



Pennsylvania Power & Light Company

Two North Ninth Street • Allentown, PA 18101-1179 • 610/774-5151

Paul E. Russell
Associate General Counsel
610/774-4254

FAX: 610/774-6726

MEM

June 25, 1997

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VIA FEDERAL EXPRESS

James J. McNulty, Esquire
Prothonotary
Pennsylvania Public Utility Commission
P. O. Box 3265
Harrisburg, Pennsylvania 17105-3265

PA PUBLIC UTILITY COMMISSION
PROTHONOTARY'S OFFICE

**Re: Pennsylvania Power & Light Company
Restructuring Plan
Docket No. R-00973954**

Dear Mr. McNulty:

Attached for filing, pursuant to the Commission's regulations, 52 Pa. Code § 5.342(d), is a Certificate of Service identifying answers to interrogatories that Pennsylvania Power & Light Company served today on the active participants in this proceeding.

If you have any questions regarding this letter, please call.

Very truly yours,

Paul E. Russell/dew

Paul E. Russell

Attachment

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

JUN 25 1997

PA PUBLIC UTILITY COMMISSION
PROTHONOTARY'S OFFICE

Pennsylvania Power & Light Company :
Restructuring Plan Filing : Docket No. R-00973954

CERTIFICATION OF SERVICE

I hereby certify that I have this day served a true copy of Pennsylvania Power & Light Company's answers to the Pennsylvania Power & Light Company's Industrial Customer Alliance's Interrogatories, Set VII, Question 2 upon the active participants listed below, in accordance with the requirements of §1.54 (relating to service by a participant):

Federal Express

Johnnie Simms, Esquire
Office Of Trial Staff
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Third Floor, Pitnick Building
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Harrisburg, PA 17105-3265

James A. Mullins, Esquire
Craig R. Burgraff, Esquire
Tanya A. McCloskey, Esquire
Office Of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

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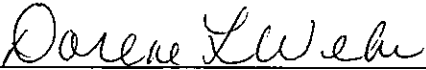
John Munsch
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Usher Fogel, Esquire
Roland, Fogel, Loblenz & Carr LLP
1 Columbia Place
Albany, NY 12207

Dated this 25th day of June, 1997.



Dorene L. Wehr



Pennsylvania Power & Light Company

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P. O. Box 3265
Harrisburg, Pennsylvania 17105-3265

MEM

**Re: Pennsylvania Power & Light Company
Restructuring Plan
Docket No. R-00973954**

Dear Mr. McNulty:

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PA PUBLIC UTILITY COMMISSION
PROTHONOTARY'S OFFICE

Pennsylvania Power & Light Company :
Restructuring Plan Filing :

Docket No. R-00973954

CERTIFICATION OF SERVICE

I hereby certify that I have this day served a true copy of Pennsylvania Power & Light Company's answers to the Eric Epstein's Interrogatories, Question 1 upon the active participants listed below, in accordance with the requirements of §1.54 (relating to service by a participant):

Federal Express

Johnnie Simms, Esquire
Office Of Trial Staff
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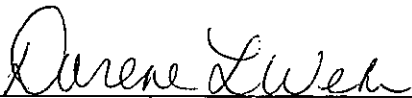
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Usher Fogel, Esquire
Roland, Fogel, Loblenz & Carr LLP
1 Columbia Place
Albany, NY 12207

Dated this 25th day of June, 1997.



Dorene L. Wehr

LAW OFFICES
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FACSIMILE: (717) 237-7161

DIRECT DIAL NUMBER:
(717) 237-7172

MEM

June 25, 1997

Hon. George M. Kashi
Pennsylvania Public Utility Commission
Room G-08, North Office Building
P.O. 3265
Harrisburg, PA 17105-3265

002858

RE: Application of Pennsylvania Power & Light Company
For Approval of its Restructuring Plan Under Section 2806
of the Public Utility Code;
Docket No. R-00973954

Dear Judge Kashi:

For planning and scheduling purposes, Enron Corporation wishes to advise Your Honor and the parties in the above-referenced proceeding that it will be offering the testimony of the following witnesses:

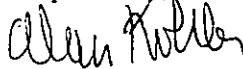
Steven J. Kean
Dr. John W. Mayo
Paul D. Reising
Malcolm W. Jacobson
Raymond W. Bowen, Jr.
Michael D. Dirmeier
Lynn R. Coles
Dr. Richard D. Tabors

PROTHONOTARY'S OFFICE

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Please contact us with any questions concerning this list.

Respectfully,



Alan Kohler

For WOLF, BLOCK, SCHORR and SOLIS-COHEN

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AK/cln

cc: Parties of Record

James J. McNulty, Prothonotary

ORIGINAL

JOHN & HENGERER
A LAW PARTNERSHIP
1200 17TH STREET, N.W.
SUITE 600
WASHINGTON, D.C. 20036-3006

June 26, 1997

DOUGLAS F. JOHN
EDWARD W. HENGERER
KEVIN M. SWEENEY
KIM M. CLARK
GORDON J. SMITH
SHELBY L. PROVENCHER

TELEPHONE
202/429-8809

TELECOPIER
202/429-8805

Via Overnight Mail

Office of Prothonotary
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

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PROTHONOTARY'S OFFICE

MEM

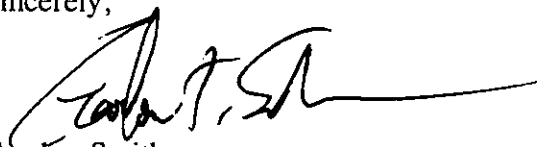
**RE: Petition for Pennsylvania Power & Light Company's Restructuring Plan,
Docket No. R-00973954**

Dear Sirs:

I've included for filing an original, 5 copies and 2 diskette copies of the Petition for Leave to Intervene and Participate of Vastar Power Marketing, Inc. in the above-referenced docket. Please return two stamped copies in the attached envelope for our records.

Thank you for your attention to this matter.

Sincerely,



Gordon Smith

Counsel For
Vastar Power Marketing, Inc.

DOCUMENT
FOLDER

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Pennsylvania Power & Light)
Company for Approval of its Restructuring)
Plan)

Docket No.
R-00973954

PETITION FOR LEAVE TO INTERVENE AND PARTICIPATE OF
VASTAR POWER MARKETING, INC.

This Petition for Leave to Intervene and Participate in the above-referenced proceeding is filed by Vastar Power Marketing, Inc. (Vastar) pursuant to the Public Utility Commission's (Commission) Rules of Procedure and Practice, 52 Pa. Code § 5.71, *et. seq.*, and the Prehearing Order. Vastar requests that this Motion be granted for the reasons set forth below:

I.

Communications and correspondence concerning this Motion should be directed to:

Gordon J. Smith, Esq.
JOHN & HENGERER
1200 17th Street, N.W.
Suite 600
Washington, D.C. 20036-3006
Telephone: (202) 429-8814
Facsimile: (202) 429-8805

Norma J. Rosner, Esq.
General Counsel
VASTAR POWER MARKETING, INC.
200 Westlake Park Boulevard
Houston, TX 77079
Telephone: (713) 548-3980

II.

Vastar is headquartered in Houston, Texas and is a subsidiary of Vastar Resources, Inc., which is a partially owned subsidiary of Atlantic Richfield Company, a Delaware Company. Vastar is a corporation organized and existing under the laws of the State of Delaware, with its principal place of business at 200 Westlake Park Boulevard, Houston, TX 77079. Vastar — which received authorization from the Federal Energy Regulatory

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Commission on October 26, 1995 to sell electricity at market-based rates¹ — markets electric power. Vastar intends to serve customers on Pennsylvania Power & Light Company's (PP&L) distribution system and has significant interest in the Pennsylvania electricity market in general.

III.

On January 24, 1997, the Commission issued an order directing PP&L to file its restructuring plan. On April 1, 1997, PP&L filed its restructuring plan.

IV.

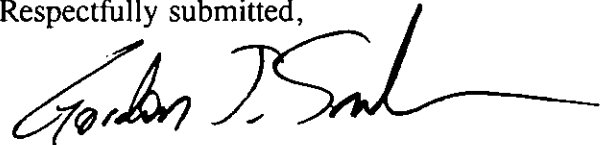
As a potential marketer of electricity to customers presently served in PP&L's service territory, Vastar will be directly and specifically affected by the outcome of this proceeding. Vastar's interests in this proceeding cannot be adequately represented or protected by any other party hereto. Moreover, as a power marketer, Vastar likely can contribute to the development of a complete record in this case as well as settlement discussions. Under the circumstances, Vastar submits that good cause exists to grant it leave to intervene and participate herein.

¹ *Vastar Power Marketing, Inc.*, Docket No. ER95-1685-000, Letter Order dated October 26, 1995.

V.

WHEREFORE, Vastar requests that the Commission grant this Motion and that Vastar be made a party to this proceeding for all purposes.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Gordon J. Smith", with a long horizontal flourish extending to the right.

Gordon J. Smith, Esq.
JOHN & HENGERER
1200 17th Street, N.W.
Suite 600
Washington, D.C. 20036

Counsel for Vastar Power Marketing, Inc.

I hereby certify that I have this day served a true copy of the foregoing document upon each person designated on the official service list in this proceeding.

Dated at Washington D.C.: June 26, 1997

F:\WORD\213\PLEADING\PA-ppi.MLI



Pennsylvania Power & Light Company

Two North Ninth Street • Allentown, PA 18101-1179 • 610/774-5151

Paul E. Russell
Associate General Counsel
610/774-4254

FAX: 610/774-6726

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James J. McNulty, Esquire
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PA PUBLIC UTILITY COMMISSION
PROTHONOTARY'S OFFICE

**Re: Pennsylvania Power & Light Company
Restructuring Plan
Docket No. R-00973954**

KJR

Dear Mr. McNulty:

Attached for filing, pursuant to the Commission's regulations, 52 Pa. Code § 5.342(d), is a Certificate of Service identifying answers to interrogatories that Pennsylvania Power & Light Company served today on the active participants in this proceeding.

If you have any questions regarding this letter, please call.

Very truly yours,

Paul E. Russell/dw

Paul E. Russell

Attachment

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PENNSYLVANIA PUBLIC UTILITY COMMISSION

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Pennsylvania Power & Light Company :
Restructuring Plan Filing : Docket No. R-00973954

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CERTIFICATION OF SERVICE

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JUL 01 1997

I hereby certify that I have this day served a true copy of Pennsylvania Power & Light Company's answers to Enron's Interrogatories, Set 1, Question 2, Set 2, Questions 1 through 10 and Set III, Questions 3 through 5 upon the active participants listed below, in accordance with the requirements of §1.54 (relating to service by a participant):

Federal Express

Johnnie Simms, Esquire
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Dated this 26th day of June, 1997.



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Restructuring Plan Filing : Docket No. R-00973954

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Federal Express

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1 Columbia Place
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Dated this 26th day of June, 1997.



Dorene L. Wehr



Pennsylvania Power & Light Company

Two North Ninth Street • Allentown, PA 18101-1179 • 610/774-5151

Paul E. Russell
Associate General Counsel
610/774-4254

FAX: 610/774-6726

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James J. McNulty, Esquire
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Harrisburg, Pennsylvania 17105-3265

PA PUBLIC UTILITY COMMISSION
PROTHONOTARY'S OFFICE

KJR

**Re: Pennsylvania Power & Light Company
Restructuring Plan
Docket No. R-00973954**

Dear Mr. McNulty:

Attached for filing, pursuant to the Commission's regulations, 52 Pa. Code § 5.342(d), is a Certificate of Service identifying answers to interrogatories that Pennsylvania Power & Light Company served today on the active participants in this proceeding.

If you have any questions regarding this letter, please call.

Very truly yours,

Paul E. Russell/dlr

Paul E. Russell

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Pennsylvania Power & Light Company :
Restructuring Plan Filing : Docket No. R-00973954

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I hereby certify that I have this day served a true copy of Pennsylvania Power & Light Company's answers to the Environmentalists' Interrogatories Set 3, Questions 157, 162, 166, 167, 169 and 182 and Set 4, Questions 204-208 and 226 upon the active participants listed below, in accordance with the requirements of §1.54 (relating to service by a participant):

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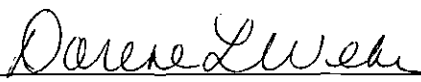
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Dated this 26th day of June, 1997.


Dorene L. Wehr



Pennsylvania Power & Light Company

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June 26, 1997

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KJR

**Re: Pennsylvania Power & Light Company
Restructuring Plan
Docket No. R-00973954**

Dear Mr. McNulty:

Attached for filing, pursuant to the Commission's regulations, 52 Pa. Code § 5.342(d), is a Certificate of Service identifying answers to interrogatories that Pennsylvania Power & Light Company served today on the active participants in this proceeding.

If you have any questions regarding this letter, please call.

Very truly yours,

Paul E. Russell/dlw

Paul E. Russell

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Pennsylvania Power & Light Company :
Restructuring Plan Filing : Docket No. R-00973954

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I hereby certify that I have this day served a true copy of Pennsylvania Power & Light Company's answers to the Pennsylvania Power & Light Company's Industrial Customer Alliance's Interrogatories, Set VII, Question 3 upon the active participants listed below, in accordance with the requirements of §1.54 (relating to service by a participant):

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Albany, NY 12207

Dated this 26th day of June, 1997.



Dorene L. Wehr

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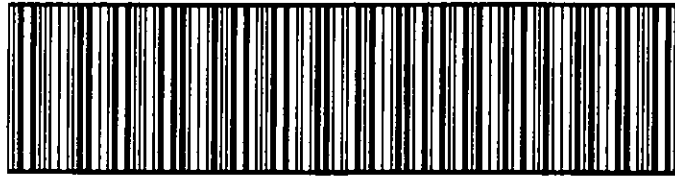
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PA PUBLIC UTILITY COMMISSION
PROTHONOTARY'S OFFICE

KJR

**Re: Pennsylvania Power & Light Company
Restructuring Plan
Docket No. R-00973954**

Dear Mr. McNulty:

Attached for filing, pursuant to the Commission's regulations, 52 Pa. Code § 5.342(d), is a Certificate of Service identifying answers to interrogatories that Pennsylvania Power & Light Company served today on the active participants in this proceeding.

If you have any questions regarding this letter, please call.

Very truly yours,

Paul E. Russell/dw

Paul E. Russell

Attachment

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PROTHONOTARY'S OFFICE

Pennsylvania Power & Light Company :
Restructuring Plan Filing : Docket No. R-00973954

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CERTIFICATION OF SERVICE

I hereby certify that I have this day served a true copy of Pennsylvania Power & Light Company's answers to the Office of Consumer Advocate's Interrogatories, Set VI, Question 26 upon the active participants listed below, in accordance with the requirements of § 1.54 (relating to service by a participant):

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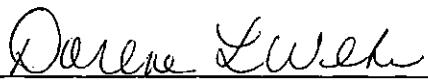
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Dated this 26th day of June, 1997.



Dorene L. Wehr

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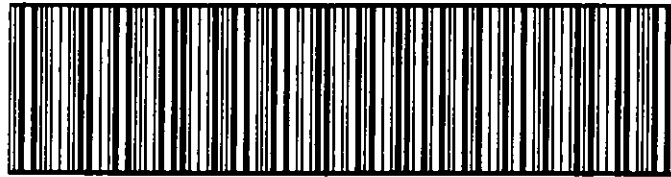
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PA PUBLIC UTILITY COMMISSION
PROTHONOTARY'S OFFICE

**Re: Pennsylvania Power & Light Company
Restructuring Plan
Docket No. R-00973954**

KJR

Dear Mr. McNulty:

Attached for filing, pursuant to the Commission's regulations, 52 Pa. Code § 5.342(d), is a Certificate of Service identifying answers to interrogatories that Pennsylvania Power & Light Company served today on the active participants in this proceeding.

