

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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October 9, 2012

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17101

RE: Petition of PPL Electric Utilities
Corporation for Approval of its Long-Term
Infrastructure Improvement Plan
Docket No. P-2012-2325034

Dear Secretary Chiavetta:

Attached for electronic filing are the Comments of the Office of Consumer Advocate in the above-referenced proceeding.

Copies have been served on the parties listed on the attached Certificate of Service.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Candis A. Tunilo".

Candis A. Tunilo
Assistant Consumer Advocate
PA Attorney I.D. # 89891

Attachment

cc: Commissioner Robert F. Powelson, Chairman
Commissioner John F. Coleman, Jr., V. Chairman
Commissioner James H. Cawley
Commissioner Wayne E. Gardner
Commissioner Pamela A. Witmer
Bohdan Pankiw, Law Bureau
David Screven, Law Bureau
Paul Diskin, Bureau of Technical Utility Services
Erin Laudenslager, Bureau of Technical Utility Services

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of PPL Electric Utilities Corporation :
for Approval of its Long-Term Infrastructure : P-2012-2325034
Improvement Plan :

COMMENTS OF THE
OFFICE OF CONSUMER ADVOCATE

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Dated: October 9, 2012

I. INTRODUCTION

On February 14, 2012, Governor Corbett signed Act 11 of 2012 (Act 11 or Act) into law. Act 11 amends, *inter alia*, Chapter 13 of the Public Utility Code to permit water and wastewater utilities, Electric Distribution Companies (EDCs), Natural Gas Distribution Companies (NGDCs) and city natural gas distribution operations to petition for implementation of a Distribution System Improvement Charge (DSIC). See 66 Pa. C.S. §§ 1350-1360. In order to qualify for DSIC recovery, a utility must submit a Long-Term Infrastructure Improvement Plan (LTIIIP) for Commission approval. See 66 Pa. C.S. § 1352. See also In re: Implementation of Act 11 of 2012, Docket No. M-2012-2293611, Final Implementation Order at 21 (Aug. 2, 2012) (Final Implementation Order).

The following seven elements must be included in a utility's LTIIIP: (1) types and age of eligible property; (2) schedule for its planned repair and replacement; (3) location of the eligible property; (4) reasonable estimate of the quantity of property to be improved; (5) projected annual expenditures and measures to ensure the plan is cost effective; (6) manner in which replacement of aging infrastructure will be accelerated and how repair, improvement or replacement will maintain safe and reliable service; and (7) a workforce management training plan designed to ensure that the utility will have access to a qualified workforce to perform work in a cost-effective, safe and reliable manner. See 66 Pa. C.S. § 1352(a). See also Final Implementation Order at 17-19. It is the utility's burden to demonstrate that its proposed LTIIIP and associated expenditures are reasonable, cost-effective and designed to maintain safe, adequate and reliable service to customers. Final Implementation Order at 20. The OCA submits that when a utility seeks recovery of costs expended pursuant to its LTIIIP in a future proceeding, the utility must demonstrate, *inter alia*, that the costs were reasonably and prudently incurred. Further, the utility

will have to demonstrate that there is no overlap of costs already reflected in base rates with costs expended pursuant to an LTIP. 66 Pa. C.S. sec. 1357(a)(1)(i).

A utility must file its proposed LTIP with the Public Utility Commission (Commission) and serve copies on statutory advocates and all active parties in the utility's last base rate case. See Final Implementation Order at 20. Once filed, a utility's proposed LTIP will be assigned to the Commission's Bureau of Technical Utility Services (TUS) for analysis. TUS is to make a recommendation to the Commission, and other parties may file comments to a proposed LTIP within 20 days of the date it was filed. Id. If any party's comments raise issues of material fact, the proposed LTIP will be referred to the Office of Administrative Law Judge (OALJ) for hearing and decision, which litigation must be completed within 120 days. Id.

The Commission must initiate a rulemaking regarding the five-year periodic review of LTIPs and draft regulations accordingly. See 66 Pa. C.S. § 1352(b)(1). See also Final Implementation Order at 21. In its regulations, the Commission intends to also allow for flexibility by a utility's management to deviate from a previously approved LTIP if circumstances arise, as long as the utility identifies operational, financial or other justifications for deviating from its approved plan. See Final Implementation Order at 21-22. The Commission will, however, require public notice and comment and Commission approval for significant modifications to an approved LTIP. Id. at 21. Further, Section 1353(b)(2) provides that the Commission shall promulgate regulations that terminate a utility's DSIC if the utility does not comply with its approved plan. Such termination, however, will not occur without the utility being afforded notice and an opportunity to be heard. See 66 Pa. C.S. § 1353(b)(2). See also Final Implementation Order at 22.

On September 17, 2012, PPL Electric Utilities Corporation (PPL or Company) filed its proposed LTIIIP with the Commission. The OCA submits these Comments on PPL's proposed LTIIIP for the Commission's consideration. The OCA is not requesting a hearing at this time, but the OCA does submit that the Company should provide additional information in order to demonstrate that its LTIIIP is accelerated and cost-effective as required under Section 1352(a).

