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File #: 148685

January 14, 2013

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: Application Of PPL Electric Utilities Corporation Under 15 Pa. C.S. §1511(c) For A Finding And Determination That The Service To Be Furnished By The Applicant Through Its Proposed Exercise Of The Power Of Eminent Domain To Acquire A Right-Of-Way And Easement Over And Across The Lands Of The Property Owners For The Proposed Richfield-Dalmatia 69 kV Transmission Tie Line In Portions of Snyder, Northumberland, and Juniata Counties, Pennsylvania Is Necessary Or Proper For The Service, Accommodation, Convenience Or Safety Of The Public - Docket Nos. A-2011-2267349, etc.**

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Dear Secretary Chiavetta:

Enclosed for electronic filing are the Exceptions of PPL Electric Utilities Corporation for the above-referenced proceeding. Copies have been provided to the persons as indicated on the Certificate of Service.

Respectfully,

Jessica R. Rogers

JRR/ajl  
Enclosures

cc: Honorable Joel H. Cheskis  
Honorable David A. Salapa  
Certificate of Service

ALLENTOWN HARRISBURG LANCASTER PHILADELPHIA PITTSBURGH PRINCETON WASHINGTON, D.C.

A PENNSYLVANIA PROFESSIONAL CORPORATION

10365127v1

## CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing **Exceptions** 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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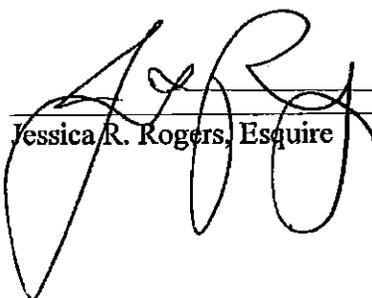
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**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application Of PPL Electric Utilities :  
Corporation Under 15 Pa. C.S. § 1511(c) For A :  
Finding And Determination That The Service To :  
Be Furnished By The Applicant Through Its :  
Proposed Exercise Of The Power Of Eminent :  
Domain To Acquire A Right-Of-Way And :  
Easement Over And Across The Lands Of The : Docket Nos. A-2011-2267349, etc.  
Property Owners For The Proposed Richfield- :  
Dalmatia 69 kV Transmission Tie Line In :  
Portions of Snyder, Northumberland, and Juniata :  
Counties, Pennsylvania Is Necessary Or Proper :  
For The Service, Accommodation, Convenience :  
Or Safety Of The Public :  
:

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**EXCEPTIONS OF  
PPL ELECTRIC UTILITIES CORPORATION**

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## **I. STATEMENT OF THE CASE**

On October 11, 2011, PPL Electric Utilities Corporation (“PPL Electric”) filed ten applications under 15 Pa.C.S. § 1511(c) for findings that its proposed condemnations to acquire rights-of-way and easements for the proposed Richfield–Dalmatia 69 kV Transmission Line, Meiserville 69-12 kV Substation and related 12 kV distribution lines (“Project”) are necessary or proper for the service, accommodation, convenience, or safety of the public (“Condemnation Applications”). Protests were filed by eight property owners. Petitions to intervene were filed by two additional parties, which were granted. The parties served several rounds of written testimony. A public input hearing was held on March 7, 2012, and evidentiary hearings were held on September 11 and 12, 2012.

Following the submission of briefs, Administrative Law Judges David A. Salapa and Joel H. Cheskis (“ALJs”) issued their Recommended Decision (“R.D.”) on December 24, 2012. Therein, the ALJs recommended that PPL Electric’s Condemnation Applications be denied. Specifically, the R.D. concluded that PPL Electric did not prove that the proposed Project was necessary or proper for the service, accommodation, convenience, or safety of the public, because the Project was not required based on factors present in three recent Commission transmission line siting proceedings, *i.e.*, PJM/NERC reliability violations, future load growth, stress modeling, heavy congestion, or lack of alternatives. (R.D. at 37.) The R.D. also found that the Company’s route selection was reasonable. (R.D. at 38.)

PPL Electric herein files these Exceptions to the R.D., pursuant to 52 Pa. Code § 5.533, and the Secretarial Letter dated December 24, 2012. For the reasons explained below, PPL Electric respectfully requests that the Commission adopt PPL Electric’s Exceptions and approve PPL Electric’s Applications.

## II. SUMMARY OF EXCEPTIONS

The central issue presented in these Exceptions is whether the Richfield-Dalmatia Project is “necessary or proper for the service, accommodation, convenience, or safety of the public.” In the Company’s view, the answer is clear. The existing distribution line in the area is and has been for several years one of the worst performing, *i.e.*, least reliable, circuits in PPL Electric’s entire service territory. For this worst performing circuit, PPL Electric has exhausted all reasonable low-cost alternatives with only marginal improvement. The Project addresses this serious reliability problem in a reasonable and cost effective manner and will substantially improve reliability of service in the Project area.

The R.D., however, finds that the Richfield–Dalmatia Project is not “necessary or proper for the service, accommodation, convenience, or safety of the public” because, unlike three recent transmission line cases decided by the Commission, PPL Electric did not produce evidence of violation of NERC/PJM reliability standards, future load growth, stress modeling, heavy congestion, or lack of available alternatives. Applying this standard, the R.D. concludes that a project designed to improve reliability on one of the worst performing, least reliable, circuits on PPL Electric’s system should not be constructed. As explained below, the R.D. misapplies the applicable legal standard, is plainly inconsistent with controlling judicial precedent, is based on several clearly erroneous factual premises and is inconsistent with long-standing policies of this Commission. The R.D., if applied to other cases, would have a devastating impact on a utility’s ability to provide reliable service to its customers and would frustrate implementation of the recently adopted Act 11. For these reasons, the R.D. should be reversed, and the Richfield-Dalmatia Project should be approved.

First, the narrowly-defined necessity standard adopted by the R.D. is clearly inconsistent with the plain language of the governing statutory standard. The legal standard here is whether

the Project is “necessary or proper for the service, accommodation, convenience, or safety of the public.” The statute does not establish a finite and limited list of ways that a utility can demonstrate need. Rather, the statute specifically provides authority for projects that are necessary or proper for the convenience of the public. By relying on a finite and narrow list of ways to show need, the R.D. simply ignores the “or proper” and “convenience of the public” language in the statute. As explained below, the R.D.’s reading of the statute has been specifically rejected by the Pennsylvania Supreme Court in *Elite Industries, Inc. v. Pa. P.U.C.*, 574 Pa. 476, 482, 832 A.3d 428, 431 (2003) (“*Elite*”) (Court held it was improper to focus on the word “necessary” rather than the phrase “necessary or proper”), and by the Commonwealth Court in *Pennsylvania Power & Light Co. v. Pa. P.U.C.*, 696 A.2d 248 (Pa. Cmwlth. 1997) (“*PP&L*”) (Statutory and regulatory provisions do not require a showing of necessity based on specific engineering needs). The R.D. clearly applies the wrong legal standard.

Second, the R.D. erroneously assumes that the five factors raised in three recent Commission decisions constitute the universe of projects that can be “necessary or proper for the service, accommodation, convenience, or safety of the public.” This is clearly not the case. As explained below, the Commission has approved many other projects for many other reasons. The R.D.’s effort to constrain the scope of this Commission’s authority to assure reliable service to customers to the specific facts of three recent cases must be rejected.

Third, the R.D.’s finding that PPL Electric did not produce evidence as to the five factors is either irrelevant or simply wrong.

- NERC/PJM Reliability Standards. The R.D. relies heavily on the fact that the Richfield–Dalmatia Project, unlike certain recent projects reviewed by the Commission, is not required to address PJM or NERC violations. This is true, but irrelevant. PJM and NERC reliability standards apply only to transmission lines operating at 100 kV and above. The Richfield–Dalmatia Project addresses 69 kV and 12 kV lines. There are no PJM or NERC reliability violations here because

the standards do not apply. Moreover, PPL Electric's Reliability Principles & Practices ("RP&P), which do apply to this case and are clearly violated, are based on and very similar to the PJM and NERC reliability standards.

