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File #: 2507/140056

January 22, 2013

**VIA HAND DELIVERY**

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

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**Re: Petition of PPL Electric Utilities Corporation for Approval of a Distribution System Improvement Charge  
Docket No. P-2012-2325034**

Dear Secretary Chiavetta:

On January 15, 2013, PPL Electric Utilities Corporation ("PPL Electric" or the "Company") filed the "Petition of PPL Electric Utilities Corporation for Approval of a Distribution System Improvement Charge" ("Petition") with the Pennsylvania Public Utility Commission ("Commission") at the above referenced docket. The filing included a proposed pro forma tariff implementing a Distribution System Improvement Charge ("DSIC"), as well as testimony from three witnesses.

Upon review of its filing, PPL Electric determined that there was an error in the calculation of the estimated DSIC rate, which appeared in the proposed pro forma tariff, as well as the Petition and the testimony of one of PPL Electric's witnesses. PPL Electric determined that it had inadvertently omitted to gross up the return component of the DSIC calculation to reflect applicable income taxes. After including the gross up, the estimated initial DSIC rate changed from 0.15% to 0.29%.

To reflect this correction, PPL Electric is submitting the following revisions to its Petition:

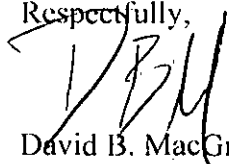
- Revised Tariff page 19Z.16
- Revised Exhibit BLJ-1
- Revised page 6 of the Petition
- Revised pages 5 and 6 of PPL Electric Statement No. 3

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Page 2

PPL Electric would note that the number being corrected is merely an estimated rate presented as part of a pro forma tariff, which was intended to give the parties some indication of the expected impact that the DSIC might have on a customer's bill. PPL Electric will provide the Commission with the actual DSIC rate to be implemented on May 1, 2013, ten days prior to its implementation.

Please direct any questions regarding this matter to the undersigned.

Respectfully,



David B. MacGregor

DBM/skr  
Enclosures

cc: Certificate of Service  
Honorable Robert F. Powelson (*via Hand Delivery*)  
Honorable Pamela A. Witmer (*via Hand Delivery*)  
Honorable John F. Coleman, Jr. (*via Hand Delivery*)  
Honorable James H. Cawley (*via Hand Delivery*)  
Honorable Wayne E. Gardner (*via Hand Delivery*)  
Bohdan Pankiw Esquire (*via Hand Delivery*)  
Paul T. Diskin (*via Hand Delivery*)

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**DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC)**

In addition to the net charges provided for in this Tariff, a charge of 0.29% will apply consistent with the Commission Order dated August 2, 2012, at Docket No. M-2012-2293611, approving the DSIC.

**GENERAL DESCRIPTION**

A. Purpose: To recover the reasonable and prudent costs incurred to repair, improve, or replace eligible property which is completed and placed in service and recorded in the individual accounts, as noted below, between base rate cases and to provide PPL Electric with the resources to accelerate the replacement of aging infrastructure, to comply with evolving regulatory requirements and to develop and implement solutions to regional supply problems.

The costs of extending facilities to serve new customers are not recoverable through the DSIC.

B. Eligible Property: The DSIC-eligible property will consist of the following:

- Poles and towers (Account 364);
- Overhead conductors (Account 365) and underground conduit and conductors (Accounts 366 and 367);
- Line transformers (account 368) and substation equipment (Account 362);
- Any fixture or device related to eligible property listed above, including insulators, circuit breakers, fuses, reclosers, grounding wires, crossarms and brackets, relays, capacitors, converters and condensers;
- Unreimbursed costs related to highway relocation projects where an electric distribution company must relocate its facilities; and
- Other related capitalized costs.

C. Effective Date: The DSIC will become effective for bills rendered on and after May 1, 2013.

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Revised Exhibit BLJ-1

PPL ELECTRIC UTILITIES CORPORATION  
 SCHEDULE 1 - COMPUTATION OF CUMULATIVE PROPOSED DSIC  
 APPLICATION PERIOD: MAY 1, 2013 THROUGH JULY 31, 2013