If you have any questions regarding this letter, please call.

Very truly yours,

Paul E. Russell/dlw

Paul E. Russell

Attachment

BEFORE THE
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Pennsylvania Power & Light Company :
Restructuring Plan Filing :

Docket No. R-00973954

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CERTIFICATION OF SERVICE

I hereby certify that I have this day served a true copy of Pennsylvania Power & Light Company's answers to the Pennsylvania Petroleum Associations' Interrogatories, Set A, Questions 1 through 5, 12 and 15 upon the active participants listed below, in accordance with the requirements of §1.54 (relating to service by a participant):

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305 N. Front Street
Suite 403
Harrisburg, PA 17101-1236

Usher Fogel, Esquire
Roland, Fogel, Loblenz & Carr LLP
1 Columbia Place
Albany, NY 12207

Dated this 26th day of June, 1997.



Dorene L. Wehr

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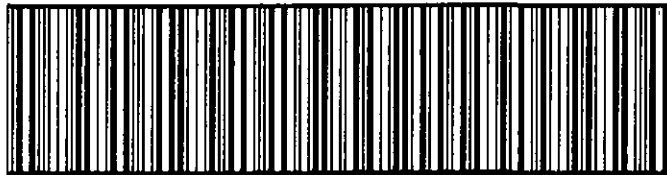
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Pennsylvania Power & Light Company

Two North Ninth Street • Allentown, PA 18101-1179 • 610/774-5151

Paul E. Russell
Associate General Counsel
610/774-4254

FAX: 610/774-6726

June 26, 1997

RECEIVED

VIA FEDERAL EXPRESS

James J. McNulty, Esquire
Prothonotary
Pennsylvania Public Utility Commission
P. O. Box 3265
Harrisburg, Pennsylvania 17105-3265

DOCUMENT
FOLDER

JUN 26 1997

PA PUBLIC UTILITY COMMISSION
PROTHONOTARY'S OFFICE

**Re: Pennsylvania Power & Light Company
Restructuring Plan
Docket No. R-00973954**

KJR

Dear Mr. McNulty:

Attached for filing, pursuant to the Commission's regulations, 52 Pa. Code § 5.342(d), is a Certificate of Service identifying answers to interrogatories that Pennsylvania Power & Light Company served today on the active participants in this proceeding.

If you have any questions regarding this letter, please call.

Very truly yours,

Paul E. Russell/dw

Paul E. Russell

Attachment

RECEIVED

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

JUN 26 1997

PA PUBLIC UTILITY COMMISSION
PROTHONOTARY'S OFFICE

Pennsylvania Power & Light Company :
Restructuring Plan Filing : Docket No. R-00973954

CERTIFICATION OF SERVICE

DOCUMENT
FOLDER

I hereby certify that I have this day served a true copy of Pennsylvania Power & Light Company's answers to the Eric Epstein's Interrogatories, Questions 9, 10 and 12-16 upon the active participants listed below, in accordance with the requirements of §1.54 (relating to service by a participant):

Federal Express

Johnnie Simms, Esquire
Office Of Trial Staff
Pennsylvania Public Utility Commission
Third Floor, Pitnick Building
901 North Seventh Street - Rear
Harrisburg, PA 17105-3265

James A. Mullins, Esquire
Craig R. Burgraff, Esquire
Tanya A. McCloskey, Esquire
Office Of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

DOCKETED
JUL 01 1997

Karen Oill Moury, Esquire
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Suite 1102, Commerce Building
300 North Second Street
Harrisburg, PA 17101

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100 Pine Street
Harrisburg, PA 17108

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Harrisburg PA 17110

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Harry S. Geller, Esquire
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Assistant General Counsel
PECO Energy Company
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Philadelphia, PA 19103

Alan Kohler, Esquire
305 North Front Street
Harrisburg, PA 17101

Mary Huwaldt, Esquire
Caplan & Luber, LLP
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Paoli, PA 19301

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Vough & Associates
126 South Main Street
Pittston, PA 18640

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Department Of The Army
Office Of The Judge Advocate General
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General Counsel
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Henry Yoshimura
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Silver Spring, MD 20904

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Bruce Biewald
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Harrisburg, PA 17101-1236

Usher Fogel, Esquire
Roland, Fogel, Loblenz & Carr LLP
1 Columbia Place
Albany, NY 12207

Dated this 26th day of June, 1997.



Dorene L. Wehr

ORIGINAL

1417 Blue Mtn Pkwy
Harrisburg PA 17112

Penn. Energy Project

717-540-5106 v.
717-652-6899 f.

barak@igc.apc.org

MEM

June 26, 1997

James McNulty
Office of the Prothonotary
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

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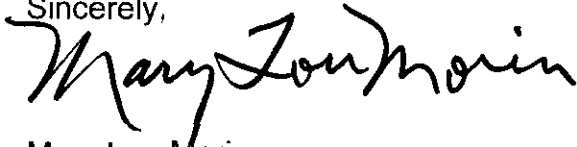
RE: Application of PP&L Energy Company for Approval
of its Restructuring Plan, Docket No. R-00973954

Dear Mr. McNulty:

Enclosed please find the original and fifteen copies of the Environmentalists' Amendment to Formal Complaint, Protest And Petition to Intervene in the above-docketed proceeding, as well as a Certificate of Service. I have also included two computer diskettes with the documents in WordPerfect 5.1 format.

Please time-stamp our enclosed 'office copy' of the Amendment and return it in the envelope provided.

Sincerely,



Mary Lou Morin
Secretary to Alan J. Barak
Counsel for the Environmentalists

cc: Service List
_pennrg_litig\rtw12\filings\amn_intr.ltr

DOCUMENT
FOLDER

ORIGINAL

COMMONWEALTH OF PENNSYLVANIA
BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

PA.P.U.C.
PROTHONOTARY'S OFFICE

97 JUN 26 AM 9:48

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AMENDMENT TO FORMAL COMPLAINT

BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

FORMAL COMPLAINT, PROTEST AND PETITION TO INTERVENE
OF THE ENVIRONMENTALISTS
REGARDING THE Pennsylvania Power & Light Co. RESTRUCTURING PLAN
DOCKET R-00973954

For Commission Use Only:

COMPLAINT DOCKET NO. _____ REF. # _____
UTILITY CODE _____

PLEASE PRINT:

1. YOUR NAME, ADDRESS AND TELEPHONE NUMBER.

Name Alan J. Barak, Esq., Alan J. Barak, PC (Attorney for Environmentalists)
Street 1417 Blue Mountain Parkway
City Harrisburg State PA Zip 17112
County Dauphin Work Telephone - Area Code (717) 540-5106

2. COMPANY YOU ARE COMPLAINING ABOUT

Name Pennsylvania Power & Light Company

3. WHAT IS YOUR COMPLAINT? (DESCRIBE PROBLEM)

BACKGROUND

1. On April 1, 1997, Pennsylvania Power & Light Company ("PP&L" or "the Company") filed its Application for Approval of its Restructuring Plan and with it submitted the written testimony and exhibits of its proposed witnesses and related materials. This filing was made to comply with the requirements of the Electricity Generation Customer Choice and Competition Act ("the Act") (66 Pa. C.S. §§2801 et seq.). The Commission assigned the matter Docket No. R-00973954.

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JUL 07 1997

This amendment adds parties to the Environmentalists and corrects a typographical error.

INTERESTS

2. SUMMARY OF INTERESTS

We are a coalition of groups which have come together to advocate a common agenda of interests in PP&L's restructuring proposal, as stated in our initial Complaint.

3. IDENTIFICATION OF THE MEMBER ORGANIZATIONS

The Environmentalists also include the following additional organizations, broadening their representation of an important segment of the Pennsylvania community, one particularly concerned with the interrelationships between energy production, distribution and consumption, public health and the quality of our natural environment. The Environmentalist coalition also consists of the following organizations:

f. The Delaware Valley Citizens' Council for Clean Air ("Clean Air Council") has been actively involved in Pennsylvania's air quality issues for 30 years.¹ It has intervened in Commission cases under the Act, including pilot program proceedings, generic proceedings addressing licensure, disclosure and education, and metering, and the PECO Energy securitization and restructuring cases, addressing, *inter alia*, clean air, market and planning issues.

g. The Lehigh-Pocono Committee of Concern (LEPOCO) is a local peace and justice organization with over 600 members in the greater Lehigh Valley area. Founded in 1965, the group has worked for environmental justice, including efforts opposing nuclear power. Most members of LEPOCO are PP&L customers.

h. The Saucon Association for a Viable Environment (SAVE, Inc.) was founded in 1970 with the goal of influencing public policy on environmental issues in the Lehigh Valley. SAVE gives public testimony, publishes articles, and has organized major Earth

¹The Delaware Valley Citizens' Council for Clean Air ("Clean Air Council") is a membership-based environmental advocacy organization, headquartered in downtown Philadelphia and incorporated in Pennsylvania as a not-for-profit corporation. Most of its members reside in the Delaware Valley, primarily southeastern Pennsylvania. It has over 1,000 members statewide, and its membership takes service from many of the state's electric utilities, including PECO Energy, PP&L Co. and companies of GPU Energy. The Clean Air Council is the Delaware Valley region's oldest citizens' environmental advocacy organization, with 30 years of public advocacy.

Day events. SAVE has successfully opposed major hydropower projects, superhighway alignments and construction, and the siting of a mass burn incinerator. SAVE membership resides largely in PP&L service territory.

i. Lehigh Valley Greens is a grassroots organization formed in 1991 to work toward environmental sustainability and social and economic justice through community and electoral activism. LV Greens shares common values and a broad, informal connection with Green organizations worldwide. Its membership takes electricity from PP&L.

j. The Environmentalists will further update this list as necessary throughout the proceedings, in the form of amendments to this Complaint, Protest, and Petition.

THE ENVIRONMENTALISTS' POSITIONS

4. [Correction of typographical error:] Based on a preliminary examination of the Company's filing, the Environmentalists intend to advance the following positions in this proceeding:

- p. Stranded cost recovery should not be split between energy and a fixed customer charge, as PP&L's Dr. Tierney proposes. Most of PP&L's stranded generating costs are from the Susquehanna nuclear plant, which was built primarily with the intention of providing base load energy. The proposed split allocation, based upon a customer's past usage,² will send the wrong price signals, discourage wasteful energy use to the detriment of the integrated system, and discourage competition.

5. The Environmentalists reserve the right to identify and raise other issues relating to PP&L's restructuring plan as the facts become more apparent in the discovery and evidentiary phases.

4. WHAT DO YOU WANT US TO DO?

WHEREFORE, the Environmentalists REQUEST THAT THE COMMISSION:

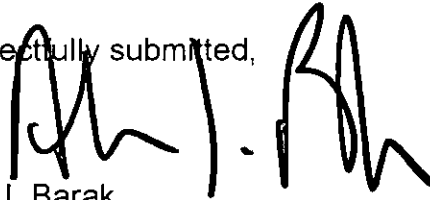
²PP&L Statement No. 9, Direct Testimony of Susan F. Tierney, page 33.

- h. Accept as additional parties to this proceeding, as part of the Environmentalists' group, the above-listed organizations;
- i. Grant the relief requested in this Formal Complaint, Protest and Intervention, as amended;
- j. Grant all other relief to which the Environmentalists are entitled; and,
- k. Grant such other relief which the Commission may deem to be necessary and proper.

YOU MUST SIGN AND DATE YOUR COMPLAINT.

The information I have placed on this form is true and correct to the best of my knowledge. I understand that I could be punished under Pennsylvania State law if I purposely give false information. I am an attorney.

SIGNATURE OF COMPLAINANT:

Respectfully submitted,

Alan J. Barak

Alan J. Barak, PC
Attorney for the Environmentalists
(Sup. Ct. No. 67886)

Dated: June 24, 1997

YOU DO NOT NEED A LAWYER If you **DO** have a lawyer **PLEASE PRINT** the lawyer's name, address and telephone number below.

Lawyer's Name Alan J. Barak, Esq.
Street 1417 Blue Mountain Parkway
City Harrisburg State PA Zip 17112
Telephone Number - (717) 540-5106
Fax Number - (717) 541-1970
E-mail address - barak@igc.apc.org

AAINTER-L.WPD

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

In the Matter of
Pennsylvania Power & Light Co.
Restructuring Plan Filing

)
)
)
)

Dkt. No. R-00973954

PA P.U.C.
PROTHONOTARY'S OFFICE

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CERTIFICATE OF SERVICE

I hereby certify that I have on the 26th day of June, 1997, served the following document, Environmentalists' Amendment to Formal Complaint, Protest and Petition to Intervene upon the following parties and in the manner outlined below:

SERVICE BY FIRST CLASS MAIL, POSTAGE PREPAID

ALJ George Kashi
PA Public Utility Commission
Room G-8A, North Office Bldg.
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PA Utility Law Project
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Harrisburg, PA 17101

Michael Stosser, Esq.
Law Offices (Kraft Foods, Inc.)
815 Connecticut Ave. NW
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Washington, DC 20006-4004

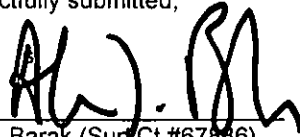
Bruce Biewald
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Fred Zalzman, Esq.
Pace University School of Law
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Jerry Mendl
MSB Energy Consultants
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Middleton, WI 53562

Andrew Altman, Deputy Director
Clean Air Council
135 So. 19th St.
Suite 300
Philadelphia, PA 19103

Respectfully submitted,


Alan J. Barak (Sup Ct #67866)

Alan J. Barak PC
1417 Blue Mountain Pkwy
Harrisburg, PA 17112

717.540-5106 v.
717.541-1970 f.

_pennrg\litig\rtw12\filng\c.coo

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1417 Blue Mtn Pkwy
Harrisburg PA 17112

717-540-5106 v.
717-652-6899 f.

barak@igc.apc.org

Penn. Energy Project

MEM

June 26, 1997

James McNulty
Office of the Prothonotary
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

RECEIVED
97 JUN 26 AM 9:45
PA.P.U.C.
PROTHONOTARY'S OFFICE

RE: Application of PP&L Energy Company for Approval
of its Restructuring Plan, Docket No. R-00973954

Dear Mr. McNulty:

Enclosed please find the original and two copies of the Motion to Appear Pro Hac Vice on Behalf of the Environmentalists in the above-docketed proceeding, as well as the affidavit for Attorney Fred Zalzman and our Certificate of Service.

Please time-stamp our enclosed 'office copy' of our Motion and return it in the envelope provided.