- **Future Load Growth.** The R.D.'s observation that some recent Commission transmission line proceedings have been supported by future load growth provides no support for concluding that the Richfield-Dalmatia Project is not needed. This Project is needed to address serious reliability issues based on existing load conditions, not projected future load which may or may not occur. The need for the Project therefore is even clearer than a case based on future load growth that has not yet occurred and may never occur. Applied to its logical conclusion, the R.D. would permit projects designed to address reliability issues based on future load growth, but would not permit projects that are needed today based on existing conditions. This cannot be the Commission's policy.
- **Stress Modeling and Congestion.** The R.D. finds that, unlike other recent cases, there was no evidence of stress modeling or congestion in this case. This finding is simply wrong. The RP&P utilizes stress modeling as the central basis for system planning, and the stress modeling conducted in this case identified serious reliability problems in the Project area. Moreover, this stress modeling showed that heavily loaded lines, *i.e.*, congestion will lead to excessive load drops under specified outage, *i.e.*, stress, conditions. The only solution for this problem on the existing system is leaving a large number of customers without service for extended periods of time. It is difficult to imagine a more necessary and proper project.
- **Alternatives.** The R.D. also finds, in a single sentence and without any supporting analysis, that PPL Electric did not produce evidence of a lack of available alternatives. Again, this finding is simply wrong. PPL Electric presented extensive evidence that all available distribution only alternatives have already been implemented with only marginal reliability improvements. Moreover, PPL Electric analyzed several transmission alternatives for this project and presented extensive evidence as to why these alternatives are either ineffective, impractical and/or too costly. In fact, the R.D. itself finds that there is no distribution only alternative for this Project, and by implication, that a transmission solution is required.

Finally, the R.D. is plainly at odds with established Commission policy and practices.

The Commission, in its reliability regulations and in several orders dealing with outages due to major storms, has made it very clear that EDCs should improve system reliability on poor performing circuits, such as the existing Dalmatia 36-02 circuit. Under the R.D., however, PPL Electric would be prohibited from undertaking needed improvements on one of the worst

performing circuits on its entire system, and thereby would be precluded from complying with these Commission regulations and orders.

Moreover, if adopted, the R.D. would create serious potential problems in implementing the recent legislation allowing utilities to file for a Distribution System Improvement Charge (“DSIC”). The DSIC is intended to encourage utilities to accelerate specified system improvements in order to improve safety and reliability of service to customers. The DSIC legislation requires the filing and approval of plans which spell out what investments a utility will make to accelerate needed infrastructure improvements. PPL Electric filed its Long-Term Infrastructure Improvement Plan (“LTIP”) on September 18, 2012, and it was approved by the Commission on January 10, 2013. The LTIP includes substantial investment for worst performing circuits, including the distribution portion of the Richfield-Dalmatia Project. Under the R.D., PPL Electric would be prohibited from implementing a project that is included in its Commission-approved LTIP and is DSIC eligible. More importantly, if adopted by the Commission, the R.D.’s necessity standard could adversely affect many other PPL Electric projects and projects of other utilities that are clearly needed for infrastructure improvement, but may not fall within the narrow list of projects identified in the R.D.

The overly narrow necessity standard in the R.D. must be rejected. The correct legal standard is “necessary or proper for the service, accommodation, convenience, or safety of the public.” PPL Electric has demonstrated, and the R.D. has found, that the existing line is a worst performing circuit, that improvements need to be undertaken, and that this Project will improve the reliability of service to thousands of PPL Electric customers. Applying the correct legal standard to the factual findings in the R.D., the Project should be approved.

### **III. THE PROPOSED PROJECT**

PPL Electric proposes to construct the 69 kV Richfield–Dalmatia Transmission Line, the Meiserville 69 – 12 kV Substation and related distribution lines in order to improve the reliability of electric service in portions of Snyder, Northumberland and Juniata Counties. The Project has both transmission and distribution components. PPL Electric investigated and developed the two components separately, before presenting them to the Commission as a single Project. (R.D. at 7.)

The Meiserville Substation proposal was developed to solve distribution reliability issues in the Richfield–Dalmatia Project area, which currently is served primarily by one 12 kV distribution line, the Dalmatia 36-02 line. (R.D. at 8.) Pursuant to 52 Pa. Code § 57.195, all Pennsylvania electric distribution companies (“EDCs”) must file with the Commission quarterly reports regarding the worst-performing 5% of distribution lines on their systems. The Dalmatia 36-02 line has historically been one of PPL Electric’s worst performing distribution circuits. It was included in the first worst-performing circuit report to the Commission, which was submitted for the third quarter of 2003. (R.D. at 8.) It has been on the worst-performing circuits list 16 of 31 quarters thereafter, making it a chronic worst performer. (*Id.*)

The reliability of service provided by distribution lines is evaluated based on the number and duration of service interruptions and the number of customers affected by such outages. (PPL Electric St. 5-R, p. 3.) Based on the history of the Dalmatia 36-02 line as a worst performing circuit, PPL Electric determined that a reinforcement of the distribution system in the Richfield-Dalmatia Project area was required.

In selecting and designing an engineering solution, PPL Electric selects the alternative that offers the most benefit and value to its customers. (PPL Electric St. 5-R, p. 10; Tr. 149.) To address the reliability issues on the Dalmatia 36-02 line, over the years, PPL Electric

implemented various low-cost solutions. PPL Electric has reinforced the Dalmatia 36-02 line by installing reclosers and fuses at the proper locations using proper coordination methods, as well as installing lightning arresters on every distribution transformer. (R.D. at 9.) None of these remedial measures, however, have provided more than marginal reliability improvements, and the Dalmatia 36-02 line has continued to appear on the list of worst performing circuits. (*Id.*) The Dalmatia 36-02 line has experienced a large number of outages, disrupting service to many customers due to the long length of the line and the large number of customers it serves. The line extends 194 circuit miles and supplies approximately 2,200 customers. (R.D. at 10.)

PPL Electric's distribution planning group determined that a robust reinforcement of the distribution system — a substation supplied by a transmission line — is required in order to address these reliability issues. (PPL Electric St. 5-RJ, p. 3.) Specifically, PPL Electric proposed to construct the Meiserville Substation, which will enable PPL Electric to split the Dalmatia 36-02 line into three separate distribution lines. (R.D. at 10.) This would dramatically reduce both the number of customers per line and the number of circuit miles per line. (*Id.*) This Project would also allow PPL Electric to isolate any outage to approximately 500 customers, instead of the more than 2,200 customers who currently could be affected by a single outage. (*Id.*) PPL Electric's witness testified that, "the Meiserville Substation and the distribution lines that will be served from it are part of PPL Electric's plan to improve the Dalmatia 36-02 line, so that it will no longer be one of the worst performing circuits in PPL Electric's system." (PPL Electric St. 5-R, p. 4.)

Power to the proposed substation will be supplied from the proposed Richfield–Dalmatia 69 kV Transmission Line. The Transmission Line is needed not only to address the distribution

reliability problems discussed above, but also to resolve independent transmission system violations.

Through an independent analysis conducted by PPL Electric's transmission planning group, the Company determined that a transmission tie line was needed to connect the Juniata – Richfield 69 kV transmission line to the Sunbury – Dauphin 69 kV Transmission Line in order to reduce outage durations and to allow load restoration for thousands of PPL Electric customers. PPL Electric's transmission lines are designed to operate at specified voltage levels of 69 kV and higher. PPL Electric's 69 kV transmission system is called its regional transmission system. PPL Electric undertakes an independent analysis of its regional transmission facilities, because the Company is responsible for analyzing and determining the need for projects for its regional transmission system. (PPL Electric St. No. 4-R, p. 6.) It then presents those projects to PJM as part of the PJM Regional Transmission Expansion Plan ("RTEP") process. (PPL Electric St. 7-R, pp. 6-8.) PJM and NERC reliability standards apply only to transmission lines that exceed 100 kV and, therefore, do not apply to the design and operation of PPL Electric's regional transmission system. (PPL Electric St. 7-R, pp. 4, 7-8.)

PPL Electric's regional transmission system is planned using PPL Electric's RP&P. (PPL Electric St. 1, p. 4.) The RP&P was developed to ensure adequate and appropriate levels of cost-effective electric service consistent with good utility practice. (PPL Electric St. 4-R, p. 4.) The transmission RP&P addresses the planning, protection, and operation of the Company's electric power transmission system. It is particularly important for the maintenance of PPL Electric's regional transmission lines, which are not subject to PJM or NERC reliability standards. PPL Electric has relied upon its RP&P guidelines in order to improve the reliability

of its system for more than 30 years, and the Commission has approved many PPL Electric projects that have relied upon the RP&P guidelines.<sup>1</sup>

The RP&P guidelines for a single circuit 69 kV transmission line allow up to 60 MW of load to be interrupted for up to 2 hours. Beyond 2 hours, not more than 30 MW of load may remain interrupted after all available field switching has been completed. (PPL Electric St. 4-R, p. 2.) The amount of load which is exposed to an interruption for a single contingency is derived from the emergency rating of standard 69 kV line conductor which is 120 MW. The emergency rating is the point beyond which operating the line for more than a limited duration can physically compromise the line, which may result in more extensive outages. (Tr. 201.) The RP&P loading guideline of 60 MW for a 69 kV line allows for emergency transfers to restore load from an adjacent line. That is, 60 MW of load normally served by a 69 kV transmission line that is experiencing an outage can be transferred to another 69 kV transmission line serving 60 MW of load without exceeding the line's emergency rating of 120 MW. (PPL Electric St. 4-R, pp. 4-5.)

