



17 North Second Street
12th Floor
Harrisburg, PA 17101-1601
717-731-1970 Main
717-731-1985 Main Fax
www.postschell.com

Christopher T. Wright

cwright@postschell.com
717-612-6013 Direct
717-731-1985 Direct Fax
File #: 167272

July 18, 2017

VIA ELECTRONIC FILING

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

**Re: National Railroad Passenger Corporation v. PPL Electric Utilities Corporation
Docket No. C-2016-2580526**

**PPL Electric Utilities Corporation Supplement No. 213 to Tariff - Electric Pa.
P.U.C. No. 201 - Docket No. R-2016-2569975**

Dear Secretary Chiavetta:

Enclosed for filing is the Main Brief of PPL Electric Utilities Corporation in the above-referenced proceedings. Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,


Christopher T. Wright

CTW/jl
Enclosures

cc: Honorable David A. Salapa
Certificate of Service

CERTIFICATE OF SERVICE

(Docket Nos. C-2016-2580526 & R-2016-2569975)

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 52 Pa. Code § 1.54 (relating to service by a participant).

VIA FIRST CLASS MAIL and/or E-MAIL


Pamela C. Polacek, Esquire
Alessandra L. Hylander, Esquire
McNees Wallace & Nurick LLC
100 Pine Street
PO Box 1166
Harrisburg, PA 17108-1166
Counsel to National Railroad Passenger Corporation

Gina L. Miller, Esquire
Bureau of Investigation & Enforcement
PA Public Utility Commission
400 North Street, 2nd Floor West
P.O. Box 3265
Harrisburg, PA 17105-3265

Alan M. Seltzer, Esquire
Brian C. Wauhop, Esquire
Buchanan Ingersoll & Rooney PC
409 North Second Street, Suite 500
Harrisburg, PA 17101-1357
*Counsel to Safe Harbor Water Power Corporation
and BIF II Safe Harbor Holdings LLC*

Shaun Logue, Esquire
Vice President of Legal Services
Brookfield Energy Marketing LP
41 Victoria Street
Gatineau, QC J8X 2A1
Canada
*Counsel to Safe Harbor Water Power Corporation
and BIF II Safe Harbor Holdings LLC*

Date: July 18, 2017



Christopher T. Wright

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
v.	:	Docket No. R-2016-2569975
PPL Electric Utilities Corporation	:	
	:	
National Railroad Passenger Corporation	:	
v.	:	Docket No. C-2016-2580526
PPL Electric Utilities Corporation	:	

**MAIN BRIEF OF
PPL ELECTRIC UTILITIES CORPORATION**

Kimberly A. Klock (ID #89716)
Amy E. Hirakis (ID #310094)
PPL Services Corporation
Two North Ninth Street
Allentown, PA 18101
Voice: 610-774-5696
Fax: 610-774-6726
E-mail: kklock@pplweb.com
E-mail: aehirakis@pplweb.com

David B. MacGregor (I.D. # 28804)
Christopher T. Wright (I.D. # 203412)
Post & Schell, P.C.
17 North Second Street
12th Floor
Harrisburg, PA 17101-1601
Voice: 717-731-1970
Fax: 717-731-1985
E-mail: dmacgregor@postschell.com
E-mail: cwright@postschell.com

Dated: July 18, 2017

Attorneys for PPL Electric Utilities Corporation

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I. INTRODUCTION

In this rate proceeding, PPL Electric Utilities Corporation (“PPL Electric” or the “Company”) requests Pennsylvania Public Utility Commission (“Commission”) approval to increase the Rate Schedule LPEP monthly distribution charge from the current \$126,323.59 per month to \$314,286.57 per month. This rate proceeding was initiated as a result of a Commission-approved settlement in PPL Electric’s 2015 base rate case at Docket No. R-2015-2469275, which expressly permitted PPL Electric to submit a separate tariff supplement proposing an increase in Rate Schedule LPEP to fully recover all the costs of the upgrades needed at the Conestoga Substation.

The National Railroad Passenger Corporation (“Amtrak”) is the only customer served under Rate Schedule LPEP. As explained below, Amtrak has agreed that substantial upgrades to the Conestoga Substation are required to provide reasonably continuous, reliable, and safe service to Amtrak, and that Amtrak is responsible for the reasonable and prudent costs to upgrade the Conestoga Substation. The proposed increase in the Rate Schedule LPEP monthly distribution is designed to fully recover all the costs of the upgrades needed at the Conestoga Substation.

No parties, including Amtrak, submitted any testimony or evidence to refute or otherwise challenge the Company’s proposed increase in Rate Schedule LPEP. As a result, the need and costs for the Conestoga Substation project are undisputed. Further, it is undisputed that the costs for the Conestoga Substation should be allocated to and recovered through the Rate Schedule LPEP monthly distribution charge. Additionally, the proposed increase to Rate Schedule LPEP is reasonable, consistent with well-established ratemaking principles, and adequately supported by the record. For these reasons, as further explained below and in the filing, PPL Electric’s

proposed increase of the Rate Schedule LPEP monthly distribution charge is just and reasonable and should be approved by the Commission without modification.

II. STATEMENT OF THE CASE

A. PROCEDURAL HISTORY

This proceeding was initiated as a result of a Commission-approved settlement in PPL Electric's 2015 base rate case at Docket No. R-2015-2469275. On March 31, 2015, PPL Electric filed its 2015 distribution base rate. As part of its general rate increase, PPL Electric proposed, among other things, to increase the monthly distribution charge for Rate Schedule LPEP from \$37,100.00 per month to \$252,647.17 per month. The PP&L Industrial Customer Alliance ("PPLICA") intervened in the 2015 base rate case on behalf of Amtrak, among others.

On September 3, 2015, a Joint Petition for Settlement was filed in PPL Electric's 2015 base rate case ("2015 Rate Case Settlement"). PPLICA joined the 2015 Rate Case Settlement on behalf of Amtrak. With respect to Rate Schedule LPEP, the 2015 Rate Case Settlement provided as follows:

29. PPL Electric and National Railroad Passenger Corporation ("Amtrak") agree that for purposes of settlement of this proceeding the customer charge for Rate Schedule LPEP will be reduced from the proposed \$252,647.17 per month to \$126,323.59 per month, effective January 1, 2016, subject to further resolution of the issues as described in Paragraphs 30 and 31 below.