Sincerely,

Mary Lou Morin
Secretary to Alan J. Barak
Counsel for the Environmentalists

cc: Service List

\\pennrg\litig\rtw12\filng\phv_zalc.ltr

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FOLDER

ORIGINAL RECEIVED
COMMONWEALTH OF PENNSYLVANIA

PUBLIC UTILITY COMMISSION 97 JUN 26 AM 9:46

PA.P.U.C.
PROTHONOTARY'S OFFICE

Application of Pennsylvania Power & Light Company)
for Approval of its Restructuring Plan Under Section) Docket No. R-00973954
2806 of the Public Utility Code)

MOTION TO APPEAR PRO HAC VICE ON BEHALF
OF INTERVENOR THE ENVIRONMENTALISTS

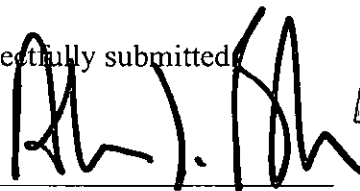
The undersigned, Alan J. Barak, a member in good standing of the Pennsylvania Bar, respectfully moves that the following attorney be permitted to appear *pro hac vice* on behalf of The Environmentalists, an intervenor in the above captioned proceeding:

Frederick Bruce Zalcman

In support of this Motion and attached hereto is an affidavit filed by Frederick Bruce Zalcman stating that he is a member in good standing of the Bar of the State of Illinois which grants like privileges to members in good standing of the Bar of this Commonwealth. See 52 Pa. Code § 1.22.

Mr. Zalcman has advised The Environmentalists concerning the issues raised in the subject proceedings and he has special knowledge regarding such matters.

Respectfully submitted,



Alan J. Barak, Esquire (Sup. Ct. 67886)
1417 Blue Mtn Parkway
Harrisburg, PA 17112
v. 717.540.5106
f. 717.541.1970

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JUL 08 1997

**DOCUMENT
FOLDER**

Dated: June 26, 1997

COMMONWEALTH OF PENNSYLVANIA
PUBLIC UTILITIES COMMISSION

Application of Pennsylvania Power & Light Company)
for Approval of its Restructuring Plan Under Section) Docket No. R-00973954
2806 of the Public Utility Code)

AFFIDAVIT OF FREDERICK BRUCE ZALCMAN

I, Frederick Bruce Zalzman, hereby depose and say as follows:

1. I am an attorney with the Pace Energy Project, Pace University School of Law, which is located White Plains, New York.
2. I am a member in good standing of the Bar of the State of Illinois, and have been licensed to practice before the highest judicial court in the State of Illinois since 1987.
3. There are no disciplinary proceedings pending against me as a member of the bar in any jurisdiction.
4. I have advised the Environmentalists, an intervenor in the above-captioned matter, with respect to the matters in issue before the Pennsylvania Public Utilities Commission and have special knowledge regarding such matters.

I understand the statements herein are subject to the penalties of 18 Pa. C.S.A. Section 4904, relating to the unsworn falsification to authorities.


Frederick Bruce Zalzman

Subscribed to before me this
25th day of June, 1997



Notary Public
ALTAGRACIA JULIA LEVAT
NOTARY PUBLIC, State of New York
No. 4958737
Qualified in Westchester County
Commission Expires 11/3/97

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

In the Matter of)
Pennsylvania Power & Light Co.) Dkt. No. R-00973954
Restructuring Plan Filing)
)

CERTIFICATE OF SERVICE

I hereby certify that I have on the 26th day of June, 1997, served the following document, Motion to Appear Pro Hac Vice on behalf of Intervenor The Environmentalists upon the following parties and in the manner outlined below:

(by fax and by in-hand service)
The Honorable George Kashi
PA Public Utility Commission
Room G-8A, North Office Bldg.
P.O. Box 3265
Harrisburg, PA 17105-3265

*(by fax & U.S. Mail, 1st class,
postage prepaid)*
Paul Russell, Esq.
Associate General Counsel
Pennsylvania Power & Light Co.
Two North Ninth Street
Allentown, PA 18101-1179

*(by U. S. Mail, 1st class, postage
prepaid)*
Office of Special Assistants
Attn: Cheryl Davis, Dir.
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Office of Trial Staff
Attn: Johnnie Simms
PA Public Utility Commission
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Harrisburg, PA 17105-3265

PA PUC Law Bureau
Attn: John Povailitis, Esq.
PA Public Utility Commission
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Donald H. Muth
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PA Public Utility Commission
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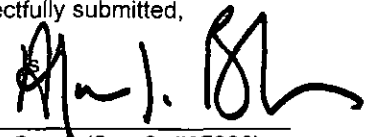
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Philadelphia, PA 19103

Respectfully submitted,



Alan J. Barak (Sup Ct #67886)

Alan J. Barak PC
1417 Blue Mountain Pkwy
Harrisburg, PA 17112

717.540-5106 v.
717.541-1970 f.

COMMONWEALTH OF PENNSYLVANIA

DATE: June 27, 1997

SUBJECT: R-00973953
R-00973954

KJR

TO: Office of Administrative Law Judge

FROM: *WJB* James J. McNulty, Deputy Prothonotary

P-00973953 APPLICATION OF PECO ENERGY COMPANY FOR
APPROVAL OF RESTRUCTURING PLAN

P-00973954 APPLICATION OF PENNSYLVANIA POWER & LIGHT
COMPANY FOR APPROVAL OF RESTRUCTURING PLAN

Attached is copy of a Petition to Intervene Out of Time of the Pennsylvania Retailers' Association (PRA) filed in connection with the above docketed proceedings.

This matter is assigned to your Office for appropriate action.

Attachment

cc: OTS

wjz

DOCUMENT
JUN 27 1997

DOCUMENT
FOLDED

JOHN & HENGERER
A LAW PARTNERSHIP
1200 17TH STREET, N.W.
SUITE 600
WASHINGTON, D.C. 20036-3006

ORIGINAL

DOUGLAS F. JOHN
EDWARD W. HENGERER
KEVIN M. SWEENEY
KIM M. CLARK
GORDON J. SMITH
SHELBY L. PROVENCHER

June 27, 1997

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202/429-8809

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Via Overnight Mail

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JUN 27 1997

Office of Prothonotary
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

PA PUBLIC UTILITY COMMISSION
PROTHONOTARY'S OFFICE

**RE: Petition for Pennsylvania Power & Light Company's Restructuring Plan,
Docket No. R-00973954**

Dear Sirs:

I've included for filing an original, 5 copies and 2 diskette copies of the Petition for Leave to Intervene and Participate of NorAm Energy Management, Inc. in the above-referenced docket. Please return two stamped copies in the attached envelope for our records.

Thank you for your attention to this matter.

Sincerely,



Gordon Smith

Counsel For
NorAm Energy Management, Inc.

~~DOCKETED~~
JUL 02 1997

F:\word\317\pleading\pa-ppl.12

DOCUMENT
FOLDER

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ORIGINAL

JUN 27 1997

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION
PROTHONOTARY'S OFFICE

Application of Pennsylvania Power & Light) Docket No.
Company for Approval of its Restructuring) R-00973954
Plan)

PETITION FOR LEAVE TO INTERVENE AND PARTICIPATE OF
NORAM ENERGY MANAGEMENT, INC.

This Petition for Leave to Intervene and Participate in the above-referenced proceeding is filed by NorAm Energy Management, Inc. (NorAm) pursuant to the Public Utility Commission's (Commission) Rules of Procedure and Practice, 52 Pa. Code § 5.71, *et. seq.*, and the Prehearing Order. NorAm requests that this Motion be granted for the reasons set forth below:

I.

Communications and correspondence concerning this Motion should be directed to:

Gordon J. Smith, Esq.
JOHN & HENGERER
1200 17th Street, N.W.
Suite 600
Washington, D.C. 20036-3006
Telephone: (202) 429-8814
Facsimile: (202) 429-8805

Keith M. Sappenfield, II
Director of Marketing Support
NORAM ENERGY MANAGEMENT, INC.
P.O. Box 2628
Houston, TX 77252-2628
Telephone: (713) 654-5864

II.

NorAm is a Delaware corporation. NorAm's principal place of business is located at 1600 Smith Street, Houston, Texas 77002. NorAm is involved in the retail marketing of natural gas and electricity nationwide. NorAm intends to serve customers on Pennsylvania Power & Light Company's (PP&L) distribution system and has significant interest in the Pennsylvania electricity market in general.

JUL 02 1997

DOCUMENT
FOLDER

III.

On January 24, 1997, the Commission issued an order directing PP&L to file its restructuring plan. On April 1, 1997, PP&L filed its restructuring plan.

IV.

As a potential marketer of electricity to customers presently served in PP&L's service territory, NorAm will be directly and specifically affected by the outcome of this proceeding. NorAm's interests in this proceeding cannot be adequately represented or protected by any other party hereto. Moreover, as a power marketer, NorAm likely can contribute to the development of a complete record in this case as well as settlement discussions. Under the circumstances, NorAm submits that good cause exists to grant it leave to intervene and participate herein.

V.

WHEREFORE, NorAm requests that the Commission grant this Motion and that NorAm be made a party to this proceeding for all purposes.

Respectfully submitted,



Gordon J. Smith, Esq.
JOHN & HENGERER
1200 17th Street, N.W.
Suite 600
Washington, D.C. 20036

Counsel for NorAm Energy Management,
Inc.

I hereby certify that I have this day served a true copy of the foregoing document upon each person designated on the official service list in this proceeding.

Dated at Washington D.C.: June 27, 1997

F:\WORD\213\PLEADING\PA-ppl.MLI



Pennsylvania Power & Light Company

2 N 9TH ST ALLENTOWN PA 18101-1179 • 610/774-5151

Paul E. Russell
Associate General Counsel
610/774-4254

FAX: 610/774-6726

June 27, 1997

003553

MEM

VIA FEDERAL EXPRESS

James J. McNulty, Esquire
Prothonotary
Pennsylvania Public Utility Commission
P. O. Box 3265
Harrisburg, Pennsylvania 17105-3265

DOCUMENT
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PROTHONOTARY'S OFFICE
97 JUN 30 AM 11:36

**Re: Pennsylvania Power & Light Company
Restructuring Plan
Docket No. R-00973954**

Dear Mr. McNulty:

Attached for filing, pursuant to the Commission's regulations, 52 Pa. Code § 5.342(d), is a Certificate of Service identifying answers to interrogatories that Pennsylvania Power & Light Company served today on the active participants in this proceeding.

If you have any questions regarding this letter, please call.

Very truly yours,

Paul E. Russell

Attachment

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

003554

Pennsylvania Power & Light Company :
Restructuring Plan Filing : Docket No. R-00973954

97 JUN 30 AM 11:36
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PROthonotary's OFFICE

CERTIFICATION OF SERVICE

I hereby certify that I have this day served a true copy of Pennsylvania Power & Light Company's answers to Schuylkill Energy Resources, Inc. and Gilberton Power Company's Interrogatories, Set I, and Request for Production of Documents, Set 1 upon the active participants listed below, in accordance with the requirements of §1.54 (relating to service by a participant):

Federal Express

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Pennsylvania Public Utility Commission
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JUL 10 1997

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1 Columbia Place
Albany, NY 12207

Dated this 27th day of June, 1997.



Dorene L. Wehr



Pennsylvania Power & Light Company

2 N 9TH ST ALLENTOWN PA 18101-1179 • 610/774-5151

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Associate General Counsel
610/774-4254

FAX: 610/774-6726

DOCUMENT
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June 27, 1997

003551

VIA FEDERAL EXPRESS

James J. McNulty, Esquire
Prothonotary
Pennsylvania Public Utility Commission
P. O. Box 3265
Harrisburg, Pennsylvania 17105-3265

MEM

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PROTHONOTARY'S OFFICE

97 JUN 30 AM 11:36

**Re: Pennsylvania Power & Light Company
Restructuring Plan
Docket No. R-00973954**

Dear Mr. McNulty:

Attached for filing, pursuant to the Commission's regulations, 52 Pa. Code § 5.342(d), is a Certificate of Service identifying answers to interrogatories that Pennsylvania Power & Light Company served today on the active participants in this proceeding.

If you have any questions regarding this letter, please call.

Very truly yours,

Paul E. Russell/dw

Paul E. Russell

Attachment

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Power & Light Company :
Restructuring Plan Filing : Docket No. R-00973954

3552
97 JUN 30 AM 11:36
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CERTIFICATION OF SERVICE

I hereby certify that I have this day served a true copy of Pennsylvania Power & Light Company's answers to the Office of Consumer Advocate's Interrogatories, Set VIII, Questions 1 and 2 upon the active participants listed below, in accordance with the requirements of § 1.54 (relating to service by a participant):

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1 Columbia Place
Albany, NY 12207

Dated this 27th day of June, 1997.



Dorene L. Wehr

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2

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97 JUL -3 AM 8:44

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MEM

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June 30, 1997

James J. McNulty, Acting Prothonotary
Pennsylvania Public Utility Commission
Room B-20, North Office Building
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: PP&L Restructuring
Docket No. R-00973954

Dear Mr. McNulty:

I enclose for filing an original and three copies of the Direct Testimony of New Energy Venture, Inc.'s expert witnesses.

Sincerely,

Joseph A. Dworetzky

JAD:kbs

encl.

cc: Certificate of Service (w/encl.)

DOCUMENT
FOLDER

65

CERTIFICATE OF SERVICE

I hereby certify that on June 30, 1997, I caused a true and correct copy of New Energy Venture's Direct Testimony of David Magnus Boonin and Nancy I. Day to be served upon the following counsel by regular mail upon the following parties:

ALJ George Kashi
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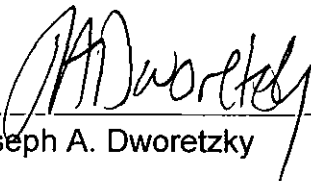
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NEV STATEMENT NO. 1

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

RECEIVED
PROTODOTARY'S OFFICE

Application of Pennsylvania Power &
Light Company For Approval of Its
Restructuring Plan Under Section 2806
of the Public Utility Code

Docket No. R-00973954

DIRECT TESTIMONY
OF
DAVID MAGNUS BOONIN

DOCKETED
JUL 11 1997

DOCUMENT
FOLDER

Regarding Generation Rate, CTC's, Unbundling of
Certain Bundled Tarriffs and Billing Issues

1 Q. Please state your name, title and business address.

2

3 A. My name is David Magnus Boonin. I am President of New Energy Ventures, Mid-
4 Atlantic. My business address is 1845 Walnut Street, Suite 2525, Philadelphia, PA
5 19103.

6

7 Q. Please describe New Energy Ventures (NEV).

8

9 A. NEV is the organizer and manager of a buyers' alliance for retail energy. Our
10 business is saving our members money on their energy bills. In this proceeding and
11 elsewhere, we work for our members and potential members. We have offices in
12 California, Boston, New York and Philadelphia. We are a certified FERC Power
13 Marketer and are a registered provider of retail electricity in California. NEV has a
14 license application pending in Rhode Island and has applied for a membership in
15 the New England Power Pool. We are currently preparing our license application
16 to submit in Pennsylvania.

17

18 Q. Please describe your education and experience.

19

20 A. Since graduation from The Wharton School in 1973, I have spent almost my entire
21 career in the fields of utility planning, management and policy. A copy of my
22 resume is attached as NEV/DMB Exhibit #1. Some of my positions prior to joining
23 NEV including serving as Chief Economist for the Pennsylvania Public Utility
24 Commission, Commissioner and Executive Director of the Philadelphia Gas
25 Commission and Supervisor of Economic and Energy Forecasting for a major
26 electric utility. I also headed my own consulting practice. Among the issues I
27 addressed on behalf of my clients was the issue of the restructuring of the utility
28 industry. I have had extensive experience in designing adjustment clauses under
29 section 1307 of the 66 Pa.C.S.A. I have also presented or had published numerous

1 papers and have testified before regulatory and legislative bodies on utility and
2 regulatory issues.

3
4 Q. What is the purpose of your testimony?

