March 1, 2013

VIA ELECTRONIC FILING

Hon. Kimberly D. Bose, Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, D.C. 20426

Re: PPL Electric Utilities Corporation  
Docket No. ER13-___-000

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act, 16 U.S.C. § 824d (2000), and Part 35 of the regulations of the Federal Energy Regulatory Commission (“Commission”), 18 C.F.R. Part 35 (2012), and the Commission’s order in PPL Electric Utilities Corporation, PPL Electric Utilities Corporation (“PPL Electric”) submits for filing its proposed implementation of the inclusion of 100% of construction work in progress (“CWIP”) for the Northeast/Pocono Reliability Project (“NPR Project”), which the Commission approved in the NPR Order.¹ PPL Electric requests an effective date of June 1, 2013 for the implementation of the CWIP incentive for the NPR Project to coincide with its 2013 Formula Rate Annual Update. To allow PPL Electric sufficient time to prepare its 2013 Formula Rate Annual Update, PPL Electric respectfully requests that the Commission issue its order in this proceeding by May 1, 2013.

I. BACKGROUND

PPL Electric is a public utility company organized under the laws of the Commonwealth of Pennsylvania. It is a wholly owned subsidiary of PPL Corporation. PPL Electric is a transmission owner and a load serving entity in PJM Interconnection, L.L.C. (“PJM”) and currently serves approximately 1.4 million customers in 29 counties in eastern and central Pennsylvania. PPL Electric’s transmission and distribution lines span approximately 50,000 circuit miles and cover a service territory of approximately 10,000 square miles. PPL Electric also is the default supplier for retail customers within

its service territory under Pennsylvania’s Electricity Generation Customer Choice and Competition Act, 66 Pa.C.S. § 2801, et seq.

PPL Electric has been a member of the PJM Regional Transmission Organization and its predecessor organizations since 1927. As such, PJM directs the operation of PPL Electric’s transmission facilities pursuant to the PJM Consolidated Transmission Owners Agreement. PJM provides transmission service over PPL Electric’s transmission facilities to customers under the PJM Open Access Transmission Tariff (“OATT”). As described in greater detail below, Attachment H-8G to the PJM OATT contains PPL Electric’s Formula Rate Template and Attachment H-8H contains PPL Electric’s Formula Rate Implementation Protocols. The Formula Rate and Protocols were approved by the Commission in Docket No. ER08-1457-000.

PPL Electric expects to make significant new investments in its transmission system over the next several years. The NPR Project constitutes a sizeable portion of these new investments. PPL Electric filed a petition for declaratory order authorizing incentive rates, including the inclusion of 100% of prudently-incurred CWIP in rate base, for the NPR Project in December 2011. As PPL Electric explained in the NPR Petition, the NPR Project involves the construction of a 230 kV transmission line, with associated 230-138/69 kV substations, to connect to the existing 69 kV and 230 kV transmission systems in the Northeast/Pocono region. The NPR Project will resolve nine (9) reliability violations on the transmission system in the Pocono Mountains area in northeastern Pennsylvania and will serve as a backbone for the northeast section of PPL Electric’s 69 kV transmission system. The NPR Project was approved by the PJM Board of Managers for inclusion in the PJM Regional Transmission Expansion Plan (“RTEP”).

3 PJM OATT, Attachment H-8G (“Formula Rate Template”); PJM OATT, Attachment H-8H (“Protocols”).
5 Id. at 9-10.
6 NPR Order at P 5. The NPR Project as originally conceived and proposed in the PJM RTEP differed somewhat from the form described in the NPR Petition and approved for incentives in the NPR Order. As a result, different iterations of the project were proposed and approved over the course of several PJM RTEPs. At the time of filing of the NPR Petition, PJM had indicated that it would consolidate the RTEP numbers for the various components of the NPR Project under one baseline RTEP number and has done so. Components of the NPR Project are designated as b1813.1, b1813.2, b1813.3, b1813.5, b1813.6, b1813.7, b1813.8, b1813.9, b1813.10, and b1813.11.
In October 2012, the Commission issued its order on PPL Electric’s request for incentive rate treatment of the NPR Project. The Commission approved PPL Electric’s request for inclusion of 100% of CWIP in rate base, conditioned upon a future Section 205 filing containing a detailed explanation of its accounting methods and procedures to implement the stand-alone balancing account and comply with 18 C.F.R. § 35.25.7

