

PPL Electric Utilities Requests Revenue Increase

Increase would support continued investment in delivery system, reliability

PRNewswire-FirstCall
ALLENTOWN, Pa.

PPL Electric Utilities asked the Pennsylvania Public Utility Commission on Wednesday (3/31) to approve a 2.4 percent increase in the company's total revenues beginning in 2011 so that it can begin recovering the cost of recent investments, continue to invest in the electricity delivery system and maintain strong reliability for its customers.

"It takes an enormous infrastructure and great people to deliver for our customers in that defining moment when they flick the switch," said David G. DeCampi, president of PPL Electric Utilities. "Keeping that infrastructure strong is what this request is about."

Without the requested increase, the company will be unable to make the investments it needs to maintain high levels of reliability moving forward, DeCampi said. He added that even though electricity use has declined in a tough economy, the utility's costs are rising and the need for infrastructure investment is growing.

"We understand that customers are still adjusting to higher generation prices in 2010," DeCampi said. "Those generation-related payments from customers, however, can't be used to pay for distribution system improvements. Customer payments for generation are passed to suppliers without profit."

The increase would add about 25 cents a day to the average residential customer's distribution charges. Some small- and mid-sized business customers would see a slight decrease in distribution charges under the proposal.

DeCampi said there's a good chance that lower electricity supply prices for 2011 could offset the proposed distribution rate increase. While wholesale market prices fluctuate, current 2011 wholesale prices are about 20 to 25 percent below generation prices per kilowatt-hour currently being paid by PPL Electric Utilities residential customers.

A distribution rate increase would allow the company to begin recovering the cost of nearly three years of improvements to the distribution system, which the company is prohibited from recovering until it gets permission from the PUC. Those improvements are expected to total about \$727 million by the end of this year.

Beginning to recover the costs of investments already made is important, DeCampi said, because it better positions the company to make the investments needed to modernize and strengthen the distribution system moving forward. Boosting investment in reliability is central to the company's future plans.

"Much of our delivery system was installed in the 1960s and 1970s," DeCampi said. "We've maintained it in a way that keeps reliability strong, gets the most from those assets and spends customer dollars wisely. We are now approaching a turning point, and we need to accelerate efforts to replace aging equipment."

He said the company has invested more than \$960 million in the distribution system over the past five years. It plans to spend more than \$1.5 billion on capital investment in the next five years.

Under the company's proposal, the total bill for an average residential customer would increase about 5 percent, or \$7.41 per month, assuming no change in generation prices for 2011. The total bill for a small-commercial customer using 1,000 kilowatt-hours a month with a demand of 3 kilowatts would decrease \$4.92 as a result of the changes in distribution charges. For a large industrial customer using 150,000 kilowatt-hours a month with a demand of 500 kilowatts, the total bill would increase by \$74.58.

The requested increase in distribution rates totals \$114.7 million and is being allocated to residential customers as a result of a state court ruling that rates must reflect the true cost to serve each customer group. Historically, residential rates have been subsidized by business customers.

Distribution charges make up about one-quarter, or about \$35 a month, of an average residential customer bill. That money goes a long way, DeCampi said. It's used to maintain more than 44,000 miles of distribution lines, more than 300 substations and switchyards, nearly 900,000 distribution poles, hundreds of bucket trucks and vehicles, and thousands of other pieces of electrical equipment across the system. It also pays wages and benefits for employees the company relies on to keep reliability strong.

For more information on the rate request filed with the PUC, customers can visit www.pplelectric.com/rateinfo.com or contact PPL Electric Utilities at 1-800-342-5775 from 8 a.m. to 5 p.m. Monday to Friday.

PPL Electric Utilities Corporation is a subsidiary of PPL Corporation (NYSE: PPL) that provides electricity delivery services to about 1.4 million customers in Pennsylvania. It has consistently ranked among the best companies for customer service in the United States. More information is available at www.pplelectric.com.

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