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File #: 140056

September 18, 2012

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
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400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

**RE: Petition of PPL Electric Utilities Corporation for Approval of its Long-Term
Infrastructure Improvement Plan – Docket No. P-2012-**

Dear Secretary Chiavetta:

Enclosed for electronic filing is the Petition of PPL Electric Utilities Corporation for Approval of its Long-Term Infrastructure Improvement Plan for the above-referenced proceeding.

On September 14, 2012, the attached Petition was e-filed at Docket No. M-2012-2293611. Pursuant to a request from the Secretary's Bureau, the Petition is being e-filed as a new proceeding and will be assigned a P Docket number.

Other than the docket number in the caption, nothing about the filing has been altered from the prior version which was circulated to interested parties pursuant to the Commission's Act 11 Order.

Copies have been provided to the persons in the manner indicated in the Certificate of Service.

Respectfully Submitted,


Jessica R. Rogers

JRR/jl
Enclosures

Rosemary Chiavetta, Secretary
September 18, 2012
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cc: Certificate of Service
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Honorable Pamela A. Witmer
Honorable John F. Coleman, Jr.
Honorable James H. Cawley
Honorable Wayne E. Gardner
Bohdan Pankiw, Chief Counsel
Paul T. Diskin, Director

CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing **Petition** have 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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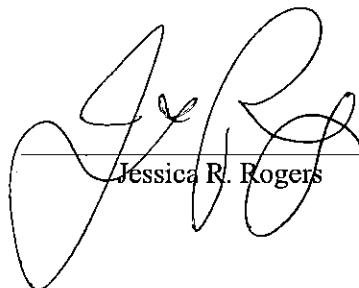
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Date: September 18, 2012

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Jessica R. Rogers

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of PPL Electric Utilities :
Corporation for Approval of its Long Term : Docket No. P-2012-
Infrastructure Improvement Plan :

**Petition of PPL Electric Utilities Corporation for Approval of its
Long-Term Infrastructure Improvement Plan**

Pursuant to Act 11 of 2012 (“Act 11” or the “Act”), which amends Chapters 3, 13 and 33 of the Pennsylvania Public Utility Code (“Code”), PPL Electric Utilities Corporation (“PPL Electric” or the “Company”) hereby files this Petition seeking approval of its Long-Term Infrastructure Improvement Plan (“LTIIIP” or “Plan”). This filing is being made pursuant to the Final Implementation Order of the Pennsylvania Public Utility Commission (the “Commission”) entered at Docket No. M-2012-2293611 on August 2, 2012.¹ As described herein and in the LTIIIP, for several years PPL Electric has been in the process of evaluating, improving, repairing, and replacing its distribution related facilities and equipment. Under its LTIIIP, the Company proposes to continue its accelerated investment under this process. The process is described below and in further detail in the LTIIIP.

By this Petition, the Company respectfully requests that the Commission approve PPL Electric’s Long-Term Infrastructure Improvement Plan.

I. INTRODUCTION

1. PPL Electric provides electric distribution, transmission and provider of last resort services to approximately 1.4 million customers in a certificated service territory that spans

approximately 10,000 square miles in all or portions of 29 counties in eastern and central Pennsylvania. PPL Electric is a “public utility” and an “electric distribution company” as those terms are defined under the Public Utility Code, 66 Pa. C.S. §§ 102 and 2803.

2. PPL Electric’s attorneys are:

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PPL Electric’s attorneys are authorized to receive all notices and communications regarding this filing.

3. On February 14, 2012, Governor Corbett signed into law Act 11 of 2012 (“Act 11”), which amends Chapters 3, 13 and 33 of Title 66 of the Code to allow: (1) jurisdictional utilities to make rate case claims based on a fully projected future test year; (2) wastewater

¹ *Implementation of Act 11 of 2012*, Docket No. M-2012-2293611, entered on August 2, 2012. (“Implementation

utilities to allocate a portion of their revenue requirement to the combined wastewater and water utility customer base; and (3) electric distribution companies (“EDCs”), natural gas distribution companies (“NGDCs”), water utilities, wastewater utilities and city natural gas distribution operations to establish a distribution system improvement charge (“DSIC”).

4. Act 11 provides utilities with the ability to implement a DSIC to recover reasonable and prudent costs incurred to repair, improve or replace certain eligible distribution property that is part of the utility’s distribution system. Eligible property for electric distribution companies is defined in Section 1351 of the statute. *See* 66 Pa.C.S. § 1351(1). As a precondition to the implementation of a DSIC, a utility must file an LTIIP with the Commission that is consistent with the provisions of Section 1352 of the statute. *See* 66 Pa.C.S. § 1352(a).

