



17 North Second Street
12th Floor
Harrisburg, PA 17101-1601
717-731-1970 Main
717-731-1985 Fax
www.postschell.com

ORIGINAL

Michael W. Hassell
mhassell@postschell.com
717-612-6029 Direct
File #: 2507-126978

March 9, 2007

VIA HAND DELIVERY

James J. McNulty
Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
PO Box 3265
Harrisburg, PA 17105-3265

DOCUMENT
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2007 HAR -9 PII 3:27
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PA PUC

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**RE: Pennsylvania Public Utility Commission
v. PPL Electric Utilities Corporation
Docket No. R-00049255**

Dear Secretary McNulty:

Enclosed, for filing, are an original and three (3) copies of PPL Electric Utilities Corporation's Plan to Cease Recovery of Costs Resulting From Hurricane Isabel and To Refund Amounts Already Recovered From Customers in the above-referenced proceeding. As indicated on the certificate of service, copies have been served on the parties in the manner indicated.

Respectfully submitted,

Michael W. Hassell

MWH/skr
Enclosures
cc: Certificate of Service

41

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY
COMMISSION

v.

PPL ELECTRIC UTILITIES
CORPORATION

:
:
:
: Docket Nos. R-00049255
:
: R-00049255C0001-C0020
:
:

**PPL ELECTRIC UTILITIES CORPORATION'S
PLAN TO CEASE RECOVERY OF COSTS
RESULTING FROM HURRICANE ISABEL AND TO
REFUND AMOUNTS ALREADY RECOVERED FROM CUSTOMERS**

In accordance with the Order of the Pennsylvania Public Utility Commission ("Commission") entered February 8, 2007, in the above-referenced proceeding, PPL Electric Utilities Corporation ("PPL Electric") hereby files this Plan to cease recovery of costs resulting from Hurricane Isabel and to refund amounts already recovered from customers. This proceeding is necessitated by the Decision and Order of the Commonwealth Court in *Lloyd v. Pa. Public Utility Commission*, 904 A.2d 1010 (Pa. Cmwlth. 2006) ("*Lloyd*"). As explained in greater detail below, PPL Electric proposes that the Commission direct that the Plan be remanded to Administrative Law Judge Susan Colwell (the "ALJ") for consolidation with the remanded issues of design of distribution and transmission rates, in order to provide parties and the Commission with additional flexibility to respond to the portion of the *Lloyd* decision related to rate design and to minimize the number of rate changes that customers may experience over a short period of time as a result of the *Lloyd* decision.

1. Procedural History

1. By Order entered December 22, 2004, the Commission authorized PPL Electric to increase its distribution rates by \$137.1 million. PPL Electric also was authorized to recover transmission charges through a Transmission Service Charge (“TSC”) mechanism, which assessed transmission charges uniformly across all rate classes.

2. As part of the approved increase in distribution rates, the Commission authorized PPL Electric to recover approximately \$11 million in costs related to storm damage expenses incurred following Hurricane Isabel. PPL Electric was permitted to amortize this cost, without interest, over a ten-year period, resulting in an annual allowance in rates of approximately \$1.1 million.

3. The Commission’s Final Order also adopted a procedure for allocating the total increase of \$137.1 million among the rate classes.

4. PPL Electric filed compliance tariffs in accordance with the Commission’s Order. On January 24, 2005, the Commission approved PPL Electric’s compliance filing to be effective January 1, 2005.

5. Appeals were filed by various parties from the Commission’s December 22, 2004 Order.

6. In *Lloyd*, the Commonwealth Court reversed the Commission’s allowance of recovery of costs related to Hurricane Isabel. In addition, the Court vacated and remanded to the Commission for further consideration the design of PPL Electric’s transmission and distribution rates.

II. PPL Electric's Proposed Plan

7. As explained above, PPL Electric's currently-effective rates include a annual allowance of approximately \$1.1 million related to amortization of Hurricane Isabel storm damage expense. In addition, through December 31, 2006, PPL Electric has recovered two years' worth of annual amortizations, or approximately \$2.2 million, with additional amounts being recovered each month.

8. In accordance with the Commission's February 8, 2007 Order, the ALJ has before her the remanded portion of the proceeding related to design of transmission and distribution rates. Based upon Prehearing Memoranda submitted in that proceeding, PPL Electric anticipates that certain parties will present arguments that rates from the 2004 rate proceeding, which have been in effect since January 1, 2005, should be redesigned. Such redesign would produce increases to prospective rates and revenue recoupments for classes with rates that produced below system-average returns (principally residential customer classes) and decreases to prospective rates and revenue refunds for classes with rates that produced above system-average returns (principally commercial and industrial customer classes).

9. A majority of the Hurricane Isabel storm damage costs were allocated to residential customers and, as a result, the majority of refunds and prospective rate reductions related to that issue would normally flow to that class. However, PPL Electric anticipates that refunds and rate reductions to residential customers related to the Hurricane Isabel issue likely would be more than offset by claims for recoupments and rate increases that may be proposed by other parties in the rate design remand proceeding before the ALJ.

10. Rather than confuse residential customers with temporary rate decreases related to Hurricane Isabel followed by rate increases resulting from the remand proceeding,¹ PPL Electric believes it would be more appropriate to consolidate the rate refund matter with the rate structure remand proceeding to produce a single set of rate changes. Such a process also could provide opportunities to structure innovative solutions, such as directing additional Hurricane Isabel refunds and prospective rate reductions to classes with above system average rates of return. This would be one possible method to further revise distribution rates and could be another step in PPL Electric's plan to move all rate classes to approximately cost of service over a series of rate cases. Such an approach is not unlike the accepted process of "first dollar rate relief" often used in rate case proceedings to allocate less of an increase to classes that are paying rates that produce above system average returns.

11. PPL Electric emphasizes that this proposal is not intended to provide any opportunity for the Company to retain amounts ordered to be refunded by the Commonwealth Court. All collected amounts will be returned to customers and all prospective rate changes will be made to remove Hurricane Isabel amounts from rates. PPL Electric simply is seeking to minimize the number of rate changes arising out of the *Lloyd* decision and to retain flexibility in allocating those refunds, in order to resolve the remanded rate structure issues.

12. PPL Electric further emphasizes that, at this time, it is not requesting the Commission to decide any issues regarding allocation of the Hurricane Isabel refunds. The Company's proposed plan simply requests a procedural order consolidating the

¹ In addition, as the Commission is aware, PPL Electric is planning to file a general rate increase on or before April 1, 2007.

Hurricane Isabel refund issue with the revenue allocation and rate design issues now pending before Judge Colwell. The merits of any refund proposal will be submitted in that proceeding for review by Judge Colwell and ultimately by the Commission.

13. Consolidation will not delay the remanded proceedings. A Prehearing Conference in the remand proceeding was held before ALJ Colwell on March 7, 2007. The schedule adopted in that proceeding does not require PPL Electric to submit its direct testimony until April 13, 2007, to be followed by the filing of other parties' testimony and evidentiary hearings on June 11 and 12, 2007.

14. However, in order to coordinate this refund plan with the procedural schedule summarized above, PPL Electric respectfully requests that the Commission expedite consideration of the current filing in two respects. First, the Company requests that the Commission reduce the time for responding to its refund plan from 15 days to 10 days. *No party should be disadvantaged by this change because, as explained above, PPL Electric simply is requesting a procedural order, not a determination of any substantive issues.* Second, the Company requests that the Commission consider this matter at its Public Meeting scheduled for March 22, 2007. If the Commission approves the Company's request for consolidation, this expedited consideration will allow sufficient time for PPL Electric to include the Hurricane Isabel refunds in its filing due on April 13, 2007, in the proceeding before Judge Colwell.

WHEREFORE, PPL Electric Utilities Corporation respectfully requests that the Commission remand to the Office of Administrative Law Judge the matter of refunds and rate reductions related to Hurricane Isabel and consolidate that matter with the remanded issues of rate design now pending before Administrative Law Judge Colwell.

Respectfully submitted,



Paul E. Russell (ID # 21643)
Associate General Counsel
PPL Services Corporation
Two North Ninth Street
Allentown, PA 18101-1179
Voice: 610.774.4254
Fax: 610.774.6726
E-mail: perussell@pplweb.com

David B. MacGregor (ID # 28804)
Post & Schell, P.C.
Four Penn Center
1600 John F. Kennedy Boulevard
Philadelphia, PA 19103-2921
Voice 215.587.1000
Fax: 215.587.1444
E-mail: dmacgregor@postschell.com

Of Counsel:

Post & Schell, P.C.

Date: March 9, 2007

Michael W. Hassell
Post & Schell, P.C.
17 North Second Street
417 Walnut Street
Harrisburg, PA 17101-1601
Voice: 717.621.6032
Fax: 717.237.1985
E-mail: mhassell@postschell.com

Attorneys for PPL Electric Utilities
Corporation

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Prehearing Memorandum of PPL Electric Utilities Corporation has been served upon the following persons, in the manner indicated, in accordance with the requirements of § 1.54 (relating to service by a participant).

VIA EMAIL AND FIRST CLASS MAIL

Honorable Susan D. Colwell
Administrative Law Judge
Pennsylvania Public Utility Commission
400 North Street, 2nd Floor West
Harrisburg, PA 17105

Tanya J. McCloskey, Esquire
James A. Mullens, Esquire
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923

William R. Lloyd, Jr., Esquire
Steven C. Gray, Esquire
Office of Small Business Advocate
Commerce Building Suite 1102
300 North Second Street
Harrisburg, PA 17101

Richard A. Kanaskie, Esquire
Office of Trial Staff
Commonwealth Keystone Building
400 North Street, 2nd Floor West
PO Box 3265
Harrisburg, PA 17105-3265

David M. Kleppinger, Esquire
Pamela C. Polacek, Esquire
Karen S. Miller, Esquire
McNees Wallace & Nurick
100 Pine Street
PO Box 1166
Harrisburg, PA 17108

Kent D. Murphy
Exelon Business Services Company
Legal Department
2301 Market Street, S23-1
PO Box 8699
Philadelphia, PA 19101-8699

David A. McCormick
US Army Legal Services Agency
901 North Stuart Street
Arlington, VA 22203-1837

Scott J. Rubin
3 Lost Creek Drive
Selinsgrove, PA 17870-9357

Eric Joseph Epstein
4100 Hillsdale Road
Harrisburg, PA 17112

Stephen J. Baron
J. Kennedy & Associates, Inc.
570 Colonial Park Drive, Suite 305
Roswell, GA 30075-3770

Honorable Phyllis Mundy, Chair
Northeast Delegation
House Box 202020
Harrisburg, PA 17120-2020

Eugene M. Brady
Commission on Economic Opportunity
165 Amber Lane
PO Box 1127
Wilkes-Barre, PA 18073

James P. McCormick, Manager
Market Development for PA & NJ
1940 Robert Road
Meadowbrook, PA 19046

SECRETARY'S BUREAU

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VIA FIRST CLASS MAIL

Anthony J. Graziano
640 Westwood Lane
Frackville, PA 17931

Brenda Hoover
630 N. Jefferson Street
Allentown, PA 18102

Victoria K. Mackin
One Green Acres
McAdoo, PA 18237

Cheryl & Jeremy Ebert
2820 Mosser Street
Allentown, PA 18103

Martha Wells
P.O. Box 212
Wiconisco, PA 17097

Margaret M. Stuski, Esquire
908 Walnut Street
Wormleysburg, PA 17043

Donald F. McGarrigle
34 Larchwood Road
Wyomissing, PA 19610

William J. Junkin III
438 South 25th Street
Harrisburg, PA 17104

Philip A. Trump
3229 Carbon Street
Whitehall, PA 18052

Karl Kibler
1226 Scenery Drive
Mechanicsburg, PA 17055

Betsy Ruth
356 William Drive
Hershey, PA 17033

Frank David
200 Gettysburg Pike
Mechanicsburg, PA 17055

William G. Needham
418 Pear Street
Scranton, PA 18505

L. Nathaniel Craig
202 Harris Street
Harrisburg, PA 17102

J. McDermott
427 W. Simpson Street
Mechanicsburg, PA 17055

Kevin J. Marcy
PO Box 14
New Cumberland, PA 17070

Jeffrey G. Good
120 Orlan Road
PO Box 9
New Holland, PA 17557

Frank Richards
3901 Nolt Road, Bldg. 1
Landisville, PA 17538

Andrew Sbaraglia
2410 N. Main Avenue
Scranton, PA 18508

Carole Lewis
303 Stoney Mountain Road
Tankhannock, PA 18657

Nikki Lopez
House of Representatives
115 East Wing
Harrisburg, PA 17120


Ronald J. Serafin
2 Michelle Street
Hudson, PA 18705

Michael Stair
219 S. Main Road
Mountaintop, PA 18707

Elizabeth DeGennars
259 Parsonage Street
Pittsburgh, PA 18640

Christy Myers
178 Crocus Court
Quakertown, PA 18951

Date: March 9, 2007



Michael W. Hassell



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
Office of Administrative Law Judge
P.O. BOX 3265, HARRISBURG, PA 17105-3265
March 9, 2007

IN REPLY PLEASE
REFER TO OUR FILE

In Re: R-00049255
R-00049255C0001
through
R-00049255C0020

(SEE ATTACHED LIST)

Pennsylvania Public Utility Commission, et al. v. PPL Electric
Utilities Corporation

DOCUMENT
FOLDER

Rate Increase

Hearing Notice

This is to inform you that a hearing on the above-captioned case will be held as follows:

Type: Evidentiary Hearing
Date: Monday, June 11, 2007
Tuesday, June 12, 2007
Time: 10:00 a.m.

DOCKETED
MAR 13 2007

Location: Hearing Room 2
Plaza Level
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

Presiding: Administrative Law Judge Susan D. Colwell
PO Box 3265
Harrisburg, PA 17105-3265
Phone: 717-783-5452
Fax: 717-787-0481

Attention: You may lose the case if you do not come to this hearing and present facts on the issues raised.

If you intend to file exhibits, 2 copies of all hearing exhibits to be presented into evidence must be submitted to the reporter. An additional copy must be furnished to the Presiding Officer. A copy must also be provided to each party of record.

Individuals representing themselves do not need to be represented by an attorney. All others (corporation, partnership, association, trust or governmental agency or subdivision) must be represented by an attorney. An attorney representing you should file a Notice of Appearance before the scheduled hearing date.

If you are a person with a disability, and you wish to attend the hearing, we may be able to make arrangements for your special needs. Please call the scheduling office at the Public Utility Commission at least (2) two business days prior to your hearing:

- Scheduling Office: 717-787-1399
- AT&T Relay Service number for persons who are deaf or hearing-impaired: 1-800-654-5988

pc: Judge Colwell
Stacy Nolan, Scheduling Officer
Beth Plantz
Docket Section
Calendar File

R-00049255, R-00049255C0001 through R-00049255C0020 Pennsylvania Public
Utility Commission, et al. v. PPL Electric Utilities Corporation

DAVID A MCCORMICK ESQUIRE
REGULATORY LAW OFFICE
US ARMY LEGAL SERVICES AGENCY (JALS-RL)
DEPARTMENT OF THE ARMY
901 NORTH STUART STREET ROOM 713
ARLINGTON VA 22203-1837

PAUL E RUSSELL ESQUIRE
PPL
TWO NORTH NINTH STREET
ALLENTOWN PA 18101-1179

DAVID MACGREGOR ESQUIRE
POST & SCHELL PC
FOUR PENN CENTER
1600 JOHN F KENNEDY BOULEVARD
PHILADELPHIA PA 19103

ANTHONY GAY ESQUIRE
EXELON BUSINESS SERVICES COMPANY
2301 MARKET STREET S23-1
PO BOX 8699
PHILADELPHIA PA 19101-8699

HON PHYLLIS MUNDY CHAIR
NORTHEAST DELEGATION
HOUSE BOX 202020
HARRISBURG PA 17120-2020

PAMELA C POLACEK ESQUIRE
VASILIKI KARANDRIKIS ESQUIRE
MCNEES WALLACE & NURICK LLC
100 PINE STREET
PO BOX 1166
HARRISBURG PA 17108-1166

ERIC JOSEPH EPSTEIN
4100 HILLSDALE ROAD
HARRISBURG PA 17112

MICHAEL W HASSELL ESQUIRE
POST & SCHELL PC
17 NORTH SECOND STREET
12TH FLOOR
HARRISBURG PA 17101-1601

WILLIAM R LLOYD JR ESQUIRE
STEVEN C GRAY ESQUIRE
OFFICE OF SMALL BUSINESS ADVOCATE
1102 COMMERCE BUILDING
300 NORTH SECOND STREET
HARRISBURG PA 17101

RICHARD A KANASKIE ESQUIRE
PA PUC OFFICE OF TRIAL STAFF
PO BOX 3265
HARRISBURG PA 17105-3265

ROBERT D KNECHT
INDUSTRIAL ECONOMICS INCORP
2067 MASSACHUSETTS AVENUE
CAMBRIDGE PA 02140

NIKKI LOPEZ
HOUSE OF REPRESENTATIVES
115 EAST WING
HARRISBURG PA 17120



McNees Wallace & Nurick LLC
attorneys at law

VASILIKI KARANDRIKAS
DIRECT DIAL: (717) 237-5274
E-MAIL ADDRESS: VKARANDRIKAS@MWN.COM

March 15, 2007

DOCUMENT
FOLDER

VIA HAND DELIVERY

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

ORIGINAL

RE: Pennsylvania Public Utility Commission, et al. v. PPL Electric Utilities Corporation; Docket Nos. R-00049255, R-00049255C0001 through R-0049255C0020

Dear Secretary McNulty:

Enclosed are an original and three copies of the Notice of Appearance on behalf of the PP&L Industrial Customer Alliance ("PPLICA") in the above-referenced proceedings. As shown by the attached Certificate of Service, all parties to this proceeding are being duly served.