5
6 A. The main purpose of my testimony is to present an approach for the unbundling of
7 the cost of generation which is consistent with Act and allows for the development
8 of a competitive market for electricity. I have also identified tariffs and riders where
9 PP&L still needs to provide for unbundled generation. In addition, I will also
10 address the billing issue of the definition of the term customer in the deregulated
11 market.

12
13 **UNBUNDLED RATE FOR GENERATION**

14
15 Q. Please summarize your approach to establish an unbundled price for generation.

16
17 A. I propose that the unbundled price for generation is to be determined by the market.
18 This is necessary in order to make choice a reality for retail customers while treating
19 all affected parties equitably. In this newly competitive world, generators will be
20 afforded the opportunity to sell their power on a power exchange. The price for
21 generation should be determined by the market-clearing price of the power
22 exchange, adjusted for the costs of retail delivery. To make this comply with rate
23 cap, I also recommend that the unbundled charge for electricity and the CTC always
24 be kept in balance so that the total of the two never varies.

25
26 Q. You mentioned that the unbundling methodology should comply with the law. What
27 does the statute state?

28
29 A. Section 2802 (14) of the statute states in part:

1 "The generation of electricity will no longer be regulated as a
2 public utility function."
3

4 Section 2804(3) of the statute states in part:
5

6 "The Commission shall require the unbundling of electric utility
7 services, tariffs and customer bills to separate the charges for
8 generation, transmission and distribution."
9

10 Section 2808(E)(3) of the statute states:
11

12 "If a customer contracts for electricity and it is not delivered or
13 if a customer does not choose an alternative electric
14 generation supplier, the electric distribution company or the
15 Commission-approved alternative supplier shall acquire
16 electric energy at prevailing market prices to serve that
17 customer and shall fully recover all reasonable costs."
18 (emphasis added)
19

20 Q. Why is Section 2808(E)(3) important?
21

22 A. Section 2808(E)(3) determines the price the electric distribution utility (EDU) may
23 charge for generation to any user other than those who have chosen an alternative
24 generation supplier. This section sets forth that the EDU (or someone else
25 designated by the Commission) shall provide this service at "prevailing market
26 prices" and be fully compensated. As the price of generation is otherwise
27 deregulated by the Act and is to be unbundled, it is precisely this language which
28 sets the unbundled price of generation which may be charged by the EDU.
29

1 Q. You also mentioned that the unbundled price of generation should be based on
2 certain market principles. Please explain.

3

4 A. In practice, the price of generation varies from hour to hour across the year. Fixed
5 prices established through regulation, even those with demand charges and/or time-
6 of-use pricing will only reflect the actual price of generation by happenstance. This
7 is the fundamental practice under the existing regulatory paradigm. In the new
8 competitive environment, electricity is being turned into a commodity whose price
9 shall vary depending on market conditions. Therefore, appropriate unbundled price
10 of generation should also vary with the market and not be fixed.

11

12 Q. Why is a variable versus a fixed price of generation more appropriate?

13

14 A. For the Commission to estimate and establish a fixed price for generation in an
15 unbundled, full service tariff it must make and lock in numerous assumptions.
16 Generally, when estimating a price, "normal" assumptions are made about weather,
17 fuel, prices, economic conditions, supply availability, etc. These assumptions are
18 for extended periods. There is almost no possibility that these normal estimated
19 costs will produce a price at prevailing market rates at every time let alone at most
20 times.

21

22 In contrast, a variable price can change with market conditions and frees the
23 Commission from the impossible task of accurately predicting the prevailing market
24 price of generation. This approach is also consistent with the intent of the
25 legislation which is to deregulate the price of generation, not to reestablish a
26 regulated price of generation on a different concept than historical rate base
27 regulation.

28

29 Q. What is your proposal for the unbundling of generation in the EDU's tariff?

1 A. I propose inserting the following language in each tariff for individual classes of
2 customer:

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"The unbundled rate for generation shall be established by the power exchange market clearing bid price for generation, fully adjusted for ancillary services necessary to convert wholesale generation into reliable, deliverable retail power at market determined or FERC approved prices which may be required by the independent system operator (ISO), including but not limited to, capacity, spinning reserves, load balancing and as further adjusted for losses associated with the voltage level of delivery and location."

11
12
13
14
15
16

This language would be further enhanced after the final establishment of a power exchange (PX) and/or independent system operator (ISO) and their establishment of final governing rules. As the establishment of an ISO and PX is necessary for retail competition to function, waiting to enhance this language should not in and of itself cause significant delays.

17
18
19

This language establishes the basis for determining the prevailing market price for retail generation at any point in time.

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21
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To understand this approach it is necessary to understand several concepts. First that power exchange establishes the wholesale price for energy by establishing a market price for electricity based on wholesale bids. Second, there are services, such as load balancing, spinning reserves, etc. which have costs, which are necessary to convert this wholesale energy into retail electricity. Third, losses associated with the transmission and distribution of electricity may cause the retail price for power to vary depending on the level of voltage delivery. Fourth, at certain times of the year, even within an EDU's service territory, locational price differences may occur, depending on physical limitations and/or FERC pricing decisions.

1 Q. Please explain why the power exchange price establishes the wholesale price for
2 electricity.

3

4 A. The PX will continually solicit bids from wholesalers to meet current demands. The
5 highest price bid used during a period (probably hourly) will set the prevailing
6 wholesale market price for energy at that time. The process of matching supply and
7 demand will be repeated continually during the day with a new wholesale market
8 prevailing rate established (probably hourly). This bid process will replace the
9 current economic dispatch system currently used by many utilities and power pools.
10 It allows all willing suppliers to bid for the right to supply the demand that exists,
11 excluding what has been met by bilateral contracts. There may be exceptions for
12 plants that are dispatched for reasons other than price (e.g. system balancing).
13 These exceptions will be known and can be treated like other ancillary services
14 needed to convert wholesale service into retail service.

15

16 Q. Please explain why and how these services need to be adjusted to reflect reliable,
17 deliverable retail electricity.

18

19 A. The supply and demand of electricity are subject to many stochastic events. Power
20 plants are forced off-line. Customers turn electricity consuming equipment on and
21 off unexpectantly and randomly. Because of this, it is not enough to use the
22 wholesale PX price as the total power exchange price. It is also necessary to
23 include costs associated with converting that energy into reliable retail electricity.
24 The ISO shall determine rules of what ancillary services a supplier must provide.
25 These services may include but are not limited to: capacity, spinning reserve and
26 load balancing. These services are the types that are generally necessary to
27 convert wholesale power into reliable electricity. These services will either be priced
28 at a set price by the ISO and FERC or through the market (my preferred approach).

29

1 Q. Please discuss the adjustments that are necessary due to voltage differences.

2

3 A. Power delivered at declining voltages experience greater losses. An adjustment
4 factor should be applied to each voltage delivery level to reflect these differences.

5

6 Q. Please discuss the adjustments that are necessary due to the location of the
7 customer.

8

9 A. Sometimes, due to transmission limitations, power prices within a power exchange
10 may differ at different locations. If the ISO identifies such limitations and establishes
11 the need to have different pricing in different regions, then individual prevailing
12 market clearing prices may need to be established for certain sub-regions at certain
13 times.

14

15 Q. Why is this adjusted power exchange price an accurate proxy for prevailing market
16 prices?

17

18 A. This is the way goods and services in the market are usually priced. The power
19 exchange adjusted for retail delivery starts with a prevailing wholesale market price
20 and adds the costs necessary to convert it to the retail service.

21

22 Q. Under your proposal, how often will the prevailing market price change?

23

24 A. It will change as often as the components discussed above cause a change.
25 Practically, I see the prevailing market price changing hourly, much as today's
26 power pool price (or system lambda) changes today.

27

28 Q. Given that the prevailing market price may be changing hourly, what type of
29 metering will be necessary?

1 A. That will be up to the individual supplier and the ISO rules of load balancing. In
2 general, I anticipate that hourly meters will be necessary for larger loads, regardless
3 of whether the generation supplier is the EDU or another supplier. Small loads,
4 such as residential and small commercial customers may be able to be metered as
5 currently done, if the ISO permits the use of a standard load curve(s) for load
6 balancing purposes.

7
8 Q. How do you anticipate customers being billed?

9
10 A. Each individual customer with hourly meters would be billed based upon the full
11 prevailing retail market price for each kilowatt consumed in that hour. Demand
12 billing and ratchets should become unnecessary following this approach for
13 generation.

14
15 *Capacity charges would be charged during the hour that the customer imposed the*
16 *need. Small customers without hourly meters who have an acknowledged and*
17 *approved load shape would be billed based upon the their kWh usage spread over*
18 *the load shape, using the prevailing market prices at the time. Customers who do*
19 *not have approved load shapes and do not have hourly meters would be charged*
20 *for unallocated imbalances, as reflected for their reliance on the ISO rather than*
21 *their own supplies. This creates de facto hourly pricing.*

22
23 Q. Do these load shapes need to be determined at this time?

24
25 A. No. I believe this would be premature. The Commission to the ISO should
26 recommend them after the ISO indicates a willingness to address load imbalance
27 responsibilities based upon load shapes for some subset of customers.

28
29 Q. Given the variable nature of your proposed approach to unbundling generation, how

1 will you have your approach comply with the rate cap?

2
3 A. I propose keeping the total of the unbundled price of generation and the generation
4 related portion of the CTC constant. If the prevailing market price increases so
5 does the unbundled charge for generation with an equal decrease to the generation
6 portion of the CTC.

7
8 Q. Why is this appropriate?

9
10 A. Under most approaches to determining stranded costs; there is a relationship
11 between the prevailing market price for generation and the competitive transition
12 charge. All else being equal, if one were to assume an increase in the value of
13 generation because the market price of generation increased, then the stranded
14 costs would decrease by the same amount. Likewise, if the market price of
15 generation were to decrease, the value of the generation would decrease and
16 stranded costs would increase.

17
18 Stranded costs are the core of the calculation of the Competitive Transition Charge
19 (CTC). At a particular point in time (eliminating discounting and levelization) there
20 is a one to one relationship between a change in the value of generation and an
21 opposite but equal change in stranded costs.

22
23 Q. In general, how would this work?

24
25 A. Because of this one to one relationship, it is recommended that in establishing the
26 unbundled rates for generation and CTC that the Commission follow the following
27 protocol.

28
29 ♦ Determine stranded cost, the CTC and ITC for each rate class as appropriate.

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- ◆ Stranded costs, the CTC and ITC should be split between generation and non-generation related costs.

- ◆ Explicitly determine the related underlying assumed market price for generation associated with the generation portion of the CTC for each rate class. The price of generation could be levelized, but it is recommended that it be desegregated at least by year.

- ◆ The EDU would compare the average weighted prevailing market price for generation for each customer class for the billing period with the underlying assumed market price for generation.

- ◆ The generation related portion of the CTC would then be adjusted so that the total of the adjusted CTC and the prevailing market price for the period would always be equal to the base CTC and underlying assumed price of generation.

This approach is consistent with section 2804(8)(II), which joins the CTC, ITC and the unbundled price of generation.

Q. Please explain why and how you are splitting the CTC.

A. The Act at Section 2808 discusses generation related transition costs separately from other transition costs. Following this lead, I recommend that the Commission split the CTC into two categories, generation and non-generation. This allows for the generation portion of the CTC to be used as offsets to variation in the prevailing market price as discussed above. This charge should be set only on a kWh basis. Hourly allocations of generation costs should negate the need for demand charges and ratchets. I do not have an opinion at this time on the rate design for the non-

1 generation portion of the CTC.

2
3 Q. Would you please provide a simple example of how your proposal would work?

4
5 A. Yes. Assume for purpose of illustration that the base generation related CTC
6 established by the Commission is 1.5 cents/kWh and the associated estimated
7 market price/value of generation is 2.9 cents per kilowatt-hour for a total of 4.4
8 cents. Assume also that in a given month the actual prevailing market price is 2.7
9 cents. This is 0.2/kWh cents less than the estimated market price that is the basis
10 for determining the CTC. The CTC would therefore be increased by the same
11 amount for bills rendered for that period or to 1.2 cents per kilowatt-hour. Under
12 either case the combined total will still be 4.4 cents/kWh.

13
14 If the opposite were true and the prevailing market price were to exceed the
15 estimated market value of generation, then the CTC would be decreased.

16
17 This self balancing process assures that the generation charges are always in
18 compliance with the rate cap provisions of the Act.

19
20 Q. Have you considered how the Commission would go about reconciling the ITC and
21 CTC consistent with sections 2808(F) and 2812(B)(5) of the Act, given your variable
22 methodology?

23
24 A. Yes.

25
26 Q. Why is it necessary and appropriate for the Commission to establish a reconciliation
27 methodology at this time?

28
29 A. The Commission in its April 10, 1997 order on periodic adjustment of the CTC and

1 the ITC stated that "only during the course of the evidentiary hearings can such
2 matters as the appropriate CTC/ITC calculation and reconciliation methodology be
3 determined as well as the appropriate format, content and necessary supporting
4 information associated with the annual CTC reconciliation's and periodic ITC
5 adjustments."

6
7 Q. Please summarize your reconciliation methodology.

8
9 A. I propose a reconciliation method which individually reconciles the Competitive
10 Transition Costs associated with generation and non-generation related costs. Non-
11 generation costs would only be reconciled based on changes in absolute levels of
12 recovery caused by variations between forecasted and actual sales. Generation
13 related costs would also be adjusted for variations in sales but only after an
14 adjustment is made to the required level of amortization to reflect changes in the
15 prevailing market price. I have also proposed, as a general rule, deferring
16 adjustments for over or undercollections to the end of the transition period.

17
18 Q. Have you provided a more detailed description of your proposed reconciliation
19 methodology?

20
21 A. Yes. It is attached as NEV/DMB Exhibit #2.

22
23 Q. In your proposal, does it matter whether the sales are billed directly by PP&L or
24 whether PP&L provided the generation service?

25
26 A. No. All customers in a given rate class should pay the same CTC rate(s).

27
28 Q. How does this work with a utility like PP&L who is trying to recover its CTC partially
29 on an energy and partially on demand basis?

1 A. Non generation related costs could still be recovered in a fashion similar to PP&L's
2 proposal. As I stated earlier, I have not yet developed an opinion in the appropriate
3 rate design for this item, nor is it germane to my proposal. All generation related
4 charges would be recovered on a kWh basis. Actual or imputed load shapes would
5 assign actual prevailing rates to each customer. Demand ratchets would be
6 eliminated for these portions of these services as would cross subsidization for
7 generation. Customers would pay only for the load the actually placed on the
8 system.

9

10 Q. Would the CTC change for all customers or only those receiving full services from
11 the EDU?

12

13 A. The CTC would change for all customers.

14

15 Q. Why should the CTC change for all customers based upon prevailing market prices
16 for generation?

17

18 A. The CTC is a charged being imposed on customers regardless of whether they stay
19 with the EDU or seek energy services form an alternative supplier. The CTC should
20 be the same for similar customers who are served by the utility at the prevailing
21 market rate or by an alternative provider at a market-determined rate.

22

23 Q. How does your proposal for establishing a prevailing market price for generation
24 compare with those of PP&L?

25

26 A. Both proposals recognize that the statute requires PP&L (or some other
27 Commission designated supplier of last resort) to establish a price for generation
28 services equal to the prevailing market price. I believe that my proposal for
29 establishing the price for generation service, complying with the rate cap, splitting

1 the CTC into two components and reconciling the CTC are natural extensions of the
2 positions offered by PP&L's witnesses in this case.