30. PPL Electric and Amtrak agree to continue to work together to resolve all open issues regarding the upgrade of the Conestoga Substation, including possible alternative resolution regarding the final scope, timing, and costs of the upgrades needed for the Conestoga Substation. PPL Electric and Amtrak agree to make good faith efforts to conclude the negotiations and execute a final agreement by no later than September 1, 2016.

31. PPL Electric and Amtrak agree that PPL Electric will submit a further tariff filing for Rate Schedule LPEP to reflect (i)

the negotiated agreement ultimately reached by PPL Electric and Amtrak or (ii) the fact PPL Electric and Amtrak were unable to reach an agreement by September 1, 2016.

(PPL Electric Exhibit SRK-3, 2015 Rate Case Settlement, ¶¶ 29-31) On November 19, 2015, the Commission approved the 2015 Rate Case Settlement and *pro forma* tariff pages attached thereto. *See Pa. PUC v. PPL Electric Utilities Corporation*, Docket No. R-2015-2469275 (Order entered Nov. 19, 2015).

PPL Electric and Amtrak also agreed to address the upgrades to the Conestoga Substation separately outside of Amtrak's interest as a member of PPLICA, and entered into a Mutual Settlement Agreement ("Mutual Agreement") on September 16, 2015. Pursuant thereto, PPL and Amtrak agreed as follows:

7. PPL Electric and Amtrak agree to continue to work together to resolve all open issues regarding the upgrade of the Conestoga Substation, including possible alternative resolution regarding the final scope, timing, and costs of the upgrades needed for the Conestoga Substation. Both parties agree to consider all potential solutions, including, but not limited to, direct funding by Amtrak, purchase of the Conestoga Substation by Amtrak, recovery of costs through base rates, and/or transfer of 2 existing Amtrak transformers from the Metuchen Station to the Conestoga Substation. PPL Electric and Amtrak agree to make good faith efforts to conclude the negotiations and execute a final agreement by no later than September 1, 2016.

8. PPL Electric and Amtrak agree that upon reaching an agreement regarding the Conestoga Substation, PPL Electric will submit a further tariff filing for Rate Schedule LPEP to reflect the negotiated agreement ultimately reached by PPL Electric and Amtrak.

9. If PPL Electric and Amtrak are unable to reach an agreement by September 1, 2016, PPL Electric will undertake all improvements needed for the Conestoga Substation that are in its opinion necessary or proper to provide safe and reliable service to Amtrak, and will make an appropriate tariff filing to fully recover those costs. PPL Electric agrees to serve Amtrak with an electronic copy of the tariff filing upon submission to the Pa. PUC. Amtrak reserves all rights to contest the tariff filing before the Pa. PUC.

(PPL Electric Exhibit SRK-4, Mutual Agreement ¶¶ 7-9)

PPL Electric and Amtrak were unable to reach an agreement by September 1, 2016. In accordance with the express terms of the 2015 Rate Case Settlement and the Mutual Agreement, PPL Electric filed Supplement No. 213 on October 5, 2016. Supplement No. 213 proposes an increase to the Rate Schedule LPEP monthly distribution charge to reflect the upgrades needed at the Conestoga Substation. The proposed rate increase will become effective on the date the Conestoga Substation upgrade is completed and placed in service.

On December 19, 2016, Amtrak filed a Complaint and New Matter with the Commission at Docket No. C-2016-2580526, opposing Supplement No. 213 and challenging the current Rate Schedule LPEP approved in the 2015 Rate Case Settlement. On December 22, 2016, PPL Electric filed an Answer and New Matter and Preliminary Objections to Amtrak's Complaint. By Order entered January 18, 2017, PPL Electric's Preliminary Objections were granted in part and Amtrak's Complaint challenging the current Rate Schedule LPEP approved in the 2015 Rate Case Settlement was stricken.

On December 22, 2016, the Commission entered an order opening an investigation of Supplement No. 213 and suspending the effective date from January 1, 2017 to June 1, 2017. Subsequently, on January 3, 2017, the Commission issued an Errata Notice correcting and updating the suspension period from January 1, 2017 to July 1, 2017, unless otherwise directed by Order of the Commission.

On December 27, 2016, the Commission's Bureau of Investigation and Enforcement ("I&E") entered a Notice of Appearance.

On January 4, 2017, Amtrak filed a Petition requesting that Supplement No. 213 be suspended indefinitely or, in the alternative, suspended for a total of nine months. On January 5,

2017, PPL Electric filed an Answer opposing Amtrak's request for an indefinite suspension, and agreeing that Supplement No. 213 should be suspended for a total of nine months, *i.e.*, until October 1, 2017. By order entered January 19, 2017, the Commission denied Amtrak's request for an indefinite suspension and further suspended Supplement No. 213 until October 1, 2017.

A procedural schedule was adopted in Prehearing Order #2 dated January 6, 2017, and subsequently modified in Prehearing Order #3 dated January 23, 2017. On March 23, 2017, PPL Electric filed a motion to extend the litigation schedule to allow the parties additional time to settle the proposed rate increase pending before the Commission. PPL Electric's motion to extend the litigation schedule was approved and an updated litigation schedule was adopted in Prehearing Order #4 dated March 24, 2017. In order to accommodate the extended litigation schedule, PPL Electric voluntarily further suspended Supplement No. 213 until January 1, 2018.

On March 14, 2017, a Petition to Intervene was filed by Safe Harbor Water Power Corporation and BIF II Safe Harbor Holdings LLC (collectively, "Safe Harbor"). Safe Harbor's Petition to Intervene was granted by Order entered April 5, 2017.

On May 11, 2017, Amtrak filed a Motion to Dismiss and requested the above-captioned rate proceeding be dismissed for lack of subject matter jurisdiction as a result of Amtrak's Complaint for Condemnation and Declaration of Taking (collectively, the "Condemnation Complaint"), which was filed with the United States District Court for the Eastern District of Pennsylvania on April 17, 2017, at Docket No. 17-CV-1752.¹ On May 31, 2017, PPL Electric filed an Answer to Amtrak's Motion to Dismiss.

¹ In its federal Condemnation Complaint, Amtrak seeks to condemn the Conestoga Substation used to provide electric service to Amtrak (and its predecessors) for 83 years. *See* 49 U.S.C. §§ 24311 (Amtrak may seek to condemn an interest in property "necessary for intercity rail passenger transportation" by filing a declaration of taking in the district court of the United States for the judicial district where the property is located). On May 11, 2017, PPL Electric filed an answer and objections, challenging Amtrak's authority to condemn PPL Electric's utility facilities used to provide public utility service.