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Very truly yours,

McNEES WALLACE & NURICK LLC

By *Vasiliki Karandrikas*
Vasiliki Karandrikas

Counsel to the PP&L Industrial Customer Alliance

VK/nk
Attachment
c: Certificate of Service

51

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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Pennsylvania Public Utility Commission
et al.

v.

PPL Electric Utilities Corporation

Docket Nos. R-00049255
R-00049255C0001
through
R-00049255C0020

NOTICE OF APPEARANCE

ORIGINAL

Pursuant to Section 1.25 of the Commission's Regulations, 52 Pa. Code §1.25, please enter, in place of the appearance of Karen S. Miller, the appearance of Vasiliki Karandrikas on behalf of the PP&L Industrial Customer Alliance ("PPLICA"), in the above-captioned proceeding.

McNees Wallace & Nurick LLC is already receiving or has access to a copy of each document issued by the Commission in this matter and does not on the basis of this notice require an additional copy.

DOCUMENT
FOLDER

Respectfully submitted,

McNEES WALLACE & NURICK LLC

DOCKETED
MAR 19 2007

By Vasiliki Karandrikas
David M. Kleppinger (I.D. No. 32091)
Pamela C. Polacek (I.D. No. 78276)
Vasiliki Karandrikas (I.D. No. 89711)
100 Pine Street
P.O. Box 1166
Harrisburg, PA 17108-1166
Phone: (717) 232-8000
Fax: (717) 237-5300

Counsel to the PP&L Industrial Customer
Alliance

Dated: March 15, 2007

CERTIFICATE OF SERVICE

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

VIA FIRST CLASS MAIL

David A. McCormick, Esq.
The Department of Defense and Federal
Executive Agencies
Regulatory Law Office
U.S. Army Legal Services Agency
Department of the Army (JALS-RL)
901 North Stuart Street, Room 713
Arlington, VA 22203-1837

David B. MacGregor, Esq.
Post & Schell PC
Four Penn Center
1600 John F. Kennedy Blvd.
Philadelphia, PA 19103

Honorable Phyllis Mundy, Chair
Northeast Delegation
House Box 202020
Harrisburg, PA 17120-2020

Eric Joseph Epstein
4100 Hillside Road
Harrisburg, PA 17112

William R. Lloyd Jr., Esq.
Steven C. Gray, Esq.
Office of Small Business Advocate
1102 Commerce Building
300 North Second Street
Harrisburg, PA 17101

Paul E. Russell, Esq.
PPL Electric Utilities Corporation
Two North Ninth Street
Allentown, PA 18101-1179

Anthony Gay, Esq.
Exelon Business Services Company
2301 Market Street 23-1
P.O. Box 8699
Philadelphia, PA 19101-8699

Michael W. Hassell, Esq.
Post & Schell PC
17 North Second Street
12th Floor
Harrisburg, PA 17101-1601

Richard A. Kanaskie, Esq.
Office of Trial Staff
Pennsylvania Public Utility Commission
400 North Street, 2nd Floor West
P.O. Box 3265
Harrisburg, PA 17105-3265

Nikki Lopez
House of Representatives
115 East Wing
Harrisburg, PA 17120

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Certificate of Service
Page 2
Docket No. R-00049255 et al.

Robert D. Knecht
Industrial Economics Incorporated
2067 Massachusetts Avenue
Cambridge, MA 02140



Vasiliki Karandrikas

Counsel to the PP&L Industrial Customer Alliance

Dated this 15th day of March, 2007, at Harrisburg, Pennsylvania.

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

555 Walnut Street, 5th Floor, Forum Place
Harrisburg, Pennsylvania 17101-1923
(717) 783-5048
800-684-6560 (in PA only)

IRWINA. POPOWSKY
Consumer Advocate

FAX (717) 783-7152
consumer@paoca.org

March 19, 2007

ORIGINAL

James J. McNulty
Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17105-3265

2007 MAR 19 PM 4:02
SECRETARY'S BUREAU

**DOCUMENT
FOLDER**

RE: Pennsylvania Public Utility Commission
v.
PPL Electric Utilities Corporation
Rate Increase (**REMAND**)
Docket No. R-00049255

Dear Secretary McNulty:

On March 9, 2007, PPL Electric Utilities Corporation filed a proposed plan to cease recovery of the costs resulting from Hurricane Isabel and to refund amounts already recovered from customers. PPL made this filing following the Commonwealth Court's decision in Lloyd v. Pa. P.U.C., 904 A.2d 1010 (Pa. Commw. 2006) which found, among other things, that recovery of the Hurricane Isabel costs should not have been permitted. PPL proposes that this refund plan be consolidated with another proceeding resulting from the same Commonwealth Court Order that is already pending before an Administrative Law Judge. PPL argues that rather than have ratepayers experience a series of rate changes, it would be preferable to consider all of these issues in one proceeding.

The OCA does not object to consolidating the development of, and consideration of, a refund plan with the on-going proceeding before the Administrative Law Judge concerning other aspects of the Commonwealth Court Order. The OCA agrees that, particularly with another base rate case having been recently announced, limiting the number of rate changes that customers experience from the Commonwealth Court Order would be appropriate. Consolidating the refund plan with the on-going remand proceeding will help to limit the potential for multiple rate disruptions.

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James J. McNulty
Secretary
Page 2
March 19, 2007

If you have any questions, please do not hesitate to contact me at any time.

Sincerely,

A handwritten signature in black ink that reads "Tanya J. McCloskey". The signature is written in a cursive style with a large initial 'T' and a long, sweeping underline.

Tanya J. McCloskey
Senior Assistant Consumer Advocate
PA Attorney I.D. # 50044

cc: Lawrence Barth, Law Bureau
Parties of Record

00093166.DOC

CERTIFICATE OF SERVICE

Pennsylvania Public Utility Commission :
v. : Docket No. R-00049255
PPL Electric Utilities Corporation :
Rate Increase (REMAND) :

I hereby certify that I have this day served a true copy of the foregoing letter, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 19th day of March, 2007.

SERVICE BY E-MAIL and INTEROFFICE MAIL

Richard A. Kanaskie, Esquire
Office of Trial Staff
Pennsylvania Public Utility Commission
400 North Street
Harrisburg, PA 17105-3265
Counsel for: Office of Trial Staff

Honorable Phyllis Mundy
Chair
Northeast Delegation
House Box 202020
Harrisburg, PA 17120-2020
For:

Nikki Lopez
House of Representatives
115 East Wing
Harrisburg, PA 17120
For:
(Interoffice Mail Only)

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PA PUC

SERVICE BY E-MAIL

Paul E. Russell, Esquire
PPL Services Corporation
Office of General Counsel
Two North Ninth Street
Allentown, PA 18106
Counsel for: PPL Electric Utilities Corporation

Michael W. Hassell, Esquire
Post & Schell, P.C.
17 North Second Street
12th Floor
Harrisburg, PA 17101
Counsel for: PPL Electric Utilities Corporation

David B. MacGregor, Esquire
Post & Schell, P.C.
Four Penn Center
1600 John F. Kennedy Boulevard
Philadelphia, PA 19103-2808
Counsel for: *PPL Electric Utilities Corporation*

Steven C. Gray
Assistant Small Business Advocate
Office of Small Business Advocate
Commerce Building, Suite 1102
300 North Second Street
Harrisburg, PA 17101
Counsel for: *Office of Small Business Advocate*

Pamela C. Polacek, Esquire
David M. Kleppinger, Esquire
Karen S. Miller, Esquire
McNees Wallace & Nurick, LLC
100 Pine Street, P.O. Box 1166
Harrisburg, PA 17108-1166
Counsel for: *PP&L Industrial Customer Alliance*

David McCormick, Esquire
U.S. Army Legal Services Agency
901 North Stuart Street
Room 713
Arlington, VA 22203-1837
Counsel for: *United States Department of Defense*

Anthony E. Gay, Esquire
Exelon Business Services Company
2301 Market Street, S23-1
P.O. Box 8699
Philadelphia, PA 17101-8699
Counsel for: *PECO Energy Company*

Eric Epstein
411 Hillsdale Road
Harrisburg, PA 17112
For: *Pro Se*

Daniel Clearfield, Esquire
Kevin J. Moody, Esquire
Wolf Block Schorr and Solis-Cohen LLP
213 Market Street, 9th Floor
P.O. Box 865
Harrisburg, PA 17101
Counsel for: *Strategic Energy, LLC and Retail Energy Supply Association*

James P. McCormick, Manager
Market Development for PA & NJ
1940 Robert Road
Meadowbrook, PA 19046
Counsel for:

Scott Rubin, Esquire
Three Lost Creek Drive
Selinsgrove, PA 17870
Counsel for:

Eugene M. Brady, Esquire
Commission on Economic Opportunity
165 Amber Lane
P.O. Box 1127
Wilkes-Barre, PA 18703
Counsel for: *Commission on Economic Opportunity*

Stephen J. Baron, Esquire
J. Kennedy & Associates, Inc.
570 Colonial Park Drive
Suite 305
Roswell, GA 30075-3770
Counsel for:

Kent D. Murphy, Esquire
Legal Department
Exelon Business Services Company
2301 Market Street, S23-1
P.O. Box 8699
Philadelphia, PA 19101-8699
Counsel for: *Exelon Business Services Company*

SERVICE BY FIRST CLASS MAIL

Anthony J. Graziano
640 Westwood Lane
Frackville, PA 17931

Frank David
200 Gettysburg Pike
Mechanicsburg, PA 17055

Brenda Hoover
630 N. Jefferson Street
Allentown, PA 18102

William G. Needham
418 Pear Street
Scranton, PA 18505

Victoria K. Mackin
One Green Acres
McAdoo, PA 18237

L. Nathaniel Craig
202 Harris Street
Harrisburg, PA 17102

Cheryl & Jeremy Ebert
2820 Mosser Street
Allentown, PA 18103

J. McDermott
427 W. Simpson Street
Mechanicsburg, PA 17055

Martha Wells
P.O. box 212
Wiconisco, PA 17097

Kevin J. Marcy
P.O. Box 14
New Cumberland, PA 17070

Margaret M. Stuski, Esquire
908 Walnut Street
Wormleysburg, PA 17043

Frank Richards
3901 Nolt Road, Building 1
Landisville, PA 17538

Donald F. McGarrigle
34 Larchwood Road
Wyomissing, PA 19610

Andrew Sbaraglia
2410 N. Main Avenue
Scranton, PA 18508

William J. Junkin, III
438 South 25th Street
Harrisburg, PA 17104

Carole Lewis
303 Stoney Mountain Road
Tankhannock, PA 18657

Philip A. Trump
3229 Carbon Street
Whitehall, PA 18052

Ronald J. Serafin
2 Michelle Street
Hudson, PA 18705

Karl Kibler
1226 Scenery Drive
Mechanicsburg, PA 17055

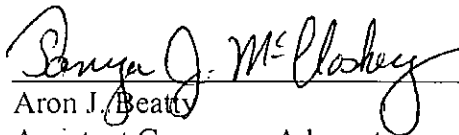
Michael Stair
219 S. Main Road
Mountaintop, PA 18707

Betsy Ruth
356 William Drive
Hershey, PA 17033

Elizabeth DeGennars
259 Parsonage Street
Pittsburgh, PA 18640

Jeffrey G. Good
120 Orlan Road
New Holland, PA 17557

Christy Myers
178 Crocus Court
Quakertown, PA 18951


Aron J. Beatty
Assistant Consumer Advocate
PA Attorney I.D. # 86625
E-Mail: ABeatty@paoca.org
Tanya J. McCloskey
Senior Assistant Consumer Advocate
PA Attorney I.D. # 50044
E-Mail: TMcCloskey@paoca.org

Counsel for
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152

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OFFICE OF SMALL BUSINESS ADVOCATE
Suite 1102, Commerce Building
300 North Second Street
Harrisburg, Pennsylvania 17101

William R. Lloyd, Jr.
Small Business Advocate

(717) 783-2525
(717) 783-2831 (FAX)

March 19, 2007

HAND DELIVERED

ORIGINAL

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

**Re: Pennsylvania Public Utility Commission v. PPL Electric Utilities Corporation
Docket No. R-00049255**

Dear Secretary McNulty:

Please be advised that the Office of Small Business Advocate will not be filing a response to the PPL Electric Utilities Corporation Plan to Cease Recovery of Costs Resulting From Hurricane Isabel and To Refund Amounts Already Recovered From Customers, issued on March 9, 2007, in the above-captioned proceeding. As evidenced by the enclosed certificate of service, all parties have been served as indicated.

If you have any questions, please contact me.

**DOCUMENT
FOLDER**

Sincerely,

Steven C. Gray
Assistant Small Business Advocate
Attorney ID No. 77538

Enclosures

cc: Parties of Record
Robert D. Knecht

DOCKETED
MAR 20 2007

RECEIVED
2007 MAR 19 PM 3:57
SECRETARY'S BUREAU

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY
COMMISSION

v.

Docket No. R-00049255

PPL ELECTRIC UTILITIES CORPORATION

CERTIFICATE OF SERVICE

I certify that I am serving two copies of the foregoing document, on behalf of the Office of Small Business Advocate, by e-mail and first class mail (unless otherwise indicated) upon the persons addressed below:

Hon. Susan D. Colwell
Administrative Law Judge
Pa. Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265
(717) 787-1191
(717) 787-0481 (fax)
scolwell@state.pa.us
(E-mail and hand delivery)

Paul E. Russell, Esquire
Corporate Counsel
PPL Electric Utilities Corporation
Two North Ninth Street
Allentown, PA 18101-1179
(610) 774-4254
(610) 774-6726 (fax)
perussell@pplweb.com

John H. Isom, Esquire
Michael W. Gang, Esquire
Michael W. Hassell, Esquire
Post & Schell, P.C.
17 North Second Street - 12th Floor
Harrisburg, PA 17101-1601
(717) 612-6026
mhassell@postschell.com
mgang@postschell.com
jisom@postschell.com

David B MacGregor, Esquire
Post & Schell, P.C.
Four Penn Center
1600 John F Kennedy Blvd
Philadelphia, PA 19103
(215) 587-1197
dmacgregor@postschell.com

Tanya McCloskey, Esquire
James A. Mullins, Esquire
Office of Consumer Advocate
555 Walnut Street 5th FL Forum Place
Harrisburg, PA 17101-1923
(717) 783-5048
(717) 783-7152 (fax)
tmccloskey@paoca.org
jmullins@paoca.org
(E-mail and hand delivery)

Richard A. Kanaskie, Esquire
Office of Trial Staff
Pa. Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105
(717) 787-1976
(717) 772-2677 (fax)
rkanaskie@state.pa.us
(E-mail and hand delivery)

SECRETARY'S BUREAU
2007 MAR 19 PM 3:58
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Hon. Phyllis Mundy, Chair
Northeast Delegation
House of Representatives
House Box 202020
Harrisburg, PA 17120-2020
(717) 783-1614
pmundy@pahouse.net
nlopez@pahouse.net

David A. McCormick
US Army Legal Services Agency (JALS-RL)
901 North Stuart Street - #713
Arlington, VA 22203-1837
(703) 696-1646
(703) 696-2960
David.Mccormick@us.army.mil

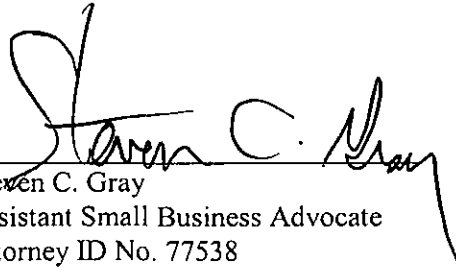
Nikki Lopez
House of Representatives
115 East Wing
Harrisburg, PA 17120
(First class mail only)

Richard Galligan
Exeter Associates, Inc.
5565 Sterrett Place - #310
Columbia, MD 21044
(410) 992-7500
(410) 992-3445 (fax)
rgalligan@exeterassociates.com

Pamela C. Polacek, Esquire
Vasiliki Karandrikis, Esquire
McNees, Wallace & Nurick
100 Pine Street
P.O. Box 1166
Harrisburg, PA 17108-1166
(717) 232-8000
(717) 236-2665 (fax)
vkarandrikis@mwn.com
ppolacek@mwn.com

Mr. Eric Epstein
4100 Hillsdale Road
Harrisburg, PA 17112
(717) 541-1101
(717) 541-5487 (fax)
ericepstein@comcast.net

Kent D. Murphy, Esquire
Anthony E. Gay, Esquire
Exelon Business Services Company
2301 Market Street/23-1
P.O. Box 8699
Philadelphia, PA 19101-8699
(215) 841-4941
(215) 568-3389 (fax)
kent.murphy@exeloncorp.com
anthony.e.gay@exeloncorp.com


Steven C. Gray
Assistant Small Business Advocate
Attorney ID No. 77538

Date: March 19, 2007



McNees Wallace & Nurick LLC
attorneys at law

PAMELA C. POLACEK
DIRECT DIAL: (717) 237-5368
E-MAIL ADDRESS: PPOLACEK@MWN.COM

ORIGINAL

March 19, 2007

VIA HAND DELIVERY

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

**DOCUMENT
FOLDER**

RE: Pennsylvania Public Utility Commission, et al. v. PPL Electric Utilities Corporation; Docket Nos. R-00049255, R-00049255C0001 through R-0049255C0020

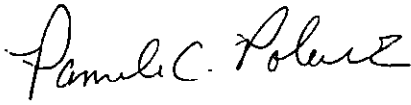
Dear Secretary McNulty:

Enclosed are an original and three copies of the Answer of PP&L Industrial Customer Alliance to PPL Electric Utilities Corporation's Hurricane Isabel Refund Plan in the above-referenced proceedings. As shown by the attached Certificate of Service, all parties to this proceeding are being duly served. Please date stamp the enclosed additional copies of this letter and the Answer, and kindly return them to our messenger for our filing purposes. Thank you.