3
4 Where PP&L acknowledges the tie between the market value for generation and
5 stranded costs and the CTC, so does my proposal. I, however, create the direct
6 linkage between these elements.

7
8 PP&L acknowledges that it must charge the prevailing market rate for electricity to
9 those seeking a fully bundled service. PP&L leaves the determination of this price
10 for later. My proposal, recognizing that there are still rules to be determined by the
11 ISO, takes significant steps to defining this price.

12
13 PP&L acknowledges that stranded costs fall into two general categories, generation
14 related and non-generation. My proposal actually separates these two components
15 to produce the flexibility necessary to achieve market-based prices for generation,
16 comply with the rate cap and recover a reasonable assessment for stranded costs.

17
18 Although PP&L acknowledges the close interrelationship between changes in the
19 market price of generation and stranded costs, they stop short of reconciling these
20 differences. Although I agree that no one is served by reopening the stranded cost
21 issue annually, I also believe that everyone is served by adjusting the amortization
22 schedule to reflect changes in the market. Without this, everyone is building their
23 transition plans on mere estimates and speculation of future market conditions.

24
25 Q. Is your approach consistent with the statute and Commission orders and
26 regulations?

27
28 A. A discussed in more detail above, yes.

1 Q. Can this approach be used for any utility.

2

3 A. Yes.

4

5 Q. Will people know the price of electricity before they consume it.

6

7 A. Yes. Customers electing to stay with the EDU for full service would know the price
8 of generation before it is consumed although there may be shifting between the
9 subparts of the CTC and generation.

10

11 Q. Does the proposed approach guarantee the recovery of allowed stranded costs?

12

13 A. Yes as annually adjusted to reflect actual market conditions. It is, therefore, a more
14 accurate approach than one which is based upon an estimate of market prices.

15

16 Q. How would securitization work under your proposal?

17

18 A. I recommend that in order to meet the revenue guarantees associated with
19 securitization that the Commission only allow to be recovered through the ITC costs
20 which are either not dependent on changing market conditions and/or extremely
21 conservative estimates of stranded costs which are influenced by generation. It
22 may be possible however to use unexpected revenues from a higher than expected
23 prevailing market price to support securitized stranded costs. If this is done, the
24 Commission could securitize even a liberal estimate of generation related stranded
25 costs.

26

27 Q. You have developed a detailed approach for unbundling. How should the final
28 tariffs be developed?

29

1 A. I recommend that the Commission direct PP&L to submit tariffs consistent with this
2 approach and with the Commission's findings. A CTC (which could be split between
3 generation and non-generation) will need to be provided by PP&L as compliance
4 filing with the Commission's final order. The Commission should explicitly state for
5 each class of customer the assumed prevailing market price(s) for generation used
6 in developing its stranded cost findings so that the adjustment mechanism I propose
7 can be followed. A good first step would be to have PP&L complete the table I
8 have laid out in my Exhibit #2.

9
10 **TARIFFS AND RIDERS WHICH ARE NOT UNBUNDLED**
11

12 Q. Has PP&L fully unbundled all of its tariffs and riders?
13

14 A. No. As discussed by M. Kasper in his testimony, PP&L has limited the unbundling
15 of several tariffs and riders.
16

17 Q. Please list these tariffs and riders.
18

19 A. These include the:

20 Economic Industrial Development Initiative (EDI/IDI) Riders
21 Demand Free Days Rate Options
22 Competitive Rate Rider
23 Time-of-Day Rate Option
24 Rate Schedule PR-1 and 2
25 Interruptible Service
26

27 Q. What is PP&L's general approach to these riders?
28

29 A. PP&L is generally only offering these rate options to their full service customers and
30 is phasing-out these rate provisions.
31

32 Q. Does this comply with the law?

1 A. No. The Act requires that all rates be unbundled.

2

3 Q. What do you propose?

4

5 A. I propose that PP&L be required to offer these special rate provisions and discounts
6 to the eligible customers for the eligible period, regardless of the supplier of energy.
7 Customers would still need to meet the requirements of tariff. PP&L has proposed
8 extending some of these programs, claiming that it is necessary for revenue
9 neutrality. *It may protect this class of customer from a rate increase, but it also*
10 *freezes out competition.*

11

12 Q. What is your recommendation?

13

14 A. I recommend that PP&L file modifications to these riders which are designed to
15 remove the anti-competitive provision of availability only to full service customers.
16 If PP&L is unwilling to remove this anti-competitive provision, it should be required
17 to phase out these provisions by January 1, 1999.

18

19

20 **BILLING AND THE DEFINITION OF A CUSTOMER**

21

22 Q. Please summarize your testimony in this area.

23

24 A. Many customers have service on multiple meters throughout an EDU's service
25 territory. These customers are currently discriminated against when compared to
26 customers with similar loads served through a single meter. I propose that
27 alternative generation providers be permitted to treat these customers as a single
28 service for purposes of billing for transmission and CTC related charges.

29

1 Q. Why did you exclude generation from your earlier response?

2

3 A. The price of generation is deregulated and the EDU already has the right to issue
4 a customer a bill for its generation services on a consolidated basis. No
5 Commission action is required.

6

7 Q. Why did you exclude distribution charges?

8

9 A. This is a conservative proposal. Customers with multiple meters may impose a cost
10 on the system that is different than a similar load from a single location associated
11 with the distribution of the service. It is therefore recommended that these specific
12 charges be billed as they are currently.

13

14 Q. How are transmission and CTC different from the distribution charges?

15

16 A. Transmission and CTC related charges should not change with the number of
17 installations or meters but with the load placed on the system.

18

19 Q. Why does defining a customer by a meter discriminate against someone who
20 receives service at multiple meters?

21

22 A. I will answer that question with an example. Assume that there is a customer with
23 a single meter and a load of 2 MW. Assume also that there is someone else with
24 three meters, all on the same tariff as the first customer, whose coincidental load
25 totals to 2 MW but whose non-coincidental load is 2.5 MW. This second customer
26 places the same type of non-distribution related load on the system but is being
27 charged more than the first customer. All of these customers are on the same rate
28 schedule and all have the same coincidental peak, but the multi-site customer is
29 being irrationally discriminated against.

1 Q. In your example, you stated that all of the customers were on the same rate
2 schedule. Would you make that a pre-condition of your bill consolidation proposal?
3

4 A. Yes. For administrative ease, if for no other reason, this consolidation should only
5 be for customers of record who have multiple meters on the same rate tariff.
6

7 Q. How does this issue fit into this debate on competition?
8

9 A. Without competition this would not be as germane. Competition brings with it
10 innovation. More and more customers will be metered such that hourly loads can
11 be determined, a necessary request for consolidated billing. Competition also
12 challenges the necessity of demand based billing, particularly if customers are
13 paying for the burden they place upon the system virtually on an hourly basis.
14 Competition also highlights the importance of electric prices in economic
15 competitiveness. It is no longer acceptable to shrug when the type of blatant
16 discrimination is pointed out and say that's they best we can do. Yesterday's good
17 enough is no longer adequate.
18

19 Q. Specifically, what is your proposal?
20

21 A. My proposal is:
22

- 23 1. as testified by others, alternative generation providers should be allowed to
24 issue bills for all parts of the electric service, including those charged by the
25 EDU;
- 26 2. that an alternative generation provider be allowed to consolidate bills for
27 customers with multiple meters within a single rate tariff;
28
- 29 3. that the consolidated bill will not have any impact on the distribution charge,

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with the exception of unbundled services for metering, billing, collections and information which shall be competitive; and

4. that only through this modification can the Commission prevent undue competition from occurring between customers with identical loads on the same rate tariff.

Q. Does this conclude your testimony at this time?

A. Yes.

EDUCATION

Brown University, M.A. in Economics, 1976

Wharton School, University of Pennsylvania, B.S. in Economics, 1973

EXPERIENCE

New Energy Ventures, Inc., Philadelphia Pennsylvania

PRESIDENT, MID-ATLANTIC DIVISION, 1997 - Present

Manage NEV's Mid-Atlantic operations.

Consulting

PRESIDENT, THE BOONIN GROUP/SENIOR ADVISOR, HAGLER BAILLY CONSULTING, 1992
1997

Provide strategic, policy and technical advice to utilities and others dealing with utility matters. Clients and assignments are diverse ranging from industries including: electric, gas, water and transportation and issues including competition, rates, restructuring, regulatory policy, etc.

City of Philadelphia, Philadelphia, Pennsylvania

EXECUTIVE DIRECTOR, PHILADELPHIA GAS COMMISSION, 1991 - 1994

Managed the Commission's technical and administrative staffs. Provided policy and strategic advice to the Commissioners. Interfaced with the public including: government officials, the press, interest groups, etc.

COMMISSIONER, PHILADELPHIA GAS COMMISSION, 1988 - 1991

Regulated largest gas utility in the State and largest municipal gas utility in the nation. Performed detailed budgetary and management review and oversight.

DIRECTOR OF UTILITY AND REGULATORY AFFAIRS, 1988 - 1991

Directed City's activities addressing utility and regulatory issues including the City as a large user, the City as a provider of utility services and the quality of the City's economic and physical environment. Scope of issues spanned fixed and transportation utilities as well as the insurance industry. Worked with regulators, utilities, interest groups and legislators.

DIRECTOR OF INTERGOVERNMENTAL AFFAIRS, Office of the Mayor, 1985 - 1988

Directed the City's legislative and administrative efforts with federal, state and local government, including the activities of lobbyists and Philadelphia's Washington Office. Addressed financial, economic and utility problems facing the City.

United Illuminating Company, New Haven, Connecticut

SUPERVISOR, ENERGY DEMAND AND ECONOMIC FORECASTS, 1983 - 1985

Corporate economist for a major electric utility. Managed department responsible for forecasting the utility's energy sales and peak demand. Developed energy resource strategies.

Pennsylvania Public Utility Commission, Harrisburg, Pennsylvania

CHIEF ECONOMIST, 1979 - 1983

Managed the Economics Division. Developed policy recommendations, performed research and/or testified on regulatory, energy, economic, financial, rate and environmental issues

CHIEF OF THE ENERGY IMPACT ANALYSIS SECTION, 1978-1979

Managed interdisciplinary staff and projects concerning fixed utilities and energy. Developed and assessed regulations, rate structures and economic incentives.

ECONOMIST, CHAIRMAN'S STAFF, 1976 - 1978

Economic advisor to the Chairman of the Commission. Reviewed each rate case as well as other cases and offered specific recommendations on all facets of the case.

United Engineers and Constructors, Inc., Philadelphia, Pennsylvania

ECONOMIST, NUCLEAR TECHNICAL STAFF, 1973 - 1975

Analyzed issues relating to the costs/benefits, safety and licensing of power plants.

SELECTED PROFESSIONAL ACTIVITIES

- * Commissioner, Philadelphia Planning Commission (1990-1991)
- * Member, Private Sector Advisory Panel on Infrastructure Financing, Senate Budget Committee (1986)
- * Board Member, Energy Coordinating Agency (1988-Present)
- * Energy, Environment and Natural Resources Policy Committee; National League of Cities (1990-1991)
- * Community and Economic Development Committee; Pennsylvania League of Cities (1989-1991)
- * Served on numerous committees and task forces, including: Electric Utility Efficiency Task Force, Pennsylvania Utility Advisory Committee, Statistical Research Committee - ECNE, Taxi Advisory Committee, Utility Consumers Council, EPRI and NEPLAN Committees

PERSONAL

- * American Jewish Congress - Board Member
- * B'nai B'rith Anti-Defamation League - National Leadership Award 1991
- * Central High School Board Alumni Association - Board of Directors
- * Boy Scouts of America - Assistant Scout Master, Eagle Scout
- * Born May 18, 1952, Philadelphia, Pennsylvania; Married

RECONCILIATION OF THE CTC

The Commission finds that the base stranded cost recoverable through the Competitive Transition Charge (CTC) is \$ _____. Of this amount \$ _____ is not generation related and \$ _____ is generation related.

The generation related portion is based upon, in part, estimated levelized value of generation of \$0.0xxx cents per kWh.

The base Competitive Transition Charge is as set forth in each individual rate schedule. The CTC has been divided into non-generation and generation related components.

The CTC is designed to produce the listed amortization schedule for stranded costs, divided into non-generation and generation related costs.

COMPETITIVE TRANSITION COSTS BASE ANNUAL AMORTIZATION SCHEDULE				
Year	Total to be Amortized	Non-generation Related Costs	Generation Related Costs	Projected Sales
1999				
2000				
2001				
2002				
2003				
2004				
2005				

The CTC shall be reconciled annually consistent with section 1307(e) of 66 Pa. C.S.A. Reconciliation of over or under collections shall be collected by extending or shortening the CTC period, except as otherwise ordered by the Commission.

Non-generation related CTC shall be adjusted based upon the following formula.

$$\text{Nongen}_{\text{act}} - \text{Nongen}_{\text{amort}} = E_{\text{nongen}}$$

where:

$\text{Nongen}_{\text{act}}$ is the actual amount collected from all classes of customers during a year for non-generation related competitive transition charges;

$\text{Nongen}_{\text{amort}}$ is the amortization schedule for the same year for non-generation related competitive transition charges as shown in the schedule; and

E_{nongen} is the over or under collections associated with non-generation related stranded costs based upon the difference between the amortization schedule and actual collections.

This process shall be repeated annually throughout the amortization period until the total amount for non-generation related stranded costs, as shown in the table above, is collected.

Note: this methodology only produces over or undercollections of non-generation related CTC when projected sales vary from actual sales.

There shall be two types of adjustments made for generation related CTC:

an adjustment to the amortization schedule based upon differences between the base generation related CTC and the CTC based on the actual market value generation, and

an adjustment for the anticipated versus actual level of collection (similar to the adjustment for non-generation related CTC).

The first step is to adjust the amortization schedule for the year being reconciled. This shall be done according to the following formula.

$$(\text{CTC}_{\text{market}} \times \text{SALES}_{\text{projected}}) - (\text{CTC}_{\text{base}} \times \text{SALES}_{\text{projected}}) = E_{\text{amort}}$$

where:

$\text{CTC}_{\text{market}}$ is the adjusted CTC charged to each class of customer to reflect the change in the value of generation from that used in the calculation of the base CTC. It is determined for each class of customer by the formula:

$$\text{CTC}_{\text{market}} = \text{CTC}_{\text{base}} - (\text{GENVALUE}_{\text{actual}} - \text{GENVALUE}_{\text{base}})$$

where:

GENVALUE_{actual} is weighted average of the actual prevailing market price for generation as established in each tariff; and

GENVALUE_{base} is the estimated weighted average market price of generation used to in establishing stranded costs and the related base CTC, embedded in the tariff for each class of service.

CTC_{base} is the weighted average CTC based upon projected market prices and value of generation and included in the tariff for each class of service.

SALES_{projected} is the number of kWh used to determine the amortization schedule as listed in the table above.

E_{amort} is the adjustment that is made to the amortization schedule for generation related CTC to reflect the change in market conditions. This changes the total dollars which need to be collected through this portion of the CTC over the transition period.

Weighting is based upon projected kWh sales for each class of service.

After the amortization schedule has been adjusted for the prevailing market price for the period, the second step is to adjust the generation related CTC for actual level of collection according to the following formula.

$$\text{Gen}_{\text{act}} - \text{Gen}_{\text{amort adj}} = E_{\text{gen}}$$

where:

Gen_{act} is the actual amount collected from all classes of customers during a year for generation related competitive transition charges;

Gen_{amort adj} is the amortization schedule adjusted for the change in the market value of generation for the same year for generation related competitive transition charges as shown in the schedule and as adjusted; and

E_{gen} is the over or under collections associated with generation related stranded costs based upon the difference between the amortization schedule and actual collections.