II. DESCRIPTION OF FILING

PPL Electric submits this filing to satisfy the Commission’s requirement in the NPR Order that PPL Electric provide a detailed explanation of its accounting methods and procedures to implement the stand-alone balancing account and comply with 18 C.F.R. § 35.25. PPL Electric explains how the inclusion of 100% of CWIP for the NPR Project will be implemented through its formula rate and describes the Protocols that contain the accounting procedures approved by the Commission for the inclusion of 100% of CWIP in rate base.8

A. Proposed Implementation Through PPL Electric’s Formula Rate

As explained in the testimony of Mr. John H. Nagurney, CWIP authorized by the Commission, as described in Note H of Appendix A, is included in PPL Electric’s Formula Rate at line 35 of Appendix A. This balance comprises the time-weighted monthly balances for the current year, as developed on Attachment 6, of all of the projects for which PPL Electric has received approval to include 100% CWIP in rate base. This provision is used to develop the CWIP in connection with the Susquehanna-Roseland Project, the other project for which PPL Electric has received 100% CWIP authorization, and has been part of the Formula Rate since it was approved by the Commission. The Commission has authorized PPL Electric to include in rate base the CWIP balances associated with the NPR Project. Thus, as Mr. Nagurney describes, PPL Electric will add the projected CWIP expenditures for the NPR Project to Step 9 of Attachment 6 in its 2013 Annual Update to effect the addition of the CWIP associated with the NPR Project to PPL Electric’s Annual Transmission Revenue Requirement (“ATRR”).

B. Formula Rate Protocols

In addition to describing how PPL Electric populates and updates its Formula Rate Template, the Protocols also state PPL Electric’s accounting procedures for the inclusion of 100% of CWIP in rate base. These procedures were designed to ensure that

7 Id. at PP 43-44.
expenditures are not double-counted as both CWIP and additions to transmission plant and were approved by the Commission in Docket No. ER08-1457-000. PPL Electric plans to apply those procedures to include 100% of CWIP in rate base for the NPR Project. As set forth in the Protocols, in May of each year, PPL Electric populates the Formula Rate Template using the data contained in its FERC Form No. 1 for the prior calendar year plus projected transmission capital additions for the current year to determine the estimated ATRR. PPL Electric also calculates the difference between the prior calendar year’s estimated ATRR and the actual costs reported in its FERC Form No. 1 (including actual transmission capital additions) and reflects the difference (with interest) in the estimated ATRR that will become effective on June 1st.

Projects for which the Commission has approved the recovery of 100% of CWIP are listed on Attachment 6 of the Formula Rate. Pursuant to the Protocols, PPL Electric assigns each such project a unique Super Project Number (“SPN”) for internal cost tracking purposes. PPL Electric records actual construction costs to each SPN through expenditure requisitions (“ERs”) that are coded to correspond to the SPN for each such project. Such ERs are segregated from ERs from work orders for other PPL Electric projects.

PPL Electric prepares monthly ER summaries of costs incurred under the SPNs of projects approved for 100% CWIP recovery. The summaries show monthly additions to CWIP and plant in service, and correspond to amounts recorded in PPL Electric’s FERC Form No. 1. PPL Electric uses these summaries as data inputs into the Annual Update calculated on Attachment 6 of the Formula Rate, and makes them available upon request to interested parties during the Review Period that is part of PPL Electric’s Annual Update process, as set forth in the Protocols. In each Annual Update, PPL Electric includes the following information regarding projects recovering 100% of CWIP: (1) the actual amount of CWIP recorded for each project; (2) any amounts recorded in related Commission accounts or sub-accounts, such as Allowance for Funds Used During Construction and regulatory liability; (3) the resulting effect on the CWIP revenue requirement; (4) a statement of the current status of each project; and (5) the estimated in-service date for each project. In addition, PPL Electric files a FERC Form No. 730 on an annual basis, which the Commission has found to satisfy the requirement for an annual filing for recovery of a return on CWIP through a rate formula.