By Order issued June 7, 2017, Administrative Law Judge David A. Salapa (the “ALJ”) denied Amtrak’s Motion to Dismiss. On June 13, 2017, Amtrak filed Petition for Interlocutory Review and Answer to Material Questions pursuant to 52 Pa. Code § 5.302. By Secretarial Letter dated June 16, 2017, the Commission waived the 30-day period for consideration of Amtrak’s Petition for Interlocutory Review and Answer to Material Questions. On June 23, 2017, the parties filed their respective briefs in support of and in opposition to Amtrak’s Petition for Interlocutory Review and Answer to Material Questions. Amtrak’s Petition is currently pending before the Commission. As of the date of this Main Brief, the Commission has not issued a stay or otherwise suspended this rate proceeding as permitted by 52 Pa. Code § 5.303(a)(1).

An evidentiary hearing in this rate proceeding was held before the ALJ on June 19, 2017. At the hearing, the following testimony and exhibits were admitted to the record without any objection:

PPL Electric Statement No. 1, the direct testimony of Scott R. Koch, and PPL Electric Exhibits SRK-1 through SRK-9.²

PPL Electric Statement No. 2, the direct testimony of Jeffrey Byrnes, and PPL Electric Exhibits JB-1 through JB-3.

PPL Electric Statement No. 3 (UPDATED), the direct testimony of Stephen J. Gelatko, and PPL Electric Exhibit SJG-1.

No other parties submitted or otherwise offered any testimony, exhibits, or evidence in this proceeding.

Pursuant to the procedural schedule adopted in Prehearing Order #4, PPL Electric submits this Main Brief in support of the rate increase requested in Supplement No. 213.

² PPL Electric Exhibit SRK-6 is a copy of the Company’s filing, Supplement No. 213 and the supporting data required by the Commission’s regulations.

B. STATEMENT OF FACTS

PPL Electric was the only party to offer testimony and exhibits in this rate proceeding. The Company's testimony and exhibits were admitted to the record without any objection. The following facts are unrefuted and demonstrate that PPL Electric's proposed increase in Rate Schedule LPEP is just and reasonable.

Rate Schedule LPEP is PPL Electric's rate schedule under which it provides electricity for electric propulsion service from the Company's high voltage lines of 69,000 volts (69 kV) or higher, when the customer furnishes and maintains all equipment necessary to transform the energy from line voltage. Amtrak is the sole customer on Rate Schedule LPEP. (PPL Electric Statement No. 1, pp. 3-4)

Rate Schedule LPEP was developed and approved in 1994. (PPL Electric Exhibit SRK-2) Creation of Rate Schedule LPEP in 1994 reduced Amtrak's annual charges by approximately \$607,000. (PPL Electric Statement No. 1, pp. 4-5) In addition, Amtrak has enjoyed many benefits over the last 21 years by being on its own separate rate schedule, including the benefit of not incurring increased costs experienced by other customers. (PPL Electric Statement No. 1, p. 5)

The Conestoga Substation is a dedicated substation that serves only Amtrak. (PPL Electric Statement No. 2, pp. 2-4) It is undisputed that the Conestoga Substation needs to be upgraded, and that Amtrak is responsible for the reasonable and prudent costs to upgrade the Conestoga Substation. (PPL Electric Statement No. 3 (UPDATED), p. 3; PPL Electric Statement No. 1, Exhibit SRK-4, ¶¶ 1, 3)

Pursuant to the terms and conditions of the 2015 Rate Case Settlement and the Mutual Agreement, PPL Electric temporarily discontinued work on the Conestoga Substation while PPL Electric and Amtrak attempted to resolve the open issues regarding the upgrades needed at the

Conestoga Substation. (PPL Electric Statement No. 2, p. 7) PPL Electric and Amtrak expressly agreed that, in the event they were unable to reach an agreement by September 1, 2016, PPL Electric would: (i) “undertake all improvements needed for the Conestoga Substation that are in its opinion necessary or proper to provide safe and reliable service to Amtrak,” and (ii) “make an appropriate tariff filing to fully recover those costs.” (PPL Electric Statement No. 1, Exhibits SRK-3, ¶ 31 and SRK-4, ¶ 9)

PPL Electric and Amtrak entered negotiations to resolve the open issues regarding the upgrades to the Conestoga Substation and Rate Schedule LPEP. PPL Electric and Amtrak were unable to reach an agreement by September 1, 2016. Pursuant to the terms of the Mutual Agreement, PPL Electric resumed work on the Conestoga Substation project after September 1, 2016. (PPL Electric Statement No. 3 (UPDATED), p. 6)

Because PPL Electric and Amtrak were unable to reach an agreement by September 1, 2016, PPL Electric filed Supplement No. 213 proposing an increase in Rate Schedule LPEP to fully recover all the costs of the upgrades needed at the Conestoga Substation. (PPL Electric Statement No. 3 (UPDATED), p. 8) The total estimated cost of the Conestoga Substation project is \$23,999,431. (PPL Electric Statement No. 2, p. 7; PPL Electric Ex. JB-2) As of December 31, 2016, PPL Electric already incurred \$9,338,200 for the Conestoga Substation project. (PPL Electric Statement No. 2, p. 9; PPL Electric Ex. JB-3)

As originally filed, Supplement No. 213 proposed to increase the Rate Schedule LPEP monthly distribution charge from the current \$126,323.59 per month approved in the 2015 Rate Case Settlement to \$319,671.00 per month. (PPL Electric Statement No. 1, p. 11; PPL Electric Ex. SRK-6) PPL Electric subsequently updated its claim, which resulted in a small downward adjustment of the proposed increase in the Rate Schedule LPEP monthly distribution charge

from the as-filed \$319,671.00 per month to \$314,286.57 per month. (PPL Electric Statement No. 1, pp. 11-12; PPL Electric Ex. SRK-7)

In summary, the following facts are unrefuted and supported by substantial evidence of record:

- The Conestoga Substation is a dedicated substation that serves only Amtrak.
- The Conestoga Substation project is needed to provide safe and reliable service to Amtrak.
- Amtrak, as the sole customer under Rate Schedule LPEP, is responsible for the reasonable and prudent costs to upgrade the Conestoga Substation.
- The estimated cost of the Conestoga Substation project claimed in this rate proceeding is \$23,999,431.
- As of December 31, 2016, PPL Electric already incurred \$9,338,200 for the Conestoga Substation project.
- The proposed increase in the Rate Schedule LPEP monthly distribution charge from the current \$126,323.59 per month approved in the 2015 Rate Case Settlement to \$314,286.57 per month is designed to fully recover all the costs of the upgrades needed at the Conestoga Substation.