This process shall be repeated annually throughout the amortization period until the total amount for non-generation related stranded costs, as shown in the table above, is collected.

NEV STATEMENT NO. 2

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Pennsylvania Power &
Light Company For Approval of Its
Restructuring Plan Under Section 2806
of the Public Utility Code

:
:
:
Docket No. R-00973954

DIRECT TESTIMONY
OF
NANCY I. DAY

DOCKETED
JUL 11 1997

DOCUMENT
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Regarding Billing

004065

97 JUL -3 AM 8:44
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F. J. CHICHLIN'S OFFICE

1 Q1 Please state your name and business address.

2

3 A1 My name is Nancy I. Day and my business address is as follows:

4

5 New Energy Ventures, Inc.

6 1000 Wilshire Boulevard, Suite 500

7 Los Angeles, CA 90017.

8

9 Q2 By whom are you employed and in what capacity?

10

11 A2 I am employed by New Energy Ventures, Inc. My job title is Vice President,
12 Customer Services. I am responsible for defining the critical elements necessary
13 to delivery competitive services to energy customers. In addition I am
14 responsible for the legislative and regulatory advocacy of policies and programs
15 essential to build viable competitive energy markets. My resume is attached as
16 Exhibit NEV/NID #1.

17

18 Q3 Please describe your background and experience in the energy services
19 industry.

20

21 A3 From 1968 to 1995 I was employed by Southern California Gas Company, the
22 nation's largest natural gas distribution utility. From 1990-94 I served as Vice
23 President of Regulatory Affairs. In that capacity I was the senior officer
24 responsible for developing and executing regulatory strategies. I directed a staff
25 of 30 professionals responsible for obtaining the required regulatory
26 authorizations needed to run the business. I led the company's regulatory
27 initiatives related to the transition to competitive choice for the provision of
28 natural gas.

29

30 Q4 What is the nature of your testimony in this proceeding?

1 A4 My testimony focuses on the role unbundling of distribution services plays in the
2 formation of competitive energy markets. I will address the essential
3 components of distribution service unbundling. Finally, I will discuss my
4 experience in the deregulation of California's natural gas and electric services
5 industries to the extent they pertain to the issue of service unbundling.
6

7 Q5 Why is distribution service unbundling an essential element of the restructured
8 energy services market?
9

10 A5 The simple answer is profitability. Without the unbundling and competitive
11 provision of distribution services new market entrants will eventually be starved
12 out of the market. This will be the inevitable result when the margins on the sale
13 of electricity are too small to support the new market entrant's service delivery
14 overheads. In contrast, the utility service providers' costs for provision of these
15 overheads are imbedded in the utility's distribution revenue requirement and the
16 utility does not have to compete for the delivery of those services. This creates
17 an improper and unfair advantage for the utility and if corrective action is not
18 taken will result in the demise of customers' competitive alternatives.
19

20 Over time, the primary benefits from electric industry restructuring will come, not
21 from commodity cost savings, but from changes at the customer's premises.
22 The provision of these value added services is key to establishing sustainable
23 business relationships with customers. Moreover, the types of services
24 customers want and are willing to pay for are highly competitive, not monopoly
25 services.
26

27 For example, from a wide array of competitive options customers want to select
28 those options whose value equals or exceeds their cost. If the utilities package
29 of services do not meet the customers needs yet the costs remain bundled the
30 customer must pay twice, once to the utility for valueless services and once to

1 the energy service provider for the customized package of customer-selected
2 services.

3
4 A simple example illustrates this point. Customer "Big" has many facilities
5 located throughout the State. Historically this customer was served by 3 different
6 utilities all of whom billed for each meter served. Each utilities' billing format and
7 rate characteristics were different. Customer "Big" employed a small staff to
8 aggregate the utility charges by business unit and review them for accuracy. As
9 part of his new bundle of energy services Customer "Big" wants an aggregated
10 electricity bill, including both utility and energy service charges, subtotaled by
11 business unit and provided on-line through the internet. Why should this
12 customer have to pay for the utilities to continue to send him useless
13 information?

14
15 Q6 What services and costs should be unbundled?

16
17 A6 My recommendations are based on the cost and service format applied to
18 California utilities and I recommend the Pennsylvania Commission evaluate
19 these recommendations in the context of Pennsylvania's facts.

20
21 The cost elements that represent a minimum level of unbundling are:

- 22
- 23 1. Meters and meter reading
 - 24 2. Billing and collections (including data processing costs)
 - 25 3. Customer Service
 - 26 4. Commodity Procurement, scheduling, balancing, risk management
27 and sales.
 - 28 5. Uncollectible Expense
 - 29 6. Working Cash Allowance
- 30

1 Q7 What did the California Public Utilities Commission decide with respect to
2 unbundling distribution services?
3

4 A7 In D. 97-05-037 the California Public Utilities Commission ordered the following:
5

6 **Billing**
7

- 8 1. Customers may choose from three billing options as follows: utility and the
9 new Energy Service Provider (ESP) provide separate bills, the utility
10 consolidates bills for itself and the ESP, or the ESP consolidates bills for
11 itself and the utility.
12
- 13 2. ESPs who provide consolidated billing for the utility are responsible for
14 payment of the billed amounts to the utility regardless of their ability to
15 collect from their customers.
16
- 17 3. Utilities may impose reasonable creditworthiness requirements on ESPs
18 who provide consolidated billing. These requirements are to be the same
19 as those required of a similarly sized and situated customer.
20
- 21 4. ESPs who provide consolidated billing must describe the utilities' charges
22 on their bills in a manner consistent with the bill reporting standards the
23 CPUC sets for the utilities.
24

25 **Meters_and_Meter_Reading**
26

- 27 1. Utilities who wish to employ Automated Meter Reading (AMR) (or any
28 other type of advanced metering system) technology throughout their
29 service territories may do so subject to the following conditions:
30

- 1 • utility customers will have the choice of deciding whether they want
- 2 to use the real-time metering capability offered by the technology
- 3
- 4 • only customers electing to use the real-time pricing capability of
- 5 AMR will be required to pay for the costs of that technology
- 6
- 7 • utility shareholders will be at risk for the full recovery of the
- 8 technology's costs
- 9
- 10 • at the same time, the utility installing AMR would not be required to
- 11 lower its revenue requirement associated with metering as a results
- 12 of cost savings achieved from adopting the technology
- 13
- 14 • balances risk and reward between ratepayers and shareholders
- 15
- 16 • a utility deciding to adopt AMR would provide the Commission with
- 17 a deployment plan showing how the technology would be
- 18 geographically deployed and on what timetable.

19

20 2. ESPs may install their own meters and must agree to share the metered

21 information with the utility. The ESP and the utility will enter into a service

22 agreement specifying the nature of the information to be collected, the

23 means for sharing data, and a reasonable approach for ensuring that the

24 metering equipment is installed, calibrated and maintained properly, The

25 Commission will establish minimum standards governing open

26 architecture for meters and communication.

- 27
- 28 • large customers may use ESP meters beginning 1-1-98
- 29 • small customers (less than 20 kilowatts) may use ESP meters
- 30 beginning 1-1-99.

1
2 The Commission delayed installation of ESP meters for small customers
3 by one year to "encourage a more studied movement through the various
4 steps that must precede such a new commercial offering." (D. 97-05-039,
5 pg. 17.)
6
7

8 Cost Separation

9
10 The Commission concluded that customers should not pay for costs that are not
11 incurred and directed that utilities separately identify the net cost savings
12 resulting from a customer's election to receive certain revenue cycle services
13 from another service provider and to reduce distribution charges where
14 appropriate.
15

16 Other Services

17
18
19 In addition to billing, metering and meter reading, the Commission found there
20 are other costs related to customer service inquiries and uncollectibles that are
21 "logically related to revenue cycle services." (D. 9705-039, pg. 18.) The
22 Commission directed the utilities to identify the net customer service inquiry
23 savings to be used to reduce customer charges in those situations where an
24 energy supplier chooses to handle customer service inquiries. In response to
25 the concerns expressed by one party, the Commission directed all parties to
26 evaluate whether a universal uncollectibles pool should be established to
27 motivate ESPs to serve customers who pose a higher credit risk.
28

29 Q8 The issue of distribution service unbundling was hotly contested in California.
30 Why do you think the California Public Utilities Commission ordered unbundling?

1 A8 In the California Commission's decision on unbundling (D. 97-05-039)
2 Commissioner Jesse J. Knight, Jr. wrote as follows:

3
4 "Unbundling bottleneck facilities has played a key component in regulation of the
5 telecommunications industry and was an important part of the Commission's
6 efforts to ensure that full and fair markets properly develop. Access to bottleneck
7 facilities and the unbundling of potentially competitive services allows greater
8 innovation in services, a more customer focused marketplace and an important
9 check on the ability of the dominant provider to leverage market power into
10 adjacent markets. This decision takes this important lesson and applies it to the
11 revenue cycle services of the electric industry."

12
13 Based on my active involvement in this proceeding and knowledge of the natural
14 gas market in California I believe the Commission recognized that without
15 revenue cycle service unbundling the competitive market in California would not
16 flourish.

17
18 In 1991 when the California Commission opened the natural gas market to
19 competitive choice they failed to unbundle services for residential and
20 commercial customers (so-called Core Customers). As a result, the core natural
21 gas aggregation program never achieved significant market penetration and over
22 the years participation of marketers has declined from a high of 12 to 3 or 4
23 remaining today. Once the margins on natural gas purchases from marketers
24 fell to +/-5%, the marketers' profit margins fell to unacceptably low levels.

25
26 Although natural gas marketers and aggregators were allowed to furnish the
27 customer a consolidated bill, the customer received no credit for this cost from
28 the utility. Moreover, the utility maintained control of the meter and the natural
29 gas ESP had to delay his billing until he received the data from the utility.
30 Utilities refused to provide the data to the customer in computer readable form

1 and the ESP had to re-data enter the information to produce customers' bills. All
2 of these hurdles resulted in additional costs for providing the services with no
3 offsetting credits.

4

5 Q9 Does this conclude your testimony?

6

7 A9 Yes.

NANCY I. DAY

CAREER SUMMARY

Senior executive with extensive experience managing large line and staff organizations through profound business, regulatory and market changes. Managed regional utility operations and facilities with a focus on improving cost effectiveness and customer service. Led regulatory initiatives during a period of deregulation. Built coalitions and successfully developed consensus solutions to business and regulatory issues. Results-oriented, team-based leader with expertise in the following:

- | | | |
|-----------------------|----------------------|----------------------------|
| Regulatory Affairs | Governmental Affairs | Administrative Law |
| Facilities Management | Customer Service | Materials Management |
| Purchasing | Risk Management | Labor/Management Relations |

ACCOMPLISHMENTS

New Energy Ventures, Inc., Pasadena, CA 1995-Present

The nation's first Energy Agent, representing buyers in competitive electricity and natural gas markets.

Vice President -Customer Services (1995-Present)

Develop competitively bid portfolios of electricity and natural gas for NEV clients, direct the provision of an array of customer services including portfolio management, billing, management reports, regulatory analysis and advocacy.

Southern California Gas Company, Los Angeles, CA 1968-1995

The nation's largest natural gas distribution company serving almost 5 million customers. Annual revenues of \$3 billion.

Vice President, Regulatory Affairs (1990-1995)

Senior officer responsible for developing and executing regulatory strategies, directing regulatory proceedings and maintaining effective agency contacts and relationships. Managed the staff of 30 professionals responsible for obtaining required regulatory authorizations from the California Public Utilities Commission (CPUC), the California Energy Commission (CEC) and the Federal Energy Regulatory Commission. Testified before the California Legislature and presented oral arguments before the CPUC and the CEC.

- Led the regulatory initiatives that resulted in the landmark CPUC cost allocation decision to eliminate decades of cross-subsidies between customer classes.
- Directed the company's response to a CPUC-ordered management audit. This comprehensive audit examined every aspect of company operations over a 5-year period and resulted in no adverse findings.
- Implemented aggressive settlement strategies that successfully reduced litigation costs, regulatory delays and obtained the desired business results.
- Reduced the department's operating budget by 35% over 4 years.

Nancy I. Day

Page Two

Division Manager (1988-1990)

Senior operations manager responsible for the provision of natural gas and related services to 570,000 customers in the South Coastal Division. Managed over 700 employees and \$60+ million budget related to the following: installation and maintenance of distribution pipelines and associated metering facilities, meter reading, telephone call center, bill reconciliation, collection, in-home appliance maintenance and repair, and public/government affairs.

- Refocused employee attention away from internal company processes to delivery of customer satisfaction. Customer complaints reduced by 38%.
- Dramatically improved labor/management relations and employee morale. Reduced grievances by 60% and improved employee safety by 22%.
- Instituted the first 12-hour telephone call center operation to improve customer service.
- Merged two divisions into one and consolidated the operation in a new headquarters.
- Revamped market research to obtain better information from our customers regarding customer satisfaction.

Manager of Material Services (1986-1988)

Managed the provision of centralized contracting (\$150 million), purchasing (\$120 million), warehousing, material distribution and inventory control services. Established functional policy for decentralized purchasing, contracting, and material management. Also managed the specialized fabrication and repair shops and the investment recovery operation.

- Lowered material delivery costs by 12%.
- Transformed a salvage sales operation into a profitable investment recovery operation and recycling program. Generated \$1.5 million additional revenue per year.
- Redesigned the material distribution system to eliminate 60 local storerooms.

Manager of Risk Management and Claims (1985-1986)

Managed the placement of insurance, covering all aspects of the company's operations and assets, and the negotiation, settlement and litigation of claims against the company for property damage and personal injury.

- Completed the first comprehensive review of company loss control programs and recommended the strategy for increasing employee and public safety while reducing costs by as much as 30%.
- Instituted an aggressive contact program to achieve timely and low cost resolution of claims against the company.

Manager of Headquarters Services (1983-1985)

Managed the operation and maintenance of over 1 million square feet of office space in 5 different locations. Responsibilities included the following building occupant services: communications, reprographics, janitorial, mail and messenger, automotive maintenance, craft shops, archives, cafeterias, and travel.

- Created an in-house travel agency to earn commissions on all travel services. Offset costs by \$100,000.
- Instituted a second shift in the reprographics operations to improve cost efficiency. Productivity increased by 26%.
- Instituted a cost planning and control system.

Nancy I. Day
Page Three

EDUCATION & PROFESSIONAL ACTIVITIES

**Harvard University, Graduate School of Business Administration -
Advanced Management Program**

University of Redlands - B.S. Business Administration

**University of Southern California - Certificate of Management Effectiveness
Chairperson, Southern California Regional Purchasing Council**

COMMONWEALTH OF PENNSYLVANIA

DATE: July 1, 1997

SUBJECT: R-00973954

TO: Office of Administrative Law Judge ^{KJR}

FROM: *WJZ* James J. McNulty, Deputy Prothonotary

PETITION OF PENNSYLVANIA POWER & LIGHT
COMPANY FOR APPROVAL OF RESTRUCTURING PLAN

Attached is copy of a Petition for Leave to Intervene and Participate of NorAm Energy Management, Inc. filed in connection with the above docketed proceeding.

This matter is assigned to your Office for appropriate action.