When any such project, or portion of such project, is placed into service, PPL Electric deducts from the total CWIP the accumulated charges for ERs under the SPN for

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9 Id.

that project, or portion thereof. This ensures that expenditures are not double-counted as both CWIP and as additions to transmission plant.

The Commission has approved PPL Electric’s identical treatment of CWIP with respect to the Susquehanna-Roseland Project and found that the procedures ensure that expenditures are not double-counted as both CWIP and additions to transmission plant.\textsuperscript{11} Thus, PPL Electric respectfully requests that the Commission approve its proposed implementation of CWIP related to the NPR Project.

III. CONTENTS OF FILING AND REQUEST FOR WAIVERS

In addition to this Transmittal Letter, the filing consists of the following materials:

Appendix A: Statement In Support Of Application To Include Construction Work In Progress In Transmission Rate Base As Required By 18 C.F.R. §§ 35.13(h)(38) & 35.25, Statement BM;

Appendix B: Prepared Direct Testimony of John H. Nagurney (Exhibit No. PPL-100); and

Appendix C: Attestation in accordance with 18 C.F.R. § 35.13(d)(6).

To the extent necessary, PPL Electric requests waiver of any additional requirements to submit additional information, for example, additional cost-of-service statements, Period I and Period II data, and related workpapers, which the Commission has granted routinely.\textsuperscript{12} Detailed statements on PPL Electric’s costs of providing service are unnecessary because PPL Electric’s transmission rates, which are determined under the Formula Rate, are based upon actual calendar year costs as reflected in its FERC Form No. 1 filings.

\textsuperscript{11} Settlement Order.

In accordance with Section 35.13(b) of the Commission’s regulations, 18 C.F.R. § 35.13(b), PPL Electric represents that: (1) no additional agreement, by contract or otherwise, is required for this filing; and (2) there are no expenses or costs included in this filing that have been alleged or judged in any administrative or judicial proceeding to be illegal, duplicative, or unnecessary costs that are demonstrably the product of discriminatory employment practices, within the meaning of Section 35.13(b)(7) of the Commission’s regulations.13

IV. REQUESTED EFFECTIVE DATE

PPL Electric requests that the Commission approve its proposed implementation of the CWIP incentive for the NPR Project effective June 1, 2013 to coincide with its 2013 Formula Rate Annual Update. To allow PPL Electric sufficient time to prepare its 2013 Formula Rate Annual Update, PPL Electric respectfully requests that the Commission issue its order in this proceeding by May 1, 2013.

V. PERSONS ON WHOM THIS FILING IS BEING SERVED

PPL Electric will make copies of the filing available for inspection at PPL Electric’s corporate headquarters located in Allentown, Pennsylvania. On PPL Electric’s behalf, PJM will serve a copy of this filing on all PJM members and state utility commissions in PJM, and other interested parties, by posting a copy of this filing on its website and providing a link via e-mail to all PJM members and state utility commissions in PJM. Accordingly, PPL Electric requests a waiver of the requirement to serve this filing on transmission customers and state commissions in PJM by mailing paper copies.

VI. COMMUNICATIONS

Please direct all communications and service relating to this filing to the following individuals:

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VII. CONCLUSION

For the reasons discussed above, PPL Electric respectfully requests that the Commission accept for filing the proposed implementation of the CWIP incentive for the NPR Project to be effective on June 1, 2013 without condition, modification, or a hearing.