RECEIVED
2007 MAR 19 PM 3:51
IA PUC
SECRETARY'S BUREAU

Very truly yours,

McNEES WALLACE & NURICK LLC

By 
Pamela C. Polacek

Counsel to the PP&L Industrial
Customer Alliance

PCP/nk

Attachment

c: Administrative Law Judge Susan D. Colwell (via hand delivery)
Lawrence Barth, Esq., Law Bureau (via hand delivery)
Certificate of Service

85

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission
et al.

v.

Docket Nos. R-00049255
R-00049255C0001-C0020

PPL Electric Utilities Corporation

DOCKETED
MAR 20 2007

**DOCUMENT
FOLDER**

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**ANSWER OF THE PP&L INDUSTRIAL CUSTOMER ALLIANCE TO
PPL ELECTRIC UTILITIES CORPORATION'S HURRICANE ISABEL
REFUND PLAN**

Pursuant to the Pennsylvania Public Utility Commission's ("PUC" or "Commission") Secretarial Letter issued on March 13, 2007, the PP&L Industrial Customer Alliance ("PPLICA") hereby submits its response to the Hurricane Isabel refund plan submitted by PPL Electric Utilities Corporation ("PPL" or "Company") on March 9, 2007. PPLICA does not object to the consideration of the refund plan as part of the remand proceeding already before Administrative Law Judge Susan Colwell related to adjustments to the distribution and transmission rates established in the Commission's original decision in the above-referenced proceeding that are necessary to reflect the Commonwealth Court's decision in Lloyd v. Pennsylvania Public Utility Commission, 904 A.2d 101 (Pa. Cmwlth. 2006). PPLICA's position regarding PPL's request is premised on the accuracy of information that PPL provided to PPLICA related to the allocation of the Hurricane Isabel expense in PPL's 2004 Compliance Filing implementing the Commission's original order, which indicated that only a small portion of the expense was allocated to the primary Rate Schedules upon which the PPLICA members purchase service (Rate Schedules LP-4, LP-5, LP-6, IS-P and IS-T). PPLICA's agreement to this approach should not be construed as waiving any rights to

conduct discovery regarding this issue during the remand process or any arguments related to how the current transmission and distribution rates must be adjusted to implement the Commonwealth Court's decision.

PPLICA response to the *numbered paragraph* in the Company's Motion is as follows:

1. Admitted.
2. Admitted.
3. Admitted.
4. Admitted in part and denied in part. PPLICA admits that PPL filed compliance tariffs and that the Commission approved the compliance filing on January 24, 2005. To the extent necessary to preserve all arguments for the remand proceeding, however, PPLICA denies the categorization that the compliance tariff was "in accordance with the Commission's Order."
5. Admitted. By way of further response, PPLICA also appealed the Commission's Order on Reconsideration in the proceeding.
6. Admitted in part and denied in part. PPLICA admits that the Commonwealth Court reversed the Commission's allowance of recovery for costs related to Hurricane Isabel. PPLICA also admits that the Commonwealth Court vacated and remanded to the Commission for further consideration the design of the Company's transmission and distribution rates. PPLICA denies, however, that the issues on remand are limited to the design of the transmission and distribution rates. By way of further answer, PPLICA submits that the remand proceeding must consider additional issues, including the allocation of the transmission and distribution costs among rate

schedules and the awarding of refunds and credits to customers who have paid the inappropriate transmission and distribution rates since January 1, 2005.

7. Admitted in part and denied in part. PPLICA admits that PPL's currently-effective rates include an annual allowance of \$1.1 million related to the amortization of Hurricane Isabel storm damage expense. PPLICA is without sufficient knowledge and information to confirm the actual recoveries by PPL through December 31, 2006. Therefore, PPLICA denies that PPL has collected approximately \$2.2 million through December 31, 2006, and requests specific proof of this amount in the remand proceeding.

8. Admitted in part and denied in part. As set forth in the response to Paragraph 6, PPLICA admits that the design of distribution and transmission rates will be addressed in the remanded portion of the proceeding; however, PPLICA denies that the issues on remand are limited to the design of the rates. PPLICA admits that PPLICA and other parties will argue to adjust the allocations of the transmission and distribution rate increases among customer classes that took effect on January 1, 2005, to produce increases to prospective rates to reflect both the proper allocation of the transmission and distribution rate increases that should have occurred as of January 1, 2005, and the necessary revenue recoupments (i.e., surcharges) for classes with rates that produce below system-average returns (principally residential customer classes) and decreases to prospective rates to reflect the proper allocations of the transmission and distribution revenue refunds for classes with rates that produced above system-average returns (primarily the commercial and industrial classes).

9. Admitted in part. PPLICA admits that the Company appears to have allocated the majority of the Hurricane Isabel storm damage costs to residential customers. Based on information obtained through an informal data request related to the motion, the Company allocated the Hurricane Isabel expense among its rate schedules in the compliance filing as follows:

Rate Schedule	Allocated Expense
RS	\$796,000
RTS	22,000
GS-1	112,000
LP-4	29,000
IS-P	2,000
LP-5	1,000
IS-T	0
LP-6	0
LPEP	1,000
ISA	0
GH	9,000
SL/AL	31,000
L5-S	0
Total	\$1,124,000

Assuming the accuracy of this information, PPLICA agrees with the Company that the adjustments to the distribution rates for the residential customer class that is necessary to implement the Commonwealth Court's decision will more than offset the refunds and rate reductions to residential customers that would occur at this stage of the proceeding.

10. Admitted in part and denied in part. PPLICA admits that efficiency supports considering the Hurricane Isabel issue as part of the current remand proceeding. PPLICA denies that the desire to avoid confusion by a customer class is always a sufficient reason to avoid implementing rate reductions that are necessary for other customer classes, especially in circumstances where the refunds to the Large

Commercial and Industrial rates schedules would be more substantial, or where an expedited process has not been established to address the other remanded issues. PPLICA will address any comments related to the use of the Hurricane Isabel refund and prospective rate reductions to address interclass distribution subsidization as part of the remand proceeding.

11. Admitted in part and denied in part. PPLICA accepts the Company's representation that the proposal is not intended to be an opportunity to retain amounts ordered to be refunded by the Commonwealth Court. PPLICA denies, however, that delaying the implementation of the Court ordered refund should be presumed to always be appropriate in order to minimize the number of rate changes that customers may experience.

12. Admitted.

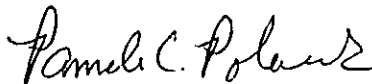
13. Admitted.

14. This paragraph constitutes PPL's request for expedited consideration of the Motion. Due to the issuance by the Commission of the Secretarial Letter establishing the expedited deadline for this response, no further response is necessary to the Company's pleading.

WHEREFORE, the PP&L Industrial Customer Alliance hereby requests that the Pennsylvania Public Utility Commission approve the request by PPL Electric Utilities Corporation due to the unique circumstances that exist for consideration of the multiple issues in the Commonwealth Court's Order.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By 
David M. Kleppinger (I.D. No. 32091)
Pamela C. Polacek (I.D. No. 78276)
Vasiliki Karandrikas (I.D. No. 89711)
100 Pine Street
P.O. Box 1166
Harrisburg, PA 17108-1166
Phone: (717) 232-8000
Fax: (717) 237-5300

Counsel to the PP&L Industrial
Customer Alliance

Dated: March 19, 2007

CERTIFICATE OF SERVICE

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

VIA E-MAIL AND FIRST CLASS MAIL

David A. McCormick, Esq.
The Department of Defense and Federal
Executive Agencies
Regulatory Law Office
U.S. Army Legal Services Agency
Department of the Army (JALS-RL)
901 North Stuart Street, Room 713
Arlington, VA 22203-1837

David B. MacGregor, Esq.
Post & Schell PC
Four Penn Center
1600 John F. Kennedy Blvd.
Philadelphia, PA 19103

Honorable Phyllis Mundy, Chair
Northeast Delegation
House Box 202020
Harrisburg, PA 17120-2020

Eric Joseph Epstein
4100 Hillside Road
Harrisburg, PA 17112

William R. Lloyd Jr., Esq.
Steven C. Gray, Esq.
Office of Small Business Advocate
1102 Commerce Building
300 North Second Street
Harrisburg, PA 17101

Paul E. Russell, Esq.
PPL Electric Utilities Corporation
Two North Ninth Street
Allentown, PA 18101-1179

Anthony Gay, Esq.
Exelon Business Services Company
2301 Market Street 23-1
P.O. Box 8699
Philadelphia, PA 19101-8699

Michael W. Hassell, Esq.
Post & Schell PC
17 North Second Street
12th Floor
Harrisburg, PA 17101-1601

Richard A. Kanaskie, Esq.
Office of Trial Staff
Pennsylvania Public Utility Commission
400 North Street, 2nd Floor West
P.O. Box 3265
Harrisburg, PA 17105-3265

Nikki Lopez
House of Representatives
115 East Wing
Harrisburg, PA 17120

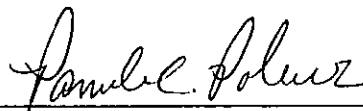
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Certificate of Service

Page 2

Docket No. R-00049255 et al.

Robert D. Knecht
Industrial Economics Incorporated
2067 Massachusetts Avenue
Cambridge, MA 02140



Pamela C. Polacek

Counsel to the PP&L Industrial Customer Alliance

Dated this 19th day of March, 2007, at Harrisburg, Pennsylvania.



DEPARTMENT OF THE ARMY
UNITED STATES ARMY LEGAL SERVICES AGENCY
 901 NORTH STUART STREET
 ARLINGTON VA 22202-1837

REPLY TO
 ATTENTION OF

April 26, 2007

**DOCUMENT
 FOLDER**

Hon Susan D. Colwell
 Administrative Law Judge
 Pennsylvania Public Utility Commission
 PO Box 3265
 Harrisburg, PA 17105-3265

Re: Pennsylvania Public Utility Commission :
 et al. : R-00049255
 : R-00049255C0001
 v. : through
 : R-00049255C0020
 PPL Electric Utilities Corporation :

Dear Judge Colwell,

In accordance with Ordering Paragraph 6 of your Scheduling Order on Remand, dated March 9, 2007, I have enclosed a copy of several documents I mailed today to Secretary McNulty for filing in this case. As stated, this filing is occasioned by the retirement of the Attorney of Record, Mr. David A. McCormick of this Office.

If there are any problems or questions concerning this matter please call me at: (703) 696-1644 or Email at: peter.nyce@us.army.mil.

Sincerely,

Peter Q. Nyce, Jr.
 General Attorney
 Regulatory Law Office

Enclosures
 cc:
 Service list

RECEIVED
 OFFICE OF C.A.L.J.
 07 APR 30 PM 12:39
 PA PUC

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MAY - 1 2007

PA PUBLIC UTILITY COMMISSION
 REGULATORY BUREAU

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

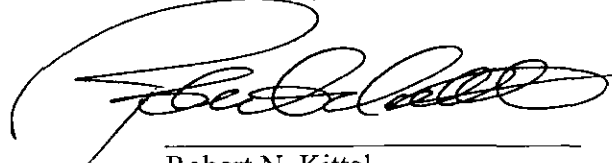
Pennsylvania Public Utility Commission :
Et al. : R-00049255
 : R-00049255C0001
v. : through
 : R-00049255C0020
PPL Electric Utilities Corporation
:

MOTION FOR APPEARANCE PRO HAC VICE

I, Robert N. Kittel, Pennsylvania Supreme Court Identification Number 29745, an attorney in good standing and authorized to practice in Commonwealth of Pennsylvania hereby move before the Pennsylvania Public Utilities Commission in accordance with 52 Pa. Code 1.22 and Pa. B.A.R. No. 301 to permit the appearance of Peter Q. Nyce, Jr., a member of the bar of the District of Columbia, No. 923011, and the bar of the Court of Appeals of Maryland, to appear pro hac vice in the above-captioned matter. An affidavit is attached and is relied upon in support of this motion.

I hereby certify that copies of this motion and the attached affidavit have been served upon all parties in the above-captioned matter.

Respectfully submitted,



Robert N. Kittel
General Attorney
Regulatory Law Office
U.S. Army Litigation Center
901 N. Stuart Street
Suite 700
Arlington, VA 22203

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OFFICE OF C.A.L.J.
07 APR 30 PM 12:39
PA PUC

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :
et al. :
 : R-00049255
 : R-00049255C0001
v. : through
 : R-00049255C0020
PPL Electric Utilities Corporation :

PA PUC

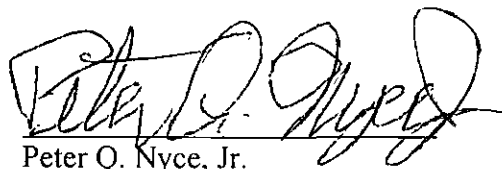
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OFFICE OF C.A.L.J.
07 APR 30 PM 12:39

AFFIDAVIT IN SUPPORT OF
MOTION FOR APPEARANCE PRO HAC VICE

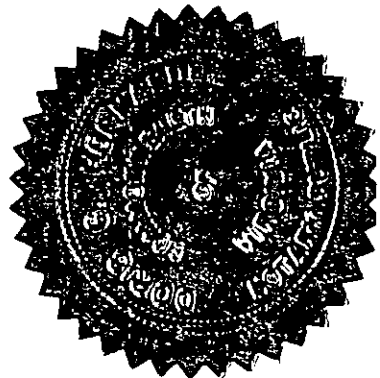
I, Peter Q. Nyce, Jr., duly sworn according to law, depose and say:

1. I am an attorney in good standing, admitted to practice in the Court of Appeals of the District of Columbia (Bar No. 923011) and the Court of Appeals of Maryland.
2. The Department of Defense, all other Federal Executive Agencies requested my representation in this matter.
3. There is good cause for my admission pro hac vice in that the Regulatory Law Office, Department of Army, represents the consumer interests of these clients and no other party can adequately represent these interests. My admission will not unduly burden or delay this proceeding.
4. If this application to appear pro hac vice is granted, I agree to abide by the Pennsylvania Public Utilities Commission Rules and all applicable Pennsylvania Court Rules, including disciplinary rules, and to notify the Commission immediately of any matter affecting my standing at the bar of any court.

of Arlington
State of VA
Instrument was subscribed and
acknowledged before me this 25th day of April
2007 by
Peter Q. Nyce, Jr.
(Name of person seeking acknowledgment)
Carol Sherman
Notary Public
My commission expires: June 30, 2009



Peter Q. Nyce, Jr.
General Attorney
Regulatory Law Office
U.S. Army Litigation Center
901 N. Stuart Street
Suite 700
Arlington, VA 22203



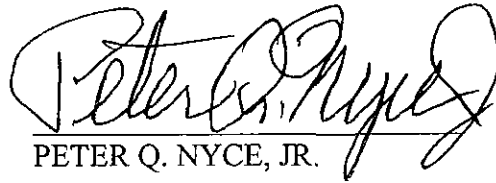
County of Arlington
Commonwealth of Virginia

Sworn and subscribed
before me this 26th day of April 2007

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing documents of the United States Department of Defense were sent to the parties on the attached service list by first class mail, postage prepaid on April 26, 2007

Dated at Arlington County, Virginia, this 26th day of April 2007.


PETER Q. NYCE, JR.