Attachment

cc: OTS

wjz

J DOCKETED
JUL 02 1997

DOCUMENT
FOLDER

VERNER · LIPFERT
BERNHARD · McPHERSON & HAND
CHARTERED

ORIGINAL

901 - 15TH STREET, N.W.
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(202) 371-6000
FAX: (202) 371-6279

WRITER'S DIRECT DIAL
(202) 371-6197

RECEIVED

July 1, 1997

JUL 01 1997 MEM

Honorable George M. Kashi
Administrative Law Judge
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

PA PUBLIC UTILITY COMMISSION
PROTHONOTARY'S OFFICE

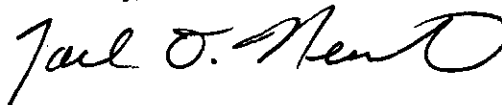
Re: Pennsylvania Public Utility Commission v.
Pennsylvania Power & Light Company, Docket No. R-00973954

Dear Judge Kashi:

Enclosed please find a copy of Allegheny Power's Notice regarding its intent not to present Answering Testimony in the above-referenced proceeding.

Copies of this Notice is being served upon all parties of record.

Sincerely,



Joel D. Newton
Attorney for Allegheny Power

cc: Parties of Record

DOCUMENT
FOLDER

HOUSTON, TEXAS
2600 TEXAS COMMERCE TOWER
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59

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

JUL 01 1997

PA PUBLIC UTILITY COMMISSION
PROTHONOTARY'S OFFICE

Pennsylvania Public Utility Commission :
v. :
Pennsylvania Power and Light Company :

Docket No. R-00973954

**NOTICE OF ALLEGHENY POWER REGARDING ITS INTENT
NOT TO PRESENT ANSWERING TESTIMONY**

Allegheny Power has decided that it will not file Answering Testimony in this proceeding. Allegheny Power hereby notifies the Presiding Judge and the parties of this intent.

Allegheny Power respectfully reserves the right to file Rebuttal Testimony, if necessary to respond to testimony filed by other parties, as well as to participate in the hearing and briefing process. Allegheny Power respectfully requests that the Presiding Judges and all parties to this proceeding continue to treat Allegheny Power as an active party and to serve all documents on Allegheny Power.

Respectfully submitted,



Clinton A. Vince
Paul E. Nordstrom
Deborah A. Swanstrom
Joel D. Newton
Verner, Lipfert, Bernhard, McPherson & Hand
901 15th Street, NW
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John L. Munsch
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800 Cabin Hill Drive
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(412) 838-6210

Attorneys for Allegheny Power

Dated: July 1, 1997

DOCKETED
JUL 09 1997

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

JUL 01 1997

Application Of Pennsylvania Power :
And Light Company For Approval Of Its :
Restructuring Plan Under Section 2806 :
Of The Public Utility Code :

PA PUBLIC UTILITY COMMISSION
PROTHONOTARY'S OFFICE

Docket No. R-00973954

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the participants, listed below, in accordance with the requirements of § 1.54 (relating to service by a participant).

Paul E. Russell
Associate General Counsel
Pennsylvania Power & Light Company
Two North Ninth Street
Allentown, PA 18101-1179

Bernard Ryan, Esq.
Karen Oill Moury, Esq.
Office of Small Business Advocate
Suite 1102, Commerce Building
300 North 2nd Street
Harrisburg, PA 17101

Kenneth Mickens
Senior Prosecutor
Pennsylvania Public Utility Commission
P.O. Box 3265
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Scott H. DeBroff, Esq.
Prosecutors, Office of Trial Staff
Pennsylvania Public Utility Commission
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PO Box 1166
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Harrisburg, PA 17108

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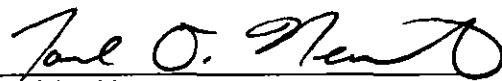
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John Paul, President
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Michael T. Vough, Esq.
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Dated this 1st day of July, 1997.

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Attorney for Allegheny Power



DEPARTMENT OF THE ARMY
 UNITED STATES ARMY LEGAL SERVICES AGENCY
 901 NORTH STUART STREET
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REPLY TO
 ATTENTION OF

Regulatory Law Office
 U 3949

1 July 1997

PA PUBLIC UTILITY COMMISSION
 PROTHONOTARY'S OFFICE
 KJR

SUBJECT: Pennsylvania Public Utility Commission v. Pennsylvania Power & Light
 Company, Pennsylvania PUC Docket No.R 973954

Hon. Robert F. Frazier,
 Prothonotary
 Pennsylvania Public Utility Commission
 North Office Building, Room B-20
 P.O. Box 3265
 Harrisburg, PA 17108

Dear Mr. Frazier:

Enclosed for filing are the original and twenty copies of the prepared direct testimony and exhibits of Thomas J. Prisco on behalf of the consumer interest of the United States Department of Defense and other affected Federal Executive Agencies in the above referenced proceeding. Enclosed also find an electronic copy of the prepared testimony on a computer diskette.

Copies of this document are being sent in accord with the Certificate of Service. Inquiries to this office regarding this proceeding should be directed to the undersigned at (703) 696-1646.

Sincerely,

David A. McCormick
 General Attorney
 Regulatory Law Office

**DOCUMENT
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BEFORE THE

JUL 1 1997

PENNSYLVANIA PUBLIC UTILITY COMMISSION

PA PUBLIC UTILITY COMMISSION
PROTHONOTARY'S OFFICE

PENNSYLVANIA POWER & LIGHT)
COMPANY RESTRUCTURING) DOCKET NO. R-00973954
PLAN)

DIRECT TESTIMONY

OF THOMAS J. PRISCO

For

THE DEPARTMENT OF DEFENSE AND

THE FEDERAL EXECUTIVE AGENCIES

DOCKETED
JUL 09 1997

DOCUMENT
FOLDER

Date Due: 2 JULY 1997

1

2 Q. WOULD YOU PLEASE STATE YOUR FULL NAME AND BUSINESS
3 ADDRESS?

4 A. My name is Thomas J. Prisco. My office address is
5 U.S. Army Litigation Center, JALS-RL, Suite 713, 901
6 North Stuart Street, Arlington, VA 22203-1837.

7

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

9 A. I am employed by the Regulatory Law Office, Office of
10 The Judge Advocate General, Department of the Army,
11 as a Staff Accountant and Financial Advisor.

12

13 Q. PLEASE SUMMARIZE YOUR PAST WORK EXPERIENCE.

14 A. Prior to assuming my present position in October,
15 1987, I was employed by the United States Army
16 Information Systems Command as a Systems Accountant,
17 responsible for developing and implementing a cost
18 chargeback system for information services. From 1978
19 to 1983, I held various positions with the U.S. Army
20 Computer Systems Command, including Staff Accountant,

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Contracting Officer Representative, and Chief,
Accounting Operations. Prior to accepting civilian
employment with the Department of the Army, I held a
variety of positions with RCA. I also served a tour
with the United States Air Force in Vietnam.

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND.

A. I received a Bachelor of Science degree with a major
in Accounting from the University of Scranton in
December, 1977. Additionally, I have taken numerous
professional courses which include Price and Cost
Analysis, U.S. Army Financial Management, and
Computer Performance and Capacity Management. I
also completed the NARUC Annual Regulatory Studies
Program. I am a member of American Society of
Military Comptrollers.

Q. WHAT ARE THE RESPONSIBILITIES AND DUTIES ASSOCIATED
WITH YOUR PRESENT POSITION?

1

2

3 A. As Staff Accountant and Financial Advisor with the
4 Regulatory Law Office, I analyze testimony, exhibits,
5 and supporting data submitted by utilities to
6 regulatory bodies in justification of proposed rate
7 increases/decreases; advise office attorneys on
8 accounting matters; draft proposed cross-examination
9 of company witnesses; prepare statements and exhibits
10 for use in regulatory proceedings; and present
11 testimony before utility commissions to protect the
12 consumer interests of the Federal Government.

13

14 Q. HAVE YOU PREVIOUSLY TESTIFIED IN RATE PROCEEDINGS
15 BEFORE REGULATORY COMMISSIONS?

16 A. Yes. I have participated in regulatory proceeding as
17 outlined in attached Exhibit TJP-1.

18

19 Q. WOULD YOU OUTLINE THE SUBJECT MATTER OF THE EXPERT
20 TESTIMONY YOU HAVE PRESENTED BEFORE REGULATORY
21 COMMISSIONS?

1

2

3 A. My testimony has addressed overall revenue
4 requirements, depreciation, capital structure, cost
5 of capital, integrated resource planning, rate
6 design, incentive rates, rate base and appropriate
7 tariffs relating to communications, electric, gas,
8 and water utilities.

9

10 Q. WHOM ARE YOU REPRESENTING IN THIS PROCEEDING?

11 A. I am presenting testimony on behalf of the consumer
12 interest of Department of Defense and All Other
13 Federal Executive Agencies (hereinafter called
14 "DOD").

15

16 Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN
17 THIS PROCEEDING?

18 The purpose of my direct testimony is to provide
19 comments related to implementation of the
20 Restructuring Plan submitted by PP&L in this
21 proceeding.

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Q. PLEASE DESCRIBE IN GENERAL TERMS HOW THE FEDERAL GOVERNMENT BUYS ELECTRIC UTILITY SERVICE IN PENNSYLVANIA, PRESENTLY?

A. At the current time most of the electricity procured by federal facilities in Pennsylvania is purchased under contracts which make reference to, or incorporate utility rates regulated by this Commission. Where there is an independent regulatory body, federal regulations have in the past permitted a contracting officer to accept tariff rates as fair and reasonable. These regulations assumed (1) that a utility was a natural monopoly and (2) that the regulatory tribunal would act as a surrogate for competition in setting rates.

The consumer interest of the Federal Executive Agencies includes both civilian and military customers for electric service. Federal military installations procure utility service pursuant to Title 10 of United States Code and applicable

1 regulations. Civilian agencies may purchase utility
2 service under "area wide" contracts issued by the
3 General Services Administration (GSA) pursuant to
4 Title 40 of United States Code. It is possible for
5 military facilities, especially the smaller
6 facilities like reserve centers, to make economical
7 use of the GSA "area wide" contracts, as well. GSA
8 has an "area wide" contract with PP&L, Contract No.
9 GS-00P-95-BSI-0009, expiring 31 July 2005.

10

11 Q. MR. PRISCO, WHAT ARE THE SOME OF THE MAJOR FEDERAL
12 FACILITIES LOCATED IN PENNSYLVANIA POWER & LIGHT
13 COMPANY'S TERRITORY?

14 A. PP&L serves Tobyhanna Army Depot, Carlisle Barracks,
15 and New Cumberland Army Depot.

16

17 Q. WHICH TARIFFS ARE CURRENTLY USED BY THE MAJOR
18 FEDERAL FACILITIES WHICH PURCHASE ELECTRIC POWER FROM
19 PP&L?

20

21

1 A. The major federal facilities currently receiving
2 power from PP&L use tariffs LP-4, and LP-5/6.

3

4 Q. WHAT IS HAPPENING THAT IS CAUSING A NEED FOR
5 THE COMPANY TO SUBMIT THIS RESTRUCTURING PLAN?

6 A. The electric utility industry in Pennsylvania is
7 moving to a competitive market. Governor Tom Ridge
8 on December 3, 1996, signed the "Electricity
9 Generation Customer Choice and Competition Act" to
10 provide electric customers in Pennsylvania a choice
11 of their electric generator.

12

13

14 Q. WILL THE "ELECTRIC GENERATION CUSTOMER CHOICE AND
15 COMPETITION ACT" HAVE AN IMPACT ON HOW THE FEDERAL
16 GOVERNMENT PROCURES ELECTRICITY IN PENNSYLVANIA?

17 A. Yes. The DOD has always been required to purchase
18 power in accordance with local policy. With the
19 advent of customer choice in Pennsylvania the DOD
20 will have the opportunity to competitively bid its
21 electric load when existing contracts expire. DOD and

1 federal civilian agencies under the "Electric Generation
2 Customer Choice and Competition Act" now have the
3 capability to aggregate loads giving facilities engineers
4 an opportunity to take advantage of economical
5 generation. DOD Exhibit TJP-2, is a map which identifies
6 the concentration of Department of Defense facilities
7 (civilian federal facilities not included) located in
8 Pennsylvania.

9
10 Q. MR. PRISCO, DOES YOUR TESTIMONY CONCENTRATE ON A
11 SPECIFIC AREA OF THE COMPANY'S FILING.

12 A. Yes, I have concentrated my efforts on the review of
13 PP&L's stranded investment. My testimony does not
14 address all the components from the PP&L stranded
15 investment, and as such does not constitute and
16 endorsement of PP&L's position.

17
18 Q. PP&L HAS INCLUDED IN ITS REQUEST FOR STRANDED
19 INVESTMENT THE PROJECTED COST OF DECOMMISSIONING
20 COAL-FIRED AND OIL FIRED GENERATING PLANTS BEGINNING
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IN THE LAST YEAR OF EACH PLANT'S REMAINING LIFE.
HAVE YOU CONSIDERED THIS ISSUE?

A. Yes. The Commission should reject PP&L's proposal for decommissioning of their fossil fuel coal and oil fired fossil fuel facilities. The Company has included roughly \$1 billion in fossil fuel decommissioning in their calculation of stranded investment. At this time there is no reason to believe that existing plants will not receive life extending upgrades in the deregulated market. Also there is no reason to believe that PP&L (or some third party) may not build a future plant on the same site, given the difficulty sometimes incurred in siting all power plants.

Q. MR. PRISCO, PP&L IS PROPOSING TO TAKE A \$205 MILLION DIFFERENCE BETWEEN THE CURRENT ACTUAL ACCUMULATED DEPRECIATION AND THEORETICAL ACCUMULATED DEPRECIATION AND TRANSFER IT TO THE ACCUMULATED RESERVE FOR

1 DEPRECIATION ASSOCIATION WITH THE SUSQUEHANNA PLANT. DO
2 YOU HAVE ANY OBJECTION TO THIS TRANSFER?

3 A. Yes. Under regulation the current ratepayers have
4 basically prepaid \$205 million in depreciation for
5 transmission and distribution facilities. These
6 transmission and distribution operations will
7 continue to be regulated and the excess depreciation
8 should be used to reduce the cost of transmission and
9 distribution. PP&L's proposal on the other hand
10 would transfer these funds from the regulated
11 operations to mitigate stranded investment
12 association with the Susquehanna nuclear generating
13 plant.

14

15 Q. PLEASE EXPLAIN?

16 A. PP&L'S current ratepayers have already paid these
17 depreciation cost on the transmission and
18 distribution system. Transferring the cost to the
19 stranded investment is unfair. This transfer will
20 reduce the amount of stranded investment which
21 exceeds the cap thus reducing shareholder exposure,

1 while increasing the regulated transmission and
2 distribution costs.

3

4 Q. PLEASE EXPLAIN AND QUANTIFY OTHER CHANGES YOU MADE TO
5 ADJUST THE COMPANY'S REQUEST TO RECOUP STRANDED
6 INVESTMENT?

7 A. Exhibit TJP-3, quantifies and identifies the changes I
8 have made to the Company's stranded investment
9 calculation. My calculation provides PP&L recovery of
10 it's capital investment incurred through 1998 over the
11 following nine years, with a return on the declining
12 balance. I also provided for recovery of all cost
13 associated with the capital investment through the nine
14 year period to include taxes, depreciation, fuel,
15 operation and maintenance expense, and
16 decommissioning for nuclear facilities.