Line No.		Total
	Distribution System Improvement Charge	
1	Applicable Plant (Schedule 2, Line 2, Column M)	\$ 18,260,267
	Less:	
2	Accumulated Depreciation (Schedule 2, Line 3, Column M)	62,843
3	Retirements (Schedule 2, Line 4, Column M)	-
4	DSI = Distribution System Improvement Projects net of accumulated depreciation and retirements (Line 1 - Line 2 - Line 3)	18,197,424
5	Pre-tax return rate applicable to DSIC-eligible property (Schedule 3, Line 4)	2.93% 533,185
6	Dep = Depreciation Expense (Schedule 2, Line 6, Column M)	62,843
7	Net Amount to be Recovered (excludes Over/(Under) Collection) (w/o GRT) (Line 5 + Line 6)	596,028
8	Net Amount to be Recovered (excludes Over/(Under) Collection) (w/ GRT) (Line 7 x Note 1)	633,399
9	PQR = Projected Quarterly Distribution Revenue (Schedule 2, Line 9, Columns E through G)	218,435,669
10	DSIC = Distribution System Improvement Rider	
	Rate % of Billed Revenues (w/ GRT) (Line 8 / Line 9)	0.29%
	<b>Note 1:</b>	
	$\frac{1}{(1 - T)} = (T = 5.9\% \text{ Gross Receipts Tax})$	1.0627

PPL ELECTRIC UTILITIES CORPORATION  
 SCHEDULE 2 - COMPUTATION OF CUMULATIVE PROPOSED DSIC by MONTH  
APPLICATION PERIOD: MAY 1, 2013 THROUGH JULY 31, 2013

Line No.		(A)	(B)	(C)	(D)	(E)	(F)
		Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13
1	Incremental Plant Additions	\$ 6,532,956	\$ 5,640,555	\$ 6,086,756			
2	Cumulative Plant	6,532,956	12,173,512	18,260,267			
	Less:						
3	Accumulated Depreciation	11,106	31,801	62,843			
4	Retirements	-	-	-			
5	DSI = Distribution System Improvement Projects net of accumulated depreciation and retirements (Line 2 - Line 3 - Line 4)	6,521,850	12,141,711	18,197,424	-	-	-
6	Dep = Depreciation Expense	11,106	20,695	31,042	-	-	-
9	Projected 2013 Distribution Revenues					\$ 70,964,263	\$ 71,145,399

PPL ELECTRIC UTILITIES CORPORATION  
 SCHEDULE 2 - COMPUTATION OF CUMULATIVE PROPOSED DSIC by MONTH  
 APPLICATION PERIOD: MAY 1, 2013 THROUGH JULY 31, 2013

Line No.	(G)	(H)	(I)	(J)	(K)	(L)	(M)	
	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Total	
1							\$ 18,260,267	
2							18,260,267	
							Less:	
3							62,843	
4							-	
5	DSI = Distribution System Improvement Projects net of accumulated depreciation and retirements (Line 2 - Line 3 - Line 4)							18,197,424
6							62,843	
9	\$ 76,326,006	\$ 78,213,990	\$ 75,410,974	\$ 70,482,327	\$ 71,465,508	\$ 81,794,627		

**PPL ELECTRIC UTILITIES CORPORATION**  
**SCHEDULE 3 - COMPUTATION OF CUMULATIVE PROPOSED DSIC PRE-TAX RATE OF RETURN**  
**APPLICATION PERIOD: MAY 1, 2013 THROUGH JULY 31, 2013**

Line No.	(A) Description	(B) Capitalization Ratio	(C) Embedded Cost	(D) Rate of Return	(E) Tax Multiplier (1)	(D) Pre-Tax Rate of Return (PTRR)
1	Long-Term Debt	49.22%	5.50%	2.71%	-	2.71%
2	Common Equity	50.78%	10.40%	5.28%	1.709211797	9.02%
3	Total	<u>100.00%</u>		<u>7.99%</u>		<u>11.73%</u>
4	11.73% Annual PTRR / 4 months = 2.93% Quarterly PTRR					

(1) The tax multiplier is calculated as follows:  $1/[(1 - \text{Pa. Tax Rate}) \times (1 - \text{Fed. Tax Rate})]$  where the Pa. tax rate is 9.99% and Fed. tax rate is 35%.

$$1/[(1-9.99%)*(1-35\%)] = 1.709211797$$

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13. The Company recognizes that complaints may be filed in this proceeding or the Commission may open its own investigation into the Company's proposed DSIC. Either event could lead to hearings and possibly an adjustment to DSIC charges. To address that possibility, PPL Electric proposes that, if the Commission permits the Company's initial DSIC to become effective on May 1, 2013, any charges under the DSIC will be subject to refund in the event the Commission orders such a result at the conclusion of any evidentiary hearings or investigation held in this matter.