Sincerely,

/s/ Donald A. Kaplan

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Attorneys for PPL Electric Utilities Corporation
APPENDIX A
STATEMENT IN SUPPORT OF APPLICATION TO INCLUDE CONSTRUCTION WORK IN PROGRESS IN TRANSMISSION RATE BASE AS REQUIRED BY 18 C.F.R. §§ 35.13(h)(38) & 35.25

The Federal Energy Regulatory Commission (“Commission”) granted PPL Electric Utilities Corporation (“PPL Electric”) authorization to include 100% of construction work in progress (“CWIP”) associated with the Northeast/Pocono Reliability Project (“NPR Project”) in its transmission rate base. PPL Elec. Utils. Corp., 141 FERC ¶ 61,021 (2012) (“NPR Order”). This statement, as supplemented by PPL Electric’s petition for declaratory order in Docket No. EL12-20-000 and elsewhere in this filing, provides the information required by Sections 35.13(h)(38) and 35.25 of the Commission’s regulations. 18 C.F.R. §§ 35.13(h)(38), 35.25 (2012).

I. STATEMENT BM – CONSTRUCTION PROGRAM STATEMENT

Section 35.13(h)(38) of the Commission’s regulations, 18 C.F.R. § 35.13(h)(38), requires utilities seeking recovery of CWIP in Commission-jurisdictional rates to provide a statement showing that the facilities for which CWIP treatment is sought are part of a prudent, least cost energy supply program that includes consideration of alternatives. As set forth in Section 35.13(h)(38), Statement BM shall be filed if the utility is filing for CWIP in rate base under Section 35.26(c)(3), which applies to the recovery of wholesale stranded costs. PPL Electric does not seek to recover wholesale stranded costs with its transmission rate filing. Moreover, PPL Electric does not and will not own any generation projects and, therefore, will have no occasion to seek to recover any stranded power costs from existing wholesale requirements customers in the future. Therefore, by its express terms, Section 35.13(h)(38) is inapplicable to PPL Electric’s filing.

Although Section 35.13(h)(38) is inapplicable, PPL Electric recognizes that the Commission has referenced Statement BM in orders authorizing the inclusion of CWIP in rate base. See, e.g., Construction Work In Progress for Public Utilities; Inclusion of Costs in Rate Base, Order No. 298, 48 Fed. Reg. 24,323 (June 1, 1983), FERC Stats. & Regs. ¶ 30,455 (1983); Boston Edison Co., 109 FERC ¶ 61,300, at P 33 (2004); Ne. Utils. Servs. Co., 114 FERC ¶ 61,089, at P 23 (2006). In those orders, the Commission stated that Commission staff and intervenors must be able to review the prudence of the CWIP costs that will be included in rate base, including the ability to compare the costs of alternative plans. PPL Electric has satisfied this condition in its petition for rate incentives for the NPR Project. As PPL Electric demonstrated in its petition, PJM Interconnection, L.L.C. (“PJM”) reviewed and approved the NPR Project with comment from interested stakeholders as part of PJM’s Regional Transmission Expansion Plan (“RTEP”). NPR Order at P 17.

The responsibility for reliability and economic transmission planning, which includes identifying new transmission construction projects needed in the PJM region, has been entrusted to PJM under the PJM Amended and Restated Operating Agreement and the PJM Consolidated Transmission Owners Agreement. Amended and Restated Operating Agreement of PJM Interconnection, L.L.C., Rate Schedule FERC No. 24 (Jan. 17, 2013), available at http://www.pjm.com/documents/downloads/agreements/oa.pdf
(“PJM Operating Agreement”); Consolidated Transmission Owners Agreement, Rate Schedule FERC No. 42 (May 8, 2012), available at http://www.pjm.com/documents/downloads/agreements/toa.pdf. The procedures governing the RTEP process are set forth in Schedule 6 of the PJM Operating Agreement. As part of the RTEP process, PJM initiates a system-wide load flow analysis to determine the ability of the PJM transmission grid to meet the reliability standards and requirements of, among others, the North American Electric Reliability Corporation, ReliabilityFirst Corporation, and SERC Reliability Corporation. The RTEP process accounts for forecasted firm loads in PJM; firm imports from, and exports to, neighboring systems; existing generation and transmission facilities in PJM; and anticipated new generation and transmission facilities. Specifically, the RTEP process requires PJM to consider “generation additions or retirements, evaluation of load forecasts, congestion events on or operational performance of the transmission system, or proposals for the addition of Transmission Facilities in the PJM region.” PJM Operating Agreement, Schedule 6 § 1.5.1(a)(iv). Using this baseline reliability analysis, PJM identifies future reliability violations and transmission expansions and upgrades that are needed to resolve any anticipated reliability violations.