III. STATEMENT OF THE QUESTION INVOLVED

1. Whether the unrefuted proposed increase in the Rate Schedule LPEP monthly distribution charge from the current \$126,323.59 per month to \$314,286.57 per month is just, reasonable, and supported by substantial evidence?

Suggested answer: *in the affirmative.*

IV. LEGAL STANDARDS AND BURDEN OF PROOF

Under the Public Utility Code, a public utility's rate must be just and reasonable and cannot result in rate discrimination. 66 Pa.C.S. §§ 1301 and 1304. A public utility seeking a rate increase has the burden of proof to establish the justness and reasonableness of every element of the rate increase request. 66 Pa.C.S. § 315(a); *Pa. P.U.C. v. Aqua Pennsylvania, Inc.*, Docket No. R-00038805, 236 PUR 4th 218, 2004 Pa. PUC LEXIS 39 (August 5, 2004).

Although the ultimate burden of proof does not shift from the utility seeking a rate increase, a party proposing an adjustment to a ratemaking claim of a utility bears the burden of presenting some evidence or analysis tending to demonstrate the reasonableness of the adjustment. *See, e.g., Pa. P.U.C. v. PECO*, Docket No. R-891364, *et al.*, 1990 Pa. PUC LEXIS 155 (May 16, 1990); *Pa. P.U.C. v. Breezewood Telephone Company*, Docket No. R-901666, 1991 Pa. PUC LEXIS 45 (January 31, 1991). Moreover, a public utility, in proving that its proposed rates are just and reasonable, does not have the burden to affirmatively defend claims made in its filing that no other party has questioned. As the Commonwealth Court has explained:

While it is axiomatic that a utility has the burden of proving the justness and reasonableness of its proposed rates, it cannot be called upon to account for every action absent prior notice that such action is to be challenged.

Allegheny Center Assocs. v. Pa. P.U.C., 570 A.2d 149, 153 (Pa. Cmwlth. 1990).

In this case, PPL Electric has presented substantial evidence of record to support its proposed increase in the Rate Schedule LPEP monthly distribution charge. No other parties have (i) proposed any adjustments to any portion of the Company's claims in this rate proceeding, or (ii) presented any evidence to question, oppose, or otherwise challenge the proposed increase in the Rate Schedule LPEP monthly distribution charge.

V. THE PROPOSED RATE INCREASE TO RATE SCHEDULE LPEP IS JUST AND REASONABLE

Supplement No. 213 proposes an increase to the Rate Schedule LPEP monthly distribution charge to reflect the upgrades needed at the Conestoga Substation. Specifically, PPL Electric seeks Commission approval to increase the Rate Schedule LPEP monthly distribution charge from the current \$126,323.59 per month approved in the 2015 Rate Case Settlement to \$314,286.57 per month in order to recover the costs of the upgrades needed at the Conestoga Substation. The proposed rate increase will become effective on the date the Conestoga Substation upgrades are completed and placed in service. (PPL Electric Statement No. 1, pp. 11-12; PPL Electric Exs. SRK-6 and SRK-7)

As explained below, the need and costs for the Conestoga Substation are undisputed. Further, it is undisputed that the costs for the Conestoga Substation should be allocated to and recovered through the Rate Schedule LPEP monthly distribution charge. Additionally, PPL Electric's calculation of the proposed increase to Rate Schedule LPEP is reasonable, consistent with well-established ratemaking principles, and supported by the record. For these reasons, as further explained below, the proposed increase of the Rate Schedule LPEP monthly distribution charge is just and reasonable and should be approved without modification.

A. NEED FOR THE CONESTOGA SUBSTATION PROJECT

PPL Electric filed Supplement No. 213 on October 5, 2016, proposing an increase in Rate Schedule LPEP to fully recover the costs of the upgrades needed at the Conestoga Substation. The proposed increase in Rate Schedule LPEP is due to current and projected upgrades at the Conestoga Substation. (PPL Electric Statement No. 1, pp. 8-9) As explained below, the need for the upgrades to the Conestoga Substation is undisputed.

The Conestoga Substation is a dedicated substation that serves only Amtrak. The 25 Hz power supplied from the Conestoga Substation is delivered to Amtrak through seven (7) transmission lines. Amtrak owns three (3) of the transmission lines: one extends from the Conestoga Substation to an Amtrak substation in Royalton, Pennsylvania; and two extend from the Conestoga Substation to an Amtrak substation in Parkesburg, Pennsylvania. PPL Electric owns the remaining four (4) transmission lines that extend approximately 17.9 miles between the Conestoga Substation and the Pennsylvania/Maryland border, and then continue from the Pennsylvania/Maryland border to an Amtrak substation in Perryville, Maryland as Baltimore Gas & Electric-owned transmission lines. (PPL Electric Statement No. 2, pp. 2-4)

PPL Electric has a statutory obligation to “furnish and maintain adequate, efficient, safe, and reasonable service and facilities, and shall make all such repairs, changes, alterations, substitutions, extensions, and improvements in or to such service and facilities as shall be necessary or proper for the accommodation, convenience, and safety of its patrons, employees, and the public.” 66 Pa.C.S. § 1501. The equipment in the Conestoga Substation has exceeded its useful life, and is beginning to fail due to age. (PPL Electric Statement No. 3 (UPDATED), p. 3-4) Amtrak agreed that the Conestoga Substation needs to be upgraded due to the age and general condition of equipment in the substation. (PPL Electric Statement No. 1, Exhibit SRK-4, ¶ 1)

Based on the foregoing, it is undisputed that the Conestoga Substation needs to be upgraded.

B. SCOPE AND COSTS OF CONESTOGA SUBSTATION PROJECT

As explained above, it is undisputed that upgrades to the aging equipment at the Conestoga Substation are required. PPL Electric reviewed multiple options with Amtrak personnel. However, a complete rebuild was the only viable option because the numerous equipment failures in the Conestoga Substation and their increasing frequency clearly indicate that a major overhaul of the substation is needed to provide safe and reliable power to Amtrak. PPL Electric and Amtrak both agreed that the option of choice was to replace/upgrade the current Conestoga Substation in kind. (PPL Electric Statement No. 3 (UPDATED), pp. 4-5)

All PPL Electric owned major electrical equipment at the Conestoga Substation will be replaced and retired as part of the Conestoga Substation project. None of the Amtrak owned major equipment will be replaced as part of the project. (PPL Electric Statement No. 2, pp. 4-6; PPL Electric Exhibit JB-1) The existing steel structures and their foundations, copper bus, transformer foundations, and oil containment structures will remain and continue to be used to provide service to Amtrak. (PPL Electric Statement No. 2, p. 5) No parties submitted any evidence of record to refute or otherwise contest the scope of the project or upgrades needed at the Conestoga Substation.

