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FEDERAL EXPRESS

June 20, 2013

Rosemary Chiavetta, Esquire
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

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JUN 20 2013

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

**Re: PPL Electric Utilities Corporation
Supplement No. 135 to Tariff - Electric Pa. P.U.C. No. 201 and
Calculation of Distribution System Improvement Charge
Docket No. P-2012-2325034**

Dear Ms. Chiavetta:

Enclosed for filing on behalf of PPL Electric Utilities Corporation ("PPL Electric") is Supplement No. 135 to PPL Electric's Tariff – Electric Pa. P.U.C. No. 201 as well as the Calculation of Distribution System Improvement Charge ("DSIC"). Also enclosed is the verification of qualification and inspection required by the Final Implementation Order entered on August 2, 2012 at Docket No. M-2012-2293611. This supplement, which is being filed pursuant to the May 23, 2013, Final Order in the above referenced proceeding implements PPL Electric's DSIC for the period July 1, 2013 through September 30, 2013.

Pursuant to 52 Pa. Code § 1.11, the enclosed documents are to be deemed filed on June 20, 2013, which is the date they were deposited with an overnight express delivery service as shown on the delivery receipt attached to the mailing envelope.

In addition, please date and time-stamp the enclosed extra copy of this letter and return it to me in the envelope provided.

If you have any questions regarding the enclosed report or need additional data, please call me or Bethany L. Johnson, PPL Electric's Manager-Regulatory Compliance at (610) 774-7011.

Very truly yours,

A handwritten signature in black ink that reads "Paul E. Russell". The signature is written in a cursive style with a large, prominent initial "P".

Paul E. Russell

Enclosures

cc: Mr. Carl Lesney
Tanya J. McCloskey, Esquire
Ms. Lori Burger
Mr. John R. Evans
J. Edward Simms, Esquire



PPL Electric Utilities Corporation

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GENERAL TARIFF

JUN 20 2013

**RULES AND RATE SCHEDULES
FOR ELECTRIC SERVICE**

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

*In the territory listed on pages 4, 4A, and 4B
and in the adjacent territory served.*

ISSUED: June 20, 2013

EFFECTIVE: July 1, 2013

GREGORY N. DUDKIN, PRESIDENT

Two North Ninth Street
Allentown, PA 18101-1179

NOTICE

THIS TARIFF MAKES CHANGES (C) IN EXISTING RATES. SEE PAGE TWO.

LIST OF CHANGES MADE BY THIS SUPPLEMENT

CHANGES

Rider Matrix

Page No. 14D

The Rider Matrix was revised to show the applicable Riders in the Tariff.

Distribution System Improvement Charge (DSIC)

Page Nos. 19Z.16, 19Z.17, 19Z.18,
and 19Z.19

The DSIC was added to provide recovery of Company's cost to repair, improve, or replace eligible electric distribution facilities and a rate was established for the period July 1, 2013 through September 30, 2013.

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(Continued)

RIDER MATRIX (C)

Rate Schedule	EEC	USR	NM	MBC	ACR 1	ACR 2	MFC	SMR	CER	DSIC
RS		X	X	X	X	X	X	X	X	X
RTS (R)		X		X	X	X	X	X	X	X
GS-1			X	X	X	X	X	X	X	X
GS-3	X		X	X	X	X	X	X	X	X
LP-4	X		X	X	X	X		X	X	X
LP-5	X			X	X	X		X	X	X
LPEP	X			X	X	X		X	X	X
IS-1 (R)				X	X	X	X	X	X	X
BL				X	X	X	X	X	X	X
SA				X	X	X	X	X	X	X
SM (R)				X	X	X	X	X	X	X
SHS				X	X	X	X	X	X	X
SE				X	X	X	X	X	X	X
TS (R)				X	X	X	X	X	X	X
SI-1 (R)				X	X	X	X	X	X	X
GH-2 (R)				X	X	X	X	X	X	X
Rule 6/6A				X	X	X	X	X	X	X