5. On April 5, 2012, the Commission held a working group meeting for discussion and feedback from stakeholders regarding its implementation of Act 11. The purpose of the meeting was to address certain key implementation issues in advance of the issuance of a Tentative Implementation Order. PPL Electric was one of the participants in the working group. On May 10, 2012, the Commission issued its Tentative Implementation Order addressing and incorporating input from the stakeholder meeting.

6. On August 2, 2012, the Commission issued the Implementation Order establishing procedures and guidelines necessary to implement Act 11. The Implementation Order adopts the requirements established in Section 1352, provides additional standards that each LTIIP must meet, and gives guidance to utilities for meeting the Commission’s standards.

7. Specifically, on pages 12 and 18 of the Implementation Order, the Commission provides that the LTIIP must include the following seven major elements:

- (a) Types and age of eligible property;

Order”).

- (b) Schedule for its planned repair and replacement;
- (c) Location of the eligible property;
- (d) Reasonable estimate of the quantity of property to be improved;
- (e) Projected annual expenditures and measures to ensure that plan is cost effective;
- (f) Manner in which replacement of aging infrastructure will be accelerated and how repair improvement or replacement will maintain safe and reliable service; and
- (g) A workforce management and training program.

8. For ease of reference, PPL Electric has structured its LTIP Petition in the same order as the Commission's Implementation Order.

II. PPL ELECTRIC'S LONG TERM INFRASTRUCTURE IMPROVEMENT PLAN

A. Property to be Improved, Repaired and Replaced

9. In accordance with the Commission's Implementation Order and the statute, PPL Electric has focused its LTIP on distribution plant that is DSIC eligible. *Implementation Order* at 18. All of the property PPL Electric has included in its LTIP meets the definition of eligible property found in Section 1351(1), which includes the following items: Poles and towers; overhead and underground conductors; transformers and distribution substation equipment; fixtures and devices related to the eligible property such as insulators, circuit breakers, fuses, reclosers, founding wires, crossarms and brackets, relays, capacitors, converters and condensers; unreimbursed costs related to highway relocation projects; and other related capitalized costs.

10. Nearly half of PPL Electric's distribution system was constructed 40 or more years ago, as a result of the economic expansion and building boom of the 1960's and 1970's. As this equipment deteriorates due to age, environmental exposure, and added load, it has become increasingly critical to plan for the repair, upgrade, and/or replacement of these assets.

11. In 2008-2009, PPL Electric conducted a major condition assessment and maintenance study of its distribution system. The purpose of the study was to develop a strategy for accelerated capital replacement improvements that would combat the anticipated effects of aging infrastructure and bolster PPL Electric's ability to effectively maintain reliable electric service. The study found that programmatic and accelerated replacement of infrastructure would be the most cost-effective strategy to address aging infrastructure and ensure system reliability and integrity. The results of the study led PPL Electric to implement an Asset Optimization Strategy ("AOS").

12. The AOS was developed to address the predicted wave of equipment failures that would result due to the age distribution of the asset base. The plan includes replacements in kind, as well as upgrades to current standards including new technologies. The plan was divided into two distinct replacement strategies. In some cases, such as with distribution substation components, PPL Electric determined that it was more economical to make replacements on an individual component basis. In other cases, such as with aging distribution lines, the Company determined that it was more economical and more cost effective to replace all equipment components on a complete unit basis.

13. As a result of the plan to accelerate capital replacements on its distribution system, PPL Electric began engineering efforts and initiated large material purchases for the identified proactive and accelerated equipment replacements in 2009, followed by a ramp up period during 2010, and full implementation of its plan in 2011. In developing its strategy to accelerate replacements, PPL Electric has refined the processes and planning efforts that will support sustained investment levels.

14. Figures 4 and 5 on page 10 of PPL Electric's LTIP show the effects of the AOS study and accelerated replacement plan on PPL Electric's budget. Figure 4 reflects PPL Electric's planned five-year investment strategy as captured in its 2007 business plan, which was created prior to the AOS study. Figure 5 shows PPL Electric's accelerated planned expenditures, based on the results of the study. PPL Electric approximately doubled its planned investment in DSIC-eligible property since 2009, as a result of the AOS study.

15. The LTIP includes a continuation of the AOS infrastructure replacements, in addition to various other prudent capital investments to ensure the safety and reliability of the distribution system. The investments captured in the LTIP are expected to mitigate the growth in equipment failures in the short-term, and eventually reverse the trend in the long-term. PPL Electric continues to analyze equipment failure trends and asset-specific contributions to system-level reliability metrics on an ongoing basis to ensure that funding is invested appropriately.