Transmission owners can also propose projects to address reliability issues on their transmission system to be included in the RTEP as baseline reliability projects. PPL Electric proposes projects to include in the RTEP that address reliability violations identified through its own annual independent assessment of the PPL Electric transmission system. Once these projects are proposed, they are independently reviewed and verified by PJM as necessary to address an identified reliability need.

The RTEP process also includes a mechanism by which PJM considers input from all interested stakeholders. PJM solicits input during a series of meetings with the Transmission Expansion Advisory Committee (“TEAC”), at which PJM presents its analyses and provides descriptions of the baseline projects needed to address any identified reliability problems. All assumptions, analyses, and decisions also are subject to stakeholder review through the TEAC. During this process, TEAC members have an opportunity to provide feedback to PJM and to raise questions regarding the prudence of proposed transmission projects. Interested stakeholders and transmission owners are also given an opportunity to provide written comments to the TEAC and to seek alternative dispute resolution proceedings if their issues are not resolved. Id. § 1.5.6(b), (j). After review and approval by the TEAC, projects included in the RTEP are presented to the PJM Board of Managers for final approval. Id. § 1.6(a). Accordingly, inclusion of the NPR Project in the PJM RTEP satisfies the Commission’s prudence requirement necessary for inclusion of 100% CWIP in rate base as proposed in this filing and previously authorized by the Commission in the NPR Order.
II. SECTION 35.25 REQUIREMENTS

A. Waiver of Section 35.25(c)(4) Forward-Looking Allocation Ratios

To the extent necessary, PPL Electric requests waiver of Section 35.25(c)(4) of the Commission’s regulations, 18 C.F.R. § 35.25(c)(4), as it pertains to forward-looking cost allocation ratios, price squeezing and “double whammy.” Section 35.25(c)(4) requires every test period CWIP project requested for wholesale rate base treatment to be “allocated to customer classes on the basis of forward-looking allocation ratios reflecting the anticipated average annual use the wholesale customers will make of the system over the estimated service life of the project.” The regulations also state the Commission’s concerns that customers seeking alternative power supply may be subject to “price squeeze” and “double whammy.”


The forward-looking allocation ratio was to prevent a customer that was switching power plant suppliers from having to share in the cost of CWIP of a particular plant if the customer had no responsibility in the decision of the utility to build the plant. We believe it highly unlikely that transmission customers will be faced with such an opportunity. Accordingly, because we do not view the “double whammy” to be a concern in the transmission context, we grant EEI’s request and waive the requirement in 18 C.F.R. §35.25(c)(4) as it pertains to preventing double whammy with regard to CWIP associated with new investment in transmission. Order No. 679 at P 119.

The NPR Project is a new transmission project and therefore, as the Commission found in Order No. 679, such concerns regarding “double whammy” are not applicable to PPL Electric’s 100% recovery in rate base of CWIP associated with the NPR Project.

Any concerns about “price squeeze” are equally inapplicable. Similar to “double whammy” concerns, a “price squeeze” arises in connection with the treatment of generation facilities in wholesale and retail rates. PPL Electric’s filing does not include rates for generation facilities such as wholesale power sales, full requirements service or bundled wholesale power sales. Moreover, PPL Electric owns no generation facilities and its transmission rates are solely within the Commission’s jurisdiction. Thus, the Commission’s regulations regarding forward-looking allocation ratios, particularly as they pertain to “price squeeze,” are inapplicable to PPL Electric’s transmission rates and
particularly to PPL Electric’s request to include 100% CWIP associated with the NPR Project in its transmission rate base.

