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File #: 161074

May 1, 2015

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: Pennsylvania Public Utility Commission v. PPL Electric Utilities Corporation
Docket No. R-2015-2469275

Dear Secretary Chiavetta:

Enclosed for filing is the Prehearing Conference Memorandum of PPL Electric Utilities Corporation for the above-referenced proceeding. Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,

Christopher T. Wright

CTW/jl
Enclosures

cc: Honorable Susan D. Colwell
Certificate of Service

CERTIFICATE OF SERVICE
Docket No. R-2015-2469275

I hereby certify that a true and correct copy of the foregoing 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).

VIA E-MAIL and FIRST CLASS MAIL

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Date: May 1, 2015



Christopher I. Wright

**THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission,	:	
	:	R-2015-2469275
v.	:	
	:	
PPL Electric Utilities Corporation.	:	

**PREHEARING CONFERENCE MEMORANDUM OF
PPL ELECTRIC UTILITIES CORPORATION**

TO ADMINISTRATIVE LAW JUDGE SUSAN D. COLWELL:

Pursuant to 52 Pa. Code § 5.224(c) and Administrative Law Judge Susan D. Colwell’s Prehearing Conference Order dated April 22, 2015, PPL Electric Utilities Corporation (“PPL Electric” or the “Company”) hereby submits this Prehearing Conference Memorandum.

I. SERVICE OF DOCUMENTS

1. PPL Electric requests that all documents be served on:

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PPL Electric agrees to receive service of documents electronically in this proceeding. Further, to the extent that materials are available electronically, it is requested that copies be served upon Paul E. Russell at perussell@pplweb.com, Kimberly A. Klock at kklock@pplweb.com, David B. MacGregor at dmacgregor@postschell.com, and Michael W. Gang at mgang@postschell.com.

II. PROCEDURAL HISTORY

2. This proceeding was initiated on March 31, 2015, when PPL Electric filed with the Pennsylvania Public Utility Commission (“Commission”) Supplement No. 179 to PPL Electric’s Tariff – Electric Pa. P.U.C. No. 201 (“Supplement No. 179”). Supplement 179, issued to be effective for service rendered on or after June 1, 2015, proposes changes to PPL Electric’s base retail distribution rates designed to produce an increase in revenues of approximately \$167.5 million, based upon data for a fully projected future test year ending December 31, 2016 (“2015 Base Rate Case”). The filing was made in compliance with the Commission’s regulations and contains all supporting data and testimony required to be submitted in conjunction with a tariff change seeking a general rate increase.

3. Also on March 31, 2015, PPL Electric filed a Petition at Docket No. P-2015-2474714 requesting (i) waiver of the Distribution System Improvement Charge (“DSIC”) cap of 5% of billed revenues and (ii) approval to increase the maximum allowable DSIC cap from 5% to 7.5% of billed revenue for service rendered on or after January 1, 2016 (“DSIC Petition”). Because issues related to the waiver and increase in the DSIC cap from 5% to 7.5% of billed revenues are interrelated to the base rate case, PPL Electric requested that the DSIC Petition be consolidated with and considered in conjunction with the 2015 Base Rate Case at Docket No. R-2015-2469275.

4. On April 6, 2015, the Office of Consumer Advocate (“OCA”) filed a Notice of Appearance and a Formal Complaint in the 2015 Base Rate Case, which was docketed at Docket No. C-2015-2475448.

5. On April 7, 2015, the Commission’s Bureau of Investigation and Enforcement (“I&E”) filed a Notice of Appearance.

6. On April 7, 2015, a Petition to Intervene was filed by the Commission on Economic Opportunity.

7. On April 11, 2015, notice of PPL Electric's DSIC Petition was published in the *Pennsylvania Bulletin*. 45 Pa.B. 1917. Pursuant thereto, formal protests and petitions to intervene in the DSIC Petition were due on or before April 27, 2015.

8. On April 20, 2015, the Office of Small Business Advocate ("OSBA") filed a Formal Complaint in the 2015 Base Rate Case, which was docketed at Docket No. C-2012-2301063.

9. On April 20, 2015, a Petition to Intervene was filed by the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA").

10. On April 22, 2015, the Commission issued a Notice scheduling a Prehearing Conference in the 2015 Base Rate Case at 10:00 a.m. on May 7, 2015, in Hearing Room 2, Commonwealth Keystone Building, 400 North Street, Harrisburg, PA.

11. On April 22, 2015, Administrative Law Judge Susan D. Colwell issued the Prehearing Order that, among other things, directed the parties to submit Prehearing Conference Memoranda on or before 12:00 p.m. on May 1, 2015.

12. On April 23, 2015, the Commission issued an Order suspending Supplement No. 179 until January 1, 2016, unless permitted by Commission Order to become effective at an earlier date.

13. On April 27, 2015, the OCA and OSBA filed Answers to the DSIC Petition. PP&L Industrial Customer Alliance ("PPLICA") filed a Petition to Intervene and Protest to the DSIC Petition on April 27, 2015.

