- Q. A calculation of total increases, in dollars, by tariff subdivision, projected to an annual basis.
- A. See PPL Electric's Statement of Reasons.

52 Pa. Code § 53.52(b)(5)

- Q. A calculation of the number of customers, by tariff subdivision, whose bills will be decreased.
- A. See PPL Electric's response to 52 Pa. Code § 53.52(a)(3) and Statement of Reasons.

52 Pa. Code § 53.52(b)(6)

- Q. A calculation of the total decreases, in dollars, by tariff subdivision, projected to an annual basis.
- A. See PPL Electric's Statement of Reasons.

CONDENSED CONSOLIDATED STATEMENT OF INCOME
PPL Electric Utilities Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars)

Appendix A

**Twelve Months
Ended
June 30, 2011**

Operating Revenues	
Retail electric	\$ 2,107
Electric revenue from affiliate	11
Total Operating Revenues.....	2,118
Operating Expenses	
Operation	
Energy purchases	876
Energy purchases from affiliate	151
Other operation and maintenance.....	507
Depreciation.....	139
Taxes, other than income	119
Total Operating Expenses	1,792
Operating Income	326
Other Income (Expense) -- net	3
Interest Income from Affiliate.....	1
Interest Expense.....	97
Income Before Income Taxes.....	233
Income Taxes.....	67
Net Income	166
Distributions on Preferred Securities	16
Net Income Available to PPL Corporation	\$ 150