II. COMMENTS

On September 17, 2012, PPL filed a Petition for Approval of its Long-Term Infrastructure Improvement Plan with the Commission. In its Petition, PPL asserted that its LTIIIP meets the seven requirements in Section 1352(a) and the Final Implementation Order. Attached to the Petition was PPL's LTIIIP, wherein the Company provided its plans to continue its investment in evaluating, improving, repairing and replacing its distribution related facilities and equipment. Petition at 1; PPL LTIIIP at 4. In 2008-2009, PPL conducted a major condition assessment and maintenance study of its distribution system, which led to the implementation of an Asset Optimization Strategy (AOS). PPL Petition at 4-5; PPL LTIIIP at 9-10. In its AOS, PPL developed a capital improvement plan for the period 2008 through 2012 that nearly doubled its investment in DSIC-eligible property since 2009. PPL LTIIIP at 10. For the period 2013 through 2017, the subject of the LTIIIP filed here, PPL plans for its expenditures on DSIC-eligible plant to remain at 2010 through 2012 levels. PPL LTIIIP at 10. The stated goal of PPL's LTIIIP is to further enhance PPL's reliability improvement efforts. PPL LTIIIP at 4. PPL uses the Commission's 1994-1998 benchmark period of reliability performance targets as the Company's point of reference for determining improvements in reliability resulting from its capital improvement plan that it began in or around 2009. PPL LTIIIP at 4-6.

At the outset, the OCA would note that PPL provided a significant level of detail in its LTIP to assist the Commission in its determination in this proceeding. The OCA commends the Company for its efforts in providing this information. Implementing the mandates of new legislation requires great effort and care by all involved to ensure that the spirit and letter of the law is upheld. The information provided by PPL will be helpful in this endeavor. As set forth below, however, the OCA submits that certain additional information may be needed for TUS and the Commission to properly evaluate whether PPL's LTIP meets all the requirements of Act 11 and the Final Implementation Order.

In this proceeding, the Commission must determine if PPL's LTIP will accelerate infrastructure repair and replacement in a cost effective manner. See 66 Pa. C.S. § 1352(a)(5), (6). With regard to the required acceleration component, the Company must demonstrate that the acceleration of infrastructure repair and replacement set out in its LTIP is greater than the normally occurring infrastructure repair and replacement the Company has previously accomplished in order to meet its adequacy of service requirements set forth in Section 1501. See 66 Pa. C.S. § 1501. The OCA submits that additional background information may assist the Commission in this determination because the Company's filing has not fully described how it will accelerate infrastructure repair and replacement.

To that end, it may be helpful for TUS and the Commission to review the AOS referenced in PPL's LTIP. The AOS is referenced in PPL's Petition and LTIP but not included with PPL's filing. According to PPL, in 2008-2009, the Company conducted a major condition assessment and maintenance study of its distribution system, and the purpose of the study was to develop accelerated capital replacement improvements to address the anticipated effects of aging infrastructure and bolster reliability. See Petition at 4-5. The results of this study led to PPL

implementing the AOS. Id. at 5. The OCA submits that the AOS could provide relevant and important information and assist TUS and the Commission in determining if PPL's LTIP meets the requirements of Act 11 and the Final Implementation Order. As such, PPL should supplement its filing in this proceeding and provide the AOS.

Additionally, pursuant to Commission regulations, PPL makes biennial filings regarding inspection, maintenance, repair and replacement and periodic filings regarding the Company's capital investment plans. See 52 Pa. Code § 57.191 *et seq.* and 52 Pa. Code § 73.1 *et seq.*, respectively. PPL filed its most recent Biennial Inspection, Maintenance, Repair and Replacement Plan on October 2, 2012. See Docket No. M-2009-2094773 (Biennial Report). The OCA submits that it may be more helpful to determine acceleration by reviewing PPL's Biennial Report and prior biennial reports. See also PPL Electric Utilities Corporation Capital Investment Plan for the Years 2010-2014, Docket No. M-112500.F2005ADR (filed Aug. 30, 2010). Comparison of these reports with PPL's LTIP could assist the Commission in determining if PPL's LTIP meets the acceleration requirement in Act 11. Further, the OCA submits that the AOS and these reports may be helpful to TUS and the Commission for review of future LTIPs. The Commission may wish to have PPL supplement its filing with this information and more detail on the acceleration contained in its LTIP before it makes a final determination.

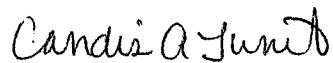
With regard to the cost effectiveness requirement, the Company indicates that its LTIP is cost effective, but PPL does not provide any calculations, metrics or other information to assist the Commission in making the determination that PPL's LTIP is, in fact, cost effective. In its most recently filed Biennial Report, the Company calculates its avoided costs and the benefits of its infrastructure repair and replacement plans for 2014 through 2017, which time period

coincides with the time period reflected in PPL's LTIP. The Commission may want PPL to supplement its LTIP with information similar to that contained in the Company's Biennial Report to make a clearer showing of how PPL determined its LTIP's cost effectiveness.

III. CONCLUSION

The OCA submits that, while it is not requesting a hearing in this proceeding at this time, the Company should provide additional information with its filing to allow the Commission to determine if PPL's LTIP accelerates infrastructure repair and replacement in a cost effective manner as required by Act 11.

Respectfully submitted,



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Dated: October 9, 2012
161551

CERTIFICATE OF SERVICE

Petition of PPL Electric Utilities :
Corporation for Approval of its Long Term : Docket No. P-2012-2325034
Infrastructure Improvement Plan :

I hereby certify that I have this day served a true copy of the foregoing document, Comments of the Office of Consumer Advocate, 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 9th day of October 2012.

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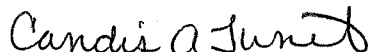
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