14. On April 29, 2015, the Clean Air Council ("CAC") filed a Petition to Intervene in the 2015 Base Rate Case.

III. ISSUES

15. PPL Electric intends to demonstrate that its request for an overall annual distribution revenue increase of approximately \$167.5 million, based on a fully projected future test year ending December 31, 2016, and proposed allowed rate of return on equity of 10.95 percent is just and reasonable and should be approved by the Commission.

16. PPL Electric intends to demonstrate that its proposed distribution rate increase is appropriate for the restructured electric utility industry now in place in Pennsylvania. It reflects PPL Electric's status as a distribution-only electric utility and is based on financial and operating data for that single business line. The requested rate increase reflects the business environment the Company currently faces, particularly: (1) flat/declining sales as a result of a stagnant economic climate, extensive customer conservation pursuant to Act 129 Energy Efficiency and Conservation programs and increased levels of distributed generation from alternative energy systems/net metering; (2) accelerated capital investment to maintain and improve system reliability by replacing aging infrastructure and to reduce service outages, especially during major storms; and (3) rates based on cost of service.

17. PPL Electric intends to demonstrate that its proposed 10.95 percent return on equity is the minimum required for the Company to attract capital on reasonable terms, provide safe and reliable service to its customers, and fully fund its critical capital investment program. PPL Electric intends to demonstrate that the proposed return on equity is particularly appropriate in view of PPL Electric's management effectiveness and award-winning customer service in the face of challenging economic and capital market conditions.

18. PPL Electric further intends to demonstrate that its proposed class cost allocation study is reasonable and consistent with long-standing Commission precedent, and that its proposed allocation of the requested revenue increase is just, reasonable, non-discriminatory, and

consistent with principles established by the Commonwealth Court in *Lloyd v. Pa. P.U.C.*, 904 A.2d 1010 (Pa. Cmwlth. 2006). PPL Electric intends to demonstrate that, as a result of the DSIC roll in and minor adjustments to its cost of service study, all major rate classes will move to or very near to cost of service consistent with the goals set in its 2004 base rate case and in the *Lloyd* decision.

19. PPL Electric also intends to demonstrate that its proposal to update its retail tariff to clarify certain provisions and eliminate other provisions that no longer are effective, and to restructure a number of the rate schedules in its tariff to more closely follow cost of service is appropriate, just and reasonable, and should be approved by the Commission. PPL Electric intends to demonstrate that its proposal to continue movement toward distribution rates that are more demand- and customer-based, and less usage-based will result in rates that are more reflective of how costs are incurred by an electric distribution company. The Company also intends to demonstrate that its proposal to move to a daily customer charge for all rate schedules should provide an easier calculation for those customers who calculate their bills, as well as facilitate accelerated customer switching to and from default and competitive service.

20. Finally, PPL Electric intends to demonstrate that the level of expected capital expenditures by the Company requires that the 5% DSIC cap be increased if the DSIC is to continue to serve its intended function of allowing timely recovery of eligible capital investment costs and defer the need for base rate filings. The Company intends to show that approval to increase the maximum allowable DSIC from 5% to 7.5% of billed revenue, along with adequate rate relief in this proceeding, will assure that the Company will be able to attract capital on reasonable terms, successfully implement its critical capital investment program, improve service to customers and help defer the need for future rate cases.

IV. WITNESSES

21. PPL Electric presently intends to offer the following witnesses to testify in this proceeding on the following subject matters:

<u>Statement Number</u>	<u>Witness</u>	<u>Subject matter</u>
1	Dennis A. Urban Jr Vice President Finance and Regulatory Affairs PPL Electric Utilities Corporation Two North Ninth Street Allentown, PA 18101 Phone: 610.774.5516	<ul style="list-style-type: none">• Current Financial Condition• Management Effectiveness• Perspective on Filing• 2014 Actual Results of Operating• 2015 & 2016 Capital and Operating Budgets
2	Marci L. Haydt Senior Financial Specialist PPL Services Corporation Two North Ninth Street Allentown, PA 18101 Phone: 610.774.7882	<ul style="list-style-type: none">• Support Group Costs• Employee Benefit Costs
3	Kimberly A. Golden Manager - Load/Data Analytics and Forecasting Finance and Regulatory Affairs Department PPL Electric Utilities Corporation Two North Ninth Street Allentown, PA 18101 Phone: 610.774.5910	<ul style="list-style-type: none">• Sales Forecast• Annualization of Sales and Revenues• Load Research• Revenue Adjustments• Pro Forma Revenue Adjustments
4	Bethany L. Johnson Manager of Regulatory Compliance PPL Electric Utilities Corporation Two North Ninth Street Allentown, PA 18101 Phone: 610.774.7011	<ul style="list-style-type: none">• Pro Forma Adjustments• Rate Riders• Rate Base Adjustments• Expense Adjustments• Revenue Requirements• DSIC Petition