To determine the costs for the Conestoga Substation project, PPL Electric used a technique called progressive elaboration. The progressive elaboration technique provides a consistently more accurate forecast/estimate as the project progresses. Using progressive elaboration is a standard and accepted industry practice for project costs. (PPL Electric Statement No. 2, pp. 10-11) This technique is used by the Company for all capital improvement projects, including many other projects that were included as part of PPL Electric's claim in its

Commission-approved 2015 base rate case. The cost estimates from the progressive elaboration technique represent the best information available to determine the value of plant in service. (PPL Electric Statement No. 2, p. 11)

Using the industry standard progressive elaboration technique described above, PPL Electric calculated that the total cost of the Conestoga Substation project is \$23,999,431. (PPL Electric Statement No. 2, p. 7; PPL Electric Exhibit JB-2) Pursuant to the terms and conditions of the 2015 Rate Case Settlement and the Mutual Agreement, PPL Electric temporarily discontinued work on the Conestoga Substation while PPL Electric and Amtrak attempted to resolve the open issues regarding the upgrades needed at the Conestoga Substation. (PPL Electric Statement No. 2, p. 7) However, PPL Electric had already started and incurred costs for the Conestoga Substation project before agreeing to temporarily suspend work on the project in September 2015. Further, pursuant to the terms of the Mutual Agreement, PPL Electric resumed work at the Conestoga Substation after September 1, 2016. (PPL Electric Statement No. 3 (UPDATED), p. 6)³ As of December 31, 2016, PPL Electric already incurred \$9,338,200 of the total \$23,999,431 estimated costs for the Conestoga Substation project. (PPL Electric Statement No. 2, pp. 8-9)

Based on the foregoing, PPL Electric relied on an industry standard technique to estimate the total cost for Conestoga Substation project. No parties submitted any evidence of record to refute or otherwise contest the estimated cost of the undisputed upgrades needed at the Conestoga Substation. Therefore, PPL Electric's unrefuted cost estimate for the Conestoga Substation project is reasonable and prudent.

³ On May 22, 2017, PPL Electric and Amtrak entered into a stipulation before the United States District Court for the Eastern District of Pennsylvania at Docket No. 17-CV-1752. Therein, PPL Electric and Amtrak agreed that PPL Electric will not make any capital improvements, upgrades, or alternations at the Conestoga Substation until further order of the District Court, but that PPL Electric will continue to perform normal operational and maintenance functions at the Conestoga Substation. (PPL Electric Statement No. 3 (UPDATED), p. 16)

C. COST ALLOCATION OF THE CONESTOGA SUBSTATION PROJECT

In this proceeding, PPL Electric proposes to increase the Rate Schedule LPEP monthly distribution charge to fully recover the costs of the upgrades needed at the Conestoga Substation. For the reasons explained below, it is reasonable and prudent that the costs for the Conestoga Substation project be recovered from Rate Schedule LPEP.

Rate Schedule LPEP was developed and approved in 1994. (PPL Electric Exhibit SRK-2) Creation of Rate Schedule LPEP in 1994 reduced Amtrak's annual charges by approximately \$607,000. (PPL Electric Statement No. 1, pp. 4-5) In addition, Amtrak has enjoyed many benefits over the last 21 years by being on its own separate rate schedule, including the benefit of not incurring increased costs experienced by other customers. Stated otherwise, Amtrak has been insulated from paying for the investment in plant needed to provide safe and reliable service, while other customers have experienced periodic increased rates associated with plant investment. Further, because the facilities associated with Rate Schedule LPEP date back to the 1930's with only minimal additional investment, these assets serving Amtrak are fully or nearly fully depreciated, which has provided Amtrak with a lower price for the rate schedule. (PPL Electric Statement No. 1, pp. 4-5)

Although Amtrak has largely avoided any increase in rates prior to the 2015 base rate case, the time has come to upgrade the facilities used to provide distribution service to Amtrak. Indeed, as explained above, Amtrak has agreed that substantial upgrades to the Conestoga Substation are required to provide reasonably continuous, reliable, and safe service to Amtrak. (PPL Electric Exhibit SRK-4, ¶ 1)

The Conestoga Substation is a dedicated substation that serves only Amtrak. (PPL Electric Statement No. 2, pp. 2-4) Amtrak is the sole customer on Rate Schedule LPEP. (PPL Electric Statement No. 1, pp. 3-4) Therefore, the estimated Conestoga Substation project costs

were directly allocated to Rate Schedule LPEP. (PPL Electric Statement No. 1, p. 12) No parties presented any testimony or evidence to oppose or otherwise challenge the allocation of the Conestoga project costs to Rate Schedule LPEP. Indeed, Amtrak agreed that it is responsible for the reasonable and prudent costs to upgrade the Conestoga Substation. (PPL Electric Statement No. 1, Exhibit SRK-4, ¶ 3)

The allocation of the Conestoga Substation project costs to Rate Schedule LPEP is consistent with the cost-causation principles established in *Lloyd v. Pa. PUC*, 904 A.2d 1010 (Pa. Cmwlth. 2005), and avoids the potential for cross-subsidization by other rate classes that will not benefit from the upgrades to or service provided from the Conestoga Substation. Accordingly, it is undisputed that recovering the costs of the upgrades needed at the Conestoga Substation from Rate Schedule LPEP is just, reasonable, and consistent with well-established ratemaking principles.

D. THE CALCULATION OF THE PROPOSED INCREASE TO RATE SCHEDULE LPEP IS JUST, REASONABLE, AND SUPPORTED BY SUBSTANTIAL EVIDENCE

As originally filed, Supplement No. 213 proposed to increase the Rate Schedule LPEP monthly distribution charge from the current \$126,323.59 per month approved in the 2015 Rate Case Settlement to \$319,671.00 per month. (PPL Electric Statement No. 1, p. 11; PPL Electric Ex. SRK-6) PPL Electric subsequently updated its claim, which resulted in a small downward adjustment of the proposed increase in the Rate Schedule LPEP monthly distribution charge from the as-filed \$319,671.00 per month to \$314,286.57 per month. (PPL Electric Statement No. 1, pp. 11-12; PPL Electric Ex. SRK-7) The proposed increase in the Rate Schedule LPEP is unrefuted, just, reasonable, and supported by substantial evidence.

