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February 4, 2013

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

VIA ELECTRONIC FILING

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

Dear Secretary Chiavetta:

Enclosed for filing with the Pennsylvania Public Utility Commission ("PUC" or "Commission") is the Petition to Intervene and Answer of the PP&L Industrial Customer Alliance ("PPLICA") concerning the above-referenced proceeding.

As shown by the attached Certificate of Service, all parties to this proceeding are being duly served. Thank you.

Very truly yours,

McNEES WALLACE & NURICK LLC

By 
Adeolu A. Bakare

Counsel to PP&L Industrial Customer Alliance

Enclosures
c: Certificate of Service

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the participants listed below in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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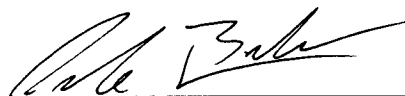
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Adeolu A. Bakare

Counsel to PP&L Industrial Customer Alliance

Dated this 4th day of February, 2013, at Harrisburg, Pennsylvania.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

**PETITION TO INTERVENE AND ANSWER
OF THE PP&L INDUSTRIAL CUSTOMER ALLIANCE**

Pursuant to Sections 5.71 through 5.74 of the Pennsylvania Public Utility Commission's ("PUC" or "Commission") Regulations, 52 Pa. Code §§ 5.71 - 5.74, the PP&L Industrial Customer Alliance ("PPLICA") hereby files this Petition to Intervene in the above-captioned proceeding. In addition, pursuant to Section 5.61(a) of the Commission's Regulations, 52 Pa. Code § 5.61(a), PPLICA hereby files this Answer¹ in response to the above-captioned Petition ("Petition") of PPL Electric Utilities Corporation. ("PPL" or "Company").

On January 2, 2013, PPL petitioned the Commission for approval of Supplement No. 127 to Electric Pa P.U.C. No. 201 ("Supplement No. 127"). Supplement No. 127 proposes to implement a Distribution System Improvement Charge ("DSIC") to recover "reasonable and prudent costs incurred to repair, improve, or replace certain eligible distribution property that is part of the EDC's distribution system." Petition, p. 3. PPL's Petition was filed pursuant to the Commission's Final Implementation Order entered August 2, 2012, at Docket No. M-2012-2293611 ("Implementation Order"). The Implementation Order set forth the Commission's procedures for complying with the requirements of Act 11 of 2012 ("Act 11"), which provides electric distribution companies ("EDCs") with legislative authority to petition for a DSIC. In

¹ Alternatively, PPLICA's filing should be treated by the Commission as a Complaint against PPL's proposal pursuant to Section 5.22 of the Commission's Regulations. See 52 Pa. Code § 5.22.

accordance with Act 11, the Implementation Order permitted EDCs to petition the Commission for a DSIC beginning January 1, 2013. See Implementation Order, p. 22.

Specifically, PPL's Petition proposes to apply the DSIC to all eligible property set forth in the Company's Petition for Approval of its Long-Term Infrastructure Improvement Plan ("LTIIP"), filed on September 18, 2012.² The net original cost of DSIC-eligible property actually placed into service during the prior quarter will be will be grossed up for applicable taxes and multiplied by the allowed rate of return. PPL Statement No. 2, p. 5. PPL utilized a rate of return on equity ("ROE") of 10.4% in calculating its DSIC, pursuant to the ROE approved by the Commission in the Company's 2012 base rate case.³ The Company will also apply its actual capital structure and cost of debt as of March 31, 2013. See Id. Finally, PPL will project the revenues for each quarterly application period to calculate the DSIC rate. See Id. PPL estimates that the initial DSIC will be 0.15%, and requests permission to implement the DSIC effective May 1, 2013. Petition, p. 5.

PPL's proposed DSIC will impose a surcharge on all of the Company's rate classes, including customers taking service at transmission voltage.⁴ It is therefore imperative that PPL's DSIC be just and reasonable and consistent with Act 11, the Implementation Order, and all applicable statutes and regulations. As set forth below, PPL's DSIC is neither just nor reasonable, and is not consistent with Act 11.

² PPLICA filed Comments on PPL's LTIIP on October 9, 2012. See Petition of PPL Electric Utilities Corporation, for Approval of its Long-Term Infrastructure Improvement Plan, Docket No. P-2012-2325034, Comments of the PP&L Industrial Customer Alliance (filed October 9, 2012) (hereinafter "PPLICA LTIIP Comments"). The Commission approved PPL's LTIIP on January 10, 2013..