<u>Statement Number</u>	<u>Witness</u>	<u>Subject matter</u>
5	<p>Scott R. Koch Senior Analyst - Regulatory Compliance PPL Electric Utilities Corporation Two North Ninth Street Allentown, PA 18101 Phone: 610.774.2070</p>	<ul style="list-style-type: none"> • Cash Working Capital • Uncollectible Accounts • Proposed Tariff • Proofs of Revenue • Proposed Rates
6	<p>Alexander J. Torok Tax Vice President PPL Services Corporation Two North Ninth Street Allentown, PA 18101 Phone: 610.774.3247</p>	<ul style="list-style-type: none"> • Taxes
7	<p>Alan V. Feibelman Partner Oliver Wyman 200 Clarendon Street Boston, MA 02116 Phone: 617.424.3405</p>	<ul style="list-style-type: none"> • Talen Spin-Off • Transition Services Agreement
8	<p>Tadd J. Henninger Director of Corporate Finance Treasury Department PPL Service Corporation Two North Ninth Street Allentown, PA 18101 Phone: 610.774.4182</p>	<ul style="list-style-type: none"> • Capital Structure • Embedded Cost of Capital
9	<p>Paul R. Moul Managing Consultant P. Moul & Associates 251 Hopkins Road Haddonfield, NJ 08033 Phone: 856.428.7515</p>	<ul style="list-style-type: none"> • Cost of Common Equity • Capital Structure • Embedded Cost of Capital • Fair Rate of Return
10	<p>John D. Taylor Principal Consultant Black and Veatch 14401 Lamar Avenue Overland Park, KS 66211 Phone: 913.458.6886</p>	<ul style="list-style-type: none"> • Class Revenue Allocation • Cost Allocation Studies

<u>Statement Number</u>	<u>Witness</u>	<u>Subject matter</u>
11	John J. Spanos Vice President Gannett Fleming, Inc. 207 Seventh Avenue Camp Hill, PA 17011 Phone: 717.763.7211	• Depreciation Service Lives

PPL Electric previously filed copies of these statements. The testimony and exhibits fully support PPL Electric’s proposed rate increase, allocation of that increase among customer classes, the design of rates to recover that increase from customers, and the proposed increase of the maximum allowable DSIC from 5% to 7.5% of billed revenue.

22. PPL Electric also reserves the right to call and present additional witnesses to address any issues that may arise during the course of the proceeding.

V. DISCOVERY

23. To date, the OCA and I&E have served interrogatories on PPL Electric and the Company has responded in a timely manner. PPL Electric is not aware of any need to enter any special order regarding discovery. Based on the nature and scope of these interrogatories, PPL Electric does not believe that any change or modification in the standard timelines for discovery set forth in the Commission’s regulations is necessary or appropriate. PPL Electric also encourages the use of informal discovery to expedite the discovery process. Finally, PPL Electric encourages the use of electronic service of discovery responses.

VI. CONSOLIDATION OF DSIC PETITION

24. On March 31, 2015, PPL Electric filed its DSIC Petition at Docket No. P-2015-2474714 requesting (i) waiver of the DSIC cap of 5% of billed revenues and (ii) approval to increase the maximum allowable DSIC cap from 5% to 7.5% of billed revenue for service rendered on or after January 1, 2016.

25. The OCA and OSBA filed Answers to the DSIC Petition, and PPLICA filed a Petition to Intervene and Protest to the DSIC Petition. No other parties intervened or otherwise answered/protested the DSIC Petition.

26. Because issues related to the waiver and increase in the DSIC cap from 5% to 7.5% of billed revenues are interrelated to the base rate case, PPL Electric requested that the DSIC Petition be consolidated with and considered in conjunction with the 2015 Base Rate Case at Docket No. R-2015-2469275.

VII. LITIGATION SCHEDULE

27. PPL Electric has discussed the schedule with the majority of the parties that have intervened in the 2015 Base Rate as of the time of this writing. Based on these discussions, PPL Electric proposes that the following schedule be adopted for resolution of this matter:

Filing	March 31, 2015
Prehearing Conference	May 7, 2015
Public Input Hearings	June 2, 2015
Direct of Other Parties	June 23, 2015
First Settlement Conference	By July 1, 2015
Rebuttal	July 20, 2015 (Best efforts by noon)
Second Settlement Conference	By July 28, 2015
Surrebuttal	July 31, 2015
Evidentiary Hearings and Oral Rejoinder	August 6-7 and 10-11, 2015
Close of Record	August 11, 2015
Main Briefs	September 1, 2015
Reply Briefs	September 11, 2015
Public Meeting	December 17, 2015


It is PPL Electric's understanding that the above-described schedule is acceptable to I&E, OCA, OSBA, CAUSE-PA, and CAC.

VIII. SETTLEMENT

28. As of this time, no settlement discussions have been held. PPL Electric remains open and available for settlement discussions with the other parties and would support initiatives to begin settlement discussions at the earliest possible date.

Respectfully submitted,

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Of Counsel:

Post & Schell, P.C.

Date: May 1, 2015

Attorneys for PPL Electric Utilities Corporation