

Summer Readiness Overview by Carl Segneri
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1. Keys to Success, Summer 2012

a. Preventative Maintenance Programs

We are currently executing the system inspection, maintenance, repair and replacement plan approved by the Pennsylvania Public Utility Commission late last year.

Most of the activities in the plan are programs we already had in place. PPL Electric Utilities' system consists of more than 40,000 miles of transmission and distribution power lines, about 400 electric substations, and nearly 1 million poles.

The commitments we have made include:

- Continued regular tree-trimming cycles for all aerial distribution lines. Lines are trimmed every four years in the southern half of our service territory, and every five years in the more rural northern half. Lines can be trimmed more frequently based on need.
- Circuit patrols with infrared inspections every two years for two- and three-phase overhead lines that are adjacent to roads.
- Monthly visual inspections and annual infrared inspections of substations.
- Pole inspections every 10 years.
- Replacement of critical poles within 30 days of the pole's failing an inspection.
- Inspection/replacement of three-phase oil circuit reclosers on a 8-year cycle

b. Preventative Maintenance Activities (Vegetation Management)

Our company has allocated more than \$45 million this year in a stepped-up effort to help keep trees and other vegetation from affecting our power lines and contributing to power outages. More than 8,600 miles of the utility's power lines will be part of vegetation management efforts in 2012.

PPL Electric Utilities owns and maintains nearly 50,000 miles of power lines and vegetation management efforts are conducted on a rotating basis to ensure the whole system is regularly patrolled and maintained.

The planned expenditure for this year is up about \$12 million over last year.

Our vegetation management program uses industry best practices to help keep power lines free from hazards and maintain safe and reliable service for customers. We routinely consult with customers about tree work, remove hazard trees and educate the public about proper planting in power line areas. We have been honored as a Tree Line USA utility by the Arbor Day Foundation in honor of our pruning and vegetation management approach.

Last October's snowstorm, in particular, spotlighted the effect that trees and other vegetation can have on an electric delivery system. Many of the outages to which we responded were due to leaf-laden trees and branches toppled by heavy, wet snow. Many of these trees were situated outside of our rights of way.

Vegetation control along power lines is just one aspect of our system maintenance program for lines, substations and associated equipment. We've established a website, www.pplweb.com/vegetation, where the public can learn more about our maintenance efforts for both transmission and distribution systems.

c. Capacity Planning

We regularly review reliability performance on a systemwide, regional and local or circuit basis to identify needed improvements due to load or performance. (The average customer loses service for fewer than three hours per year.)

We keep a focus on worst-performing circuits as well, for corrective action. Our engineers in Distribution Planning work to strike a balance between service reliability and cost of service.

We will complete 123 reliability and load-related distribution system improvement projects this year, at a cost of about \$38 million. More than 400 such improvements are planned over the coming five years, at a cost of \$140 million.

Last July's heat wave caused record-breaking demand throughout our service territory. We delivered more energy in July – more than 3.8 million megawatt-hours – than we had delivered in any previous summer month. During the heat wave, demand for electricity peaked at 7,527 megawatts on the afternoon of Friday, July 22 – the highest since 7,577 megawatts in February 2007, which remains our all-time peak demand record. We now experience almost identical peak demand levels in both the summer and winter.

Our electric delivery system was able to serve customers' needs without problems, thanks to our ongoing investments in our system and the hard work of employees and contractors.

The weather is again expected to be the primary driver of customer demand this summer. During the early months of this year, extraordinary, unseasonable warmth led to lower energy use across all customer segments. We delivered almost 7 percent less electricity to customers in the first three months of 2012 than in the same period of the prior year.

The energy efficiency and conservation programs we offer customers as part of our compliance with Pennsylvania Act 129 are also reducing overall demand. PPL Electric Utilities achieved Act 129's 1 percent energy reduction target by the May 31, 2011, deadline and is now concentrating on the much more challenging 3 percent reduction target for May 31, 2013, as well as the 4.5 percent peak demand reduction for the summer of 2012.

We do not foresee significant concerns with our system's delivery capacity during the upcoming summer, based on its performance during last summer's heat wave, our ongoing investments in reliability and load-bearing upgrades, and customers' adoption of energy efficiency and conservation opportunities.

d. Capacity Additions (Major Projects)

PPL Electric Utilities plans to make \$664 million in improvements this year to its transmission and distribution systems – nearly 50 percent more than last year's total, and continuing a trend of steady increases over the past few years.

That investment will fund more than 100 local projects. Crews are hard at work building new substations, upgrading existing facilities, replacing older transmission lines and poles, improving distribution circuits, and upgrading technology for better, more efficient operation. These improvements will strengthen our system over the summer in all types of weather.

More than 70 individual projects on the transmission and distribution systems are scheduled to be completed by June 1, strengthening our network in time for peak summer demand. Some examples include:

- Major upgrades at 22 substations throughout our service territory, replacing transformers, circuit breakers, switches and other equipment as part of our Asset Optimization Strategy.
- The construction of new substations and distribution lines to relieve load on existing lines and improve flexibility.
- Rebuilding existing transmission and distribution lines with upgraded conductor to better handle load in growing areas.
- The installation of remotely controllable switches and other technology to give system operators more power and flexibility to respond to system faults.