The Conestoga Substation project is a capital improvement project and all costs will be capitalized. (PPL Electric Statement No. 1, p. 12) Any work properly classified as an operating

expense will be accounted for in the appropriate operating expense accounts (PPL Electric Exhibit SRK-6, p. 13)

To calculate the proposed Rate Schedule LPEP, PPL Electric relied on the Cost of Service Study from the Company's settled and approved 2015 rate case, which used a fully projected future test year ended December 31, 2016. (PPL Electric Exhibit SRK-8). PPL Electric used the plant, depreciation, revenues, expenses, and taxes allocated to Rate Schedule LPEP in the 2015 rate case Cost of Service Study and updated the plant to reflect the current estimated Conestoga Substation project costs, which were directly allocated to Rate Schedule LPEP. Stated otherwise, PPL Electric simply updated the project costs (FERC Account 362) in the Cost of Service Study used in the 2015 base rate case. (PPL Electric Statement No. 1, pp. 12-13) PPL Electric also relied on the capital structure from the 2015 base rate case to calculate the proposed Rate Schedule LPEP. (PPL Electric Statement No. 1, p. 13)

Given that this case is directly related to and arose from the Commission-approved 2015 Rate Case Settlement at Docket No. R-2015-2469275, PPL Electric submits that it is just and reasonable to rely on the Cost of Service Study and capital structure from the Company's settled and approved 2015 rate case. Notably, neither Amtrak nor PPLICA submitted any testimony or exhibits in the 2015 base rate case opposing or otherwise challenging the Company's fully projected future test year Cost of Service Study or capital structure as it relates to Rate Schedule LPEP. (PPL Electric Statement No. 1, p. 14) Further, no parties in this proceeding submitted any evidence of record to refute or otherwise oppose the use of the Cost of Service Study and capital structure from the Company's settled and approved 2015 rate case.

For purposes of the return on equity used to calculate the proposed Rate Schedule LPEP, PPL Electric relied on the return on equity set forth in the Commission's July 21, 2016 Report on

Quarterly Earnings of Jurisdictional Utilities at Docket No. M-2016-2555791. (PPL Electric Statement No. 1, p. 13) PPL Electric submits that it is just and reasonable to rely on the Commission's July 21, 2016 Report on Quarterly Earnings because the 2015 Rate Case Settlement was a "black box" settlement that did not specify a specific return on equity for purposes of the 2015 rate case. The Commission's July 21, 2016 Report on Quarterly Earnings is a reasonable estimate of the return on equity in effect at the time Supplement No. 213 was calculated and filed with the Commission. No parties submitted any testimony or evidence in opposition to the proposed use of the rate of return as set forth in the Commission's July 21, 2016 Report on Quarterly Earnings.

In further support of its claim, the Company also provided the following additional details supporting the calculation of the proposed Rate Schedule LPEP monthly distribution charge:

Schedule 1 - A breakdown of the Company's Plant in Service claim by account

Schedule 2 - A breakdown of the Company's Plant in Service claim by vintage

Schedule 3 - A breakdown of the Company's Accumulated Reserve claim by account, vintage, and depreciation rate

Schedule 4 - A breakdown of the Company's Other Rate Base Items claim

Schedule 5 - A breakdown of the Company's Depreciation Expense claim

Schedule 6 - A breakdown of the Company's Total Operations and Maintenance Expense claim

Schedule 7 - A breakdown of the Company's Other Revenue

(See PPL Electric Ex. SRK-9) No other parties have proposed any adjustments to any portion of the Company's claim, or otherwise presented any evidence in opposition to this data supporting the calculation of the proposed increase in the Rate Schedule LPEP monthly distribution charge.

The proposed increase in Rate Schedule LPEP is designed to become effective on the date that the Conestoga Substation upgrade is completed and placed in service. Customers under Rate Schedule LPEP will be given 30-days advance written notice before the effective date of the new distribution charge. (PPL Electric Statement No. 1, p. 14) The Conestoga Substation was originally scheduled to be in-service by November 2018. (PPL Electric Statement No. 3 (UPDATED), p. 5)

On May 22, 2017, PPL Electric and Amtrak entered into a stipulation before the federal court. Therein, PPL Electric and Amtrak agreed that PPL Electric will temporarily discontinue making any further capital upgrades or improvements needed at the Conestoga Substation until further order of the court, but that PPL Electric will continue to perform normal operational and maintenance functions at the Conestoga Substation unless ordered otherwise by the federal court. As a result of this stipulation, the in-service date for the Conestoga Substation project will depend upon a further order from the federal court. However, the need for the Conestoga Substation project is undisputed and, notwithstanding the federal stipulation, the proposed increase in the Rate Schedule LPEP monthly distribution charge will still only become effective on the date the Conestoga Substation upgrade is completed and placed in service. (PPL Electric Statement No. 3 (UPDATED), p. 16) No parties objected to the proposed Rate Schedule LPEP becoming effective on the date that the Conestoga Substation upgrade is completed and placed in service.


Based on the foregoing, PPL Electric's calculation of the proposed increase in the Rate Schedule LPEP monthly distribution charge from the current \$126,323.59 per month approved in the 2015 Rate Case Settlement to \$314,286.57 per month is just, reasonable, and supported by substantial record evidence. No parties presented any testimony or evidence to oppose or otherwise challenge the calculation of the proposed increase in the Rate Schedule LPEP monthly distribution charge, or its proposed effective date. Therefore, the proposed increase in the Rate Schedule LPEP monthly distribution charge should be approved without modification.

VI. CONCLUSION

WHEREFORE, PPL Electric Utilities Corporation respectfully requests that the Honorable Administrative Law Judge David A. Salapa and the Pennsylvania Public Utility Commission approve the proposed increase in the Rate Schedule LPEP monthly distribution charge as described herein.

