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File #: 2507/140069

July 10, 2012

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 Nos. R-2011-2264771, C-2011-2267808 and C-2011-2268983**

Dear Secretary Chiavetta:

Enclosed please find the Exceptions of PPL Electric Utilities Corporation in the above-referenced proceeding. Copies will be provided as indicated on the Certificate of Service.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'Anthony D. Kanagy', is written over a horizontal line. The signature is stylized and cursive.

Anthony D. Kanagy

ADK/skr

Enclosure

cc: Certificate of Service  
Honorable Susan D. Colwell

## 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).

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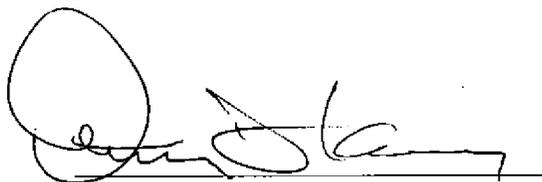
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Date: July 9, 2012



Anthony D. Kanagy

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	Docket Nos. R-2011-2264771
v.	:	C-2011-2267808
	:	C-2011-2268983
PPL Electric Utilities Corporation	:	

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**EXCEPTIONS OF  
PPL ELECTRIC UTILITIES CORPORATION**

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Dated: July 10, 2012

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## I. INTRODUCTION AND BACKGROUND

On August 22, 2011, PPL Electric Utilities Corporation (“PPL Electric” or the “Company”) submitted its Generation Supply Charge-1 (“GSC-1”) quarterly rate update, proposing new default service rates, including Time of Use (“TOU”) rates, in accordance with its GSC-1 Rider. The rates were proposed to become effective on September 1, 2011. The TOU default service rates, both on-peak and off-peak, were significantly higher than the Company’s fixed price default service rates. Therefore, PPL Electric requested that the TOU rates be suspended for investigation and stated that it would file a revised TOU program within 30 days. By Order entered on August 25, 2011, the Pennsylvania Public Utility Commission (“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 No. M-2011-2258733.

Pursuant to the Commission’s Order, PPL Electric submitted its revised TOU plan in Supplement No. 110 to Tariff Electric – Pa. P.U.C. No. 201 (“Supplement No. 110”) on September 26, 2011. In the filing, the Company proposed a new TOU program for residential and small commercial and industrial (“small C&I”) customers. Under the proposed TOU program, customers would pay a percentage charge or premium over the fixed price default service rate during on-peak periods and would receive a percentage discount off of the fixed price default service rate during off-peak periods. This methodology maintains the appropriate relationship between the TOU default service rate option and the fixed price default service rate option, is similar to successful TOU rate programs offered by other EDCs and was designed to provide the appropriate incentive for customers to shift load from on-peak to off-peak periods.

By Order entered November 10, 2011, Supplement No. 110 was suspended until September 1, 2012, unless otherwise directed by Order of the Commission. PPL Electric subsequently filed Supplement No. 116, which extended the Company's presently effective TOU rates through August 31, 2012, in order to match the presently effective TOU rates with the Supplement No. 110 suspension period.

The Commission's Bureau of Investigation and Enforcement ("I&E") and the Office of Consumer Advocate ("OCA") filed Notices of Appearance in this proceeding. Dominion Retail, Inc. d/b/a Dominion Energy Solutions ("Dominion"), Eric Joseph Epstein and the Sustainable Energy Fund of Central Pennsylvania ("SEF") filed Petitions to Intervene. In addition, the OCA and Office of Small Business Advocate ("OSBA") filed Complaints, and the Company filed Answers to these Complaints.

An Initial Prehearing Conference was held on December 9, 2011 before Administrative Law Judge Susan D. Colwell (the "ALJ"). The Parties agreed to a procedural schedule at the Initial Prehearing Conference, which was adopted in the ALJ's Scheduling Order dated December 12, 2011. Pursuant thereto, the Parties undertook discovery and submitted testimony in support of their respective positions.

An evidentiary hearing was held on February 22, 2012, at which the Parties moved their respective testimony and exhibits into the record. Certain parties' witnesses were cross-examined. Parties filed Main Briefs on March 21, 2012, and Reply Briefs on April 11, 2012.