Rider Titles

- EEC = Emergency Energy Conservation Rider
- USR = Universal Service Rider
- NM = Net Metering for Renewable Customer-Generators
- MBC = Metering and Billing Credit Rider
- ACR 1 = Act 129 Compliance Rider – Phase 1
- ACR 2 = Act 129 Compliance Rider – Phase 2
- MFC = Merchant Function Charge Rider
- SMR = Smart Meter Rider
- CER = Competitive Enhancement Rider
- DSIC = Distribution System Improvement Charge

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC)

In addition to the net charges provided for in this Tariff, a charge of 0.43% will apply **(C)** consistent with the Commission Order dated May 23, 2013, at Docket No. P-2012-2325034, 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 July 1, **(C)** 2013.

(Continued)

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC) (Continued)

COMPUTATION OF THE DSIC

A. Calculation: The initial DSIC, effective July 1, 2013, shall be calculated to recover the fixed costs of eligible plant additions that have not previously been reflected in PPL Electric's rates or rate base and will have been placed in service between March 1 through May 31, 2013. Thereafter, the DSIC will be updated on a quarterly basis to reflect eligible plant additions placed in service during the three-month periods ending one month prior to the effective date of each DSIC update. Thus, changes in the DSIC rate will occur as follows: (C)

Effective Date of Change	Date to which DSIC-Eligible Plant Additions Reflected
July 1, 2013	March 1 – May 31, 2013
October 1, 2013	June 1 – August 31, 2013
January 1, 2014	September 1 – November 30, 2013
April 1, 2014	December 1 – February 28, 2014

B. Determination of Fixed Costs: The fixed costs of eligible distribution system improvements projects will consist of depreciation and pre-tax return, calculated as follows:

1. Depreciation: The depreciation expense shall be calculated by applying the annual accrual rates employed in PPL Electric's most recent base rate case for the plant accounts in which each retirement unit of DSIC-eligible property is recorded to the original cost of DSIC-eligible property.

2. Pre-tax return: The pre-tax return shall be calculated using the statutory state and federal income tax rates, PPL Electric's actual capital structure and actual cost rates for long-term debt and preferred stock as of the last day for the three-month period ending one month prior to the effective date of the DSIC and subsequent updates. The cost of equity will be the equity return rate approved in PPL Electric's last fully litigated base rate proceeding for which a final order was entered not more than two years prior to the effective date of the DSIC. If more than two years shall have elapsed between the entry of such a final order and the effective date of the DSIC, then the equity return rate used in the calculation will be the equity return rate calculated by the Commission in the most recent Quarterly Report on the Earnings of Jurisdictional Utilities released by the Commission.

C. Application of DSIC: The DSIC will be expressed as a percentage carried to two decimal places and will be applied to the total amount billed to each customer for distribution service under PPL Electric's otherwise applicable rates and charges, excluding amounts billed for the State Tax Adjustment Surcharge (STAS). To calculate the DSIC, one-fourth of the annual fixed costs associated with all property eligible for cost recovery under the DSIC will be divided by PPL Electric's projected revenue for distribution service (including all applicable clauses and riders) for the quarterly period during which the charge will be collected, exclusive of the STAS.

(Continued)

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC) (Continued)

COMPUTATION OF THE DSIC (Continued)

D. Formula: The formula for calculation of the DSIC is as follows:

$$DSIC = \frac{((DSI \times PTRR) + Dep + e)}{PQR} \times \frac{1}{(1-T)}$$

Where:

- DSI = Original cost of eligible distribution system improvement projects net of accrued depreciation.
- PTRR = Pre-tax return rate applicable to DSIC-eligible property.
- Dep = Depreciation expense related to DSIC-eligible property.
- e = Amount calculated under the annual reconciliation feature or Commission audit, as described below.
- PQR = Projected quarterly revenues for distribution service (including all applicable clauses and riders) from existing customers plus netted revenue from any customers which will be gained or lost by the beginning of the applicable service period.
- T = Pennsylvania gross receipts tax rate in effect during the billing month, expressed in decimal form.

