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February 23, 2011

**HAND DELIVERED**

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2<sup>nd</sup> Floor North  
P.O. Box 3265  
Harrisburg, PA 17105-3265

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SECRETARY'S BUREAU

**RE: PPL Electric Utilities Corporation Comments on ARRA Working Group Final Report, Docket No. I-2009-2099881**

Dear Secretary Chiavetta:

By Opinion and Order entered on May 6, 2009, the Pennsylvania Public Utility Commission ("Commission") commenced an investigation into the requirements of Section 410(a) of the American Recovery and Reinvestment Act of 2009, Pub.L. 111-5, 123 Stat. 115 ("Recovery Act"). Specifically, consistent with Section 410(a), the Commission established a working group to investigate what actions the Commission should implement to ensure that utility financial incentives are aligned with helping their customers use energy more efficiently, and that Commission ratemaking policies provide timely cost recovery and timely earnings opportunities for utilities in ways that promote utility customers to use energy more efficiently.

By Order entered January 24, 2011, the Commission issued for public comment the American Recovery and Reinvestment Act Investigation Working Group's Report ("Working Group Report"). Pursuant to the Commission's January 24, 2011 Order, PPL Electric Utilities Corporation ("PPL Electric") hereby submits the following comments:

1. Working Group Report demonstrates that Pennsylvania meets the requirements of Recovery Act § 410(a).

Section 410(a) of the Recovery Act conditions the allocation of certain federal funds to the Commonwealth of Pennsylvania on a requirement that the Commission consider implementing ratemaking policies for electric and gas utilities that align their financial incentives with the promotion of energy efficiency and conservation. It is PPL Electric's position that the Commission's existing policies and programs, as detailed in Working Group Report, currently meet the policy goals of Section 410(a) of the Recovery Act.

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2. Further investigation to evaluate additional ratemaking mechanisms is in the public interest

As indicated above, PPL Electric believes that the Commission's existing policies and programs meet the requirements of Section 410(a) of the Recovery Act. However, fixed utilities in Pennsylvania continue to face a number of challenges, such as increasing and significant capital investments to replace aging infrastructure, increasing operating expenses to maintain reliability and decreasing sales. Each of these items can trigger a need to request Commission approval to increase retail rates. Although the ratemaking mechanisms in Pennsylvania are adequate to meet the requirements of Section 410(a) of the Recovery Act, additional improvements would be appropriate and in the long-term public interest. For these reasons, PPL Electric supports continuing Commission investigation into additional ratemaking mechanisms such as decoupling, full formula rates and capital asset trackers. If the Commission pursues such an investigation, PPL Electric looks forward to fully participating.

Respectfully Submitted,

  
Paul E. Russell

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