PPL Electric's transmission planning department determined that an outage on the Juniata -- Richfield 69 kV line would cause approximately 44 MW of customer load to remain interrupted after all field switching and load transfers to adjacent lines have been completed. This is a violation of PPL Electric's RP&P guidelines. In addition, an outage on the Sunbury -- Dauphin 69 kV transmission line would cause approximately 10 MW of load to remain interrupted after all field switching is completed. Although the situation on the Sunbury --

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<sup>1</sup> See, e.g., *West Hempfield-Dillerville #1 and #2 138 kV Tie and Dillerville #1 and #2 138/69 kV Tap*, Docket No. A-2009-2100767 (Order entered June 25, 2009); *Roseville 138/69 kV Tap and Neffsville #1 and #2 138/69 kV Tap*, Docket No. A-2010-2156418 (Order entered April 15, 2010); *East Petersburg #1 and #2 138 kV Tap and Park City #1 and #2 138 kV Tap*, Docket No. A-2011-2266900 (Order entered Dec. 15, 2011), *South Akron-Dillerville #1 and #2 138 kV Line*, Docket No. A-2011-2248985 (Order entered Oct. 28, 2011); *South Akron-Dillerville #1 and #2 138kV Rebuild*, Docket No. A-2012-2319095 (Order entered Nov. 8, 2012).

Dauphin Transmission Line is not a violation of the RP&P guidelines, this Project will resolve the load restoration issue on that line, as well, thereby improving reliability of service. (PPL Electric St. No. 4-R, pp. 2-3.)

PPL Electric's witness, Richard Wodyka,<sup>2</sup> testified that PPL Electric's development of and reliance upon its RP&P guidelines is consistent with NERC planning standards, PJM planning criteria, and other regional transmission operators. Mr. Wodyka stated that internal planning guidelines, such as the RP&P, "are a critical element in planning and maintaining reliable and cost effective transmission and distribution systems." (PPL Electric St. 7-RJ, p. 8.)

To construct the Richfield-Dalmatia 69 kV Line and the tap to supply the Meiserville Substation, PPL Electric has to acquire rights-of-way and easements from 54 property owners. PPL Electric has successfully acquired needed rights-of-way and easements from 44 of the property owners. In order to acquire the remaining rights-of-way and easements, PPL Electric initiated these proceedings for the condemnation of rights-of-way and easements over lands of ten property owners.

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<sup>2</sup> Mr. Wodyka was employed by PJM for 32 years. PJM is the RTO that manages the transmission grid and operates electric power markets for a region spanning much of the Mid-Atlantic and Midwest regions of the United States. PJM is responsible for these activities in all or part of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia, and the District of Columbia. During his career at PJM, Mr. Wodyka initiated and managed various strategic activities related to PJM's transmission planning, operations, and market activities with external agencies, including FERC and numerous state regulatory commissions, and was responsible for leading PJM's initiatives related to market integration and for developing collaborative strategies related to electric industry standards. While at PJM, he led the development and implementation of the original PJM RTEP process. He has first-hand knowledge of the relationship between PJM and the local Transmission Owners responsibilities for planning the Bulk Electric System and for the Non-Bulk Electric System. He was also actively involved with NERC. He served on the NERC Planning and Engineering Committee for over ten years.

#### IV. EXCEPTIONS

**EXCEPTION NO. 1: THE RECOMMENDED DECISION APPLIED AN ERRONEOUS AND OVERLY NARROW LEGAL STANDARD IN DETERMINING WHETHER THIS PROJECT IS NECESSARY OR PROPER.**

In recommending that PPL Electric's Applications be denied, the R.D. relies on an incorrect and overly narrow legal standard that is inconsistent with the plain language of the governing statute and all relevant case law. Specifically, the R.D. states that: "The record in this case does not demonstrate a need for the transmission line and substation based on PJM violations, NERC violations, stress modeling, lack of alternatives, heavy congestion, load growth, etc."<sup>3</sup> (R.D. at 37). This overly narrow and totally unprecedented application of the statutory standard must be rejected.

In order to support its use of the power of eminent domain, PPL Electric is required to show that the project is "necessary or proper for the service, accommodation, convenience, or safety of the public." 15 Pa.C.S. § 1511(c). The R.D. ignores this standard and would limit PPL Electric's ability to prove need to five narrow, specific factors that arose in three recent Commission cases. This limitation, on its face, is directly at odds with the statute, which permits the exercise of the power of eminent domain where a project is necessary or proper for the service, accommodation, convenience, or safety of the public. The Commonwealth Court has held that a public utility meets its burden of proof for the exercise of eminent domain if it shows "that its proposed project is in the public interest." *Southeastern Pennsylvania Transportation Authority v. Pa. P.U.C.*, 991 A.2d 1021, 1023 (Pa. Cmwlth. 2010). The narrow need standard applied in the R.D. is inconsistent with the applicable statutory standard and must be rejected.

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<sup>3</sup> The statement is also factually incorrect as explained in the following Exceptions, below.

The statutory standard in Section 1511(c) also appears in Sections 1103(a) and 1501 of the Public Utility Code, 66 Pa.C.S. §§ 1103(a) and 1501. Judicial interpretation of these identical statutory provisions fully supports rejection of the standard applied in the R.D. The interpretation of the other statutes containing identical language are important here because identical language in different sections should be interpreted in the same manner. *General Electric Environmental Services, Inc. v. Envirotech Corp.*, 763 F. Supp. 113 (M.D. Pa. 1991).

Applying Section 1103(a) (relating to certificates of public convenience), the Pennsylvania Supreme Court determined that “necessity” was not required under the statute because the statute authorized granting a certificate of public convenience when doing so would be “necessary or proper for the service, accommodation, convenience, or safety of the public” The Court concluded that requiring a demonstration of necessity was improper because it focused only on the word “necessary” rather than the phrase “necessary or proper.” The Court reasoned that the word “or” must be given its normal disjunctive meaning unless such a construction would lead to an absurd result. *Elite Industries, Inc. v. Pa. P.U.C.*, 574 Pa. 476, 482, 832 A.3d 428, 431 (2003) (“*Elite*”). This decision clearly supports the conclusion that a public utility is not limited to five discrete factors in its ability to show that a specific project is “necessary or proper” under Section 1511(c).

The Commonwealth Court has reached a similar conclusion interpreting the “necessary or proper” standard contained in 15 Pa.C.S. § 1511(c) and 66 Pa.C.S. § 1501, in *PP&L, supra*. In that case, PPL Electric proposed to replace an existing 12 kV line with a new 69 kV transmission line to serve the Borough of Lehighton so that it could receive service at lower rates. *Application of Pennsylvania Power & Light Co.*, 1996 Pa. PUC LEXIS 102 (1996). The Commission disapproved that project because it was not needed from an “engineering

perspective,” *i.e.*, it was not needed to provide reliable service. On appeal, the Commonwealth Court reversed. In reviewing the “engineering perspective” standard applied by the Commission, the Commonwealth Court found that:

Nowhere in any of the ... statutory or regulatory provisions, nor in any other regulations promulgated under the Code, is there a requirement that the *necessity* which must be shown by a public utility corporation, such as PP&L, seeking to construct a transmission line, is that of necessity from an engineering prospective as concluded by the PUC.

*PP&L, supra* at 250. Similarly, as applied to this case, nowhere in the statutory or regulatory provisions is there a requirement that necessity can only be shown by the five narrow factors identified in the R.D.

The legal standard contained in the R.D. would prevent PPL Electric from constructing numerous projects that are clearly needed to improve reliability of service to thousands of its customers. Such a standard would prohibit the Company from reinforcing its system to prevent or reduce interruptions of service. Under the definition of “necessity” used in the R.D., system interconnections on PPL Electric’s regional system to ensure load transfer capability would almost never be “necessary,” even though they are one of the primary ways that PPL Electric provides reliable service to its customers and prevents extended outages. (PPL Electric St. 4-R, pp. 4-5.) Even more illogical is the R.D.’s finding that dramatically improving service on a long-time worst performing circuit is not necessary, even though remedial action is compelled by the Commission’s regulations and all other reasonably available alternatives have been attempted on that circuit and have not solved the problem. (PPL Electric St. 5-R, p. 4.) By its very definition, a worst performing circuit is one which poses a significant reliability concern for a utility, because that circuit performs more poorly than 95% of the utility’s other circuits. Surely,

improving reliability of service on a chronically worst performing circuit is “necessary or proper for the service, accommodation, convenience, or safety of the public.”