R-00049255, R-00049255C0001 through R-00049255C0020 Pennsylvania PublicUtility Commission, et al. v. PPL
Electric Utilities Corporation

PETER Q. NYCE, JR., ESQUIRE
REGULATORY LAW OFFICE
US ARMY LEGAL SERVICES AGENCY (JALS-RL)
DEPARTMENT OF THE ARMY
901 NORTH STUART STREET ROOM 713
ARLINGTON VA 22203-1837

PAUL E. RUSSELL ESQUIRE
PPL
TWO NORTH NINTH STREET
ALLENTOWN PA 18101-1179

DAVID MACGREGOR ESQUIRE
POST & SCHELL PC
FOUR PENN CENTER
1600 JOHN F KENNEDY BOULEVARD
PHILADELPHIA PA 19103

ANTHONY GAY ESQUIRE
EXELON BUSINESS SERVICES COMPANY
2301 MARKET STREET S23-1
PO BOX 8699
PHILADELPHIA PA 19101-8699

HON PHYLLIS MUNDY CHAIR
NORTHEAST DELEGATION
HOUSE BOX 202020
HARRISBURG PA 17120-2020

PAMELA C POLACEK ESQUIRE
VASILIKI KARANDRIKIS ESQUIRE
MCNEES WALLACE & NURICK LLC
100 PINE STREET
PO BOX 1166
HARRISBURG PA 17108-1166

ERIC JOSEPH EPSTEIN
4100 HILLSDALE ROAD
HARRISBURG PA 17112

MICHAEL W HASSELL ESQUIRE
POST & SCHELL PC
17 NORTH SECOND STREET
12TH FLOOR
HARRISBURG PA 17101-1601

WILLIAM R LLOYD JR ESQUIRE
STEVEN C GRAY ESQUIRE
OFFICE OF SMALL BUSINESS ADVOCATE
1102 COMMERCE BUILDING
300 NORTH SECOND STREET
HARRISBURG PA 17101

RICHARD A KANASKIE ESQUIRE
PA PUC OFFICE OF TRIAL STAFF
PO BOX 3265
HARRISBURG PA 17105-3265

ROBERT D KNECHT
INDUSTRIAL ECONOMICS INCORP
2067 MASSACHUSETTS AVENUE
CAMBRIDGE PA 02140

NIKKI LOPEZ
HOUSE OF REPRESENTATIVES
115 EAST WING
HARRISBURG PA 17120



DEPARTMENT OF THE ARMY
UNITED STATES ARMY LEGAL SERVICES AGENCY
901 NORTH STUART STREET
ARLINGTON VA 22202-1837

REPLY TO
ATTENTION OF

April 26, 2007

ORIGINAL

JALS-RL
U-4119

SUBJECT: Pennsylvania Public Utility Commission v PPL Electric Utilities Corp.
Pa. PUC Docket No. R-00049255

Hon. James J. McNulty
Secretary
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

DOCUMENT
FOLDER

2007 MAY -3 PM 10:21

Dear Secretary McNulty:

Enclosed for filing please find an Original and three copies of the motion of Mr. Rob Kittel, a member of the bar of the Commonwealth of Pennsylvania, sponsoring my appearance Pro Hac Vice in the subject proceeding and my affidavit in support of the motion. Also enclosed are an Original and three copies of a Notice of Substitution of Counsel and Notice of Appearance. This request is occasioned by the retirement of the Attorney of Record, Mr. David A. McCormick of this Office.

Sincerely,

Peter Q. Nyce, Jr.
General Attorney
Regulatory Law Office

Enclosures
cc:
Service list

52

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :
Et al. : R-00049255
 : R-00049255C0001
v. : through
 : R-00049255C0020
PPL Electric Utilities Corporation
:

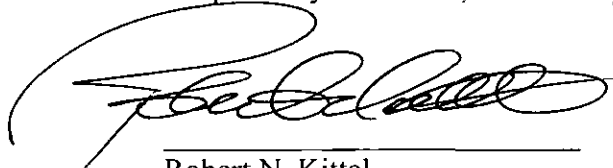
MOTION FOR APPEARANCE PRO HAC VICE

I, Robert N. Kittel, Pennsylvania Supreme Court Identification Number 29745, an attorney in good standing and authorized to practice in Commonwealth of Pennsylvania hereby move before the Pennsylvania Public Utilities Commission in accordance with 52 Pa. Code 1.22 and Pa. B.A.R. No. 301 to permit the appearance of Peter Q. Nyce, Jr., a member of the bar of the District of Columbia, No. 923011, and the bar of the Court of Appeals of Maryland, to appear pro hac vice in the above-captioned matter. An affidavit is attached and is relied upon in support of this motion.

I hereby certify that copies of this motion and the attached affidavit have been served upon all parties in the above-captioned matter.

Respectfully submitted,

DOCUMENT
FOLDER



Robert N. Kittel
General Attorney
Regulatory Law Office
U.S. Army Litigation Center
901 N. Stuart Street
Suite 700
Arlington, VA 22203

OVER THE WEEKENDS

12:01 PM 5-17-2007

DOCKETED
MAY 17 2007

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :
et al. : R-00049255
 : R-00049255C0001
v. : through
 : R-00049255C0020
PPL Electric Utilities Corporation :

AFFIDAVIT IN SUPPORT OF
MOTION FOR APPEARANCE PRO HAC VICE

I, Peter Q. Nyce, Jr., duly sworn according to law, depose and say:

1. I am an attorney in good standing, admitted to practice in the Court of Appeals of the District of Columbia (Bar No. 923011) and the Court of Appeals of Maryland.

2. The Department of Defense, all other Federal Executive Agencies requested my representation in this matter.

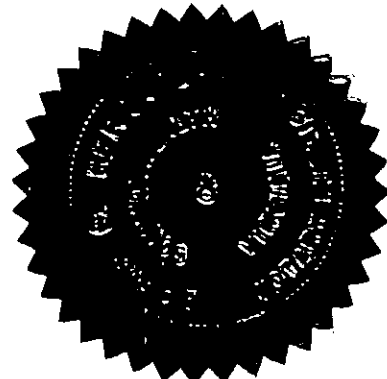
3. There is good cause for my admission pro hac vice in that the Regulatory Law Office, Department of Army, represents the consumer interests of these clients and no other party can adequately represent these interests. My admission will not unduly burden or delay this proceeding.

4. If this application to appear pro hac vice is granted, I agree to abide by the Pennsylvania Public Utilities Commission Rules and all applicable Pennsylvania Court Rules, including disciplinary rules, and to notify the Commission immediately of any matter affecting my standing at the bar of any court.

of Arlington
State of VA
Instrument was subscribed and
before me this 25th day of April
2007 by
Peter Q. Nyce, Jr.
(name of person seeking acknowledgment)
[Signature]
Notary Public
My commission expires: June 30, 2009

[Signature]

Peter Q. Nyce, Jr.
General Attorney
Regulatory Law Office
U.S. Army Litigation Center
901 N. Stuart Street
Suite 700
Arlington, VA 22203



County of Arlington
Commonwealth of Virginia
2007 APR 26 10:22

Sworn and subscribed
before me this 26th day of April 2007

BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission *et al.*)
))
) Docket No. R 00049255
))
vs. PPL Electric Utilities Corporation)
)

SUBSTITUTION OF COUNSEL
AND
NOTICE OF APPEARANCE

DOCUMENT
FOLDER

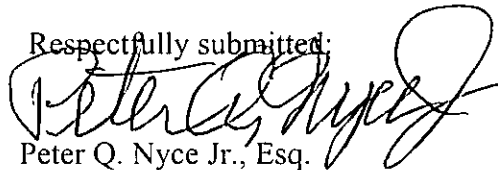
Please enter the appearance of Peter Q. Nyce Jr., Esq. (DC Bar No. 923011) on behalf of the consumer interest of the United States Department of Defense and other affected Federal Executive Agencies in the above captioned proceeding. Please withdraw the appearance of David A. McCormick, Esq., on behalf of said intervener, in the above captioned proceeding.

All future service and communications in this proceeding should be addressed as follows:

Peter Q. Nyce Jr., General Attorney
US Army Legal Services Agency (JALS-RL)
901 North Stuart Street, Room 713
Arlington, VA 22203-1837
Phone: (703) 696-1644
Facsimile copier: (703) 696-2960
E-mail: peter.nyce@us.army.mil

DOCKETED
MAY 17 2007

Respectfully submitted:



Peter Q. Nyce Jr., Esq.
Pro Hac Vice (DC Bar No. 923011)
US Army Legal Services Agency (JALS-RL)
901 North Stuart Street, Room 713
Arlington, VA 22203-1837
Phone: (703) 696-1646

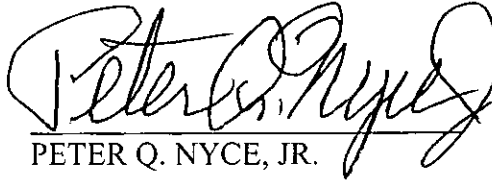
NEW HANOVER COUNTY

2007 MAY -3 07:10:22

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing documents of the United States Department of Defense were sent to the parties on the attached service list by first class mail, postage prepaid on April 26, 2007

Dated at Arlington County, Virginia, this 26th day of April 2007.


PETER Q. NYCE, JR.

SECRET
2007 APR -3 PM 10:22

R-00049255, R-00049255C0001 through R-00049255C0020 Pennsylvania PublicUtility Commission, et al. v. PPL Electric Utilities Corporation

PETER Q. NYCE, JR., ESQUIRE
REGULATORY LAW OFFICE
US ARMY LEGAL SERVICES AGENCY (JALS-RL)
DEPARTMENT OF THE ARMY
901 NORTH STUART STREET ROOM 713
ARLINGTON VA 22203-1837

PAUL E. RUSSELL ESQUIRE
PPL
TWO NORTH NINTH STREET
ALLENTOWN PA 18101-1179

DAVID MACGREGOR ESQUIRE
POST & SCHELL PC
FOUR PENN CENTER
1600 JOHN F KENNEDY BOULEVARD
PHILADELPHIA PA 19103

ANTHONY GAY ESQUIRE
EXELON BUSINESS SERVICES COMPANY
2301 MARKET STREET S23-1
PO BOX 8699
PHILADELPHIA PA 19101-8699

HON PHYLLIS MUNDY CHAIR
NORTHEAST DELEGATION
HOUSE BOX 202020
HARRISBURG PA 17120-2020

PAMELA C POLACEK ESQUIRE
VASILIKI KARANDRIKIS ESQUIRE
MCNEES WALLACE & NURICK LLC
100 PINE STREET
PO BOX 1166
HARRISBURG PA 17108-1166

ERIC JOSEPH EPSTEIN
4100 HILLSDALE ROAD
HARRISBURG PA 17112

MICHAEL W HASSELL ESQUIRE
POST & SCHELL PC
17 NORTH SECOND STREET
12TH FLOOR
HARRISBURG PA 17101-1601

WILLIAM R LLOYD JR ESQUIRE
STEVEN C GRAY ESQUIRE
OFFICE OF SMALL BUSINESS ADVOCATE
1102 COMMERCE BUILDING
300 NORTH SECOND STREET
HARRISBURG PA 17101

RICHARD A KANASKIE ESQUIRE
PA PUC OFFICE OF TRIAL STAFF
PO BOX 3265
HARRISBURG PA 17105-3265

ROBERT D KNECHT
INDUSTRIAL ECONOMICS INCORP
2067 MASSACHUSETTS AVENUE
CAMBRIDGE PA 02140

NIKKI LOPEZ
HOUSE OF REPRESENTATIVES
115 EAST WING
HARRISBURG PA 17120



DEPARTMENT OF THE ARMY
 UNITED STATES ARMY LEGAL SERVICES AGENCY
 901 NORTH STUART STREET
 ARLINGTON VA 22202-1837

DOCUMENT
 FOLDER

REPLY TO
 ATTENTION OF

April 30, 2007

Regulatory Law Office
 U 4119

RECEIVED

MAY 4 2007

Paul E. Russell, Esq.
 Associate General Counsel
 PPL Electric Utilities Corporation
 Two North Ninth Street
 Allentown, PA 18101-1179

PA PUBLIC UTILITY COMMISSION
 SECRETARY'S BUREAU

Re: Pennsylvania Public Utility Commission v. PPL Electric Utilities Corporation;
Docket No. R-00049255

The U. S. Department of Defense and All Other Federal Executive Agencies ("DOD") hereby submits two copies its Interrogatory Set No. 1 to PPL Electric Utilities Corporation.

Please answer each interrogatory separately in writing, stating the question being answered. Please identify the person who principally supplied the information for each answer. Please provide the responses as soon as possible. To the extent practical, please provide these responses in electronic form to me at peter.nyce@us.army.mil.

If you are unable to answer, or if you object to any data request, please contact me at your earliest convenience so that we can achieve a reasonable accommodation.

In case my name is unfamiliar to you, I have been designated to take over Dave McCormick's cases as a result of his retirement. I have filed for Substitution of Counsel. Thank you for your cooperation.

Sincerely,

Peter Q. Nyce, Jr.
 General Attorney
 (703) 696-1644

PQN

Enclosure

cc: All parties of record

RECEIVED
 OFFICE OF C.A.L.J.
 07 MAY - 3 AM 10: 34
 PA PUC

**U.S. DEPARTMENT OF DEFENSE
AND ALL OTHER FEDERAL EXECUTIVE AGENCIES**

DOCKET NO. R-00049255

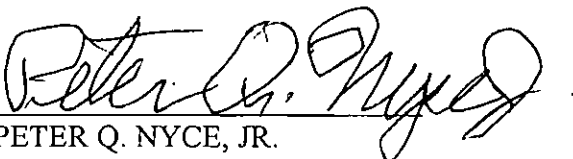
**INTERROGATORY - SET NO. 1 (REMAND) TO PPL ELECTRIC UTILITIES
CORPORATION**

1. Please provide a copy of PPL Electric Utilities Corporation's responses to all data requests propounded by any party to this proceeding.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing documents of the United States Department of Defense were sent to the parties on the attached service list by UPS Overnight or first class mail, postage prepaid on April 30, 2007.

Dated at Arlington County, Virginia, this 30th day of April 2007.


PETER Q. NYCE, JR.

R-00049255, R-00049255C0001 through R-00049255C0020 Pennsylvania PublicUtility Commission, et al. v. PPL
Electric Utilities Corporation

PETER Q. NYCE, JR., ESQUIRE
REGULATORY LAW OFFICE
US ARMY LEGAL SERVICES AGENCY (JALS-RL)
DEPARTMENT OF THE ARMY
901 NORTH STUART STREET ROOM 713
ARLINGTON VA 22203-1837

PAUL E. RUSSELL ESQUIRE
PPL
TWO NORTH NINTH STREET
ALLENTOWN PA 18101-1179

DAVID MACGREGOR ESQUIRE
POST & SCHELL PC
FOUR PENN CENTER
1600 JOHN F KENNEDY BOULEVARD
PHILADELPHIA PA 19103

ANTHONY GAY ESQUIRE
EXELON BUSINESS SERVICES COMPANY
2301 MARKET STREET S23-1
PO BOX 8699
PHILADELPHIA PA 19101-8699

HON PHYLLIS MUNDY CHAIR
NORTHEAST DELEGATION
HOUSE BOX 202020
HARRISBURG PA 17120-2020

PAMELA C POLACEK ESQUIRE
VASILIKI KARANDRIKIS ESQUIRE
MCNEES WALLACE & NURICK LLC
100 PINE STREET
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HARRISBURG PA 17108-1166

ERIC JOSEPH EPSTEIN
4100 HILLSDALE ROAD
HARRISBURG PA 17112

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HARRISBURG PA 17101-1601

WILLIAM R LLOYD JR ESQUIRE
STEVEN C GRAY ESQUIRE
OFFICE OF SMALL BUSINESS ADVOCATE
1102 COMMERCE BUILDING
300 NORTH SECOND STREET
HARRISBURG PA 17101

RICHARD A KANASKIE ESQUIRE
PA PUC OFFICE OF TRIAL STAFF
PO BOX 3265
HARRISBURG PA 17105-3265

ROBERT D KNECHT
INDUSTRIAL ECONOMICS INCORP
2067 MASSACHUSETTS AVENUE
CAMBRIDGE PA 02140

NIKKI LOPEZ
HOUSE OF REPRESENTATIVES
115 EAST WING
HARRISBURG PA 17120

Paul E. Russell
Associate General Counsel

PPL
Two North Ninth Street
Allentown, PA 18101-1179
Tel. 610.774.4254 Fax 610.774.6726
perussell@pplweb.com



April 30, 2007

ORIGINAL

FEDERAL EXPRESS

**DOCUMENT
FOLDER**

James J. McNulty, Esquire
Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, Pennsylvania 17120

**Re: Pennsylvania Public Utility Commission
v.
PPL Electric Utilities Corporation
Docket No. R-00049255**

Dear Mr. McNulty:

Attached for filing, pursuant to the Commission's regulations, 52 Pa. Code § 5.342(d), is a Certificate of Service identifying responses to interrogatories that PPL Electric Utilities Corporation served today on the active participants in this proceeding.

If you have any questions regarding these responses, please call.

