**PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Harrisburg, Pennsylvania 17105-3265**

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| **Pennsylvania Public Utility Commission v. PPL Electric Utilities Corporation** |  | **Public Meeting: December 16, 2010**  **2161694-OSA**  **Docket Nos. R-2010-2161694** |

**DISSENTING STATEMENT OF COMMISSIONER GARDNER**

Before the Pennsylvania Public Utility Commission (Commission) for consideration and disposition is the base rate case filing of PPL Electric Utilities Corporation (PPL) as further modified by the Partial Settlement Agreement filed on March 31, 2010.

The system average rate of return is 6.33%. Using the Cost of Service Study (COSS) methodology used by PPL in its 2004 and 2007 distribution base rate cases, the primary residential class reached a return of 5.23% at current rates, approximately 83% of the system average return. This is an important point to make because the Commonwealth Court’s decision in *Lloyd v. Pa. PUC*, 904 A.2d 1010 (Pa. Cmwlth. 2006) made clear that PPL should move its classes to the system average rate of return with deliberate haste. PPL did, in fact, commit to achieving a rate design reflective of the cost of serving the classes within three rate cases. This current case is the last of the three cases.

Now, in this third case, PPL proposes to use a new COSS methodology which results in the residential class providing a return of 3.12% which is approximately 49% of the system average return. By accepting the new COSS methodology in this case, the case where PPL was supposed to meet its goal of moving the classes to or near their cost of service, the Commission has essentially moved the goal line further down the field just as the residential class was close to reaching it.

For this reason, I respectfully dissent from the majority on the adoption of the methodology referenced as “JMK-2A”. Instead, I support the methodology referenced as “JMK-2B” as it is consistent with PPL’s cost allocation method used in 2004 and 2007.

December 16, 2010 **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Wayne E. Gardner, Commissioner**