The R.D. relies on the Commission’s decision in *Re: West Penn Power Co.*, 54 Pa. PUC 319 (1980) (“*West Penn*”) to support the conclusion that an engineering necessity is needed to support a condemnation. Reliance on *West Penn* is inappropriate for two reasons. First, the Commission’s *West Penn* decision was squarely rejected by the Commonwealth Court in *PP&L*, *supra*, where the Commonwealth Court found that:

The ALJ, and the PUC, in turn, cite the PUC's decision in the case of *Re West Penn Power Company*, 54 Pa. PUC 319 (1980), as support for its decision regarding "engineering need." In *West Penn*, the PUC merely stated what it states here, i.e., that "the applicant must show the proposed line is necessary from an engineering prospective." *West Penn*, 54 Pa. PUC at 327. The PUC goes on, in *West Penn*, to state that "if this is not done, we are under no duty to issue a certificate." *Id.* The PUC, however, in *West Penn*, and here, fails to cite any statutory or regulatory authority for its conclusion in this regard.

*PP&L* at 251. The *West Penn* “engineering perspective” standard is no longer the law in Pennsylvania and provides no basis for rejecting PPL Electric’s application in this proceeding.

Further, *West Penn* does not support the R.D.’s conclusion. In *West Penn*, the Commission rejected an application of West Penn for approval of a transmission line. The basis for that decision, however, has no application to this proceeding. The *West Penn* Application was rejected because its evidence was unsound. The Commission stated:

We find that the evidence submitted by West Penn with regard to engineering necessity is so incomplete, inadequate or inaccurate that it does not meet the “reliable, probative and substantial” standard. The specific deficiencies in West Penn’s evidence are clearly detailed in the ALJ’s initial decision and this order. We do not depend on any one flaw in West Penn’s evidence in rejecting that evidence, but rather a combination of inaccuracies or inadequacies which, taken together, render the evidence presented as less than reliable, probative, and substantial.

*Id.* at 327. To summarize the Commission’s findings in *West Penn*:

- West Penn had not updated its load forecast evidence, where the most recent data indicated a reduced growth in peak load.
- The load flows submitted failed to reflect additional generation that would become available to meet the forecasted peak loads when they occur.
- The peak load data included all the loads of interruptible customers, even though those loads could have been used to reduce the forecasted peaks.
- Double contingencies were required to produce an overload.
- West Penn's witness admitted that the Company failed to investigate an alternative project that could address the reliability concerns at a lower cost and with less impact.

None of these shortcomings apply to PPL Electric and its proposed Project.

Unlike *West Penn*, the R.D. adopts PPL Electric's testimony that customers in the service area are at risk of a sustained outage should a single contingency event occur. (R.D. at 6.) Unlike *West Penn*, the R.D. correctly found that, presently, an outage of either the Juniata-Richfield 69 kV line or the Sunbury – Dauphin 69 kV line, individually, would result in interrupted service to customers. (R.D. at 6.) The Project will enable PPL Electric to restore service to the customers served by those lines. The R.D. also correctly found that the Dalmatia 36-02 line is a chronic worst performing line, meaning that the line performs more poorly than 95% of PPL Electric's distribution lines and that, presently, an outage of that distribution line can interrupt service to more than 2,200 customers. (R.D. at 10.) Further, the R.D. acknowledges that there are no remaining distribution-only solutions to the service problems in the Project area. (R.D. at 39.) Thus, the R.D. concludes that reliability problems that will cause customers to experience sustained outages exist in the Project area. These facts clearly demonstrate that *West Penn* has no application to this proceeding.

**EXCEPTION NO. 2: THE RECOMMENDED DECISION'S RELIANCE ON THREE RECENT COMMISSION TRANSMISSION SITING PROCEEDINGS AS A BASIS FOR REJECTING THIS PROJECT IS FACTUALLY AND LOGICALLY FLAWED AND SHOULD BE REJECTED.**

As noted above, the R.D. relies heavily on three recent Commission cases to support its use of an elevated legal standard: *Application of PPL Electric Utilities Corporation Filed Pursuant to 52 Pa. Code Chapter 57, Subchapter G, for Approval of the Siting and Construction of the Pennsylvania Portion of the Proposed Susquehanna-Roseland 500 kV Transmission Line in Portions of Lackawanna, Luzerne, Monroe, Pike and Wayne Counties, Pennsylvania*, Docket No. A-2009-2082652 (Order entered Feb. 12, 2010) (“*Susquehanna-Roseland*”), *Re: Application of Trans-Allegheny Interstate Line Company*, Docket Nos. A-110172, et. al, (Order entered Dec. 12, 2008) (“*TrAILCo*”) and *Chestnuthill, supra*. The R.D. cites *TrAILCo* and *Susquehanna-Roseland* as cases where need was shown through PJM violations, NERC violations, stress modeling, or heavy congestion. The R.D. cites *Chestnuthill* as a case where need was shown by future load growth that would lead to overloading that would physically damage facilities. The R.D. then finds that none of the above causes are present in this case and concludes that the Richfield-Dalmatia Project is not needed. There are several factual errors with this analysis, which are addressed in more detail in Exceptions Nos. 5 through 7. However, as a threshold matter, the R.D. appears to conclude that the factors identified in these three recent cases form the entire universe of reasons that can establish need for a utility construction project. This conclusion must be rejected.

*TrAILCo* and *Susquehanna-Roseland* addressed the extremely high voltage (500 kV) electric system and interstate transmission and reliability issues. These types of projects are subject to NERC reliability standards and were proposed to address direct violations of those standards. *Chestnuthill* addressed peak load issues in an area with substantial projected future

load growth. The Richfield-Dalmatia Project, however, is addressing worst performing circuits and extensive and repeated interruption of service to customers during major storms and other outages. The fact that this Project addresses different needs than three recent projects is not a rational basis to reject this Project. If the standard in the R.D. were adopted, electric utilities could only build projects where there were NERC violations or future load growth. This is not and should not be the policy of this Commission.

**EXCEPTION NO. 3: THE RECOMMENDED DECISION INCORRECTLY RELIED ON THE ABSENCE OF A PJM OR NERC RELIABILITY STANDARDS VIOLATION TO JUSTIFY REJECTING THIS PROJECT BECAUSE THESE STANDARDS DO NOT APPLY TO 69 KV TRANSMISSION PROJECTS OR DISTRIBUTION PROJECTS.**

The R.D cites a lack of PJM or NERC reliability violations as one basis for finding that the Project is not necessary. (R.D. at 37.) NERC/PJM reliability standards apply to the “bulk” power system, which is defined as 100 kV and above. (PPL Electric St. 7-R, pp. 4, 7-8.) There are no mandatory NERC or PJM reliability standards for the non-bulk power system. Reliability for the non-bulk system is primarily the responsibility of transmission owners, such as PPL Electric. *Id.* PPL Electric complies with this responsibility through its RP&P, which are the non-bulk system equivalent of the NERC/PJM reliability standards. (PPL Electric St. 7-RJ, p. 7-8.) There are no violations of NERC/PJM reliability standards in this case because those standards do not apply. It is not possible to violate non-applicable standards, and the R.D.’s finding provides no basis for rejecting PPL Electric’s Applications.

PPL Electric’s system includes tens of thousands of miles of transmission and distribution lines to which NERC/PJM reliability standards do not apply. The integrity of this low-voltage regional infrastructure is a critical component in providing reliable service to customers. PPL Electric ensures the reliability of this system through its RP&P guidelines, which provide quantitative metrics that are designed to ensure adequate and appropriate levels of

cost-effective electric service consistent with good utility practice. (*Id.*) It is these standards that are applicable to this case. It is these standards which are clearly violated in this case, and it is these standards which fully support the need for the Richfield-Dalmatia Project.

**EXCEPTION NO. 4: THE RECOMMENDED DECISION ERRS IN FINDING THAT A LACK OF FUTURE LOAD GROWTH SHOWS THAT THE RICHFIELD-DALMATIA PROJECT IS NOT NEEDED.**

The R.D. also includes future load growth as one of the criteria for determining that the proposed Project is necessary and finds that PPL Electric has failed to produce evidence showing that future load growth will create a problem in the Project area. (R.D. at 37.) The standard applied in the R.D. incorrectly focuses on future conditions, to the exclusion of current reliability concerns. The courts have held that “in cases regarding utility use of the power of eminent domain to condemn an easement, a liberal consideration for the future as well as existing necessities is the test.” *Clemmer v. Pa. P.U.C.*, 207 Pa. Super. 388, 399 (Pa. Super. 1966). Appropriate application of this standard to the facts presented by PPL Electric shows that the Project is necessary to address existing reliability concerns.

The reliability problems identified on both the distribution and transmission systems at issue in this case are based on existing conditions, not future load growth. The R.D. found that the Dalmatia 36-02 line is a worst performing, least reliable circuit on PPL Electric’s distribution system. (R.D. at 9.) Further, the R.D. specifically finds that “It is appropriate ... that actions be taken to improve the electric reliability in this area.” (R.D. at 36.) The R.D. acknowledges that there is no distribution only alternative to the Project. (R.D. at 39.) That is, a new transmission line in the area is the only solution to the distribution system reliability issues. Further, the R.D. found that, currently, 44 MW of transmission load cannot be transferred in the event of a single contingency outage on the Juniata – Richfield 69 kV line. (R.D. at 6.) The R.D., however, determines that even though action is appropriate, and a transmission solution is required to

improve both the distribution reliability problems and to address interrupted load during a transmission outage, the proposed Project is not necessary, in part, due to lack of future load growth. These findings cannot be reconciled.