Respectfully submitted,

Kimberly A. Klock (ID #89716)
Amy E. Hirakis (ID #310094)
PPL Services Corporation
Two North Ninth Street
Allentown, PA 18101
Voice: 610-774-5696
Fax: 610-774-6726
E-mail: kklock@pplweb.com
E-mail: aehirakis@pplweb.com



David B. MacGregor (I.D. # 28804)
Christopher T. Wright (I.D. # 203412)
Post & Schell, P.C.
17 North Second Street
12th Floor
Harrisburg, PA 17101-1601
Voice: 717-731-1970
Fax: 717-731-1985
E-mail: dmacgregor@postschell.com
E-mail: cwright@postschell.com

Date: July 18, 2017

Counsel for PPL Electric Utilities Corporation

Appendix “A”

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission :
v. : Docket No. R-2016-2569975
PPL Electric Utilities Corporation :
National Railroad Passenger Corporation :
v. : Docket No. C-2016-2580526
PPL Electric Utilities Corporation :

PROPOSED FINDINGS OF FACT

PPL Electric Utilities Corporation (“PPL Electric” or the “Company”) hereby proposes the following findings of fact:

1. On March 31, 2015, PPL Electric filed its 2015 distribution base rate at Docket No. R-2015-2469275. As part of its general rate increase, PPL Electric proposed, among other things, to increase the monthly distribution charge for Rate Schedule LPEP.

2. On September 3, 2015, a Joint Petition for Settlement was filed in PPL Electric’s 2015 base rate case (“2015 Rate Case Settlement”).

3. The PP&L Industrial Customer Alliance (“PPLICA”) joined the 2015 Rate Case Settlement on behalf of the National Railroad Passenger Corporation (“Amtrak”).

4. On November 19, 2015, the Commission approved the 2015 Rate Case Settlement and *pro forma* tariff pages attached thereto. *See Pa. PUC v. PPL Electric Utilities Corporation*,

Docket No. R-2015-2469275 (Order entered Nov. 19, 2015). (PPL Electric Exhibit SRK-3, 2015 Rate Case Settlement)

5. PPL Electric and Amtrak agreed to address the Conestoga Substation separately outside of Amtrak's interest as a member of PPLICA, and entered into a Mutual Settlement Agreement ("Mutual Agreement") on September 16, 2015. (PPL Electric Exhibit SRK-4, Mutual Agreement)

6. Pursuant to the terms and conditions of the 2015 Rate Case Settlement and the Mutual Agreement, PPL Electric temporarily discontinued work on the Conestoga Substation while PPL Electric and Amtrak attempted to resolve the open issues regarding the upgrades needed at the Conestoga Substation. (PPL Electric Statement No. 2, p. 7)

7. PPL Electric and Amtrak expressly agreed that, in the event they were unable to reach an agreement by September 1, 2016, PPL Electric would: (i) "undertake all improvements needed for the Conestoga Substation that are in its opinion necessary or proper to provide safe and reliable service to Amtrak," and (ii) "make an appropriate tariff filing to fully recover those costs." (PPL Electric Statement No. 1, Exhibits SRK-3, ¶ 31 and SRK-4, ¶ 9)

8. PPL Electric and Amtrak were unable to reach an agreement by September 1, 2016, and PPL Electric resumed work on the Conestoga Substation project pursuant to the terms of the Mutual Agreement. (PPL Electric Statement No. 3 (UPDATED), p. 6)

9. In accordance with the express terms of the 2015 Rate Case Settlement and the Mutual Agreement, PPL Electric filed Supplement No. 213 on October 5, 2016.

10. Supplement No. 213 proposes an increase to the Rate Schedule LPEP to fully recover all the costs of the upgrades needed at the Conestoga Substation. (PPL Electric Statement No. 3 (UPDATED), p. 8)

11. On December 19, 2016, Amtrak filed a Complaint and New Matter with the Commission at Docket No. C-2016-2580526, opposing Supplement No. 213.

12. PPL Electric was the only party to offer testimony and exhibits in this rate proceeding.

13. Rate Schedule LPEP is PPL Electric's rate schedule under which it provides electricity for electric propulsion service from the Company's high voltage lines of 69,000 volts (69 kV) or higher, when the customer furnishes and maintains all equipment necessary to transform the energy from line voltage. (PPL Electric Statement No. 1, pp. 3-4)

14. Amtrak is the sole customer on Rate Schedule LPEP. (PPL Electric Statement No. 1, pp. 3-4)

15. Rate Schedule LPEP was developed and approved in 1994. (PPL Electric Exhibit SRK-2)

16. Creation of Rate Schedule LPEP in 1994 reduced Amtrak's annual charges by approximately \$607,000. (PPL Electric Statement No. 1, pp. 4-5)

17. Amtrak has benefited over the last 21 years by being on its own separate rate schedule, including the benefit of not incurring increased costs experienced by other customers. (PPL Electric Statement No. 1, p. 5)

18. The Conestoga Substation is a dedicated substation that serves only Amtrak. (PPL Electric Statement No. 2, pp. 2-4)

19. It is undisputed that the equipment at the Conestoga Substation has exceeded its useful life, and is beginning to fail due to age. (PPL Electric Statement No. 3 (UPDATED), p. 3-4)

20. It is undisputed that the Conestoga Substation project is needed to provide safe and reliable service to Amtrak. (PPL Electric Statement No. 3 (UPDATED), p. 3; PPL Electric Statement No. 1, Exhibit SRK-4, ¶ 1)

21. PPL Electric relied on an industry standard technique to determine the total cost for Conestoga Substation project. (PPL Electric Statement No. 2, pp. 10-11)

22. The total cost of the Conestoga Substation project is \$23,999,431. (PPL Electric Statement No. 2, p. 7; PPL Electric Ex. JB-2)

23. As of December 31, 2016, PPL Electric already incurred \$9,338,200 for the Conestoga Substation project. (PPL Electric Statement No. 2, p. 9; PPL Electric Ex. JB-3)

24. No parties submitted any evidence of record to refute or otherwise contest the estimated cost of the undisputed upgrades needed at the Conestoga Substation.

