

**PENNSYLVANIA PUBLIC UTILITY COMMISSION
HARRISBURG, PENNSYLVANIA 17105-3265**

Re: PA PUC v. PPL Electric Utilities Corporation, et al.

**PUBLIC MEETING
December 6, 2007
DEC-2007-OSA-0273*
Docket No. R-00072155**

STATEMENT OF COMMISSIONER KIM PIZZINGRILLI

Today the Commission adopts a Joint Petition for Settlement submitted by the parties which permits PPL to place into effect a distribution rate increase of \$55 million and grants exceptions of the Office of Small Business Advocate (OSBA).

The majority of this increase will be borne by PPL's residential customers as a result of changes in the law brought about by the Commonwealth Court's decision in Lloyd v. Pa. PUC, 904 A.2d 1010 (Pa. Commw. Ct. 2006). Lloyd requires that rate structures be gradually adjusted to reflect the cost of service to each rate class and eliminate the subsidization of the cost of serving the residential class by commercial and industrial customers. As stated by the Administrative Law Judge, "...this allocation would have been unthinkable a few short years ago [but] changes in the law mandate an allocation of this manner." Recommended Decision at 32.

The Office of Consumer Advocate (OCA), in its Statement in Support of the Settlement noted that "[t]he allocation of revenues contained in the Settlement will move each class closer to the system average return in a measured manner, consistent with the principles set forth by the Commonwealth Court." OCA Statement in Support at 5. In supporting the Settlement, OCA recognized that the increase to residential rates under the Settlement is lower than those originally proposed by PPL. The percentage of the increase is also lower than that proposed by the other parties, who advocated that a larger portion of the rate increase be allocated to residential customers. Id. The Commission is bound by the Commonwealth Court's decision in Lloyd and therefore, must continue to move distribution rate allocation in line with cost of service.

Although the approved rate increase is allocated primarily among the residential customer class, it is noteworthy that the Settlement contains a number of universal service provisions that will aid residential customers such as: increased contributions to PPL's Low Income Usage Reduction Program; an increase in corporate contributions to Operation Help and additional funding for PPL's OnTrack Program and Winter Relief Assistance Program. I commend the parties in their efforts to increase customer assistance programs and believe that the successful operation of these programs is vital in assisting low-income consumers. Additionally, the Settlement provides funding for consumer education relating to conservation and renewable energy management. It also provides funding for a Leadership in Energy and Environmental Design Program, the Solar Scholars Program and the Small Business Loan Guarantee Program. The efforts to enhance consumer education and to promote energy efficiency programs will benefit all of PPL's territory.

December 6, 2007
Date

KIM PIZZINGRILLI, COMMISSIONER