Very truly yours,

Paul E. Russell

Attachment

RECEIVED

APR 30 2007

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :
v. : Docket No. R-00049255
PPL Electric Utilities Corporation :

CERTIFICATION OF SERVICE

Via FedEx

I hereby certify that I have this day served a true copy of the responses of PPL Electric Utilities Corporation to the Office of Small Business Advocate's Interrogatories, Set I, Questions 1 through 8, upon the active participants listed below, in accordance with the requirements of § 1.54 (relating to service by a participant):

Tanya J. McCloskey, Esquire
James, A. Mullins
Office Of Consumer Advocate
555 Walnut Street
5th Floor Forum Place
Harrisburg, Pennsylvania 17101-1923

William R. Lloyd, Jr., Esquire
Steven Gray, Esquire
Office Of Small Business Advocate
Suite 1102, Commerce Building
300 North Second Street
Harrisburg, PA 17101

Richard A. Kanaskie, Esquire
Office Of Trial Staff
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 3rd Floor West
Harrisburg, PA 17120

Pamela C. Polacek, Esquire
Vasiliki Karandrikas, Esquire
McNees, Wallace & Nurick
100 Pine Street
Harrisburg, Pennsylvania 17108

Anthony Gay, Esquire
Exelon Business Services Company
Legal Department
2301 Market Street, S23-1
Philadelphia, PA 19101-8699

David A. McCormick, Esquire
US Army Legal Services Agency
901 North Stuart Street
Arlington, VA 22203-1837

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APR 30 2007

Eric Joseph Epstein
4100 Hillsdale Road
Harrisburg, PA 17112

The Honorable Phyllis Mundy, Chair
PA House of Representatives
30 East Wing
Harrisburg, PA 17120

Stephen J. Baron, President
J. Kennedy and Associates, Inc.
570 Colonial Park Drive
Suite 305
Roswell, GA 30075

Mr. James P. McCormick
Strategic Energy, LLC
1940 Robert Road
Meadowbrook, PA 19046

Mr. Robert D. Knecht
Industrial Economics Incorporated
2067 Massachusetts Avenue
Cambridge, MA 02140

Dated: April 30, 2007

A handwritten signature in black ink that reads "Paul E. Russell". The signature is written in a cursive style with a horizontal line extending to the right across the signature.

Paul E. Russell

U.S. DEPARTMENT OF DEFENSE
AND ALL OTHER FEDERAL EXECUTIVE AGENCIES

DOCKET NO. R-00049255

INTERROGATORY - SET NO. 1 (REMAND) TO PPL ELECTRIC UTILITIES
CORPORATION

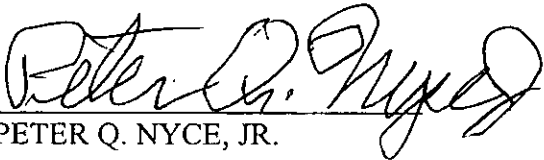
1. Please provide a copy of PPL Electric Utilities Corporation's responses to all data requests propounded by any party to this proceeding.

RECEIVED
2001 MAY -3 AM 10:18
SECRETARY'S OFFICE

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing documents of the United States Department of Defense were sent to the parties on the attached service list by UPS Overnight or first class mail, postage prepaid on April 30, 2007.

Dated at Arlington County, Virginia, this 30th day of April 2007.


PETER Q. NYCE, JR.

SECRETARY'S OFFICE

2007 MAY -3 AM 10:18

REC'D

R-00049255, R-00049255C0001 through R-00049255C0020 Pennsylvania PublicUtility Commission, et al. v. PPL
Electric Utilities Corporation

PETER Q. NYCE, JR., ESQUIRE
REGULATORY LAW OFFICE
US ARMY LEGAL SERVICES AGENCY (JALS-RL)
DEPARTMENT OF THE ARMY
901 NORTH STUART STREET ROOM 713
ARLINGTON VA 22203-1837

PAUL E. RUSSELL ESQUIRE
PPL
TWO NORTH NINTH STREET
ALLENTOWN PA 18101-1179

DAVID MACGREGOR ESQUIRE
POST & SCHELL PC
FOUR PENN CENTER
1600 JOHN F KENNEDY BOULEVARD
PHILADELPHIA PA 19103

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PHILADELPHIA PA 19101-8699

HON PHYLLIS MUNDY CHAIR
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HARRISBURG PA 17120-2020

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CAMBRIDGE PA 02140

NIKKI LOPEZ
HOUSE OF REPRESENTATIVES
115 EAST WING
HARRISBURG PA 17120



Paul E. Russell
Associate General Counsel

PPL
Two North Ninth Street
Allentown, PA 18101-1179
Tel. 610.774.4254 Fax 610.774.6726
perussell@pplweb.com



ORIGINAL

May 3, 2007

FEDERAL EXPRESS

James J. McNulty, Esquire
Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, Pennsylvania 17120

**DOCUMENT
FOLDER**

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MAY 03 2007

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

**Re: Pennsylvania Public Utility Commission
v.
PPL Electric Utilities Corporation
Docket No. R-00049255**

Dear Mr. McNulty:

Attached for filing, pursuant to the Commission's regulations, 52 Pa. Code § 5.342(d), is a Certificate of Service identifying responses to interrogatories that PPL Electric Utilities Corporation served today on the active participants in this proceeding.

If you have any questions regarding these responses, please call.

Very truly yours,

Paul E. Russell

Attachment

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :
v. : Docket No. R-00049255
PPL Electric Utilities Corporation :

CERTIFICATION OF SERVICE

Via FedEx

I hereby certify that I have this day served a true copy of the responses of PPL Electric Utilities Corporation to the PP&L Industrial Customer Alliance Interrogatories, Set I, Questions 1 and 2, upon the active participants listed below, in accordance with the requirements of § 1.54 (relating to service by a participant):

Tanya J. McCloskey, Esquire
James, A. Mullins
Office Of Consumer Advocate
555 Walnut Street
5th Floor Forum Place
Harrisburg, Pennsylvania 17101-1923

William R. Lloyd, Jr., Esquire
Steven Gray, Esquire
Office Of Small Business Advocate
Suite 1102, Commerce Building
300 North Second Street
Harrisburg, PA 17101

Richard A. Kanaskie, Esquire
Office Of Trial Staff
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 3rd Floor West
Harrisburg, PA 17120

Pamela C. Polacek, Esquire
Vasiliki Karandrikas, Esquire
McNees, Wallace & Nurick
100 Pine Street
Harrisburg, Pennsylvania 17108

Anthony Gay, Esquire
Exelon Business Services Company
Legal Department
2301 Market Street, S23-1
Philadelphia, PA 19101-8699

David A. McCormick, Esquire
US Army Legal Services Agency
901 North Stuart Street
Arlington, VA 22203-1837

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MAY 03 2007

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Eric Joseph Epstein
4100 Hillsdale Road
Harrisburg, PA 17112

The Honorable Phyllis Mundy, Chair
PA House of Representatives
30 East Wing
Harrisburg, PA 17120

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J. Kennedy and Associates, Inc.
570 Colonial Park Drive
Suite 305
Roswell, GA 30075

Mr. James P. McCormick
Strategic Energy, LLC
1940 Robert Road
Meadowbrook, PA 19046

Mr. Robert D. Knecht
Industrial Economics Incorporated
2067 Massachusetts Avenue
Cambridge, MA 02140

Dated: May 3, 2007



Paul E. Russell



Paul E. Russell
Associate General Counsel

PPL
Two North Ninth Street
Allentown, PA 18101-1179
Tel. 610.774.4254 Fax 610.774.6726
perussell@pplweb.com



FEDERAL EXPRESS

May 3, 2007

Pamela C. Polacek Esquire
McNees, Wallace & Nurick
P.O. Box 1166
100 Pine Street
Harrisburg, Pennsylvania 17108

**DOCUMENT
FOLDER**

**Re: Pennsylvania Public Utility Commission
v.
PPL Electric Utilities Corporation
Docket No. R-00049255**

BTL

Dear Ms. Polacek:

Enclosed are the responses of PPL Electric Utilities Corporation ("PPL Electric") to the PP&L Industrial Customer Alliance's Interrogatories identified in the attached Certificate of Service. As indicated in that Certificate of Service, copies of PPL Electric's responses have been served on all active participants in this proceeding.

If you have any questions regarding these responses, please call.

Very truly yours,

Paul E. Russell

Enclosures

cc: Certificate of Service

RECEIVED

MAY 03 2007

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :
v. : Docket No. R-00049255
PPL Electric Utilities Corporation :

CERTIFICATION OF SERVICE

Via FedEx

I hereby certify that I have this day served a true copy of the responses of PPL Electric Utilities Corporation to the PP&L Industrial Customer Alliance Interrogatories, Set I, Questions 1 and 2, upon the active participants listed below, in accordance with the requirements of § 1.54 (relating to service by a participant):

Tanya J. McCloskey, Esquire
James, A. Mullins
Office Of Consumer Advocate
555 Walnut Street
5th Floor Forum Place
Harrisburg, Pennsylvania 17101-1923

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Steven Gray, Esquire
Office Of Small Business Advocate
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Philadelphia, PA 19101-8699

David A. McCormick, Esquire
US Army Legal Services Agency
901 North Stuart Street
Arlington, VA 22203-1834

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MAY 03 2007

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Eric Joseph Epstein
4100 Hillsdale Road
Harrisburg, PA 17112

The Honorable Phyllis Mundy, Chair
PA House of Representatives
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Meadowbrook, PA 19046

Mr. Robert D. Knecht
Industrial Economics Incorporated
2067 Massachusetts Avenue
Cambridge, MA 02140

Dated: May 3, 2007



Paul E. Russell

Paul E. Russell
Associate General Counsel

PPL
Two North Ninth Street
Allentown, PA 18101-1179
Tel. 610.774.4254 Fax 610.774.6726
perussell@pplweb.com



May 4, 2007

ORIGINAL

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MAY 04 2007

James J. McNulty, Esquire
Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, Pennsylvania 17120

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

**DOCUMENT
FOLDER**

**Re: Pennsylvania Public Utility Commission
v.
PPL Electric Utilities Corporation
Docket No. R-00049255**

Dear Mr. McNulty:

Attached for filing, pursuant to the Commission's regulations, 52 Pa. Code § 5.342(d), is a Certificate of Service identifying responses to interrogatories that PPL Electric Utilities Corporation served today on the active participants in this proceeding.

If you have any questions regarding these responses, please call.

Very truly yours,

Paul E. Russell

Attachment

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :
v. :
PPL Electric Utilities Corporation :

Docket No. R-00049255

CERTIFICATION OF SERVICE

ORIGINAL

Via FedEx

I hereby certify that I have this day served a true copy of the responses of PPL Electric Utilities Corporation to Eric Joseph Epstein's Interrogatories, Set I, Questions 1 and 9 and 11, and Set II, Questions 1 through 6, upon the active participants listed below, in accordance with the requirements of § 1.54 (relating to service by a participant):

Tanya J. McCloskey, Esquire
James, A. Mullins
Office Of Consumer Advocate
555 Walnut Street
5th Floor Forum Place
Harrisburg, Pennsylvania 17101-1923

William R. Lloyd, Jr., Esquire
Steven Gray, Esquire
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Harrisburg, PA 17101

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400 North Street, 3rd Floor West
Harrisburg, PA 17120

Pamela C. Polacek, Esquire
Vasiliki Karandrikas, Esquire
McNees, Wallace & Nurick
100 Pine Street
Harrisburg, Pennsylvania 17108

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MAY 04 2007

PA PUBLIC UTILITY COMMISSION
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Legal Department
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Philadelphia, PA 19101-8699

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US Army Legal Services Agency
901 North Stuart Street
Arlington, VA 22203-1837

The Honorable Phyllis Mundy, Chair
PA House of Representatives
30 East Wing
Harrisburg, PA 17120

Mr. James P. McCormick
Strategic Energy, LLC
1940 Robert Road
Meadowbrook, PA 19046

Dated: May 4, 2007



Paul E. Russell

May 11, 2007

KJR

VIA E-MAIL AND FIRST CLASS MAIL

Honorable Susan D. Colwell
Administrative Law Judge
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

DOCUMENT
FOLDER

**RE: Pennsylvania Public Utility Commission v. PPL Electric Utilities Corporation;
Docket No. R-00049255**

Dear Judge Colwell:

Enclosed please find two copies of PP&L Industrial Customer Alliance ("PPLICA") Statement No. Remand 1, Remand Direct Testimony and Exhibits of Stephen J. Baron, in the above-referenced proceeding.

As evidenced by the attached Certificate of Service, copies have been duly served upon the participants in this proceeding. Please contact us if you have any questions regarding the enclosed documents. Thank you.

Very truly yours,

McNEES WALLACE & NURICK LLC

By *Vasiliki Karandrikas*
Pamela C. Polacek (I.D. #78276)
Vasiliki Karandrikas (I.D. #89711)

Counsel to the PP&L Industrial
Customer Alliance

VK/sds

c: James J. McNulty, Secretary (transmittal letter and certificate of service only – hand delivery)
Certificate of Service

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2007 MAY 11 PM 3:50
PAUL
SECRETARY'S BUREAU

CERTIFICATE OF SERVICE

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

VIA E-MAIL AND FIRST CLASS MAIL

Steven C. Gray, Esq.
Office of Small Business Advocate
Suite 1102, Commerce Building
300 North Second Street
Harrisburg, PA 17101

Robert N. Kittel, General Attorney
The Department of Defense and Federal
Executive Agencies
Regulatory Law Office
U.S. Army Legal Services Agency
Department of the Army (JALS-RL)
901 North Stuart Street, Room 713
Arlington, VA 22203-1837

Tanya J. McCloskey, Esq.
James A. Mullins, Esq.
Aron Beatty, Esq.
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923

David B. MacGregor, Esq.
Post & Schell PC
Four Penn Center
1600 John F. Kennedy Blvd.
Philadelphia, PA 19103

Honorable Phyllis Mundy, Chair
Northeast Delegation
House Box 202020
Harrisburg, PA 17120-2020

Michael W. Gang, Esq.
John H. Isom, Esq.
Post & Schell PC
17 North Second Street, 12th Floor
Harrisburg, PA 17101-1601

Richard A. Kanaskie, Esq.
Office of Trial Staff
Pennsylvania Public Utility Commission
400 North Street, 2nd Floor West
P.O. Box 3265
Harrisburg, PA 17105-3265

Eric Joseph Epstein
4100 Hillside Road
Harrisburg, PA 17112

Stephen J. Baron, President
J. Kennedy and Associates, Inc.
570 Colonial Park Drive, Suite 305
Roswell, GA 30075-3770

Kent D. Murphy, Esq.
Exelon Business Services Co.
2301 Market Street, S23-1
P.O. Box 8699
Philadelphia, PA 19101-8699

Mr. Robert D. Knecht
Industrial Economics Incorporated
2067 Massachusetts Avenue
Cambridge, MA 02140

Certificate of Service
Page 2
Docket No. R-00049255

Paul E. Russell, Assoc. General Counsel
PPL Electric Utilities Corporation
Two North Ninth Street
Allentown, PA 18101-1179

Mr. Thomas Caitlin
Exeter Associates
5565 Sterrett Place
Suite 310
Columbia, MD 21044

Vasiliki Karandrikas

Vasiliki Karandrikas

Counsel to the PP&L Industrial Customer Alliance

Dated this 11th day of May, 2007, at Harrisburg, Pennsylvania.

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF SMALL BUSINESS ADVOCATE
Suite 1102, Commerce Building
300 North Second Street
Harrisburg, Pennsylvania 17101

William R. Lloyd, Jr.
Small Business Advocate

(717) 783-2525
(717) 783-2831 (FAX)

May 11, 2007

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MAY 15 2007

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

E-mail and Hand Delivery

Hon. Susan Colwell
Administrative Law Judge
Pa. Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

DOCUMENT
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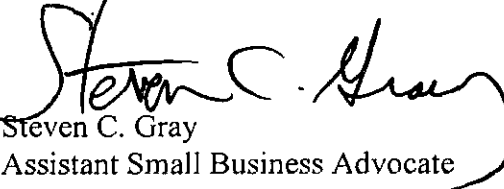
Re: **Pennsylvania Public Utility Commission v. PPL Electric Utilities
Corporation (Remand)**
Docket No. R-00049255

Dear Judge Colwell:

Enclosed are two copies of the Remand Direct Testimony and Exhibits of Robert D. Knecht, labeled OSBA Statement No. 1 (Remand), on behalf of the Office of Small Business Advocate.

As evidenced by the enclosed certificate of service, all parties have been served as indicated.

