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File #: 2507-126978

June 18, 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

**RE: Pennsylvania Public Utility Commission
v. PPL Electric Utilities Corporation
Docket No. R-00049255 00001**

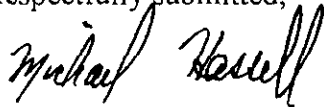
SECRETARIAT'S BUREAU
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Dear Secretary McNulty:

Enclosed please find the original signature page to the Settlement from Peter Q. Nyce, Jr. for the Department of Defense, along with a copy of the Statement in Support from the Department of Defense.

As indicated on the certificate of service, copies have been served on the parties in the manner indicated.

Respectfully submitted,



Michael W. Hassell

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MWH/jl

Enclosures

cc: Honorable Susan D. Colwell
Certificate of Service

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**DOD/FEA Statement in Support of
Joint Petition for Settlement
Of Remand Proceeding**

DOD/FEA signed and supports the Joint Petition for Settlement because it is a reasonable compromise of all the major issues in the case, is consistent with the Commonwealth Court's decision in *Lloyd*, brings all customer classes rates that are closer to the cost of service, and in general is in the public interest.

DOD/FEA submitted the direct testimony of Mr. Kenneth L. Kincel in the Remand Case. Within this testimony, Mr. Kincel proposed changes to the rates contained in PPL's Remand filing. Regarding transmission rates, Mr. Kincel proposed that the Large Commercial and Industrial ("Large C&I") Group be divided into two groups to better match cost of service for large customers within both prospective transmission rates and rates to go into effect on January 1, 2005. The parties to the Joint Petition implemented this recommendation and created the Large C&I-Transmission Group and the Large C&I-Primary Group, thereby creating different transmission rates depending on delivery voltage. DOD/FEA also was in favor of the adjustment for losses and the formation of a two-part transmission charge, namely, demand and energy, for these two large customer groups, as recommended by Mr. Baron of PPLICA. These changes mitigate intra-class subsidies that would have been incurred with the PPL Remand proposal for the Large C&I Group. The Joint Petition also adopted Mr. Baron's recommendations in this regard. Thus, the transmission rates within the Joint Petition represent a more fair and reasonable set of rates for all rate classes of PPL because they better reflect cost of service.

Regarding distribution rates, Mr. Kincel also proposed that no rate class pay more than 150% of the system average return within their distribution rates in order to redress the greatest inequities due to class cross subsidies embedded within the present rates. Although the distribution rates within the Joint Petition reflect more a compromise between the PPL and OSBA proposed rates, the parties did agree to provide revenue requirement relief sufficient to bring the LP-5 class to 162.28% of the system average return, and the LP-6 class to 159.31% of the system average return. Because the largest military installations of DOD/FEA receive service under these two rates schedules, DOD/FEA found this compromise to be acceptable for settlement under the Joint Petition. However, because many DOD/FEA facilities are served under other distribution rate classes, DOD/FEA will work to bring other distribution rate classes closer to parity with the system average return during the pending 2007 rate proceeding.

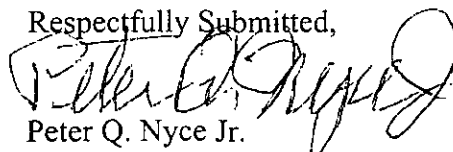
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Given the reasonableness of the compromise among the parties that is evidenced within the Joint Settlement, DOD/FEA recommends that Commission adopt the Joint Settlement in its entirety, and thereby place into effect both the transmission and distribution rates proposed therein.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Peter Q. Nyce Jr.", written over the typed name.

Peter Q. Nyce Jr.

(DC Bar No. 923011)

General Attorney

Regulatory Law Office

U. S. Army Legal Services Agency

DOD/FEA Statement in Support of Joint Petition for Settlement Of Remand Proceeding

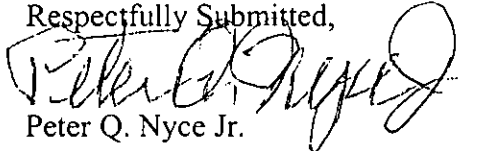
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Respectfully Submitted,

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Peter Q. Nyce Jr.

(DC Bar No. 923011)

General Attorney

Regulatory Law Office

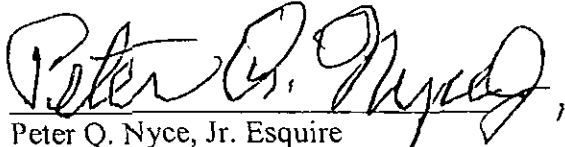
U. S. Army Legal Services Agency

William R. Lloyd, Jr., Esquire
Steven C. Gray, Esquire
For: *Office of Small Business Advocate*

Date: _____

Pamela C. Polacek, Esquire
Vasiliki Karandrikas, Esquire
For: *PP&L Industrial Customer Alliance*

Date: _____



Peter Q. Nyce, Jr. Esquire
For: *U.S. Department of Defense*

Date: June 15, 2007

Eric Joseph Epstein
For: *Eric Epstein*

Date: _____

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DOCKETED
OCT 18 2007

CERTIFICATE OF SERVICE

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

VIA FIRST CLASS MAIL

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

Date: June 18, 2007



Michael W. Hassell

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U.S. DEPARTMENT OF JUSTICE
FEDERAL BUREAU OF INVESTIGATION