Evidence of existing reliability issues under current loading conditions must be treated as equal to, if not more urgent than, evidence of issues related to future load growth, which may or may not occur. The R.D.'s conclusion would particularly impact rural portions of PPL Electric's system, where there is limited load growth but aging infrastructure. The rejection of this Project, based on lack of future load growth, when evidence of an existing reliability problem under current loading conditions has been presented, would create a dangerous precedent for developing appropriate infrastructure to provide reliable service.

**EXCEPTION NO. 5: THE RECOMMENDED DECISION'S FINDING THAT NO STRESS MODELING WAS PERFORMED IS IN ERROR.**

The R.D. cites a lack of evidence of stress modeling as a reason for rejecting the Project. (R.D. at 37.) As explained in Exception No. 1, this is an incorrect standard to be applied in this proceeding. The R.D. also is incorrect and should be reversed for the additional reason that PPL Electric did, in fact, rely on stress modeling to conclude that reinforcements are required in the Project area to improve the reliability of service.

To ensure reliable service, PPL Electric engages in system planning. For transmission planning, the process starts with a computer model of the future system. A specific study year is chosen, and the future system model is developed using the existing system plus any planned modifications. PPL Electric uses the latest forecast of load, which are prepared annually by the PJM Load Analysis Subcommittee. Transmission planners then "stress" the system by simulating an outage of each regional transmission facility. All conditions where the system violates PPL Electric's reliability criteria are identified. Where violations are shown, system

planners undertake extensive analyses to find solutions to resolve the violations. After examining available alternatives, the planners select the best solution, considering a variety of factors, including whether and to what degree the proposed solution resolves the violations, for how long the solution resolves the violation, and the estimated cost. Computer simulations of the system with the identified reinforcement alternatives are completed to identify the best overall reinforcement strategy to meet demand in a reliable and economic manner. (PPL Electric Ex. 1, Attachment 1, p. 3.)

One criterion PPL Electric uses to identify reliability violations is the maximum allowable load drop. The maximum allowable load drop test identifies which lines have substantial load that would remain interrupted for extended periods of time even after load restoration efforts through all possible field ties have been completed. This test identifies lines that are too heavily loaded to allow transfer of the load to neighboring transmission lines in the event of an outage, *i.e.*, stress on the system. This is part of PPL Electric's contingency planning. Contingency planning is the primary mechanism used by PPL Electric to ensure reliable service to its customers, by allowing the Company to shift customer load from one transmission line to another when an outage occurs. These transfers shorten the duration of outages and improve the Company's ability to provide more reliable service to the public. The stress modeling conducted by PPL Electric identified that, in its current configuration, a single contingency outage in the Project area would result in excessive customer load that could not be transferred. As a result, a significant number of customers would experience an extended outage, because they cannot be transferred to restore their service. No transfer capacity is available in the Project area.

The R.D.'s finding that PPL Electric failed to conduct stress modeling is contrary to the undisputed evidence of record.

**EXCEPTION NO 6: THE RECOMMENDED DECISION'S FINDING THAT THERE IS NO HEAVY CONGESTION ASSOCIATED WITH THIS PROJECT IS IN ERROR.**

The R.D. cites a lack of evidence of "heavy congestion" as a reason for rejecting the Project. (R.D. at 37.) As explained in Exception No. 1, this is not a correct standard in this proceeding. The R.D., however, is factually incorrect and should be reversed for the additional reason that PPL Electric has proved that heavy loading, *i.e.*, congestion, on certain lines can prevent PPL Electric from transferring load to other nearby transmission lines, which will mean that an impermissible amount of load would be interrupted in an outage for an extended period of time.

As explained above, PPL Electric engaged in stress modeling to determine where on its transmission system reinforcements are required. In conducting its stress modeling, PPL Electric's transmission planning group looks for situations where the transmission lines would experience congestion, *i.e.*, overloading, during normal and contingency situations. Stress modeling also identifies situations where restoration of load on an interrupted line would overload the neighboring facility to which it is being transferred. Currently, a single contingency outage on the Juniata – Richfield 69 kV Transmission Line will result in serious congestion, *i.e.*, it will leave 44 MW of load interrupted after all field switching and load transfers to adjacent lines have been completed. (R.D. at 6.) The reason that 44 MW of load remains interrupted is because transferring any additional load would exceed the emergency rating of those circuits that remain in operation. (PPL Electric St. 4-R, p. 4.)

Transferring load onto other circuits in excess of the loading restrictions could physically compromise the lines and lead to more extensive outages.<sup>4</sup> In its current configuration, in the event of an outage in the Project area, many customers cannot be transferred to neighboring lines to restore their service, because the neighboring lines are already heavily loaded which leaves insufficient transfer capacity. All customer load that cannot be transferred will experience an extended outage. The same situation is true of the 10 MW of customer load that would be left interrupted on the Sunbury – Dauphin 69 kV Transmission Line after all field switching is completed. (R.D. at 6.)

The R.D. errs in finding that PPL Electric failed to show heavy congestion on the transmission lines in the Project area. This finding should be rejected.

**EXCEPTION NO. 7: THE RECOMMENDED DECISION ERRS IN FINDING THAT PPL ELECTRIC FAILED TO SHOW THAT IT LACKED ALTERNATIVE PROJECTS.**

The R.D. states as a basis for rejecting PPL Electric's applications that the "record in this case does not demonstrate a need for the transmission line and substation based on...lack of alternatives." (R.D. at 37.) Not only is this the incorrect legal standard to apply, but it is also factually incorrect. PPL Electric is not required to show that this was the only possible project. Rather, it must show that it selected the best available alternative. *See Energy Conservation Council of Pa. v. Pa. P.U.C.*, 995 A.2d 465, 486 (Pa. Cmwlth. Ct. 2010). The record evidence shows that PPL Electric has exhausted all low cost alternatives for resolving the distribution issues and that it analyzed alternative transmission projects before rejecting them in favor of the proposed Project for good and valid reasons.

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<sup>4</sup> Exceeding the loading restrictions of a line, due to either excessive peak load or excessive load transfer, has the same physical results. Therefore, the R.D.'s discussion of the impact of excessive load in *Chestnuthill* is applicable to the facts in this case, *i.e.*, excessive load can cause facilities to melt.

The R.D. itself finds that there is no distribution only solution available to address the reliability issues on the existing system. (R.D. at 39.) The R.D. found that, on the Dalmatia 36-02 line, PPL Electric has “installed re-closers and fuses at the proper locations using proper coordination methods, as well as installing lightning arresters on every distribution transformer.” (R.D. at 9.) The R.D. also quoted PPL Electric’s testimony that a distribution only solution was not viable in the Project area. (R.D. at 39.) The evidence in this proceeding showed, and the R.D. acknowledged, that PPL Electric has already implemented all low-cost alternatives, and that a more robust solution – a substation supplied by a transmission line – was the only viable alternative to improve the reliability of service in the Project area. (PPL Electric St. 5-RJ, pp. 6-7.)

With regard to the transmission portion of this Project, PPL Electric produced evidence that it had considered alternative projects and had rejected those projects as being less viable and more expensive than the proposed Project. After identifying the Transmission RP&P violation, the transmission planning group assessed a variety of potential engineering solutions and selected two for more thorough assessment. (R.D. at 6.) The two solutions were identified as Alternatives 1 and 2 in the Necessity Statements. *Id.* The two alternatives were evaluated based on their ability to restore load on the Juniata–Richfield and Sunbury–Dauphin lines and to bring the Juniata–Richfield transmission line into compliance with the RP&P. Both included a distribution component that would allow for the construction of the Meiserville Substation and the associated 12 kV distribution lines.

Under Alternative 1, the selected alternative, PPL Electric would construct a new 11 mile long 69 kV line with double circuit design. The line would initially be constructed with a single circuit. The proposed line would extend from the vicinity of the Richfield Substation to the

vicinity of the Dalmatia Substation, tying together the existing Juniata – Richfield and Sunbury – Dauphin 69 kV Transmission Lines. (R.D. at 7.) The estimated cost of this alternative was \$12 million. (*Id.*)

Under Alternative 2, PPL Electric would construct a new 15 mile long 69 kV line with double circuit design. The line would initially be constructed with a single circuit. The proposed line would run from the Richfield Tie point on the Sunbury—Middleburg line to the Sunbury Substation 69 kV Yard 2. In addition to the 15 miles of double circuit line, 5 miles of transmission line would be required to supply the proposed Meiserville 69-12 kV Substation, which would necessitate constructing a 69 kV transmission line across the Susquehanna River. This alternative would also require installation of a new single breaker 69 kV termination in the Sunbury Substation 69 kV Yard 2. This alternative would cost an estimated \$22 million. (PPL Electric Ex. 1, Attachment 1, pp. 8-9.)