16. The LTIP covers a broad spectrum of distribution related equipment and facilities, which have been separated into two asset categories. These two categories are distribution assets and substation assets. A description of the items classified as distribution assets can be found on page 16 of the LTIP, while a description of those items included in the Plan as substation assets is found on page 43. Within each of these categories, PPL Electric has identified specific programs to address the various elements, equipment, and facilities that make up each of the two asset classes. Each program is described individually, with an estimated replacement schedule and estimated costs as applicable or appropriate.

17. PPL Electric has provided a summary of the types and average age of eligible property to be replaced as Appendix A to its LTIP, which is located at page 54 of the Plan. PPL Electric would note that, as a result of its implementation of the AOS, many of the average ages

of equipment types have been adjusted downward as old equipment has been replaced by new equipment.

18. PPL Electric has included an estimated schedule for the planned repair and replacement of DSIC eligible property. The estimated schedule has been provided on an individual program basis, and is included in the section of the Plan that provides individual program descriptions. PPL Electric has estimated the number of replacements in a variety of distribution asset categories over the five-year planning period covered by the Plan. In estimating its replacement schedule, a number of factors were considered. Some of the initiatives, such as animal guarding, clearly have implied end-points, where no further opportunities for improvement remain. Others, such as Circuit SAIDI improvements, eventually experience diminishing returns over time. Finally some programs, such as pole reinforcement and replacement, will be ongoing.

19. In addition, the programs implemented by PPL Electric are subject to change, as additional analysis is done on the effectiveness of individual programs, or as new issues arise. Some programs may become obsolete, while new programs may become desirable as a result of the evolution of new technologies. The effectiveness of these programs will be reviewed on a regular basis and programs will be added, deleted, and/or modified, as necessary, to ensure that the expenditures are providing the desired benefits to customers at a reasonable cost. Therefore, while PPL Electric has provided an estimated schedule for when certain replacements will take place, that schedule is subject to change as a result of PPL Electric's ongoing review process and emergent resource requirements.

20. For each individual program included in the LTIIP, PPL Electric has provided the following information: A description of the program and its purpose; a description of how PPL

Electric identifies equipment for replacement within each program and the appropriate course of action to improve identified equipment; the scope of the program, including a reasonable estimate of the quantity of property to be improved where applicable; the location of planned replacements where applicable; and the total amount projected to be spent by the Company annually and over the life of the five-year plan. These detailed profiles of the individual programs that comprise the PPL Electric LTIP are provided at pages 17 through 42 of the Plan for distribution assets, and pages 44 through 53 of the Plan for substation assets.

B. Projected Annual Expenditures and Measures to Ensure that the Plan is Cost Effective.

21. PPL Electric has provided a table showing the projected annual expenditures over the Plan's five year period on page 14 of its LTIP. The table on page 14 shows the projected expenditures on a yearly basis for each of the individual programs for the five-year period, the total projected expenditures for each program at the conclusion of the five-year period, and the overall projected annual and total expenditures for all DSIC eligible distribution property. Individual program expenditure information is included in the sections describing the individual programs.

22. In order to ensure that its individual programs are cost-effective investments, PPL Electric will routinely review the effectiveness of its programs. Program and project impacts on System Average Interruption Duration Index ("SAIDI") and System Average Interruption Frequency Index ("SAIFI"), in addition to potential reductions in outage response costs, are compared to the overall program and project costs. PPL Electric utilizes a project prioritization process that defines the cost-effectiveness of programs and projects to ensure effective optimization of reliability investments. PPL Electric is investigating the use of additional ongoing asset health indices to further refine asset replacement criteria.

23. PPL Electric utilizes the information from its ongoing reviews of the effectiveness of its programs to determine the most cost-effective strategy for replacing its distribution infrastructure on a going forward basis. Reliability metric performance may result in the redirection of spending to help ensure PPL Electric's ability to meet its identified reliability targets in a cost-effective manner.

C. Acceleration of Infrastructure Improvement

24. In its Implementation Order, the Commission noted that utilities should reflect and maintain an acceleration of infrastructure replacement. The Commission also noted that some utilities have already taken substantial steps toward increasing capital investment to address the issue of aging infrastructure. For those utilities, the Commission requested that the LTIP "reflect how the DSIC will maintain or augment acceleration of infrastructure replacement and prudent capital investment." *Implementation Order* at 19.

25. As previously described in this Petition and as shown in Figures 4 and 5 on page 10, prior to the passage of Act 11, PPL Electric had already significantly increased its capital expenditures on distribution related infrastructure. From 2007 to 2012, PPL Electric more than doubled the amount it was investing in capital infrastructure.

26. Consistent with the Commission's order, PPL Electric has projected additional accelerated investment as a result of the implementation of a DSIC. The summary of estimated expenditures on page 14 of the LTIP shows two important factors relevant to the Commission's review and approval of PPL Electric's LTIP. First, the data summarized on page 14 shows that PPL Electric has accelerated its investment plans over the amount contained in the five-year plans shown in both Figure 4 and Figure 5. In addition, the data summarized on page 14 shows that PPL Electric will not only accelerate the level of distribution infrastructure investment that it

had established as part of the AOS, but that the Company is actually projecting a continued increase in the amount it invests each year throughout the five year period covered by the LTIIIP.