Sincerely,


Steven C. Gray
Assistant Small Business Advocate
Attorney ID No. 77538

Enclosures

cc: Parties of Record

Robert D. Knecht

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY :
COMMISSION :

v. :

Docket No. R-00049255

PPL ELECTRIC UTILITIES CORPORATION :

CERTIFICATE OF SERVICE

I certify that I am serving two copies of the Remand Direct Testimony and Exhibits of Robert D. Knecht, labeled OSBA Statement No. 1 (Remand), on behalf of the Office of Small Business Advocate, by e-mail and first class mail (unless otherwise indicated) upon the persons addressed below:

Hon. Susan D. Colwell
Administrative Law Judge
Pa. Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265
(717) 787-1191
(717) 787-0481 (fax)
scolwell@state.pa.us
(E-mail and hand delivery)

Paul E. Russell, Esquire
Corporate Counsel
PPL Electric Utilities Corporation
Two North Ninth Street
Allentown, PA 18101-1179
(610) 774-4254
(610) 774-6726 (fax)
perussell@pplweb.com

John H. Isom, Esquire
Michael W. Gang, Esquire
Michael W. Hassell, Esquire
Post & Schell, P.C.
17 North Second Street - 12th Floor
Harrisburg, PA 17101-1601
(717) 612-6026
mhassell@postschell.com
mgang@postschell.com
jisom@postschell.com

David B MacGregor, Esquire
Post & Schell, P.C.
Four Penn Center
1600 John F Kennedy Blvd
Philadelphia, PA 19103
(215) 587-1197
dmacgregor@postschell.com

Tanya McCloskey, Esquire
James A. Mullins, Esquire
Office of Consumer Advocate
555 Walnut Street 5th FL Forum Place
Harrisburg, PA 17101-1923
(717) 783-5048
(717) 783-7152 (fax)
tmccloskey@paoca.org
jmullins@paoca.org
(E-mail and hand delivery)

Richard A. Kanaskie, Esquire
Office of Trial Staff
Pa. Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105
(717) 787-1976
(717) 772-2677 (fax)
rkanaskie@state.pa.us
(E-mail and hand delivery)

Hon. Phyllis Mundy, Chair
Northeast Delegation
House of Representatives
House Box 202020
Harrisburg, PA 17120-2020
(717) 783-1614
pmundy@pahouse.net

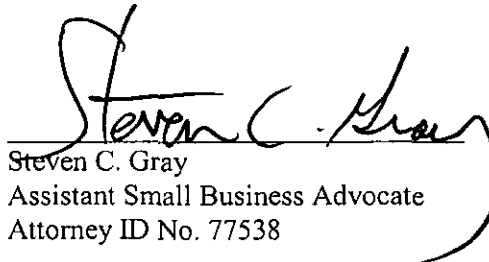
Peter Q. Nyce, Jr., Esquire
US Army Legal Services Agency (JALS-RL)
901 North Stuart Street - #713
Arlington, VA 22203-1837
(703) 696-1644
(703) 696-2960 (fax)
Peter.nyce@us.army.mil

Nikki Lopez
House of Representatives
nlopez@pahouse.net
(E-mail only)

Pamela C. Polacek, Esquire
Vasiliki Karandrikis, Esquire
McNees, Wallace & Nurick
100 Pine Street
P.O. Box 1166
Harrisburg, PA 17108-1166
(717) 232-8000
(717) 236-2665 (fax)
vkandrikis@mwn.com
ppolacek@mwn.com

Mr. Eric Epstein
4100 Hillsdale Road
Harrisburg, PA 17112
(717) 541-1101
(717) 541-5487 (fax)
ericepstein@comcast.net

Kent D. Murphy, Esquire
Anthony E. Gay, Esquire
Exelon Business Services Company
2301 Market Street/23-1
P.O. Box 8699
Philadelphia, PA 19101-8699
(215) 841-4941
(215) 568-3389 (fax)
kent.murphy@exeloncorp.com
anthony.e.gay@exeloncorp.com


Steven C. Gray
Assistant Small Business Advocate
Attorney ID No. 77538

Date: May 11, 2007

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

555 Walnut Street, 5th Floor, Forum Place
Harrisburg, Pennsylvania 17101-1923
(717) 783-5048
800-684-6560 (in PA only)

IRWINA. POPOWSKY
Consumer Advocate

FAX (717) 783-7152
consumer@paoca.org

May 11, 2007

DOCUMENT
FOLDER

Honorable Susan D. Colwell
Administrative Law Judge
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17105-3265

RE: Pennsylvania Public Utility Commission
v.
PPL Electric Utilities Corporation
Rate Increase (**BACK ON REMAND**)
Docket No. R-00049255

Dear Judge Colwell:

Enclosed please find two copies of the Office of Consumer Advocate's Direct Testimony on Remand of Richard A. Galligan, in the above-referenced proceeding.

Copies have been served on the parties of record as indicated on the enclosed Certificate of Service.

Sincerely,

Aron J. Beatty
Assistant Consumer Advocate
PA Attorney I.D. # 86625

Enclosures
cc: Parties of Record
00093957.DOC

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MAY 15 2007

PA PUBLIC UTILITY COMMISSION
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07 MAY 14 AM 9:27
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CERTIFICATE OF SERVICE

Pennsylvania Public Utility Commission :
v. : Docket No. R-00049255
PPL Electric Utilities Corporation :
Rate Increase (**REMAND**) :

I hereby certify that I have this day served a true copy of the foregoing Remand Direct Testimony of Richard A. Galligan, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 11th day of May, 2007.

SERVICE BY E-MAIL and INTEROFFICE MAIL

Richard A. Kanaskie, Esquire
Office of Trial Staff
Pennsylvania Public Utility Commission
400 North Street
Harrisburg, PA 17105-3265
Counsel for: *Office of Trial Staff*

SERVICE BY E-MAIL & FIRST CLASS MAIL

Paul E. Russell, Esquire
PPL Services Corporation
Office of General Counsel
Two North Ninth Street
Allentown, PA 18106
Counsel for: *PPL Electric Utilities Corporation*

Michael W. Hassell, Esquire
Post & Schell, P.C.
17 North Second Street
12th Floor
Harrisburg, PA 17101
Counsel for: *PPL Electric Utilities Corporation*

David B. MacGregor, Esquire
Post & Schell, P.C.
Four Penn Center
1600 John F. Kennedy Boulevard
Philadelphia, PA 19103-2808
Counsel for: *PPL Electric Utilities Corporation*
Pamela C. Polacek, Esquire

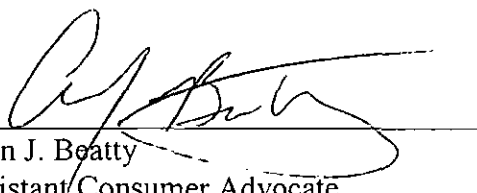
Steven C. Gray
Assistant Small Business Advocate
Office of Small Business Advocate
Commerce Building, Suite 1102
300 North Second Street
Harrisburg, PA 17101
Counsel for: *Office of Small Business Advocate*

Pamela C. Polacek, Esq.
David M. Kleppinger, Esquire
McNees Wallace & Nurick, LLC
100 Pine Street, P.O. Box 1166
Harrisburg, PA 17108-1166
Counsel for: *PP&L Industrial Customer Alliance*

David McCormick, Esquire
U.S. Army Legal Services Agency
901 North Stuart Street
Room 713
Arlington, VA 22203-1837
Counsel for: *United States Department of Defense*

Eric Epstein
411 Hillsdale Road
Harrisburg, PA 17112
For: *Pro Se*

Anthony Gay
Exelon Business Services Company
Legal Dept.
2301 Market Street, S23-1
P.O. Box 8699
Philadelphia, PA 19101-8699



Aron J. Beatty
Assistant Consumer Advocate
PA Attorney I.D. # 86625
E-Mail: ABeatty@paoca.org
Tanya J. McCloskey
Senior Assistant Consumer Advocate
PA Attorney I.D. # 50044
E-Mail: TMcCloskey@paoca.org

Counsel for
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152

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DEPARTMENT OF THE ARMY
UNITED STATES ARMY LEGAL SERVICES AGENCY
901 NORTH STUART STREET
ARLINGTON VA 22202-1837

REPLY TO
ATTENTION OF

May 11, 2007

ORIGINAL

JALS-RL
U-4119

SUBJECT: Pennsylvania Public Utility Commission v PPL Electric Utilities Corp.
Pa. PUC Docket No. R-00049255

Hon. James J. McNulty
Secretary
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

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MAY 11 2007

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Dear Secretary McNulty:

Enclosed for filing in the above captioned case please find an Original and three copies of the Remand Direct Testimony and Exhibits of Kenneth L. Kincel on behalf of the U.S. Department of Defense and All Federal Executive Agencies.

Copies of this filing have been served in accordance with the attached Certificate of Service. If there are any questions concerning this matter please call me at (703) 696-1644.

Sincerely,

Peter Q. Nyce, Jr.
General Attorney
Regulatory Law Office

**DOCUMENT
FOLDER**

Enclosures
cc:
Service list

62

ORIGINAL

**BEFORE THE
PENNSYLVANIA PUBLIC SERVICE COMMISSION**

In the Matter of:)	
)	
Pennsylvania Public Utility)	Remand of
Commission et al.)	
)	Docket No. R-00049255
vs.)	R-00049255C001 through R-
)	00049255C0020
PPL Electric Utilities Corporation)	

**Remand Direct Testimony
Of Kenneth L. Kincel**

RECEIVED

MAY 11 2007

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

**DOCUMENT
FOLDER**

Peter Q. Nyce Jr., General Attorney
Regulatory Law Office
U.S. Army Legal Services Agency
JALS-RL 4090
901 N. Stuart Street, Room 713
Office of Judge Advocate General
Arlington, VA 22203-1837
Tel: 703-696-1644

DOCKETED
MAY 15 2007

FOR

**U.S. DEPARTMENT OF DEFENSE
AND ALL FEDERAL EXECUTIVE AGENCIES**

Date Due: May 11, 2007
Filing Due: May 11, 2007

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am presenting testimony on behalf of the consumer interests of the U.S. Department of Defense and all other Federal Executive Agencies, hereinafter collectively referred to as "DOD/FEA." As noted in my direct testimony in the 2004 proceeding under this docket, DOD/FEA has large military installations and several federal civilian agencies which purchase electricity from PPL Electric Utilities Corporation ("PPL" or the "Company"). Because of the diversity of the electricity applications associated with these facilities, DOD/FEA is taking electric service off of many of the rate schedules of PPL. Therefore, it is important to DOD/FEA that all customer class rates of PPL are just and reasonable.

The three largest military installations served by PPL are Carlisle Barracks, Tobyhanna Army Depot and the US Navy Support Activity at Mechanicsburg. Carlisle Barracks and Tobyhanna Army Depot are taking service from the Company under Rate LP-5. The US Navy Support Activity at Mechanicsburg is taking service under Rate LP-6. These three military installations alone currently account for approximately \$9.0 million annually in total electric revenues to PPL.

Q. HAVE YOU TESTIFIED BEFORE IN THIS PROCEEDING?

A. Yes, as I mentioned earlier, I provided direct testimony under Pennsylvania Public Utility Commission ("PPUC" or the "Commission") Docket No. R-00049255 dated June 28, 2004. My testimony here will reference my 2004 direct testimony in several instances. In fact, this testimony should be considered an updated supplement to, rather than a substitute for, my 2004 direct testimony, except where I specifically alter my recommendations to the Commission.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS REMAND PROCEEDING?

A. The purpose of my testimony is to again address under this docket, on behalf of DOD/FEA, transmission and distribution customer class cost allocation and rate design issues for rates placed into effect on January 1, 2005.

Q. WHY IS THIS REMAND PROCEEDING NECESSARY?

a. The Commonwealth Court of Pennsylvania (the "Court"), in the "Lloyd vs. PPL" appeal case, issued a decision on August 4, 2006 which vacated both the transmission and distribution rates approved by the PPUC as a result of the original 2004 proceeding under this docket. The Court also rejected inclusion within distribution rates the cost recovery of expenses association with Hurricane Isabel. Furthermore, the Court rejected the Commission's use of customer class impacts on a "total bill basis" in order to avoid "rate shock" and required that both distribution rates and transmission rates be designed based on separate customer class cost-of-service studies. The Court further stated that the principle of "gradualism" could not "trump" all other ratemaking concerns, especially the "polestar," which is the cost of providing service. More specifically, the Court noted that rates and rate structures must be set for each service primarily based on a cost-of-service study.

In response to the Court's decision, on February 8, 2007, the PPUC remanded the case to the Office of Administrative Law Judge. In response to a "Scheduling Order on Remand," issued by the Commission on March 9, 2007, the Company prepared a "Remand Proposal," dated April 13, 2007. The PPL proposal is intended to satisfy the

Court's concerns through the design of new transmission and distribution rates that can be deemed just and reasonable.

Q. PLEASE SUMMARIZE THE COMPANY'S PROPOSAL.

A. The PPL proposal sets forth new transmission rates for three large groupings of customer classes (residential, small commercial and industrial, and large commercial and industrial) based on actual cost-of-service to these customer groupings. Surcharges and refunds are calculated for bills during 2008 and 2009 in order to account for the differences between the customer class revenues that would have been collected under these new transmission rates if they had been placed in effect on January 1, 2005, and those transmission revenues that will actually be collected over the 2005-2007 period based on the Commission's Order following the 2004 proceeding. PPL proposes that the new transmission rates go into effect on or before the end of 2007.

PPL proposes to re-establish the distribution rates approved by the Commission resulting from the 2004 proceeding, but with a downward adjustment to eliminate Hurricane Isabel storm expense. In order to be compliant with the Court's decision, PPL offers to refund the component of distribution rate revenues collected over the 2005-2007 period that was intended to recover costs associated with Hurricane Isabel. Such refunds are proposed only for customer classes paying above system average returns. The refunds are to be implemented by applying a fixed Special Base Rate Adjustment (i.e., a percentage reduction) of approximately 1.77% of class distribution charges on monthly bills over calendar year 2008. (See Company Witness Oliver G. Kasper Remand Direct Testimony, p. 8.)

PPL justifies re-establishment of current distribution rates (with slight adjustment for storm expense) because they moved each major rate schedule closer to cost-of-service. In addition, PPL plans to move each major rate schedule to or near cost of service in three base rate cases, namely, the 2004 proceeding, the pending 2007 base rate case and one thereafter. (See Company Witness O. G. Kasper, page 10.)

Q. PLEASE SUMMARIZE YOUR RESPONSE TO THE COMPANY'S PROPOSAL.

A. I generally support the transmission cost allocation rate design offer by the Company, but recommend that the Large Commercial and Industrial Group ("Large C&I") be further divided into two smaller groups, one for Large C&I transmission voltage customers and one for Large C&I primary voltage customers. This will provide more precision in the matching of costs incurred in serving these customers and the revenues from transmission rates, and thereby facilitate shopping.

Regarding distribution class cost allocation, as in my 2004 testimony, I generally support the distribution cost-of-service study performed by the Company for the same reasons that I set forth in my 2004 direct testimony. But I reiterate the need for a significant change in the Company's customer class allocation of Commission-approved increases in total revenue requirements. The Company's proposal in this "Remand Proceeding," like in the original 2004 proceeding, does not adequately redress significant cross subsidies among distribution customer classes that were occurring before the 2004 rate case and have now endured over the 2005-2007 timeframe. I will demonstrate (with the data supplied by the Company's Adjusted Compliance Filing) the distribution revenue requirement allocation methodology that I proposed in my 2004 direct testimony, with an adjustment to eliminate "rate shock," and reiterate its benefits. I recommend that this

allocation methodology be approved by the Commission in order to establish distribution rates retroactive to January 1, 2005, and that refunds/surcharges be imposed to rectify class distribution revenues collected over this period. In addition, I recommend (as I did in the 2004 proceeding) that the same methodology be applied (but with successively lower maximum acceptable class relative rates of return) over the next two rate cases (including in the pending 2007 rate case) in order to bring all class distribution returns on a percentage basis to or very near jurisdictional system average returns.

Q. PLEASE DESCRIBE YOUR SUPPORT FOR THE COMPANY'S PROPOSAL FOR TRANSMISSION RATES.

A. In my 2004 direct testimony, I recommended establishing transmission rates by individual rate class based on class cost causation, and rejected the Company's proposal for a single average kWh rate to be applied to all classes. Based on the data that the Company provided at that time, I demonstrated within Exhibit KKK -12 of my 2004 direct testimony how that could be accomplished by using annual cost and consumption data by rate class. The simple formula that I used was to allocate total annual transmission revenue requirements by the 5-day peak load coincident peak load contribution for each rate class. Recognizing that allocation shares changed significantly by individual rate class depending upon whether or not the 5 system peak days were experienced during the summer or during the winter of the previous year, I averaged the most recent contribution to the system peak for each class that was experienced during the summer with the class contribution experienced during the most recent winter peak, in order to foster some rate stability through the years.

The Company's methodology for deriving class cost-based transmission rates as presented in its Remand Proposal is superior to mine because it more precisely aligns transmission rates with cost causation for each year (see Remand Direct Testimony of Oliver G. Kasper, p. 2-8 and the CD associated with the Response by PPL to Interrogatories of the Small Business Advocate, Set 1, Question 7, dated April 19, 2007). The Company divides total transmission costs for each month into the portion that is demand-related and the portion that is energy-related. The demand-related portion of transmission costs is allocated to three large groupings of customer rate classes based on the actual 5-day peak contribution experienced by each group during the previous calendar year. Allocation of monthly energy-related transmission costs is based on energy consumed by each class grouping during each month. Rate stability is gained by the grouping of individual customer rate schedule classes into three large aggregate classes, namely, Residential (RS, RTS and RTD), Small C&I (GS-1, GS-3, BL, IS-1, GH-1, GH-2 and all Street and Area Lighting Schedules, or SL/AL), and Large C&I (LP-4, LP-5, IST, ISP, LP-6, LPEP, ISA and Standby or L5-S).