Minimum bills shall not be reduced by reason of the DSIC, nor shall charges hereunder be a part of the monthly rate schedule minimum. The DSIC shall not be subject to any credits or discounts. The State Tax Adjustment Surcharge (STAS) included in this Tariff is applied to charges under the DSIC.

QUARTERLY UPDATES

Supporting data for each quarterly update will be filed with the Commission and served upon the Commission's Bureau of Investigation and Enforcement, the Office of Consumer Advocate, and the Office of Small Business Advocate at least ten (10) days prior to the effective date of the update.

(Continued)

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC) (Continued)

CUSTOMER SAFEGUARDS

A. **Cap:** The DSIC is capped at 5.0% of the amount billed to customers for distribution service (including all applicable clauses and riders) as determined on an annualized basis.

B. **Audit/Reconciliation:** The DSIC is subject to audit at intervals determined by the Commission. Any cost determined by the Commission not to comply with any provision of 66 Pa C.S. §§ 1350, *et seq.*, shall be credited to customer accounts. The DSIC is subject to annual reconciliation based on a reconciliation period consisting of the twelve months ending December 31 of each year. The revenue received under the DSIC for the reconciliation period will be compared to PPL Electric's eligible costs for that period. The difference between revenue and costs will be recouped or refunded, as appropriate, in accordance with Section 1307(e), over a one-year period commencing on May 1 of each year. If DSIC revenues exceed DSIC-eligible costs, such over-collections will be refunded with interest. Interest on over-collections and credits will be calculated at the residential mortgage lending specified by the Secretary of Banking in accordance with the Loan Interest and Protection Law (41 P.S. §§ 101, *et seq.*) and will be refunded in the same manner as an over-collection.

C. **New Base Rates:** The DSIC will be reset at zero upon application of new base rates to customer billings that provide for prospective recovery of the annual costs that had previously been recovered under the DSIC. Thereafter, only the fixed costs of new eligible plant additions that have not previously been reflected in PPL Electric's rates or rate base will be reflected in the quarterly updates of the DSIC.

D. **Customer Notice:** Customers shall be notified of changes in the DSIC by including appropriate information on the first bill they receive following any change. An explanatory bill insert also shall be included with the first billing.

E. **All customer classes:** The DSIC shall be applied equally to all customer classes.

F. **Earning Reports:** The DSIC also will be reset at zero if, in any quarter, data filed with the Commission in PPL Electric's then most recent Annual or Quarterly Earnings reports (Schedule D-2) show that PPL Electric would earn a rate of return that would exceed the allowable rate of return used to calculate its fixed costs under the DSIC as described in the pre-tax return section.

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PPL ELECTRIC UTILITIES CORPORATION

**CALCULATION OF
DISTRIBUTION SYSTEM IMPROVEMENT CHARGE**

**For the Application Period
July 1, 2013 through September 30, 2013**

Docket No. P-2012-2325034

June 20, 2013

PPL ELECTRIC UTILITIES CORPORATION
SCHEDULE 1 - COMPUTATION OF CUMULATIVE PROPOSED DSIC
APPLICATION PERIOD: JULY 1, 2013 THROUGH SEPTEMBER 30, 2013

Line No.		Total
	Distribution System Improvement Charge	
1	Applicable Plant (Schedule 2, Line 2, Column M)	\$ 28,189,060
	Less:	
2	Accumulated Depreciation (Schedule 2, Line 3, Column M)	87,700
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)	28,101,360
5	Pre-tax return rate applicable to DSIC-eligible property (Schedule 3, Line 4)	2.98% 837,421
6	Dep = Depreciation Expense (Schedule 2, Line 6, Column M)	87,700
7	Net Amount to be Recovered (excludes Over/(Under) Collection) (w/o GRT) (Line 5 + Line 6)	925,121
8	Net Amount to be Recovered (excludes Over/(Under) Collection) (w/ GRT) (Line 7 x Note 1)	983,126
9	PQR = Projected Quarterly Distribution Revenue (Schedule 2, Line 9, Columns G through I)	229,950,970
10	DSIC = Distribution System Improvement Rider	
	Rate % of Billed Revenues (w/ GRT) (Line 8 / Line 9)	0.43%
	Note 1:	
	$\frac{1}{(1 - T)} = (T = 5.9\% \text{ Gross Receipts Tax})$	1.0627