Many of the system modernization projects being tackled this year were first identified and prioritized during a 2008-09 study of our entire transmission and distribution network, covering more than 30 million pieces of equipment. The study evaluated all of the power lines, substations and other key components based on age, condition and performance, noting that an increasing share of equipment is nearing the end of its useful life.

2. 2011 Storms and Lessons Learned

2011 was one of the most active years for storms in the history of our company. Four significant storm events hit our service area between May and October. Three of them – a series of thunderstorms just prior to Memorial Day, Hurricane Irene and the October snowstorm – ranked among the 10 worst storms our company has ever recorded, in terms of the number of customers affected. Other significant storm events included Tropical Storm Lee, which caused flooding in some areas in September, and a snow and ice storm in February.

While our field crews, contractors and mutual assistance employees gave their maximum effort over many days to restore service, we recognized that improvements needed to be made to our assessment, response management and communications processes.

Some of the biggest lessons we learned:

- We needed to better serve customers by reviewing field conditions more quickly and accurately. Getting a strong handle on the work that needs to be done is a necessary first step toward the best possible restoration effort, as well as accurate communication with the public.
- We needed to provide more accurate, timely information to all our public stakeholders, and offer more ways for them to stay in touch with us. From overloaded customer service phone lines to incorrect estimated restoration

times, we did not execute as well as we should have to keep lines of communication open with the public and offer reliable information on restoration progress.

- We needed to share storm response responsibilities more widely throughout our organization, giving all employees a storm-related support role.

The “Storm Response” segment of this document describes specific improvements we have implemented over the past year to better serve our customers during storms or other disruptive events.

3. Storm Response

a. Outage Restoration Strategy

PPL Electric Utilities’ outage restoration strategy has not changed. We continue to give first priority to public health and safety facilities, such as hospitals and police stations. After those facilities are restored, we focus on restoring trouble cases that will bring the most customers back on line as quickly and safely as possible.

However, while our strategy has not changed, we have made improvements to our damage assessment process and deepened our roster of available assessors.

Adding to our existing arrangements with contractor assessors, we have established a volunteer program that taps utility-company retirees to serve as assessors in case of serious need. We can now mobilize hundreds of assessors on an emergency basis throughout our service territory.

We are putting in place more robust and consistent processes for damage assessments, including assessment priorities, field resources, information processing, and planning work for restoration. Those improvements, in turn, will drive more accurate estimated restoration times that can be shared with customers and local officials.

These steps will help us get a quicker and more accurate read on conditions in our service territory, identify the jobs that deserve highest priority and get the most customers back in service as quickly as we can.

b. Communication and Outreach

Recognizing the need for improved public communications, we have taken numerous steps to provide accurate, timely and frequent status updates and other information to all public shareholders.

PPL Electric Utilities has invested in expanded telephone capacity at its Customer Service contact centers, arranged for additional customer service representatives at times of peak demand and engaged a third-party IVR vendor – all to improve our contact capacity and make it easier for customers to reach us when they most need to do so. We’ve also benchmarked with other companies that handle heavy call volume – utilities and otherwise – to discuss best practices.

We’ve established a process to hold conference calls with state and local elected officials to provide them storm-related updates and answer any questions they may have. A successful test call was held earlier this year. In the event of major storms, we plan to hold these conference calls daily, using a consistent presentation format and contact information.

Also, we've introduced a series of communications improvements meant to provide better information to customers using mobile phones. It's important that we reach our customers whenever and wherever they need information, and in the ways most convenient to them.

We've introduced a new version of our online Outage Center that can be more easily accessed by customers using mobile phones or other digital devices. And, customers can sign up for MyPPL Alerts, a free service that will send status updates to their cell phones or devices during outages that affect them.

c. Employee and Event Preparations

The committed, professional, safe response of our employees and contractors was one of the highlights of last year's storm season. However, we recognize that there is always room to improve, and we have made changes to our employee storm plans and preparation.

Following the storms of last summer and fall, we made the decision to expand our storm roster so that almost every PPL Electric Utilities employee will now be involved with some facet of event management or response. We worked closely with IBEW Local 1600, the bargaining unit that represents many of our employees, to develop these new storm roles.

We have spent the early months of this year training employees on their new roles. All roles and training are being tracked through software systems to ensure employees are ready for their new responsibilities. We will also be holding tabletop drills later this year to give employees experience in their storm roles.

We are reviewing and looking for ways to update and improve the onboarding materials and information we provide to off-system contractors who help us in storm situations. Also, we are examining the way we assign and dispatch work to outside crews. Finally, we are taking steps for better inventory management of storm kits and other materials needed for storm response.

Again, while we did not have any significant operating issues during last year's storms, we are always looking for ways to make all of our processes better.