Alternative 2 would be more expensive, require a longer construction lead time and would encumber more land due to the longer length of the new transmission line. (PPL Electric St. No. 1, pp. 8-9.) Another consideration that made Alternative 1 preferable was that it provided load restoration support for the loss of the Sunbury-Dauphin 69 kV line whereas Alternative 2 would not. For these reasons, and after investigating the two alternatives, PPL Electric rejected Alternative 2 in favor of Alternative 1. (R.D. at 7.) Simply stated, the rejected alternative would be inferior to the proposed Project because it would not improve the reliability of service as well as the proposed Project and because it would have a far greater cost.<sup>5</sup>

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<sup>5</sup> In addition to PPL Electric's proposed Alternative 2, the Protestants also presented a transmission alternative. PPL Electric addressed the many infirmities specific to the transmission issues associated with the Protestants' alternative, including increased construction costs and time, right-of-way acquisition issues, and maintaining service to existing customers. (Tr. 253, Tr. 224-27, PPL Electric St. 4-R, p. 16.) In addition, the Protestants' alternative did not provide for a solution to the distribution issues identified in the Project area. (PPL Electric St. 4-R, p. 17.) As noted in this section, the R.D. has found that a distribution only solution is not available in the Project area.

The R.D. does not rely on any case law to support its conclusion. However, *West Penn, supra*, is informative on the issue of alternative analysis. There, the Commission discussed in detail the availability of a less burdensome and less expensive alternative project that would have resolved the reliability concern. *West Penn* at 19. In that case, the utility's own witness admitted that the Company had failed to investigate that alternative. *Id.* *West Penn* is not applicable to this proceeding because the record here contains no such evidence. Further, the R.D. does not cite any record evidence in support of the position that PPL Electric had other available alternatives that it failed to consider. The R.D. erred in finding that PPL Electric failed to produce evidence that it lacked alternatives in order to justify the selection of the proposed Project.

**EXCEPTION NO. 8: PPL ELECTRIC'S RELIABILITY PRINCIPLES AND PRACTICES GUIDELINES PROVIDE A VALID BASIS FOR IDENTIFYING RELIABILITY ISSUES IN THE TRANSMISSION AND DISTRIBUTION SYSTEMS.**

The R.D. states that "The RP&P is a helpful tool in increasing electric reliability on PPL's system, but does not give rise *per se* to the need for the transmission line and substation." (R.D. at 37.) The R.D. mischaracterizes the purpose and function of the RP&P. The purpose of the RP&P is to identify weaknesses in the transmission and distribution systems that should be investigated. Here, PPL Electric has used the RP&P to identify system weaknesses and confirmed that system reinforcements are appropriate and in the public interest. Presently, the Dalmatia 36-02 line has chronically been one of PPL Electric's worst performing lines, and an outage of the Juniata – Richfield 69 kV Transmission Line will leave 44 MW of customer load interrupted for an extended period of time.

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Therefore, on its face, the Protestants' alternative was insufficient to address the reliability concerns identified by PPL Electric.

The R.D. specifically finds that, although the “RP&Ps are no doubt useful in increasing electric reliability and allow PPL to monitor its entire electric system, merely because a portion of that system violates the RP&P does not mean that a new transmission line and substation are needed and should be constructed.” (R.D. at 36.) Thus, PPL Electric’s reliance on the RP&P guidelines as a mechanism to identify reliability concerns on its transmission and distribution system is supported by the R.D. The R.D., however, gives little weight to the RP&P as a principal tool for identifying weaknesses in PPL Electric’s 69 kV and 12 kV systems that should be reinforced. Instead, the R.D. considers exclusively PJM violations, NERC violations, stress modeling, lack of alternatives, heavy congestion, and load growth, to the exclusion of the RP&P guidelines.

The RP&P guidelines are designed to ensure adequate and appropriate levels of cost-effective electric service consistent with good utility practice. The transmission RP&P addresses the planning, protection, and operation of the Company’s electric power transmission system to ensure reliable service. For transmission planning, one important element that PPL Electric considers is the ability to restore load normally served by a 69 kV transmission line in the event of an outage of that line, by ensuring that load can be transferred to other 69 kV transmission lines. Such transfers allow PPL Electric to restore service in a short period of time to a large number of customers in the event of a transmission line outage. PPL Electric designs its system to limit the number of customers who will experience a prolonged outage in the event of the loss of a transmission line.

The distribution RP&P contains the guidelines that PPL Electric uses to plan expansions and reinforcements of its distribution system. The RP&P guides the design of the system, including how much and for how long load can be interrupted for any contingency. The

allowable time and amount of load interrupted were determined by examining historical outages and doing a statistical analysis to establish practical values that strike a proper balance between reliability of service and cost. (PPL Electric St. 5-R, p. 7.) The distribution guidelines in the RP&P limit the size, length and duration of outages to reasonable levels, which leads to fewer customers experiencing shorter outages. PPL Electric's guidelines are consistent with industry-wide practices. (PPL Electric St. 7-R, p. 27.)

The RP&P first provides general "Principles" for the orderly and economic development of the electric power system to meet future needs while maintaining an acceptable level of reliability. The Principles are qualitative statements concerning the degree of reliability and support which PPL Electric intends to provide its customers. PPL Electric plans, constructs, and operates its transmission system with the intent of adhering to the Principles outlined in the RP&P to the extent practical. (PPL Electric St. 4-R, p. 3.) The RP&P Principles are implemented through a set of "Practices," which are the quantitative guidelines to implement the Principles. Past PPL Electric and industry-wide experience with design and operation of electrical facilities and equipment provides the basis for the Practices. *Id.*

The quantitative standards adopted in the transmission RP&P and implemented in the planning process assure that the regional power transmission and distribution system can supply electricity to all customer loads in a reliable and economic manner. The process is designed to ensure that the regional power transmission system can sustain probable contingencies and disturbances with minimal customer interruptions and adequately serve each customer's needs with regard to capacity, voltage and reliability. PPL Electric's RP&P guidelines have been developed and refined over the years using industry-wide experience and historical performance

benchmarks to ensure acceptable and appropriate levels of service that remain consistent with good utility practice. (PPL Electric St. 4-R, p. 4.)

PPL Electric has applied the RP&P guidelines to the power system since the 1980s, and this design philosophy has provided for a highly reliable power system that is consistent with good utility practice. (PPL Electric St. 4-R, p. 5.) This process has been presented to the Commission as the basis for PPL Electric's planning decisions in numerous transmission project applications over the last thirty years.<sup>6</sup>

The RP&P guidelines help to ensure that PPL Electric develops its system in a way that assures adequate and appropriate levels of service throughout its service territory consistent with good utility practices. (PPL Electric St. No. 4-R, p. 4.) PPL Electric recognized, in developing the RP&P guidelines, that, in order to achieve its goal of reasonably reliable service, long-term and frequent interruptions of service should be avoided. *Id.* Thus, the RP&P provides standards for both transmission and distribution planning that are reasonably calculated to reduce the duration of outages and the number of customers who experience an outage. (*Id.* at 2; PPL Electric St. No. 5-R, p. 4.)

Although PPL Electric adopted the RP&P voluntarily, the practice of setting clear and objective criteria for determining when and where the transmission and distribution systems

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<sup>6</sup> See, e.g., *Chestnuthill*, *supra*; *Application Of PPL Electric Utilities Corporation Filed Pursuant To 52 Pa. Code Chapter 57 Subchapter G, For Approval Of The Siting And Construction Of The East Tannersville # 1 & # 2 138 kV Tap Line In Pocono Township, Monroe County, Pennsylvania*, A-2011-2269098 (April 12, 2012); *Letter of Notification of PPL Electric Utilities Corporation filed pursuant to 52 Pa. Code Chapter 57 Subchapter G, with respect to the Dappers 138/69 kV Transmission Tap Line in Cherry Ridge Township, Wayne County, PA*, A-2010-2208901 (July 18, 2011); *Application Of PPL Electric Utilities Corporation Filed Pursuant To 52 Pa. Code Chapter 57 Subchapter G, For Approval Of The Siting And Construction Of The Blue Mountain # 1 & # 2 138 kV Taps In Moore Township, Northampton County, Pennsylvania*, A-2010-2200439 (January 14, 2011); *Letter of Notification of PPL Electric Utilities Corporation filed pursuant to 52 Pa. Code Chapter 57 Subchapter G, With respect to the Hawley # 1 & # 2 138/69 kV Transmission Tap Line in Palmyra Township, Wayne County, Pennsylvania*, A-2010-2172213 (August 23, 2010); *Application Of PPL Electric Utilities Corporation Filed Pursuant To 52 Pa. Code Chapter 57 Subchapter G, For Approval Of The Siting And Construction Of The Appenzell # 1 & # 2 138 kV Taps In Jackson Township, Monroe County, Pennsylvania*, A-2010-2164476 (July 30, 2010).

should be reinforced is clearly an essential part of providing reasonable service to customers. As stated by Mr. Wodyka, “the fundamental purpose of the RP&P is to provide the PPL Electric planning engineers with a comprehensive set of planning guidelines and criteria that enable them to plan for a reliable transmission and distribution system for PPL Electric customers.” (PPL Electric St. 7-R, p. 21.) PPL Electric’s practice of maintaining internal planning guidelines is an essential part of providing reasonable, reliable and efficient service to customers and is consistent with PJM policies and with the practices of other utilities. (*Id.* at 22-23.) Further, PPL Electric uses stress modeling to plan its regional transmission system, which is the same process used by PJM to identify violations on the Bulk Electric System. (*Id.* at 25.)