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PPL ELECTRIC UTILITIES CORPORATION
 SCHEDULE 2 - COMPUTATION OF CUMULATIVE PROPOSED DSIC by MONTH
 APPLICATION PERIOD: JULY 1, 2013 THROUGH SEPTEMBER 30, 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			\$ 4,728,791	11,839,302.00	11,620,967.31	
2	Cumulative Plant			4,728,791	16,568,093	28,189,060	
	Less:						
3	Accumulated Depreciation			5,175	32,267	87,700	
4	Retirements			-	-	-	
5	DSI = Distribution System Improvement Projects net of accumulated depreciation and retirements (Line 2 - Line 3 - Line 4)	-	-	4,723,616	16,535,826	28,101,360	-
6	Dep = Depreciation Expense	-	-	5,175	27,092	55,433	-
9	Projected 2013 Distribution Revenues						

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PPL ELECTRIC UTILITIES CORPORATION
 SCHEDULE 2 - COMPUTATION OF CUMULATIVE PROPOSED DSIC by MONTH
 APPLICATION PERIOD: JULY 1, 2013 THROUGH SEPTEMBER 30, 2013

Line No.	(G) Jul-13	(H) Aug-13	(I) Sep-13	(J) Oct-13	(K) Nov-13	(L) Dec-13	(M) Total
1 Incremental Plant Additions							\$ 28,189,060
2 Cumulative Plant							28,189,060
Less:							
3 Accumulated Depreciation							87,700
4 Retirements							-
<hr/>							
5 DSI = Distribution System Improvement Projects net of accumulated depreciation and retirement: (Line 2 - Line 3 - Line 4)	-	-	-	-	-	-	28,101,360
6 Dep = Depreciation Expense	-	-	-	-	-	-	87,700
9 Projected 2013 Distribution Revenues	\$ 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: JULY 1, 2013 THROUGH SEPTEMBER 30, 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	46.74%	5.29%	2.47%	-	2.47%
2	Common Equity	53.26%	10.40%	5.54%	1.709211797	9.47%
3	Total	<u>100.00%</u>		<u>8.01%</u>		<u>11.94%</u>
4	11.94% Annual PTRR / 4 months = 2.98% 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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VERIFICATION

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COMMONWEALTH OF PENNSYLVANIA)
: SS
COUNTY OF LEHIGH)

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

I, David J. Bonenberger, hereby state that the personnel performing DSIC-eligible work are qualified and that any DSIC-eligible work that is performed by independent contractors is properly inspected by utility employees, in compliance with 66 Pa.C.S. Section 1359. The facts set forth above are true and correct (or are true and correct to the best of my knowledge, information and belief) and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).



Date: 6/18/13

From: (610) 774-4254
Paul E Russell
PPL Corporation
2 N 9th Street

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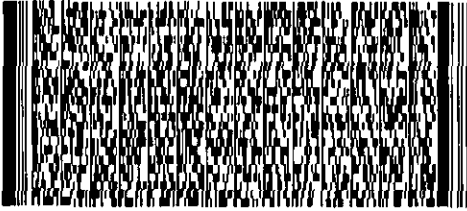


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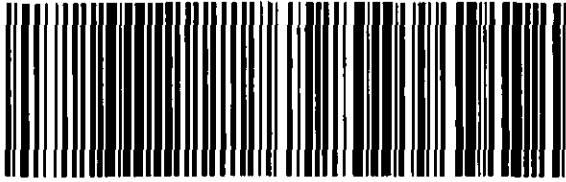
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