B. Section 35.25(e) Discontinuance of AFUDC and Section 35.25(f) Accounting Procedures

The PPL Electric’s Formula Rate Protocols contain detailed accounting procedures in Section IV that PPL Electric will follow to ensure that there is no duplicative recovery of CWIP and Allowance for Funds Used During Construction (“AFUDC”). PPL Electric’s Formula Rate Protocols have been part of the PJM Open Access Transmission Tariff since the Commission approved the Formula Rate\textsuperscript{14} and are used for each transmission project for which the Commission authorizes the inclusion of CWIP in transmission rate base. As part of its accounting procedures, PPL Electric assigns each authorized project a unique Super Project Number (“SPN”) for internal tracking purposes, records actual construction costs to each SPN, segregates work orders for incentive projects from work orders for non-incentive projects, and provides annual reports to the Commission detailing the actual amount of CWIP recorded for each incentive project. These detailed accounting procedures ensure that inclusion of CWIP in PPL Electric’s transmission rate base for Commission-approved incentive projects does not include AFUDC and satisfies the requirements of Sections 35.25(e) and (f) of the Commission’s regulations, 18 C.F.R. § 35.25(e), (f).

C. Section 35.25(g) Anticompetitive Procedures

The requirements in Section 35.25(g) of the Commission’s regulations, 18 C.F.R. § 35.25(g), related to CWIP included in retail rates are not applicable to PPL Electric’s request to recover 100% of CWIP in rate base for transmission projects. However, to the extent necessary, PPL Electric requests waiver of such regulations. The Commission developed the requirements regarding anticompetitive procedures to address concerns regarding inclusion of generation-related CWIP in retail rates. See Electric Rates; Construction Work in Progress; Anticompetitive Implication, Order No. 474, 52 Fed. Reg. 23,948 (June 26, 1987), FERC Stats. & Regs. ¶ 30,751 (1987); order on reh’g, Order No. 474-A, 52 Fed. Reg. 35,695 (Sept. 23, 1987), FERC Stats. & Regs. ¶ 30,765 (1987); order on reh’g, Order No. 474-B, 54 Fed. Reg. 32,802 (Aug. 10, 1989), FERC Stats. & Regs. ¶ 30,858 (1989) (order implementing regulations). These concerns are not applicable to inclusion of transmission-related CWIP in unbundled transmission rates, which are solely within the jurisdiction of the Commission.

Furthermore, the Commission has authorized the inclusion in rate base of 100% of CWIP associated with the NPR Project and PPL Electric has proposed detailed accounting procedures that will allow for the tracking of CWIP balances, which will be made available to interested parties annually. The Commission also requires PPL Electric to make annual FERC Form No. 730 filings that report actual, projected, and

incremental investment information for each transmission project that the Commission authorized to receive transmission rate incentives. PPL Electric has committed to accounting and reporting procedures that will provide the Commission and interested parties more than adequate transparency to monitor PPL Electric’s CWIP balances and its Formula Rate to ensure that there is no over-recovery of CWIP in transmission rates.
APPENDIX B
UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

PPL Electric Utilities Corporation

Docket No. ER13-___-000

PREPARED DIRECT TESTIMONY

OF

JOHN H. NAGURNEY
ON BEHALF OF PPL ELECTRIC UTILITIES CORPORATION
PPL Electric Utilities Corporation

Docket No. ER13-___-000

PREPARED DIRECT TESTIMONY
OF
JOHN H. NAGURNEY

Q. PLEASE STATE YOUR FULL NAME AND BUSINESS ADDRESS.

A. My name is John H. Nagurney. My business address is Two North Ninth Street, Allentown, Pennsylvania 18101.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by PPL Electric Utilities Corporation (“PPL Electric”), a subsidiary of PPL Corporation, as Principal Analyst. I assumed this position on September 21, 2009.

Q. WHAT ARE YOUR DUTIES AS PRINCIPAL ANALYST?

A. I am responsible for the preparation and analysis of rate-related information for budgets, forecasts, and variances. I also review and provide technical oversight and guidance of cost allocation and revenue requirement studies related to transmission rates. As part of this function, I am responsible for activities associated with the assembly and analysis of inputs to PPL Electric’s transmission formula rate and the preparation of the Informational Filing of the Formula Rate Annual Update provided to the Federal Energy Regulatory Commission (“Commission” or “FERC”). I also oversee the execution of work plans related to transmission plant additions.
Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?