³ See Pennsylvania Public Utility Commission v. PPL Electric Utilities Corporation, R-2012-2290597, Opinion and Order (Dec. 28, 2012), p. 101.

⁴ As discussed in the Answer below, PPL's proposal to apply the DSIC to transmission voltage customers fails to comply with the Implementation Order.

In support of its Petition to Intervene and Answer, PPLICA asserts as follows:

I. PETITION TO INTERVENE

1. PPLICA is an ad hoc association of energy-intensive commercial and industrial customers receiving electric service in PPL's service territory. PPLICA members purchase service from PPL primarily under Rate Schedules LP-4, LP-5, IS-P, as well as available riders⁵ PPLICA members collectively consume approximately 1.74 billion kWh of electricity each year in manufacturing and other operational processes. Electricity costs, therefore, comprise a significant portion of PPLICA members' total production costs.

2. For purposes of this proceeding, PPLICA includes the companies listed in Appendix A hereto. PPLICA will update Appendix A during the course of this proceeding as needed to reflect changes in its membership.

3. PPLICA members are concerned with issues regarding the terms and conditions of their electric distribution service. As a result, PPLICA has been actively involved in numerous PPL proceedings, including fully participating in PPL's 2012 base rate proceeding, which established the rate of return and ROE that will serve as the basis for PPL's DSIC. PPLICA is also actively involved in the Commission ongoing review of PPL's proposed Act 129 Phase II Energy Efficiency and Conservation Plan.⁶ Similar to the aforementioned proceedings, the Commission's final disposition of PPL's DSIC, may directly impact the rates that the Company imposes on PPLICA members for service.

⁵ Some PPLICA members also have accounts on Rate Schedules GS-1 and GS-3.

⁶ Petition of PPL Electric Utilities Corporation for Approval of Its Act 129 Phase II Energy Efficiency and Conservation Plan, Docket No. M-2012-2334388, Petition to Intervene of the PP&L Industrial Customer Alliance (Dec. 6, 2012).

4. PPLICA members have an interest in this proceeding that is not represented by any other party of record; consequently, PPLICA satisfies the standards for intervention under Section 5.72 of the Commission's Regulations, 52 Pa. Code § 5.72.

5. The names and address of PPLICA's attorneys are:

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6. PPLICA requests that the names and address of its attorneys be added to the Commission's and all parties' service lists. All correspondence in this proceeding from the Commission should be directed to the attention of Pamela Polacek at the address listed above.

7. Therefore, consistent with 52 Pa. Code § 5.72(a), PPLICA has a significant interest in this proceeding that is not represented by any other party of record. Accordingly, PPLICA should be granted intervenor status in this proceeding.

II. ANSWER

8. Based on a preliminary analysis, certain aspects of PPL's proposed DSIC require modification and/or further investigation. Of primary importance, the Company's Petition and supporting documentation demonstrate PPL's intention to apply DSIC charges to transmission voltage customers. This proposal is inappropriate from a cost causation standpoint and directly contradictory to express provisions in the Implementation Order. Additionally, PPL's calculation of the 5% cap must be further investigated to ensure that PPL's revenue calculations exclude

non-distribution revenues. Finally, the Commission should deny PPL's request for approval of the DSIC during the pendency of any Commission investigation in the matter.

9. In the Implementation Order, the Commission determined that the DSIC must be applied equally across all customer classes, but further stated that "[w]ith regard to the issue of applying a DSIC surcharge to EDC customers receiving service at transmission voltage, we are in general agreement with EAP and other commenters that a DSIC surcharge should not be applied to such customers." Implementation Order, p. 46. The Commission further clarified the appropriate treatment of transmission voltage customers as follows:

We are aware, however, that the difference between distribution voltage and transmission voltage varies by EDC. DSIC surcharges are to be applied to any customers served from higher voltage facilities which are included within the EDC's distribution plant for ratemaking purposes. We expect each EDC proposing a DSIC to address this issue in its tariff.

Id. Despite clear guidance from the Commission, PPL proposes to apply the DSIC to all rate schedules, including Rate Schedule LP-5. See Petition, Exhibit No. 1 (attaching Supplement No. 127). PPL did not address the treatment of transmission voltage customers in the Petition or the supporting testimony statements.