25. It is undisputed that Amtrak is responsible for the reasonable and prudent costs to upgrade the Conestoga Substation. (PPL Electric Statement No. 3 (UPDATED), p. 3; PPL Electric Statement No. 1, Exhibit SRK-4, ¶ 3)

26. The Conestoga Substation project is a capital improvement project and all costs will be capitalized. (PPL Electric Statement No. 1, p. 12) Any work properly classified as an operating expense will be accounted for in the appropriate operating expense accounts (PPL Electric Exhibit SRK-6, p. 13)

27. PPL Electric seeks approval to increase the Rate Schedule LPEP monthly distribution charge from the current \$126,323.59 per month approved in the 2015 Rate Case Settlement to \$314,286.57 per month. (PPL Electric Statement No. 1, pp. 11-12; PPL Electric Ex. SRK-7)

28. The proposed increase in the Rate Schedule LPEP monthly distribution charge is designed to fully recover all the costs of the upgrades needed at the Conestoga Substation. (PPL Electric Statement No. 3 (UPDATED), p. 8)

29. In support of the proposed increase in the Rate Schedule LPEP monthly distribution charge, PPL Electric submitted the following supporting data:

- Statement of Reasons;
- Section 53.52 Filing Requirements;
- Class Cost of Service Study;
- Schedule 1, a breakdown of the Company's Plant in Service claim by account;
- Schedule 2, a breakdown of the Company's Plant in Service claim by vintage;
- Schedule 3, a breakdown of the Company's Accumulated Reserve claim by account, vintage, and depreciation rate;
- Schedule 4, a breakdown of the Company's Other Rate Base Items claim;
- Schedule 5, a breakdown of the Company's Depreciation Expense claim;
- Schedule 6, a breakdown of the Company's Total Operations and Maintenance Expense claim; and
- Schedule 7, a breakdown of the Company's Other Revenue.

(PPL Electric Exhibits SRK-6 through SRK-9)

30. No other parties proposed any adjustments to any portion of the Company's claims, or otherwise presented any evidence in opposition to the data provided by PPL Electric in support of the proposed increase in the Rate Schedule LPEP monthly distribution charge.

31. The proposed increase in Rate Schedule LPEP is designed to become effective on the date that the Conestoga Substation upgrade is completed and placed in service. Customers under Rate Schedule LPEP will be given 30-days advance written notice before the effective date of the new distribution charge. (PPL Electric Statement No. 1, p. 14)

32. No parties objected to the proposed Rate Schedule LPEP becoming effective on the date that the Conestoga Substation upgrade is completed and placed in service.

33. There is nothing in the record evidence to refute or otherwise dispute PPL Electric's proposal to increase the Rate Schedule LPEP monthly distribution charge from the current \$126,323.59 per month approved in the 2015 Rate Case Settlement to to \$314,286.57 per month.

Appendix “B”

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
v.	:	Docket No. R-2016-2569975
PPL Electric Utilities Corporation	:	
	:	
National Railroad Passenger Corporation	:	
v.	:	Docket No. C-2016-2580526
PPL Electric Utilities Corporation	:	

PROPOSED CONCLUSIONS OF LAW

PPL Electric Utilities Corporation (“PPL Electric” or the “Company”) hereby proposes the following conclusions of law:

1. Rates made, demanded, or received by any public utility shall be just and reasonable, and in conformity with regulations or orders of the commission. 66 Pa.C.S. § 1301.
2. A public utility seeking a rate increase has the burden of proof to establish the justness and reasonableness of every element of the rate increase request. 66 Pa.C.S. § 315(a); *Pa. P.U.C. v. Aqua Pennsylvania, Inc.*, Docket No. R-00038805, 236 PUR 4th 218, 2004 Pa. PUC LEXIS 39 (August 5, 2004).
3. Although the ultimate burden of proof does not shift from the utility seeking a rate increase, a party proposing an adjustment to a ratemaking claim of a utility bears the burden of presenting some evidence or analysis tending to demonstrate the reasonableness of the adjustment. *See, e.g., Pa. P.U.C. v. PECO*, Docket No. R-891364, *et al.*, 1990 Pa. PUC LEXIS

155 (May 16, 1990); *Pa. P.U.C. v. Breezewood Telephone Company*, Docket No. R-901666, 1991 Pa. PUC LEXIS 45 (January 31, 1991).

4. A public utility, in proving that its proposed rates are just and reasonable, does not have the burden to affirmatively defend claims made in its filing that no other party has questioned. *Allegheny Center Assocs. v. Pa. P.U.C.*, 570 A.2d 149, 153 (Pa. Cmwlth. 1990).

5. PPL Electric has a statutory obligation to “furnish and maintain adequate, efficient, safe, and reasonable service and facilities, and shall make all such repairs, changes, alterations, substitutions, extensions, and improvements in or to such service and facilities as shall be necessary or proper for the accommodation, convenience, and safety of its patrons, employees, and the public.” 66 Pa.C.S. § 1501.

6. The upgrades to the Conestoga Substation are needed to provide safe and reliable service to the National Railroad Passenger Corporation.

7. PPL Electric’s unrefuted cost estimate for the Conestoga Substation project is reasonable and prudent.

8. The allocation of the Conestoga Substation project costs to Rate Schedule LPEP is consistent with the cost-causation principles established in *Lloyd v. Pa. PUC*, 904 A.2d 1010 (Pa. Cmwlth. 2005), and avoids the potential for cross-subsidization by other rate classes that will not benefit from the upgrades to or service provided from the Conestoga Substation. \

9. PPL Electric’s proposed increase in the Rate Schedule LPEP monthly distribution charge from the current \$126,323.59 per month approved in the 2015 Rate Case Settlement to \$314,286.57 per month is just, reasonable, and supported by substantial record evidence.

Appendix “C”

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
v.	:	Docket No. R-2016-2569975
PPL Electric Utilities Corporation	:	
	:	
National Railroad Passenger Corporation	:	
v.	:	Docket No. C-2016-2580526
PPL Electric Utilities Corporation	:	

PROPOSED ORDERING PARAGRAPHS

PPL Electric Utilities Corporation (“PPL Electric” or the “Company”) hereby proposes the following ordering paragraphs:

1. PPL Electric’s proposed increase in the Rate Schedule LPEP monthly distribution charge from the current \$126,323.59 per month approved in the 2015 Rate Case Settlement to \$314,286.57 per month is approved.
2. PPL Electric is authorized to file a tariff supplement designed to produce a Rate Schedule LPEP monthly distribution of \$314,286.57 per month, effective on the date that the Conestoga Substation upgrade is completed and placed in service.
3. The tariff supplement shall become effective on January 1, 2018.
4. The current Rate Schedule LPEP monthly distribution of \$126,323.59 per month shall remain effective until the date that the Conestoga Substation upgrade is completed and placed in service.

5. Customers under Rate Schedule LPEP shall be given 30-days advance written notice before the effective date of the new distribution charge.

6. The investigation at Docket No. R-2016-2569975 is terminated upon the filing of the approved tariff supplement.

7. The Formal Complaint filed by the National Railroad Passenger Corporation at Docket No. C-2016-2580526 is closed as satisfied.