A. I received a Bachelor’s Degree in Business Administration with a concentration in Management from California University of Pennsylvania in May 1996 and a Master of Business Administration Degree from California University of Pennsylvania in August 1998.

Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE.

A. In 1999, I was employed by Dun and Bradstreet, where I managed a strategic multi-million dollar accounts receivable portfolio on behalf of Cisco Systems. In 1999, I joined Williams Communications Solutions as a Credit and Collections Analyst I. In this position, my responsibilities included reviewing accounts, resolving disputed invoices and conducting customer visits. In 2000, I was named Credit and Collections Analyst II responsible for strategic healthcare accounts in New York City. In 2001, I joined the National Exchange Carrier Association as a Financial Analyst responsible for maintaining the integrity of the revenue requirements in compliance with Federal Communications Commission (“FCC”) rules for use in the National Exchange Carrier’s Annual Access Charge Tariff Filing to the FCC. I was named Senior Financial Analyst in 2003. In 2007, I joined PPL Electric as an Electric Delivery Senior Analyst with responsibility for assembling financial data and preparing revenue requirement studies to support PPL Electric’s retail and wholesale rate filings. In 2008, I was named Senior Analyst Financial Business Planning. In this position, my responsibilities included preparing and maintaining the 5-year revenue forecast for business planning purposes. In 2009, I assumed my current position with PPL Electric.
Q. HAVE YOU PREVIOUSLY TESTIFIED AS A WITNESS IN PROCEEDINGS BEFORE THE COMMISSION OR IN OTHER REGULATORY PROCEEDINGS?

A. Yes, I provided testimony on behalf of PPL Electric in Docket No. ER09-1148-000.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to describe PPL Electric’s proposed implementation of Construction Work in Progress (“CWIP”) related to the Northeast/Pocono Reliability Project (“NPR Project”). In my testimony, I explain how PPL Electric proposes to include 100% of prudently incurred CWIP in rate base for the NPR Project in its Formula Rate. In addition, I describe the provisions in PPL Electric’s Formula Rate Implementation Protocols (“Protocols”) that govern the accounting for CWIP and how these provisions ensure that Allowance for Funds Used During Construction (“AFUDC”) is not recovered for the NPR Project.

Q. PLEASE DESCRIBE HOW PPL ELECTRIC’S FORMULA RATE ACCOMMODATES THE INCLUSION OF 100% CWIP FOR THE NPR PROJECT.

A. CWIP authorized by the Commission, as described in Note H of Appendix A of PPL Electric’s Formula Rate, is included in the Formula Rate at line 35 of Appendix A. This balance comprises the time-weighted monthly balances for the current year, as developed on Attachment 6 of the Formula Rate, of all of the projects for which PPL Electric has received approval to include 100% CWIP in rate base. PPL Electric will add the projected CWIP expenditures for the NPR Project to Step 9 of Attachment 6 in its 2013 Annual Update to effect the addition
of the CWIP associated with the NPR Project to PPL Electric’s Annual
Transmission Revenue Requirement.

Q. DOES PPL ELECTRIC RECOVER 100% CWIP FOR ANY OTHER OF
ITS PROJECTS?
A. Yes. PPL Electric has also received 100% CWIP authorization for the
Susquehanna-Roseland Project.

Q. HOW DOES THE PROPOSED IMPLEMENTATION OF THE CWIP
INCENTIVE FOR THE NPR PROJECT COMPARE TO PPL
ELECTRIC’S TREATMENT OF CWIP RELATED TO THE
SUSQUEHANNA-ROSELAND PROJECT?
A. PPL Electric’s proposed implementation of the CWIP incentive for the NPR
Project is identical to that used to include CWIP in the Formula Rate for the
Susquehanna-Roseland Project. The process for including CWIP in PPL
Electric’s Formula Rate for the Susquehanna-Roseland Project was approved by
the Commission in 2008 in Docket No. ER08-1457-000 and has been part of the
Formula Rate since that time.