The R.D. finds that PPL Electric’s internal guidelines are a useful tool for the Company to improve the reliability of its system, but does not give them sufficient weight, given that finding. The RP&P encourages proactive system planning. A utility should not wait until service becomes intolerably bad before it reinforces its system. The RP&P sets guidelines for when reinforcements should be implemented. The RP&P provides a consistent approach for determining how PPL Electric will meet its statutory obligation to provide safe and reasonably continuous service to its customers, through the identification of reliability concerns that lead to solution development. As described in Exception No. 7, once PPL Electric identified the RP&P violations, it conducted a detailed investigation and alternative analysis to find the best available alternative.

Internal guidelines play a critical role in reinforcing the regional transmission and distribution system, particularly because PJM and NERC guidelines do not address lower voltage lines. The RP&P guidelines provide a reasonable approach for identifying reliability concerns, are similar to the guidelines utilized by other utility companies, and are similar to the guidelines

used by PJM and NERC in planning for the Bulk Electric System. PPL Electric's RP&P guidelines support the identification of projects that are required to improve the reliability of service on its low-voltage system.

**EXCEPTION NO. 9: THE RECOMMENDED DECISION IS INCONSISTENT WITH THE COMMISSION'S REGULATIONS AND WELL-ESTABLISHED POLICY.**

At its core, the R.D. finds that the Richfield-Dalmatia Project, which will significantly improve reliability on a worst performing, least reliable circuit, is not necessary or proper for the service, accommodation, convenience, or safety of the public. The legal and factual errors in the R.D. are set forth above. That finding is also, however, patently inconsistent with Commission policy and particularly with the Commission's goal of improving reliability of service to customers. In describing the role of the Commission and EDCs in providing reliable service, the Commission has stated that:

Electric service reliability is an essential and core regulatory responsibility of this Commission under the Public Utility Code. EDCs have a legal obligation to connect customers, and then provide them safe, adequate, and reliable service at reasonable prices and without unreasonable interruptions or delay. 66 Pa. C.S. § 1501. Moreover, as part of their public service obligation, EDCs are required to undertake prudent operational measures to prevent or avoid outages that are preventable at a reasonable cost, and to inspect, repair and maintain their facilities in a manner consistent with prudent utility practice.

*Revision of 52 Pa. Code Chapter 57 Pertaining to Adding Inspection, Maintenance, Repair, and Replacement Standards for Electric Distribution Companies*, 2008 Pa. PUC LEXIS 177, at \*24-25 (2008) ("*I&M Order*"). A core responsibility of the Commission is to ensure that customers receive reliable service. The Commission is meeting this responsibility through the implementation of a variety of regulations, particularly through its regulations relating to Chapter 57 and orders implementing Act 11 of 2012 ("Act 11") that make DSICs available for electric

and other utilities. The R.D. should be rejected because it is directly contrary to the Commission's core responsibility to assure reliable electric service.

**1. The Recommended Decision Is Contrary To The Commission's Reliability Regulations Relating To Worst Performing Circuits.**

It is undisputed, and the R.D. itself finds, that the proposed Project will resolve reliability issues on one of PPL Electric's worst performing, least reliable circuits. The R.D.'s rejection of the Project is clearly at odds with the Commission's regulations. The Commission's regulations specifically require utilities to report and plan remedial action to improve the quality of service on the worst performing 5% of their distribution circuits. 52 Pa. Code § 57.195. In *Rulemaking Re Amending Electric Service Reliability Regulations at 52 Pa. Code Chapter 57*, Docket No. L-00030161, p. 13 (June 27, 2003) the Commission stated:

[W]e are requiring that the EDCs include in their annual reliability report to the Commission a list of the remedial efforts that have been taken or are being planned for the circuits that have been on the list of worst performing circuits for a year or more. This information will enable the Commission to determine if sufficient remedial efforts have been implemented for circuits that continue to be problematic and/or understand the problems being encountered by the EDC in its attempts to remediate poor performing circuits.

As the Commission has noted, this analysis "allows for identifying problem areas that are in need of remedial action." *Rulemaking Re Amending Electric Service Reliability Regulations at 52 Pa. Code Chapter 57*, Docket No. L-00030161, p. 7 (May 20, 2004) ("*Final Order*"). The point of the worst performing circuits reports is not merely to monitor these circuits; it is to ensure that utilities are actively trying to resolve the reliability issues being experienced on the least reliable circuits through planned and implemented actions.

The Commission has confirmed that implementation of remedial measures is the principal goal of the regulations in an investigation. The regulations allow the Commission to

investigate the reliability of an EDC's service, and order remedial action or monetary penalties. 52 Pa. Code § 57.197. For example, in *Investigation Regarding the Metropolitan Edison Company's, Pennsylvania Electric Company's and Pennsylvania Power Company's Reliability Performance*, Docket No. I-00040102 (Nov. 4, 2004), the Commission adopted the Recommended Decision of the ALJ, which found that:

The Companies will identify 5% of each Company's worst performing circuits each quarter, develop a remediation plan, and ensure that remediation efforts are completed on those circuits within a specified time period. If the circuit appears again on the 5% worst performing circuit list, the Companies will undertake additional remediation efforts.

*Investigation Regarding the Metropolitan Edison Company's, Pennsylvania Electric Company's and Pennsylvania Power Company's Reliability Performance*, Docket No. I-00040102, Recommended Decision at 9 (Order entered Oct. 7, 2004). While the R.D. correctly notes that the worst performing circuits list is only one component in the Commission's review of reliability, its conclusion would force PPL Electric to disregard the Commission's regulations requiring remedial action. This cannot be the Commission's policy or practice.

The R.D. notes that PPL Electric has taken past remedial actions to address the reliability concerns on the Dalmatia 36-02 line. (R.D. at 9.) Despite these actions, the line is continually on the worst performing circuits list. (*Id.*) Further remedial action is required. (R.D. at 36.) Consistent with the regulations and the clear intention of the Commission, PPL Electric has planned additional remedial action to remove the Dalmatia 36-02 line from the worst performing circuits list. The R.D., however, rejects PPL Electric's plan for remedial action, while noting that there are no alternative projects to improve the quality of service on this worst performing circuit. It is illogical to command PPL Electric to identify portions of its system that require repair, require the Company to make plans for remedial action, find that remedial action is in fact

appropriate, and then deny PPL Electric the ability to take any meaningful action. Yet that is exactly what the R.D. does.

The Commission has noted that the 5% of worst performing – least reliable - circuits are where the largest share of customer service interruptions occur. While “the specific circuits change from year to year, EDCs have found that remedial attention to 5% of its circuits each year is a cost-effective and manageable way to improve reliability.” *Final Order*, p. 25. Thus, while the Commission has found that improvement to worst performing circuits is a cost-effective means to improve service, the R.D. rejects the Commission’s conclusions through the application of an incorrect legal standard that would preclude system reinforcements to improve service reliability.

**2. The Recommended Decision Contradicts Numerous Commission Orders Relating To Storm Outages.**

In storm investigations, the Commission also has expressed concern regarding the reliability of service. In responding to the massive 2003 blackout in the Northeast, the Commission investigated how to ensure and improve reliable service in Pennsylvania. It determined that revisions to Chapter 57 were appropriate. In its Order amending Chapter 57, the Commission noted that “loss of power is a health and safety issue as well as a financial issue.” *I&M Order*. Providing reliable service has an important impact on the lives of people in the communities PPL Electric serves. Further, the Commission found in that proceeding that it was appropriate to improve the regulatory environment “to ensure the level of service quality required by law.” *Id.* at 35. The R.D., if adopted, would create a regulatory environment that prevents improvements in reliability, even while acknowledging that improvements are required. The R.D. accepts that customers are at risk of experiencing a significant outage based on the occurrence of a single contingency event, without the possibility of quick restoration, but it finds

that only certain limited reliability concerns justify a project and that the concerns addressed by the proposed Project are not among them. This selective determination of necessity should be rejected as an unsound policy that would deprive utilities of the ability to provide the level of service required by law.