The Company offers several reasons for this grouping: (1) it is the same grouping that is used for CTC and ITC rates; (2) it reflects cost causation while limiting the number of transmission rate calculations; (3) it is consistent with how the Company proposes to calculate POLR rates after its generation rate caps expire on January 1, 2010, thereby making it easier for both customers and energy generation suppliers ("EGS") to make informed decisions regarding retail competition, i.e., it facilitates shopping (see Remand Direct Testimony of Oliver Kasper, page 3-4.)

Q. WHAT MODIFICATION TO YOU PROPOSE TO THE COMPANY'S TRANSMISSION RATE METHODOLOGY?

A. I propose to divide the Large C&I customer group into two separate, smaller groups when transmission rates are calculated, and later when calculating POLR rates after the generation rates expire. The two smaller groups would be for the rate schedule classes served at transmission voltage, that is, "Large C&I-T" and for the rate schedule classes served at primary voltage, "Large C&I-P." Large C&I-P would consist of rate schedule classes LP-4 and ISP. Large C&I-T would consist of LP-5, LP-6, IST, ISA, LPEP and Standby (L5-S). Note that this split is consistent with the functional breakdown of costs that is used by Company Witness Joseph M. Kleha when performing distribution class cost-of-service studies.

There is no reason to continue to define customer class groupings to correspond to those used for the CTC and ITC, because those charges will expire. The complexity of transmission cost calculations will be increased slightly due to the addition of one more customer class group. But this certainly can be handled quite easily using the Microsoft EXCEL spreadsheet software that the Company is now employing.

More importantly, shopping for third party generation providers will be better facilitated by the greater precision in customer group transmission costs that will be achieved by separating primary voltage and transmission voltage customer classes. It is more important to have greater precision in matching cost causation with transmission revenue when designing transmission rates for Large C&I customers than it is for Small C&I and Residential customers. Large C&I customers are more likely to be searching alone for a competitive EGS. In addition, EGS's are more likely to offer rates to Large C&I

customers which take into account the specific load profile of each customer. For smaller customers, EGS's will more likely use a typical load profile when designing rates that is representative of an entire class of customers, like residential, or small commercial.

Moreover, transmission voltage customers generally experience higher annual load factors (i.e., ratio of average to peak day load) than primary voltage customers, and therefore can be expected to enjoy lower average transmission rates when using a kWh rate design. This is evidenced by observing the transmission rates for the various individual rate classes that I calculated within Exhibit KKK-12 of my 2004 direct testimony. Therefore, the effect of not distinguishing primary voltage from transmission voltage large customer transmission rates, as the Company proposes, will be to push transmission voltage customers to third party EGS's during shopping, and retain primary voltage customers for POLR service, when generation caps expire. This is a non-competitive result that should and can be avoided by calculating separate transmission rates for large primary voltage and transmission voltage customers.

In sum, I propose that the Commission direct the Company to recalculate transmission rates and associated refunds/surcharges for four customer groups rather than three, namely, the Residential, Small C&I, Large C&I-P and Large C&I-T groups.

Q. WHY DO YOU GENERALLY SUPPORT THE DISTRIBUTION COST OF SERVICE METHODOLOGY EMPLOYED BY THE COMPANY?

A. I addressed this question in my 2004 direct testimony, but will reiterate my answer here because of the importance of this issue. The Company uses the class maximum demand method, which is based on the highest annual non-coincident peak (NCP) demand

imposed by each rate class on its distribution system, to allocate its demand-related distribution costs. Distribution facilities are separated between primary and secondary voltages, and secondary investment is further classified as customer-related and demand-related using the "minimum size system" method. Costs considered customer-related are then allocated on the basis of the numbers of customers in each class.

Within its Remand Proposal, the Company also provides for comparison cost of service studies based on the distribution system costs allocated on a 50%/50% demand/customer-related basis, 50%/50% demand/energy-related basis and 1/3 each demand/customer/energy-related basis (see Exhibit Remand JMK-8). The class results for the 50%/50% demand-customer related basis closely match those using the Company's cost-of-service methodology, while the other two methodologies shift costs markedly from the small to the large customers. In its 2004 application, the Company also presented for comparison the class allocation of distribution costs based on the average and excess allocation method.

The Company justifies its methodology (the maximum non-coincident peak demand method) as the most appropriate method for the allocation of distribution costs for two reasons: (1) because the Commission has traditionally accepted this method in all of its previous base cases; and (2) because the NARUC Electric Cost Allocation Manual deems it to be the most appropriate method when distribution-related facilities are generally sized to meet the maximum load requirements of customers. I agree with and support both of these reasons. The NARUC Manual elaborates further (p. 97):

There are several factors to consider when allocating the demand components of distribution plant. Distribution facilities, from a design and operational perspective, are installed primarily to meet localized area loads. Distribution substations are designed to meet the maximum load from the distribution feeders

emanating from the substation. Similarly, when designing primary and secondary distribution feeders, the distribution engineer ensures that sufficient conductor and transformer capacity is available to meet the customer's loads at the primary- and secondary-distribution service levels. Local area loads are the major factors in sizing distribution equipment. Consequently, customer-class non-coincident demands (NCPs) and individual customer maximum demands are the load characteristics that are normally used to allocate the demand component of distribution facilities.

I believe that the most important criterion to be considered in selecting an appropriate methodology is that the methodology should be consistent with the utility's planning process. The factors which primarily influence the utility's capacity expansion plan should also serve as the basis for developing allocation factors. Otherwise costs will not be assigned to the classes in the same manner in which the costs are incurred. In a distribution utility, the most significant factor influencing the Company's expansion plan is the level of peak demand projected for the system. The use of NCP demands as a basis for allocating demand-related distribution plant, as the Company proposes, is consistent with this principle.

In contrast, the use of the average and excess allocation method (or any method which allocates distribution facility costs based partly on energy use) allocates a greater portion of demand-related costs to customer groups with higher load factors. The average and excess methodology rests on the assumption that while system peak demands establish the level of capacity, providing continuous service creates additional incentive for such capacity costs. This is not the case with distribution plant. The provision of continuous service, that is, more throughput at a given peak demand level, does not cause a need for additional capacity. The sole determination of the need for additional distribution capacity is greater peak load requirements on the system. Thus, to burden higher load factor customers with higher costs of distribution plant would be grossly inequitable. So, in my view, there is no uncertainty as to which is the more correct cost-of-service

methodology to apply – it is the Company’s methodology. There is no “movement” of the “polestar” that should be used to measure class cost of service in this case.

I also support the Company’s proposal to use the minimum-size system method for determining the demand and customer components of secondary distribution facilities. The minimum-size system method requires less data to employ and is easier to understand and apply. It is also less prone than the alternative method, the minimum-intercept method, to produce anomalies caused by statistically unreliable results.

Q. WHY DO YOU OBJECT TO THE COMPANY’S PROPOSAL FOR THE ALLOCATION OF INCREASED REVENUE REQUIREMENTS BY CUSTOMER CLASS?

A. The Company’s Remand Proposal is simply the 2004 Compliance Filing as adjusted for the elimination of storm damage expense from Hurricane Isabel (see Remand Exhibit JMK-2). I object to the allocation of revenue requirements contained therein for the same reasons as given in my 2004 direct testimony.

Within its Remand Proposal, the Company proposes only one criterion for allocating increased revenue requirements: that the relative rate of return for each rate schedule moves closer (about half-way on a percentage basis for most rate classes) to 1.0, which is parity with the system average rate of return. As shown in Remand Exhibit KKK-3, column 4, enormous customer class subsidies existed prior to the 2004 proceeding. For example, the Company was earning six times its average system return from customers taking service under LP-5 and over 20 times the system average return from customers

taking service under LP-6. Meanwhile, the Company was earning only 53% of its system average return from residential customers.

Under the Company's Remand Proposal, the residential customer will be paying only 65% of the system average return (see column 7 of Remand Exhibit KLK-3). In contrast, the LP-5 customer will still be required to pay about 3.4 times the system average return and the LP-6 customer about 7 times the system average return. Moreover, the residential customer is asked to pay an increase of only 23.1% in its distribution revenue requirement, which is less than the average rate increase, 27.2%. The Company simply does not go far enough in redressing the egregious gross inequities that now exist in distribution rates. I explained within my 2004 direct testimony why such large required customer class cross subsidies are inequitable, result in non-economic behavior of both the donors and recipients of these subsidies, and decrease the general economic welfare of the society. These arguments still apply here, but will not be repeated.

Within my 2004 direct testimony, I proposed that the Commission adopt the following criteria for allocating any increased distribution revenue requirement that is found in this proceeding. First, set rates for all customer classes that are now unfairly burdened by paying the Company more than 150% of the system average return, so that the return paid by these customers falls to 150% of the newly approved system average return from this proceeding. Secondly, adjust rates to all other customer classes such that they pay an equal percentage of the distribution system average return.

The result of applying this revenue requirement allocation methodology using the Adjusted Compliance Filing offered by the Company is shown is shown in columns 10

through 12 of Remand Exhibit KLK-3. The Company's system average rate of return with the revenue requirement approved by the Commission (after adjustment to eliminate storm damage expense from Hurricane Isabel) is 8.43%. All but four customer classes will pay a return of 12.64%, and the remaining four will incur rate increases such that they will pay the Company 79% of the system average return. (The Interruptible Supply Agreement or "ISA" rate class is not affected by these allocations because the rates are set by contract agreement.) Under these criteria, as expected if the existing gross inequities are to be mitigated, the residential customers will receive an increase in distribution billings that is greater than the system average increase, 31.5% versus 27.2%, as shown in column 12. Many of the customer classes now paying significant cross subsidies will receive reductions in revenue requirements. However, no customer class will be forced to pay the Company more than 150% of the system average return.

I incurred two criticisms of my proposed revenue requirement allocation methodology during the 2004 proceeding – that the increase for the RTS class was too high and caused “rate shock,” and that the methodology was self-serving, i.e., it helped the LP-5 and LP-6 customer classes.

In response to the first criticism, I offer the incorporation of an additional criterion within my proposed revenue requirement methodology, the limitation of any one class increase to 40% (which is less than 150% of the system average increase). The results are shown in Remand Exhibit KLK-4. The increase for the RTS class is limited to 40%, while increases for the other three customer class paying less than system average returns are very slightly higher. The increases for customer classes paying higher than system average returns are unaffected.

In response to the second criticism, that my proposed methodology is self-serving, I point out that DOD/FEA receives service off of nearly all of the PPL rate schedules for electricity delivered on a firm requirements basis due to the diversity of its facility types. Furthermore, other rate classes, such as the GS-1 rate class are more beneficially affected by my allocation methodology than the LP-5 and LP-6 rate classes. Under the Company's proposal, the GS-1 class incurs a 29.3% increase, which is higher than the system average increase of 27.2%, despite the fact that this class is providing 223% of the system average return before the rate increase. This is absurdly inequitable. Under my proposed allocation methodology, the GS-1 rate class will incur only a 15.1% increase. I recommend that the Commission adopt my revenue requirement allocation methodology, and require the Company to compute refunds and surcharges to rectify class revenues received during the 2005-2007 period.

As I stated in my 2004 testimony, this should be considered only the first of three steps in the "gradual" process of moving all customer classes to unitized class returns. Within the pending 2007 general rate case of PPL, I recommend that the maximum acceptable relative rate of return, set at 150% of the system average return in this proceeding, be reduced to 125% of the system average return. And finally, in the subsequent general rate case for PPL, all customer classes (except perhaps the RTS class) should be near or to the system average return. I recommend that the Commission explicitly establish this multi-step process within its final order in this Remand Proceeding.

Q. DO YOU AGREE WITH THE COMPANY'S PROPOSED ALLOCATION OF THE REDUCTION IN RATES ASSOCIATED WITH THE HURRICAN ISABEL EXPENSE?

A. Yes, I do. The Company is proposing to allocate the reduction in revenue requirements associated with the Court's elimination of Hurricane Isabel expense only to customer classes (other than the ISA class) that are paying higher than system average returns. This methodology serves to reduce the inequities inherent in existing distribution rates which result from required customer class cross-subsidies and therefore should be adopted by the Commission. Consistent with this position, I employed Remand Exhibit JMK-2 rather than Remand Exhibit JMK-1 as a basis for the implementation of my proposed revenue requirement allocation methodology as shown within Remand Exhibits KKK-3 and KKK-4.

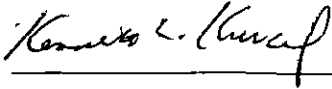
Q. DOES THIS COMPLETE YOUR DIRECT TESTIMONY IN THIS REMAND PROCEEDING?

A. Yes it does.

Commonwealth of Virginia

County of Fairfax

Before me, the undersigned Notary Public, personally appeared Kenneth L. Kincel, who being duly sworn on oath deposes and says that the foregoing prepared direct testimony and statement of facts contained therein are true and correct to the best of his knowledge, information and belief.



Kenneth L. Kincel

President, Decision Analysis Corporation of Virginia

Subscribed to and sworn before me on this 11th day of May 2007.



Notary Public

My Commission Expires: 01/31/2008

Exhibit KLK-1
Education and Qualifications of Kenneth L. Kincl

PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

My name is Kenneth L. Kincl. My business mailing address is Decision Analysis Corporation of Virginia, 8009 Snowpine Way, Suite 100, McLean, Virginia 22102.

WHAT IS YOUR OCCUPATION?

I am an energy consultant in the field of energy modeling, forecasting and economic analysis, and I perform these services as President and Chief Executive Officer of Decision Analysis Corporation of Virginia, an energy and environmental analysis consulting firm.

PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

I was awarded a Bachelor of Science Degree in Engineering by Rensselaer Polytechnic Institute (RPI) in 1967, and a Master of Science in Business Management in 1968, also from RPI. Subsequently, I served as Project Manager at Computer Sciences Corporation where I performed management consulting services until the summer of 1972. From July 1972 through June 1974, I served in several capacities performing industry economic analysis for the Cost of Living Council of the Federal Government during the period of wage and price controls. Following the oil embargo of 1973 -1974, I joined the Federal Energy Administration in the capacity of Director, Office of Energy Demand Policy and Special Projects, and was later promoted to Director, Office of Conservation and Resource Development Policy.

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During this period, I testified in several natural gas import cases before the Federal Energy Regulatory Commission as to the economic benefits to the nation of limiting liquefied natural gas imports. I also appeared before several committees of the U.S. Senate and the U.S. House of Representatives on issues such as the availability of winter fuels, the domestic supply and price of natural gas and horizontal oil company divestiture. I headed the Interagency Natural Gas Emergency Task Force, the Synthetic Natural Gas Task Force and the Interagency Liquefied Natural Gas Task Force for FEA. When the Department of Energy (DOE) was formed in 1977, I joined the Energy Information Administration of DOE, and ultimately became the Deputy Assistant Administrator for Energy Applied Analysis (Modeling and Forecasting). In this capacity, I managed over 200 professional economists, energy analysts and computer scientists in the conduct of energy modeling and forecasting services to produce the *Short Term Energy Outlook*, the *Annual Energy Outlook* and the *International Energy Outlook*, the major energy forecasting publications of the Federal Government.

In August 1980 I left the Federal Government and founded Decision Analysis Corporation of Virginia (DAC). DAC performs energy and environmental modeling, forecasting and analysis services for utilities, industry associations, utility commissions, private firms and several agencies of the Federal Government, including DOD, Commerce and Energy. Since 1980, DAC has performed over 600 projects involving analysis of energy issues, and I have served as Project Manager for most of these projects.

Since 1994 and to the present, DAC has assisted DOE in the development of the National Energy Modeling System. Since the mid-1980's and to the present, DAC has also provided energy analysis and expert witness services to DOD on utility rate cases and cases involving the restructuring of the natural gas or electric utility industry for competition. I, myself, have

testified on cost of capital, revenue requirements, deregulation/industry restructuring policy and/or rate design issues before the Georgia Public Service Commission (natural gas and electricity), the New York State Public Service Commission (electricity), the Federal Energy Regulatory Commission (natural gas), the Kentucky Public Service Commission (electricity), the Public Utility Commission of Texas (electricity), the North Carolina Utilities Commission (natural gas), the New Jersey Office of Administrative Law (electricity) and the Public Service Commission of Maryland (gas and electricity), as listed in Exhibit KKK-2. I have testified before the Pennsylvania Public Utility Commission within the initial 2004 proceeding under this docket.