Q. PLEASE DESCRIBE THE ACCOUNTING PROCEDURES FOR THE
INCLUSION OF 100% OF CWIP IN RATE BASE THAT ARE
CONTAINED IN THE PROTOCOLS.
A. PPL Electric’s accounting procedures for the inclusion of 100% of CWIP in rate
base were designed to ensure that expenditures are not double-counted as both
CWIP and additions to transmission plant. These accounting procedures were
approved by the Commission in Docket No. ER08-1457-000. Projects for which
the Commission has approved the recovery of 100% of CWIP are listed on
Attachment 6 of the Formula Rate. Pursuant to the Protocols, PPL Electric
assigns each such project a unique Super Project Number ("SPN") for internal
cost tracking purposes. PPL Electric records actual construction costs to each
SPN through expenditure requisitions ("ERs") that are coded to correspond to the
SPN for each such project. ERs associated with projects approved for 100%
CWIP recovery are segregated from ERs from work orders for any other projects
of PPL Electric.

PPL Electric prepares monthly ER summaries of costs incurred under the
SPNs of projects approved for 100% CWIP recovery. The summaries show
monthly additions to CWIP and transmission plant in service, and correspond to
amounts recorded in PPL Electric’s FERC Form No. 1.

Q. PLEASE DESCRIBE HOW THE AMOUNTS RECORDED AS CWIP ARE
INCORPORATED INTO PPL ELECTRIC’S FORMULA RATE.

A. Amounts recorded as CWIP are incorporated into PPL Electric’s Formula Rate
rate base through Attachment 6 of the Formula Rate Annual Update. PPL Electric
uses the summaries of costs incurred under the SPNs of projects approved for
100% CWIP recovery as data inputs to Attachment 6. When any such project, or
portion of such project, is placed into service, PPL Electric deducts from the total
CWIP the accumulated charges for ERs under the SPN for that project, or portion
thereof. This ensures that expenditures are not double-counted as both CWIP and
as additions to transmission plant.

Q. PLEASE DESCRIBE HOW THE AMOUNTS RECORDED AS CWIP IN
PPL ELECTRIC’S FORMULA RATE CAN BE REVIEWED BY THE
COMMISSION AND STAKEHOLDERS.

A. Under PPL Electric’s Formula Rate Protocols, each Annual Update submitted to
the Commission includes the following information regarding projects recovering
100% of CWIP: (1) the actual amount of CWIP recorded for each project; (2) any amounts recorded in related Commission accounts or sub-accounts, such as AFUDC and regulatory liability; (3) the resulting effect on the CWIP revenue requirement; (4) a statement of the current status of each project; and (5) the estimated in-service date for each project. In addition, PPL Electric files a FERC Form No. 730 on an annual basis. PPL Electric also makes the summaries of costs incurred under the SPNs of projects approved for 100% CWIP recovery available upon request to interested parties during the Review Period that is part of PPL Electric’s Annual Update process as set forth in the Protocols.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.
UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION  

PPL Electric Utilities Corporation  )  Docket No. ER13-____-000  

Affidavit  

I, the undersigned, being duly sworn, do depose and say, under penalty of perjury, that the Prepared Direct Testimony of John H. Nagurney is the testimony of the undersigned, and to the best of my knowledge, information and belief, is true, correct, accurate and complete, and I hereby adopt said testimony as if given by me in formal hearing, under oath.  

John H. Nagurney  

Subscribed and sworn before me this 28 day of February, 2013.  

Valerie Ann Saveri  
Notary Public  

My Commission expires: July 11, 2016
UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

PPL Electric Utilities Corporation          Docket No. ER13-___-000

Affidavit

I, Dennis Urban, being duly sworn, do depose and say that I am Vice President of
Financial and Regulatory Affairs for PPL Electric Utilities Corporation; that I have
reviewed the cost of service statements and supporting data submitted herewith; and that
to the best of my knowledge, information, and belief, the cost of service statements and
supporting data are true, accurate and current representations of PPL Electric Utilities
Corporations’ books, budgets or other corporate documents.

Dated at Allentown, PA this 17th day of February, 2013.

[Signature]
Dennis Urban

Subscribed and sworn before me this
17th day of February, 2013.

[Signature]
Valerie Ann Saveri
Notary Public

My Commission expires: July 16, 2016