10. PPLICA strongly opposes the Company's proposal to apply the DSIC to transmission voltage customers taking service on Rate Schedule LP-5. As acknowledged by the Commission, customers taking service at transmission voltage rates should be included under the DSIC charge only if facilities serving such customers are considered distribution plant for ratemaking purposes. Implementation Order, p. 46. The Commission declined to explicitly prohibit any application of a DSIC to transmission voltage customers solely because some EDCs may define transmission voltage customers broadly enough to include customers also taking service from distribution plant. See id. This is not the case in PPL's service territory, as

customer accounts of Rate Schedule LP-5 take service exclusively at transmission voltage, defined by PPL as no less than 69 kV. See Petition, Exhibit No. 1 (attaching Supplement No. 127). Accordingly, PPL should modify its proposal to exclude transmission voltage customers from any DSIC charges.

11. PPLICA is also concerned with the Company's calculation of the 5% cap on costs recovered through the DSIC. Act 11 limits costs recovered through a DSIC to 5% of an EDC's distribution rates. 66 Pa. C.S. § 1358. Based on a preliminary analysis of PPL's DSIC calculation presented in Exhibit BLJ-1, it appears that PPL's determination of the 5% cap includes projected revenues from the Company's Act 129 Compliance Rider ("ACR"), Smart Meter Rider, Universal Service Rider, Net Metering Rider, and Competitive Enhancement Rider. See PPL Statement No. 3, Exhibit BLJ-1. PPLICA recognizes that certain riders may be reasonably categorized as distribution revenues, but questions whether revenues associated with all of the riders in PPL's tariff are properly included as distribution revenues. For example, the revenues collected through PPL's ACR are administered by the EDC, but applied to fund programs for reducing customer consumption of generation service and alleviating congestion of the transmission system. See 66 Pa. C.S. §§ 2806.1(c)-(d). The ACR activities are not "distribution service." The revenues associated with other riders may also be subject to exclusion from DSIC revenues. PPLICA intends to fully investigate PPL's calculation of distribution revenues, including the proper treatment of revenues collected through the Company's various riders.

12. Finally, PPLICA opposes the Company's request for the Commission to approve the DSIC prior to conclusion of a Commission investigation in the matter. PPL proposes a May 1, 2013 effective date for the DSIC, but acknowledges that parties may file complaints to

the Petition or the Commission may open its own investigation into the proposed DSIC. Petition, p. 6. As a purported solution, PPL requests that the Commission approve the DSIC with the May 1, 2013 effective date, but "subject to refund in the event the Commission orders such as result at the conclusion of any evidentiary hearings or investigation held in this matter".

Id.

13. PPLICA is concerned that PPL's proposal would deprive parties of due process and violate the express terms of Act 11. Act 11 states that the Commission may approve a DSIC only after notice and hearing. 66 Pa. C.S. § 1353. Pursuant to Section 1308(d) of the Public Utility Code, PPL's proposed DSIC should be suspended entirely for the duration of any Commission's investigation into the terms and conditions proposed therein. 66 Pa. C.S. § 1305(d). Approving the DSIC subject to refund may substantially prejudice parties raising objections to PPL's proposal. Therefore, PPLICA respectfully requests that the Commission deny PPL's request for expedited approval of the proposed DSIC.

14. In addition to the issues identified above, PPLICA reserves the right to raise and address additional issues of concern during the course of the proceeding based on further review of the Petition, issues identified via discovery, and issues raised by other parties.

WHEREFORE, for the reasons stated above, the PP&L Industrial Customer Alliance respectfully requests that the Pennsylvania Public Utility Commission

(a) Fully suspend the effectiveness of Supplement No. 127 to Electric Pa P.U.C. No. 201;


(b) Open an investigation into whether Supplement No. 127 to Electric Pa P.U.C. No. 201 and PPL's Petition are just, reasonable and consistent with Act 11;

(c) Grant this Petition to Intervene, providing the PP&L Industrial Customer Alliance with full-party status in this proceeding, and

(d) Provide other such relief as it deems necessary.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

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Counsel to the PP&L Industrial Customer Alliance

Dated: February 4, 2013

APPENDIX A

PP&L INDUSTRIAL CUSTOMER ALLIANCE

Air Products and Chemicals, Inc.
Armstrong World Industries, Inc.
General Dynamics-OTS Scranton
Hercules Cement Company
SAPA Extrusions, Inc.
The Hershey Company
TIMET North America
Wegmans Food Markets, Inc.