The Commission revisited these principles in its order instituting an investigation into the 2011 storms, particularly Hurricane Irene and Tropical Storm Lee. There, the Commission stated:

Electric utilities operating in Pennsylvania have a duty to provide safe, adequate and reliable service to customers. As part of its statutory powers, the Commission is authorized to adopt and enforce rules to ensure that electric utilities provide safe, adequate and reliable service. This includes rules relating to the frequency, scope and duration of electric service outages that may be caused by extreme weather events. It is self-evident that these types of outages cannot be completely prevented for various reasons, including the strength and unpredictability of weather and the absence of legal authority to remove trees located outside of a utility's rights of way. Further, the Commission must also balance the reliability of service with affordability of service; an electric distribution system completely immune to weather events would not be affordable for many customers.

. . . .

The Commission expects that customers experiencing service outages will be restored safely and within a reasonable period of time. **The Commission further expects that electric utilities will appropriately invest in their distribution systems and give the necessary level of priority to the most troubled segments.**

*Prevention and Mitigation of Extended Service Outages*, Docket No. I-2011-2271989, pp. 1-2 (Dec. 1 2011) (emphasis added) ("*Outage Investigation Order*").

In response to the *Outage Investigation Order*, on August 7, 2012, the Commission's Bureau of Technical Utility Services ("TUS") issued a report titled: "Summary Report: Outage Information Reported by Electric Distribution Companies in Response to Docket No. I-2012-

2271989.” At page 14 of the Report, one of the recommendations of TUS to the Commission is that:

EDCs shall continue to implement corrective actions for the worst performing circuits and should strive to complete corrective actions for worst performing circuits by the close of the calendar-year quarter for which they were identified.

In this proceeding, PPL Electric is proposing to do exactly what the Commission expects of EDCs to prevent or mitigate outages. The purpose of the transmission portion of the Richfield–Dalmatia Project, the construction of the Richfield–Dalmatia 69 kV tie line, is to enable PPL Electric to restore service to a greater number of customers in the event of an outage of either the Juniata – Richfield 69 kV Transmission Line or the Sunbury – Dauphin 69 kV Transmission Line. The Richfield–Dalmatia 69 kV tie line will also supply the proposed Meiserville 69 -12 kV Substation. The new Substation will enable PPL Electric to split the existing Dalmatia 36-02 line into three different distribution lines. The Dalmatia 36-02 line is a chronic worst performing, *i.e.*, least reliable, distribution line due to its long length and the large number of customers it serves. Splitting the long and heavily loaded Dalmatia 36-02 line will result in fewer customers experiencing service interruptions from an outage, and will enable PPL Electric to restore service sooner to affected customers. In other words, the Richfield–Dalmatia Project is exactly the type of project contemplated by the Commission in the *Outage Investigation Order*. The rejection of the Richfield–Dalmatia Project by the R.D. is directly contrary to Commission policy.

**3. The Recommended Decision, If Applied To Other Proceedings, Could Adversely Affect Implementation Of Act 11.**

On February 14, 2012, Governor Corbett signed into law Act 11, which, among other things, amends Chapter 13 of Title 66 of the Code to allow EDCs to establish a DSIC in order 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). When Act 11 was passed, members of the Legislature noted that the bill will "ensure that all Pennsylvanians will continue to receive safe, reliable utility services at affordable prices." *Legislative Journal – House*, February 17, p. 160.

As a precondition to the implementation of a DSIC, each utility must file with the Commission a LTIP. PPL Electric filed its LTIP on September 18, 2012. It was approved by the Commission on January 10, 2013 at Docket No. P-2012-2325034. One of the programs in PPL Electric's LTIP addresses distribution reliability concerns by covering large-scale improvements to distribution circuits with a history of poor reliability. This program, "System Reliability Improvement Projects," addresses long-term projects, primarily aimed at worst performing circuits. *LTIP* at 40-41. The Meiserville Substation and the associated distribution lines are included in this category of the Company's LTIP and are therefore DSIC eligible infrastructure improvements.

The DSIC is intended to do exactly what PPL Electric has proposed in this proceeding: improve reliability of service to customers through investment in distribution infrastructure. The DSIC will serve little purpose in improving reliability if utilities are blocked from undertaking the types of projects that are necessary to significantly improve reliability on their distribution systems. The Legislature implemented the DSIC in order to create a regulatory environment that facilitated significant long-term investment in infrastructure by reducing the financial burden and uncertainty associated with rate cases. The purpose of the DSIC will be undermined if utilities are prohibited from undertaking projects that qualify for DSIC recovery and are necessary or proper to ensure reliable service.

**EXCEPTION NO. 10: THE FINDINGS OF FACT IN THE RECOMMENDED DECISION SUPPORT THE CONCLUSION THAT THE PROJECT IS NECESSARY OR PROPER.**

The findings of fact in the R.D. support the conclusions that the proposed Project is necessary or proper for the service, accommodation, convenience or safety of the public and that PPL Electric's Condemnation Applications should be approved. Regarding the distribution system, the R.D. found the following:

- The Dalmatia 36-02 line is a chronic worst performing circuit. R.D. at 8.
- It is appropriate that actions be taken to improve reliability of service on the Dalmatia 36-02 line. R.D. at 36.
- PPL Electric has already implemented all low-cost solutions, which have not removed the Dalmatia 36-02 line from the worst performing circuit list. R.D. at 8-9.
- Reducing circuit miles per line will positively impact reliability. R.D. at 9.
- Reducing customers per line will result in fewer customers being affected by an outage. R.D. at 9.
- The proposed Project will split the Dalmatia 36-02 line into three circuits, which will greatly reduce the circuit miles per line and customers per line. R.D. at 10.
- The new Project will include safeguards that isolate any outage to approximately 500 customers, instead of the more than 2,200 customers who could be affected presently by a single outage. R.D. at 10.
- No distribution only solution is available to resolve the service reliability issues in the Project area. R.D. at 39.

All of these findings are correct and supported by substantial evidence. These findings demonstrate that PPL Electric has met its burden of proof by showing that the proposed Project is "necessary or proper for the service, accommodation, convenience, or safety of the public" because it will improve the reliability of service in an area where there are significant service issues and because no other project will resolve the distribution service issues. PPL Electric's applications should be approved.

Regarding the transmission component of the Project, the R.D. found the following:

- An outage on the Juniata – Richfield 69 kV Transmission Line will leave 44 MW of customer load interrupted after all field switching and load transfers to adjacent lines have been completed. R.D. at 6.
- An outage on the Sunbury – Dauphin 69 kV Transmission Line would leave approximately 10 MW of customer load interrupted after all field switching and load transfers to adjacent lines have been completed. R.D. at 6.
- The transmission planning group considered a variety of potential engineering solutions and selected two for more thorough assessment. R.D. at 6-7.
- After investigating the two alternatives, the proposed Project was selected. R.D. at 7.

Here again, the findings of fact in the R.D. support a conclusion that the transmission portion of this Project is necessary or proper for the service, accommodation, convenience, or safety of the public. The proposed transmission line will supply the Meiserville Substation and the new distribution circuits that will improve the reliability of distribution service in the Project area and the transmission line will resolve independent transmission reliability concerns. Unlike *West Penn*, where the Commission rejected the underlying transmission reliability violations identified by the utility because the utility produced flawed evidence, the R.D. adopted PPL Electric's evidence regarding the amount of load that would be interrupted should a single contingency outage occur on the identified transmission lines. The R.D. clearly found that, should an outage occur on the two identified lines, customers will be without power for an extended period of time.

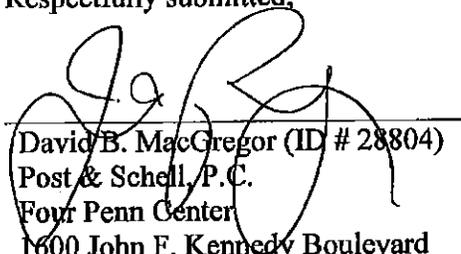
Based on the findings contained in the R.D., both the distribution and transmission portions of the proposed Project are needed to improve reliability in the Project area. The rejection of PPL Electric's applications based on the conclusion that PPL Electric failed to meet its burden of proof is inconsistent with the findings of fact in the R.D. That conclusion, therefore, should be rejected in light of the evidence presented in this proceeding and adopted in the R.D.

V. CONCLUSION

WHEREFORE, for the foregoing reasons, PPL Electric Utilities Corporation respectfully requests that the Pennsylvania Public Utility Commission find that the service to be provided through the exercise of the power of eminent domain is necessary or proper for the service, accommodation, convenience, or safety of the public and approve PPL Electric Utility Corporation's Condemnation Applications.

Respectfully submitted,

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