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Recent Testimony and Regulatory Submissions of Kenneth L. Kincl

Regulatory Commission	Date	On Behalf Of	Submission Type	Docket No.	Utility	Issues	Topics Covered
Georgia Public Service Commission	October 18, 1996	US Dept. of Defense/FEA	Direct Testimony	6691-U	United Cities Gas Company	Natural gas rate increase	Revenue requirements, ROE
Federal Energy Regulatory Commission	December 13, 1996	US Dept. of Defense/FEA	Direct Testimony	RP96-190-00	Colorado Interstate Gas Co.	Interstate gas transportation rates	Cost allocation, rate design
New York Public Service Commission	January 7, 1997	US Dept. of Defense/FEA	Direct Testimony	96-E-0134	Niagara Mohawk Power Co.	Electric rate increase	Revenue requirements
Georgia Public Service Commission	October 23, 1997	US Dept. of Defense/FEA	Direct Testimony	8044-U	GPSC NOPR	Implementation of gas retail dereg.	Comments on marketers' certification
Georgia Public Service Commission	October 23, 1997	US Dept. of Defense/FEA	Direct Testimony	8053-U	GPSC NOPR	Implementation of gas retail dereg.	Comments on random assignment of customers
Georgia Public Service Commission	January 23, 1998	US Dept. of Defense/FEA	Formal Comments	8346-U	GPSC NOPR	Implementation of gas retail dereg.	Formal recommendations on unbundling methods
Maryland Public Service Commission	February 12, 1998	US Dept. of Defense/FEA	Direct Testimony	8780	Baltimore Gas & Electric Co.	Gas base rate increase	ROE, rate design
Georgia Public Service Commission	March 31, 1998	US Dept. of Defense/FEA	Direct Testimony	8390-U	Atlanta Gas Light Co.	Unbundling, Restructuring	ROE, rate design, performance rates
Georgia Public Service Commission	October 1, 1998	US Dept. of Defense/FEA	Direct Testimony	9355-U	Georgia Power Company	Base rate increase, earnings sharing	ROE, earnings sharing mechanism
Maryland Public Service Commission	December 18, 1998	US Dept. of Defense/FEA	Direct Testimony	8794	Baltimore Gas & Electric Co.	Electric restructuring	Stranded costs, cost unbundling, rate design
Maryland Public Service Commission	February 3, 1999	US Dept. of Defense/FEA	Direct Testimony	8804	Baltimore Gas & Electric Co.	Electric base rates, rate design	ROE, rate design
Kentucky Public Service Commission	March 18, 1999	US Army	Direct Testimony	98-474	Kentucky Utilities	Electric performance based rates	Performance based rates, earnings sharing mechanism
Kentucky Public Service Commission	March 18, 1999	US Army	Direct Testimony	98-426	Louisville Gas & Electric Co.	Electric performance based rates	Performance based rates, earnings sharing mechanism
Texas Public Utility Commission	September 15, 2000	US Army	Affidavit	23040	TXU Electric Company	Wholesale electric purchaser status	Information in support of petition for Fort Hood
Texas Public Utility Commission	February 2, 2001	US Army	Direct Testimony	22350	TXU Electric Company	Unbundling, Restructuring	Rate design
Georgia Public Service Commission	October 12, 2001	US Dept. of Defense/FEA	Direct Testimony	14000-U	Georgia Power Company	Base rate increase, earnings sharing	ROE, earnings sharing mechanism
North Carolina Utilities Commission	August 23, 2002	US Dept. of Defense/FEA	Direct Testimony	G21 Sub 431	North Carolina Natural Gas Corp.	Base rate rebalancing and increase	Rate design
New Jersey Office of Administrative Law	December 20, 2002	US Dept. of Defense/FEA	Direct Testimony	ER02080506-7 PUC7983,4-02	Jersey Central Power & Light Co.	Base rate increase, surcharges	ROE, ROI, rate design
Kansas State Corporation Commission	July 10, 2003	US Dept. of Defense/FEA	Direct Testimony	03-KGSG-602-RTS	Kansas Gas Division, ONEOK, Inc.	NG base rate increase, rate design	ROE, rate design
North Carolina Utilities Commission	August 12, 2003	US Dept. of Defense/FEA	Direct Testimony	G21 Sub 442	North Carolina Natural Gas Corp.	NG base rate increase, rate design	ROE, rev. reqts., rate design, terms
Kentucky Public Service Commission	March 19, 2004	US Dept. of Defense/FEA	Direct Testimony	2003-00433	Louisville Gas & Electric Company	NG and electric base rate increases	ROE, cost allocation, rate design, terms and conditions
Pennsylvania Public Utility Commission	June 28, 2004	US Dept. of Defense/FEA	Direct Testimony	R-00049255	PPL Electric Utilities Corporation	Electric base rate increases	ROE, cost allocation, rate design, terms and conditions
Georgia Public Service Commission	October 6, 2004	US Dept. of Defense/FEA	Direct Testimony	18300-U	Georgia Power Company	Electric base rate increases	ROE, cost allocation, rate design, terms and conditions
North Carolina Utilities Commission	August 26, 2005	US Dept. of Defense/FEA	Direct Testimony	G-9 Sub 499; G-21 Sub 461; G-44 Sub 15	Piedmont NG Company/NCNG	NG base rate increase, rate integrator	ROE, rev. reqts., rate design, terms & conditions
Wisconsin Public Service Commission	October 12, 2005	US Dept. of Defense/FEA	Direct Testimony	4220-UR-114	Excel Energy/Northern States Power	Electricity and NG base rate increases	ROE, rev. reqts., cost allocation, rate design
New York Public Service Commission	December 19, 2005	US Dept. of Defense/FEA	Direct Testimony	05-G-0935 and 05-E-0934	Central Hudson Gas & Electric Co.	NG Base Rate Increase and Gas Balancing	Cost of service, cost allocation, rate design
Kansas State Corporation Commission	September 27, 2006	US Dept. of Defense/FEA	Direct Testimony	06-KGSG-1209-RTS	Kansas Gas Division, ONEOK, Inc.	NG Base Rate Increase	ROE, cost allocation, rate design

DOD/FEA Allocation of PPL's Adjusted Compliance 2004 Total Distribution Revenue Requirements Increase By Customer Class Using Original Methodology
\$ (Thousands)

(1)	(2)	(3)	(4)			(5)	(6)			(7)			(8)	(9)	(10)		(11)	(12)		(13)
Rate Class	Rate Base \$	RR at Present Rates \$	Class Return at Present Rates \$ %		RROR	RR at PPL's Proposed Rates \$	PPL's % Increase in RR at Proposed Rates \$ %		Class Return at PPL's Proposed Rates \$ % RROR			Gross-Up Factor	DOD/FEA Proposed RROR at PPL's Proposed RR	DOD/FEA Proposed Return \$ %		DOD/FEA RR Increase Allocation \$	DOD/FEA Class RR Percent Increase %	Rate Class		
RS	1,188,218	293,920	27,678	2.33%	0.53	361,790	67,870	23.1%	65,111	5.48%	0.65		0.79	78,791	6.63%	92,491	31.5%	RS		
RTS	43,171	3,513	-1,690	-3.91%	-0.89	3,982	469	13.4%	-1,436	-3.33%	-0.39		0.79	2,863	6.63%	8,238	234.5%	RTS		
GS-1	177,572	61,460	17,333	9.76%	2.23	79,470	18,010	29.3%	27,377	15.42%	1.83		1.50	22,452	12.64%	9,264	15.1%	GS-1		
GS-3	270,794	84,182	25,253	9.33%	2.13	119,554	35,372	42.0%	44,870	16.57%	1.97		1.50	34,240	12.64%	16,261	19.3%	GS-3		
LP-4	67,662	21,873	6,297	9.31%	2.13	30,706	8,833	40.4%	11,071	16.36%	1.94		1.50	8,555	12.64%	4,086	18.7%	LP-4		
ISP	4,238	1,757	531	12.53%	2.86	2,068	311	17.7%	704	16.61%	1.97		1.50	536	12.64%	9	0.5%	ISP		
LP-5	1,973	1,774	546	27.67%	6.32	1,785	11	0.6%	571	28.94%	3.43		1.50	249	12.64%	-637	-30.2%	LP-5		
IST	751	1,717	658	87.62%	20.01	1,244	-473	-27.5%	400	53.26%	6.32		1.50	95	12.64%	-1,019	-59.3%	IST		
LP-6	134	283	123	91.79%	20.96	201	-82	-29.0%	79	58.96%	6.99		1.50	17	12.64%	-192	-67.8%	LP-6		
LPEP	975	314	79	8.10%	1.85	387	73	23.2%	115	11.79%	1.40		1.50	123	12.64%	80	25.5%	LPEP		
ISA	264	662	290	109.85%	25.09	659	-3	-0.5%	289	109.47%	12.99		12.99	290	109.85%	0	0.0%	ISA		
GH	20,754	6,222	1,883	9.07%	2.07	8,667	2,445	39.3%	3,266	15.74%	1.87		1.50	2,624	12.64%	1,341	21.6%	GH		
SL/LAL	60,291	17,705	1,455	2.41%	0.55	19,478	1,773	10.0%	2,410	4.00%	0.47		0.79	3,998	6.63%	4,802	28.0%	SL/LAL		
LS-S	166	36	10	6.02%	1.38	76	40	111.1%	32	19.28%	2.29		0.79	11	6.63%	2	5.1%	LS-S		
Total*	1,836,958	495,418	80,434	4.38%	1.00	630,067	134,649	27.2%	154,845	8.43%	1.00	1.81	1.00	154,845	8.43%	134,627	27.2%	Total*		

Sources: Remand Exhibit JMK-2 is PPL's Cost Allocation Study Adjusted for Compliance Filing and Further Adjusted to Exclude Hurricane Isabel Storm Expense

Column 2 through 7 were taken from Remand Exhibit JMK-2; values in the remaining columns are derived.

Column 9 The UROR is set at 1.50 for all classes (except for ISA) having a ROR of greater than 1.50 at present rates; for all other classes, the revenue requirement that will produce an equal UROR for each class having a present UROR of less than 1.50 is derived.

Class ISA revenues are set by a Special Agreement and are unaffected by the revenue allocations.

RR = Revenue Requirements; UROR = unutilized or relative rate of return, i.e., the class return percentage divided by the system average return percentage.

* Slight differences occur in totals when compared to corresponding columns on Remand Exhibit JMK-2 due to rounding or errors in Remand Exhibit JMK-2.

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DOD/FEA Allocation of PPL's Adjusted Compliance 2004 Total Distribution Revenue Requirements Increase By Customer Class With Reduced Rate Shock
\$ (Thousands)

(1)	(2)	(3)	(4)			(5)	(6)			(7)			(8)	(9)	(10)		(11)	(12)		(13)
Rate Class	Rate Base \$	RR at Present Rates \$	Class Return at Present Rates \$ %		RROR	RR at PPL's Proposed Rates \$	PPL's % Increase in RR at Proposed Rates \$ %		Class Return at PPL's Proposed Rates \$ % RROR			Gross-Up Factor	DOD/FEA Proposed RROR at PPL's Proposed RR	DOD/FEA Proposed Return \$ %		DOD/FEA RR Increase Allocation \$	DOD/FEA Class RR Percent Increase %	Rate Class		
RS	1,188,218	293,920	27,676	2.33%	0.53	361,790	67,870	23.1%	65,111	5.48%	0.65		0.82	82,385	6.93%	98,993	33.7%	RS		
RTS	43,171	3,513	-1,690	-3.91%	-0.89	3,982	469	13.4%	-1,436	-3.33%	-0.39		-0.25	-913	-2.12%	1,405	40.0%	RTS		
GS-1	177,572	61,460	17,333	9.76%	2.23	79,470	18,010	28.3%	27,377	15.42%	1.83		1.50	22,452	12.64%	9,264	15.1%	GS-1		
GS-3	270,794	84,182	25,253	9.33%	2.13	119,654	35,372	42.0%	44,870	16.57%	1.97		1.50	34,240	12.64%	16,261	19.3%	GS-3		
LP-4	67,662	21,873	6,297	9.31%	2.13	30,706	8,833	40.4%	11,071	16.36%	1.94		1.50	6,555	12.64%	4,086	18.7%	LP-4		
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LP-6	134	283	123	91.79%	20.96	201	-82	-29.0%	79	58.96%	6.99		1.50	17	12.64%	-192	-67.6%	LP-6		
LPEP	975	314	79	8.10%	1.85	387	73	23.2%	115	11.79%	1.40		1.50	123	12.64%	80	25.5%	LPEP		
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SL/L	80,291	17,705	1,455	2.41%	0.55	19,478	1,773	10.0%	2,410	4.00%	0.47		0.82	4,180	6.93%	4,931	27.9%	SL/L		
L5-S	166	36	10	6.02%	1.38	76	40	111.1%	32	19.28%	2.29		0.82	12	6.93%	3	7.6%	L5-S		
Total*	1,836,958	495,418	80,434	4.38%	1.00	630,067	134,649	27.2%	154,845	8.43%	1.00	1.81	1.00	154,845	8.43%	134,627	27.2%	Total*		

Sources: Remand Exhibit JMK-2 is PPL's Cost Allocation Study Adjusted for Compliance Filing and Further Adjusted to Exclude Hurricane Isabel Storm Expense
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Column 9: The UROR is set at 1.50 for all classes (except for ISA) having a ROR of greater than 1.50 at present rates; for all other classes, the revenue requirement that will produce an equal UROR for each class having a present UROR of less than 1.
Class ISA revenues are set by a Special Agreement and are unaffected by the revenue allocations.
Column 12: The increase to the RTS Class is held to 40% to avoid "rate shock."
RR = Revenue Requirements; UROR = unutilized or relative rate of return, i.e., the class return percentage divided by the system average return percentage.
* Slight differences occur in totals when compared to corresponding columns on Remand Exhibit JMK-2 due to rounding or small errors in Remand Exhibit JMK-2.

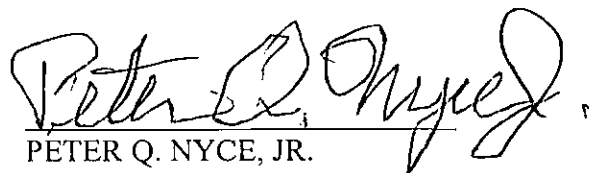
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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing documents filed on behalf of the United States Department of Defense and All Federal Executive Agencies were sent to the parties on the attached service list electronically and by UPS Overnight or first class mail, postage prepaid on May 11, 2007.

Dated at Arlington County, Virginia, this 11th day of May 2007.


PETER Q. NYCE, JR.

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

R-00049255, R-00049255C0001 through R-00049255C0020 Pennsylvania PublicUtility Commission, et al. v. PPL Electric Utilities Corporation

PETER Q. NYCE, JR., ESQUIRE
REGULATORY LAW OFFICE
US ARMY LEGAL SERVICES AGENCY (JALS-RL)
DEPARTMENT OF THE ARMY
901 NORTH STUART STREET ROOM 713
ARLINGTON VA 22203-1837

PAUL E. RUSSELL ESQUIRE
PPL
TWO NORTH NINTH STREET
ALLENTOWN PA 18101-1179

DAVID MACGREGOR ESQUIRE
POST & SCHELL PC
FOUR PENN CENTER
1600 JOHN F KENNEDY BOULEVARD
PHILADELPHIA PA 19103

ANTHONY GAY ESQUIRE
EXELON BUSINESS SERVICES COMPANY
2301 MARKET STREET S23-1
PO BOX 8699
PHILADELPHIA PA 19101-8699

HON PHYLLIS MUNDY CHAIR
NORTHEAST DELEGATION
HOUSE BOX 202020
HARRISBURG PA 17120-2020

PAMELA C POLACEK ESQUIRE
VASILIKI KARANDRIKIS ESQUIRE
MCNEES WALLACE & NURICK LLC
100 PINE STREET
PO BOX 1166
HARRISBURG PA 17108-1166

ERIC JOSEPH EPSTEIN
4100 HILLSDALE ROAD
HARRISBURG PA 17112

MICHAEL W HASSELL ESQUIRE
POST & SCHELL PC
17 NORTH SECOND STREET
12TH FLOOR
HARRISBURG PA 17101-1601

WILLIAM R LLOYD JR ESQUIRE
STEVEN C GRAY ESQUIRE
OFFICE OF SMALL BUSINESS ADVOCATE
1102 COMMERCE BUILDING
300 NORTH SECOND STREET
HARRISBURG PA 17101

RICHARD A KANASKIE ESQUIRE
PA PUC OFFICE OF TRIAL STAFF
PO BOX 3265
HARRISBURG PA 17105-3265

ROBERT D KNECHT
INDUSTRIAL ECONOMICS INCORP
2067 MASSACHUSETTS AVENUE
CAMBRIDGE PA 02140

NIKKI LOPEZ
HOUSE OF REPRESENTATIVES
115 EAST WING
HARRISBURG PA 17120

Hon Susan D. Colwell
Administrative Law Judge
Pennsylvania Public Utility Commission
PO Box 3265
Harrisburg, PA 17105-3265



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
Office of Administrative Law Judge
P.O. BOX 3265, HARRISBURG, PA 17105-3265
June 7, 2007

IN REPLY PLEASE
REFER TO OUR FILE

In Re: R-00049255
R-00049255C0001
through
R-00049255C0020

(SEE LETTER DATED 3/9/07)

Pennsylvania Public Utility Commission v. PPL Electric Utilities Corporation

Cancellation Notice

This is to inform you of the following cancellation:

Type: Evidentiary Hearing
Date: Monday, June 11, 2007
Tuesday, June 12, 2007
Time: 10:00 a.m.
Presiding: Administrative Law Judge Susan D. Colwell

**DOCUMENT
FOLDER**

Please mark your records accordingly.

pc: Judge Colwell
Stacy Nolan, Scheduling Officer
Beth Plantz
Docket Section
Calendar File

DOCKETED
JUN 11 2007