On June 20, 2012, the Commission issued the ALJ's Recommended Decision ("RD"). Therein, the ALJ denied PPL Electric's request to implement a new TOU program and recommended that the Company extend the application of its presently effective TOU rates until a new TOU program becomes effective on June 1, 2013, pursuant to the Company's pending

default service proceeding. *Petition of PPL Electric Utilities Corporation for Approval of a Default Service Program and Procurement Plan for the Period June 1, 2013 through May 31, 2015*, Docket No. P-2012-2302074. In addition, the ALJ recommended that PPL Electric be permitted to recover prior period undercollections from all default service customers, by customer class, following certification by the Commission's Bureau of Audits that the amount of the undercollection is correct and the accounting method is consistent with Commission directives.

PPL Electric largely agrees with the RD and believes that it is reasonable to continue its currently effective TOU program rates through May 31, 2013. However, this approach is only reasonable and acceptable if the Commission adopts the RD's recommendation that PPL Electric be permitted to recover TOU undercollections from all default service customers, by class. Otherwise, PPL Electric may not be able to fully recovery its TOU undercollections and keeping the currently effective TOU program rates in place could exacerbate this issue.

## II. EXCEPTIONS

### A. Extending The Application Of The Company's Existing TOU Tariff Supplement.

The RD recommends that PPL Electric “file an extension to its existing Time of Use Program tariff supplement” to extend its application until the Commission issues an Order in the Company’s DSP II proceeding. RD at 25. As explained above, PPL Electric has filed a tariff supplement to extend its currently effective TOU rates through August 31, 2012. Therefore, if this Recommendation is adopted, the Company would file a tariff supplement to extend its currently effective TOU rates through May 31, 2013 (when the new TOU program approved under the Company’s DSP II proceeding will become effective).<sup>1</sup>

The RD’s recommendation to keep the existing TOU rates in effect is acceptable to the Company, but only on the condition that PPL Electric be permitted to recover TOU undercollections through May 31, 2013 from all default service customers, by customer class.<sup>2</sup> If PPL Electric is not permitted to recover its TOU undercollections from all default service

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<sup>1</sup> PPL Electric would not agree that it should submit new TOU rates to become effective on September 1, 2012 based on the formula in the Company’s TOU tariff, which sets TOU prices based on projected spot market prices and includes the over/undercollections from prior periods. First, the RD does not adopt this approach because PPL Electric would not be required to “extend” its tariff supplement in order to adopt this approach. Under the Company’s tariff, its existing TOU program already continues to May 31, 2013. See Tariff Electric Pa. P.U.C. No. 201, Fifth Revised Page No. 192.5C. Moreover, depending upon forward spot market prices, this could create a significant difference between TOU default service rates and fixed price default service rates.

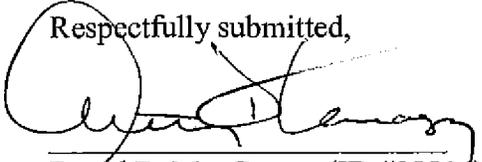
<sup>2</sup> In the RD, the ALJ recommends “that PPL Electric Utilities Corporation may recover undercollections of its prior period TOU program from all default service customers, by customer class, following certification by the Commission’s Bureau of Audits that the amount of the undercollection claimed is correct and the accounting method used is consistent with Commission directives.” RD at 25-26. However, Page 23 of the RD states that the Company may recover “the existing under collection” from the default service customers of the same usage group. PPL Electric does not interpret the RD to limit recovery of the TOU undercollection to the under collection that existed when the Company made its filing. If the current TOU rates are extended to May 31, 2013, then the Company should be permitted to recover TOU undercollections through May 31, 2013 from all default service customers, by class, not just its existing under collection. PPL Electric requests that the Commission confirm this understanding.

customers, by customer class PPL Electric will be in the same position as when it filed this case, i.e., PPL Electric will have TOU undercollections that it may not be able to recover. This is not reasonable or lawful. PPL Electric will further address the reasons why it is appropriate to recover TOU undercollections from all default service customers, by customer class, in Reply Exceptions in this proceeding in the event that other parties file Exceptions on this issue.

**III. CONCLUSION**

WHEREFORE, PPL Electric Utilities Corporation respectfully requests that the Pennsylvania Public Utility Commission find that:

1. PPL Electric shall continue its currently effective TOU rates through May 31, 2013, and
2. PPL Electric shall be permitted to recover its TOU undercollections or refund its TOU overcollections through May 31, 2013, from or to all default service customers, by customer class.

Respectfully submitted,  


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Dated: July 10, 2012

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