### 3. Computation of DSIC

14. Computation of the DSIC is described in the Direct Testimony of Ms. Johnson, PPL Electric Statement No. 3. As explained in her testimony, in calculating an estimated initial DSIC rate, the Company carefully followed Section 2 of the Commission's model tariff and applied the formula set forth in subsection 2(D). The calculation, which is set forth in PPL Electric Exhibit BLJ-1, attached to PPL Electric Statement No. 3, produces an estimated initial DSIC rate of 0.29 percent. Ten days before May 1, 2013, the day the initial DSIC rate will become effective, PPL Electric will update this computation to reflect the cost of DSIC-eligible projects that were actually placed into service during the period January through March 2013, and PPL Electric's actual capital structure and cost of long-term debt as of March 31, 2013.

### 4. Quarterly Updates

15. The DSIC will be updated on a quarterly basis to reflect eligible plant additions placed in service during the three-month period ending one month prior to the effective date of each DSIC update. PPL Electric has provided a chart of the effective dates of its proposed DSIC updates, and the corresponding period for eligible plant additions that will be reflected in each update, as part of its DSIC tariff filing in Exhibit No. 1.

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1 believes that it is appropriate to modify the proposed formula for the computation  
2 of the DSIC to include the applicable GRT cost component.

3  
4 Q. Please describe the computation of the DSIC charge.

5 A. Computation of the DSIC charge is described in Section 2 of the tariff. PPL  
6 Electric Exhibit BLJ-1 is a detailed calculation of an estimated initial DSIC rate.  
7 As shown on that exhibit, PPL Electric has carefully applied the computations  
8 prescribed by Section 2 of the tariff and the formula set forth in subsection 2(D).  
9 The Company began by identifying the net original cost of DSIC-eligible property  
10 that is scheduled to be placed into service during the period January through  
11 March 2013, as described in its Long Term Infrastructure Improvement Plan  
12 ("LTIIP"). PPL Electric then calculated the depreciation expense associated with  
13 that property by applying the annual accrual rates, which were employed in its  
14 most recent base rate case at Docket No. R-2012-2290597, and which are  
15 consistent with its current depreciation life study. Finally, the Company calculated  
16 the pre-tax return using statutory federal and state income tax rates, PPL  
17 Electric's projected capital structure and cost of long-term debt as of March 31,  
18 2013 and the 10.4 percent return on equity approved in its last fully litigated base  
19 rate case at Docket No. R-2012-2290597. Because this is an initial DSIC rate,  
20 there are no reconciliation values to include. When the sum of these values is  
21 divided by the projected quarterly revenues for the application period, adjusted  
22 for the GRT, the result is an estimated initial DSIC rate of 0.29 percent.

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1 Ten days before the initial DSIC rate becomes effective on May 1, 2013,  
2 PPL Electric will update this computation to reflect the cost of DSIC-eligible  
3 projects that were actually placed into service during the period January through  
4 March 2013, and its actual capital structure and cost of long-term debt as of  
5 March 31, 2013.

6  
7 Q. How will PPL Electric calculate the Projected Quarterly Revenues component of  
8 the DSIC?

9 A. PPL Electric has elected to base the Projected Quarterly Revenues ("PQR")  
10 component of its DSIC on the summation of projected revenues for the  
11 applicable three-month period. PPL Electric believes that using this method for  
12 determining the PQR component will more closely match the sales used to  
13 calculate the DSIC with the actual sales during the application period, which  
14 should reduce the amount of any over recoveries or under recoveries during the  
15 quarter.

16  
17 Q. What is the impact of the DSIC on customer rates?

18 A. Based on the estimated initial DSIC rate that I previously described in my  
19 testimony, PPL Electric estimates that application of the DSIC will increase  
20 customers' rates by approximately 0.29 percent. Pursuant to Section 4(A) of the  
21 tariff, the DSIC cannot exceed 5.0% of the amount billed to customers for  
22 distribution service. Pursuant to Section 4(B) of the tariff, PPL Electric will  
23 reconcile the revenue received under the DSIC annually. Any over- or under-

**CERTIFICATE OF SERVICE**

I hereby certify that true and correct copies of the foregoing have been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant):

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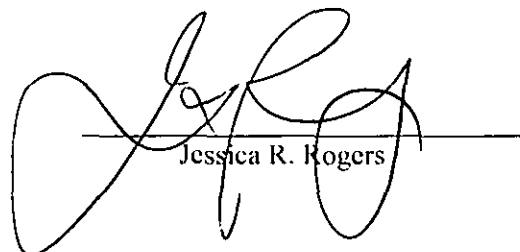
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Jessica R. Rogers