27. PPL Electric's LTIIIP reflects the fact that PPL Electric has advanced its already accelerated program to address its aging infrastructure, and that the Company will continue to sustain its accelerated investment in infrastructure over the next five years.

28. PPL Electric believes that repair, improvement, and replacement of aging distribution equipment and facilities will ensure that the Company can reduce the number of outages that are the result of equipment failure, which will directly improve the reliability of service provided by PPL Electric to its customers. As shown in Appendix B, on page 55 of the Plan, PPL Electric is aware of the direct impact the equipment included in the LTIIIP has on its reliability metrics. PPL Electric will use these metrics to monitor the success of its programs. The programs included in the LTIIIP are expected to arrest the growth in failures caused by aging equipment, and will eventually reduce the number of equipment failures experienced on PPL Electric's distribution system.

D. Workforce Management And Training Plan

29. The Commission's Implementation Order requires utilities to include a workforce management and training plan as a necessary element of the LTIIIP. *Implementation Order* at 17-18. A description of PPL Electric's programs for ensuring a qualified workforce are found on pages 11 through 13 of its LTIIIP. PPL Electric's workforce is comprised of both those employees who work directly for PPL Electric, and the workers who are hired by contractors of PPL Electric. PPL Electric utilizes a wide variety of programs and tools to ensure that it has a qualified workforce.

30. PPL Electric administers a rigorous, formal training and evaluation process for all of its directly employed qualified electrical workers. Training is required before an employee

may perform work independently on exposed, energized electrical equipment greater than 50 volts, and these programs are unique to the job classification and work being performed by individual employees. The training is provided by experienced training professionals with developed curriculum. The extensive training may require up to five years to complete with regular assessment and incremental qualifications throughout the duration of the training program. Retraining is conducted on a periodic basis as required by OSHA or more frequently when determined necessary.

31. In 2009, PPL Electric began preparation of a long range Strategic Workforce Plan (“SWP”). The SWP provides a 15+ year analysis of the projected employee turnover by job category and year, projections on worker availability, and strategies for both sourcing and recruiting, in order to ensure the long-term ability of PPL Electric to attract, hire, develop, and retain qualified workers.

32. For its contractors, PPL Electric’s Contract Management department administers a standard process for soliciting contractors to perform work identified to be completed by independent contractors. Part of that process includes evaluating the qualification of contractors to perform work (both technical and financial capabilities to meet the contractual commitments, and level of qualification of employees), and may include reference checks if appropriate. Most independent contractors employ personnel through the building trades, which includes Union apprenticeship programs to help ensure that employees are qualified to perform assigned work. Employee qualification programs for non-Union independent contractors are stringently reviewed to assess the contractor’s training program, such as on-the-job training and certification programs.

33. PPL Electric monitors the contractors' performance through several activities that may include direct job oversight through on-site supervision, monthly scorecards that evaluate such areas as job quality, safety performance, cost, and validating billing activities that meet contractual expectations.

III. EVIDENTIARY HEARINGS

34. Neither Act 11 nor the Commission's Implementation Order require hearings on Long Term Infrastructure Improvement Plans. The Implementation Order provides that comments to the plans are to be filed within 20 days of the proposed LTIIIP, and that comments that raise material factual issues will result in the LTIIIP being referred to the Office of Administrative Law Judge. Therefore, it is not clear whether the Company's Plan will be subject to evidentiary hearings. If PPL Electric's Plan is set for hearings, the Company will file, in advance of the prehearing conference, written direct testimony to fully explain how the Plan was developed, and how it meets the requirements of Act 11 and the Commission's Implementation Order.

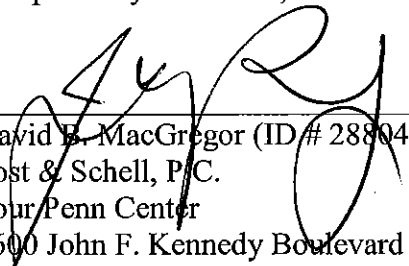
35. Pursuant to the Commission's Implementation Order, PPL Electric is serving its LTIIIP on the statutory advocates as well as all of the active parties in the utility's current base rate proceeding at Docket No. R-2012-2290597.

IV. CONCLUSION

WHEREFORE, PPL Electric Utilities Corporation respectfully requests that the Pennsylvania Public Utility Commission approve PPL Electric's Long-Term Infrastructure Improvement Plan.

Respectfully submitted,

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Date: September 14, 2012

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