17

18 Q. WHAT CAPITAL STRUCTURE AND RATE OF RETURN DID YOU USE TO
19 CALCULATED THE PP&L'S OVERALL RATE OF RETURN?

20 A. I used PP&L's capital structure for the purposes of my
21 calculation and have not perform and independent cost of

1 capital analysis. I calculated the stranded investment
2 overall rate of return by substituting PP&L's requested
3 return on common equity of 11.50% with the Company's
4 calculated overall rate of return of 9.46%. This resulted
5 in an overall rate of return for stranded investment of
6 8.54%, and a corresponding discount rate for calculating NPV
7 of 7.00% (DOD Exhibit TJP-4)

8
9
10 Q. PLEASE EXPLAIN WHY YOU SUBSTITUTED THE RETURN ON COMMON
11 EQUITY REQUESTED BY THE COMPANY WITH PP&L'S OVERALL RATE OF
12 RETURN?

13 A. My review of PP&L's filing indicates a possible
14 inconsistency in the testimonies of Mr. Ronald E.
15 Hill and Mr. Joseph M. Kleha. Mr. Hill in his direct
16 testimony on page 20, lines 12 through 17, states:

17 the restructuring filing is itself complex and
18 raises many important and novel issues. Given
19 this likelihood of substantial delay, the
20 Company decided not to needlessly complicate its
21 restructuring filing with a securitization
22 proposal at this time. The Company supports
23 securitization, will continue to monitor the
24 timing issues, and will advise the Commission as
25 soon as its plans regarding securitization are
26 more formalized.

1

2

Mr. Kleha, on the other hand, makes an argument for

3

simplification of the stranded investment

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reconciliation process to avoid any re-litigation of

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restructuring issues at a future time. He states in

6

his direct testimony on page 16, lines 12 through 20:

7

8

The Act does not contemplate a recalculation of

9

stranded costs collected through the CTC. The

10

reconciliation contemplated by the Act appears to

11

be limited to a true-up for changes in sales from

12

the level of sales that the Commission uses to

13

establish the CTC initially. Under this approach, the

14

utility and its customers would be assured that the

15

collection of stranded costs through the CTC would

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track the Commission's order. At the same time, this

17

approach could be implemented in a relatively

18

simple manner which would not lead to re-litigation of

19

the many complex issues raised in the utility's

20

original Restructuring Plan filing.

21

22

Mr. Kleha is an advocate for simplifying the true-up of

23

the stranded investment costs by litigating all issues at

24

the present time, while Mr. Hill is recommending that the

25

issue of securitization be postponed to a future time. My

26

recommendation, purposes a middle ground, allowing a return

27

on common equity equal to the overall cost of capital,

1 and provides ratepayers' a lower cost of capital
2 relief from income taxes on the Company's revenues.
3 The Company, on the other hand, has an opportunity to
4 benefit if securitization is achieved by earning a
5 greater return.

6 Providing the return on capital I recommended may
7 accomplish the simplicity Mr. Kleha supports and at
8 the same time benefit both the PP&L shareholders and
9 ratepayers.

10

11 Q. WHY HAVE YOU RECOMMENDED THE COMPANY BE ALLOWED TO
12 COLLECT THE STRANDED COSTS FOR NINE YEARS AND NOT FOR
13 THE LIFE OF THE FACILITIES?

14 A. My recommendation accelerates the recovery of the
15 capital investment, and once accomplished the Company
16 is whole. Ratepayers have fulfilled their obligation and
17 the Company has its capital returned to invest
18 appropriately.

19

20 Q. MR. PRISCO, DOES THIS CONCLUDE YOUR TESTIMONY?

21 A. Yes.

AFFIDAVIT

State of Virginia)
)
) SS.
)
County of Arlington)

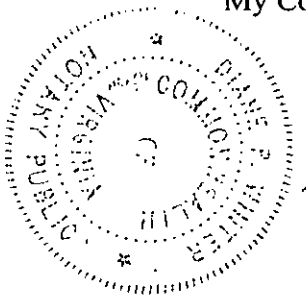
Thomas J. Prisco, being duly sworn according to law, deposes and says that he has read the foregoing document, that the facts set forth therein are true and correct, to the best of his knowledge, information and belief.

Thomas J. Prisco

Sworn and subscribed before me this

1st day of July, 1997

My Commission expires April 30, 2,000.



Diane R. Winter
Notary Public

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA POWER & LIGHT)
COMPANY RESTRUCTURING) DOCKET NO: P-00973954
PLAN)

EXHIBITS
OF THOMAS J. PRISCO

DOCKETED
JUL 09 1997

For
THE DEPARTMENT OF DEFENSE AND
THE FEDERAL EXECUTIVE AGENCIES

DOCUMENT
FOLDER

Date Due: 2 JULY 1997

TESTIMONY OF THOMAS J. PRISCO
BEFORE REGULATORY AGENCIES
1989 TO PRESENT

EXHIBIT TJP-1
PAGE 1 OF 4

COMPANY	PROCEEDING	JURISDICTION	ACTION & SUBJECT
LOUISVILLE GAS & ELECTRIC COMPANY	CASE NO. 10064	KENTUCKY	TESTIMONY REV REQMT
SOUTHWESTERN BELL TELEPHONE COMPANY	CASE NO. TC-89-14	MISSOURI	TESTIMONY REV REQMT
MOUNTAIN STATES TELEPHONE AND TELEGRAPH COMPANY	DOCKET NO. E-1051-88-146	ARIZONA	TESTIMONY REV REQMT
BALTIMORE GAS AND ELECTRIC COMPANY	CASE NO. 8910	MARYLAND	TESTIMONY REV REQMT
BALTIMORE GAS AND ELECTRIC COMPANY	CASE NO. 8251	MARYLAND	TESTIMONY REV REQMT
JERSEY CENTRAL POWER AND LIGHT COMPANY	BRC DOCKET NO. ER89110912J	NEW JERSEY	TESTIMONY REV REQMT
NEW JERSEY-AMERICAN WATER COMPANY	BRC DOCKET NO. WR91081399J	NEW JERSEY	SETTLEMENT NEGOTIATION
NEW JERSEY-AMERICAN WATER COMPANY	BRC DOCKET NO. WR92090908J	NEW JERSEY	TESTIMONY REV REQMT
TUCSON ELECTRIC POWER COMPANY	DOCKET NO. U1993-90-270	ARIZONA	SETTLEMENT NEGOTIATION
BALTIMORE GAS AND ELECTRIC COMPANY	CASE NO. 8478	MARYLAND	TESTIMONY REV REQMT

TESTIMONY OF THOMAS J. PRISCO
BEFORE REGULATORY AGENCIES
1989 TO PRESENT

EXHIBIT TJP-1
PAGE 2 OF 4

COMPANY	PROCEEDING	JURISDICTION	ACTION & SUBJECT
POTOMAC ELECTRIC POWER COMPANY	CASE NO. 912	DISTRICT OF COLUMBIA	TESTIMONY REV REQMT
POTOMAC ELECTRIC POWER COMPANY	CASE NO. 929	DISTRICT OF COLUMBIA	TESTIMONY REV REQMT
POTOMAC ELECTIC POWER COMPANY	CASE NO. 8251	MARYLAND	SETTLEMENT NEGOTIATION
POTOMAC ELECTRIC POWER COMPANY	CASE NO. 8466	MARYLAND	SETTLEMENT NEGOTIATION
POTOMAC ELECTRIC POWER COMPANY	CASE NO. 8565	MARYLAND	SETTLEMENT NEGOTIATION
INTEGRATED RESOURCE PLANNING RULE MAKING FOR GAS UTILITIES	DOCKET NO. 91-677-G	SOUTH CAROLINA	TESTIMONY DSM
DEMAND SIDE OPTIONS & CONSERVATION PROCEEDING	DOCKET NO. 900834-EI	FLORIDA	ASSISTED COUNSEL
ATLANTA GAS LIGHT COMPANY	DOCKET NO. 4451-U	GEORGIA	TESTIMONY REV REQMT
UNITED GAS PIPELINE COMPANY	DOCKET NO. RS-92-26000	F.E.R.C.	ASSISTED COUNSEL
UNITED CITIES GAS COMPANY	DOCKET NO. 4188-U	GEORGIA	TESTIMONY REV REQMT

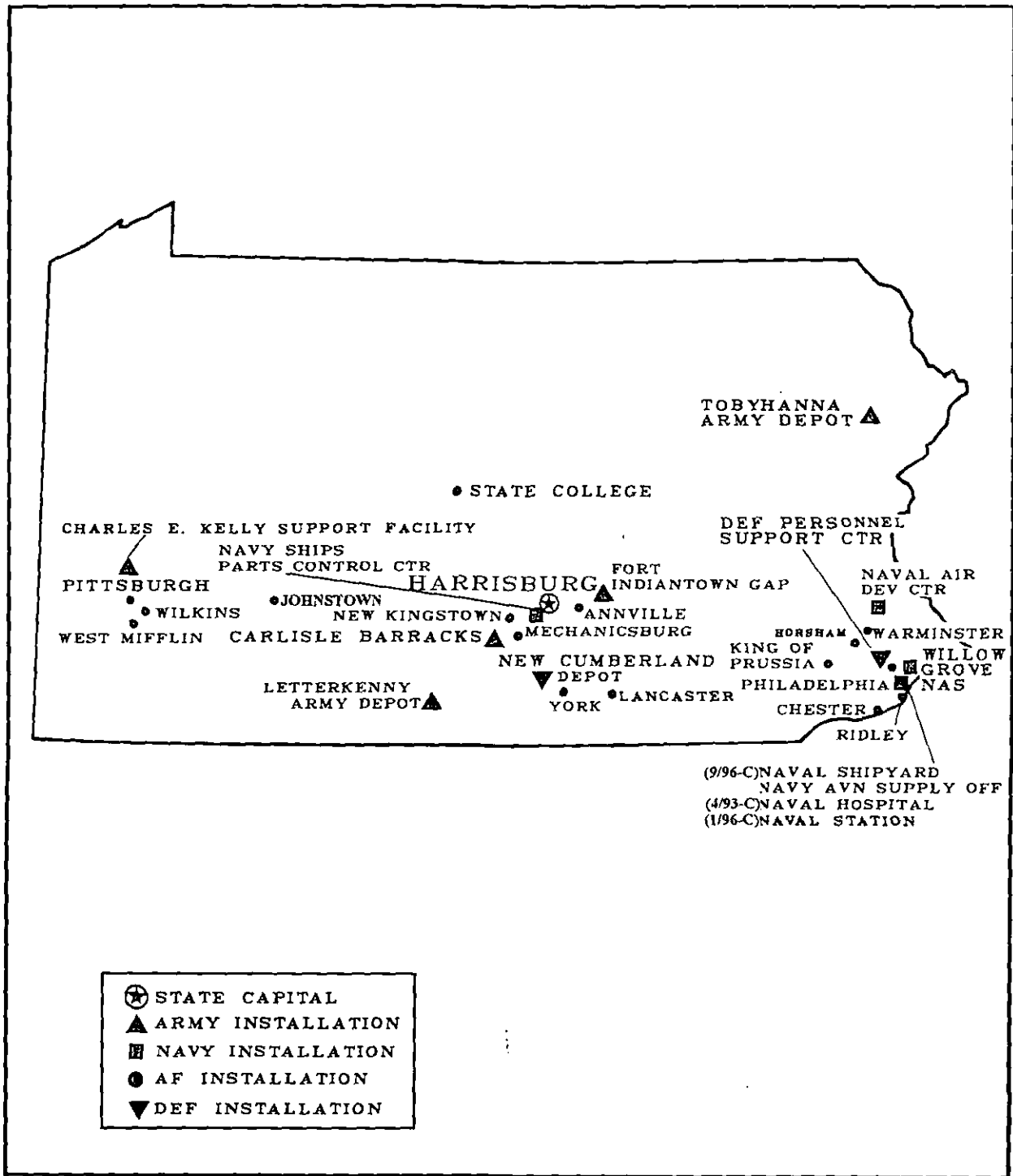
TESTIMONY OF THOMAS J. PRISCO
BEFORE REGULATORY AGENCIES
1989 TO PRESENT

COMPANY	PROCEEDING	JURISDICTION	ACTION & SUBJECT
EL PASO ELECTRIC COMPANY	DOCKET NO. 12700	TEXAS	TESTIMONY REV REQMT
NIAGARA MOHAWK POWER CORPORATION	CASE NOS. 94-E-0098 94-E-0099, 94-E-0100	NEW YORK	REV REQMT PRICE CAP
ENERGY POLICY ACT OF 1992 SEC 115 CONSERVATION EFFORTS BY GAS UTILITIES	DOCKET NO. 93-730-G	SOUTH CAROLINA	TESTIMONY DSM
WHEELING & LAKE ERIE RWY ABANDONMENT	DOCKET NO. AB-227 (Sub-No. 2X)	I.C.C.	ASSISTED COUNSEL
INVESTIGATION OF SELF GENERATION AND ECONOMIC INCENTIVE RATES	DOCKET NO. E100, (Sub 73)	NORTH CAROLINA	TESTIMONY RATE DESIGN
INVESTIGATION INTO ELECTRIC POWER COMPETITION	DOCKET NO. I 94-0032	PENNSYLVANIA	TESTIMONY
RECOVERY OF STRANDED COSTS BY PUBLIC AND TRANSMITTING UTILITIES	DOCKET NO. RM 94-007-000	F.E.R.C.	TESTIMONY
INVESTIGATION OF ELECTRIC SERVICE COMPETITION AND REGULATORY POLICIES	CASE NO. 8678	MARYLAND	TESTIMONY
ALTERNATIVE POWER POOLING INSTITUTIONS	DOCKET NO. RM 94-20-000	F.E.R.C.	TESTIMONY
ECONOMIC DEVELOPMENT INCENTIVE POLICY (GAS, ELECTRIC, TELEPHONE)	DOCKET NO. 4697-U	GEORGIA	TESTIMONY RATE DESIGN

TESTIMONY OF THOMAS J. PRISCO
BEFORE REGULATORY AGENCIES
1989 TO PRESENT

COMPANY	PROCEEDING	JURISDICTION	ACTION & SUBJECT
PENNSYLVANIA POWER AND LIGHT COMPANY	DOCKET NO. R-00943271	PENNSYLVANIA	TESTIMONY REV REQMT
INDIANAPOLIS POWER & LIGHT COMPANY	CAUSE No. 39938	INDIANA	TESTIMONY REV REQMT
BALTIMORE GAS & ELECTRIC COMPANY	CASE NO. 8697	MARYLAND	TESTIMONY REV REQMT
TUCSON ELECTRIC POWER COMPANY	DOCKET NO. U-1933095-317	ARIZONA	SETTLEMENT NEGOTIATION
NIGAGRA MOHAWK POWER COMPANY	CASE NOS. 96-E-0134 AND 0135	NEW YORK	PENDING
BALTIMORE GAS & ELECTRIC CO. MERGER WITH POTOMAC ELECTRIC POWER COMPANY	CASE NO. 8725	MARYLAND	TESTIMONY RATE DESIGN
PENNSYLVANIA POWER & LIGHT COMPANY, RETAIL ACCESS PILOT PROGRAM, CUSTOMER CHOICE	DOCKET NO. P 00971183	PENNSYLVANIA	COMMENTS/TESTIMONY

PENNSYLVANIA



Prepared by: Washington Headquarters Services
 Directorate for Information
 Operations and Reports

STRANDED INVESTMENT
PENNSYLVANIA POWER AND LIGHT COMPANY

DOD EXHIBIT TJP-3

<u>NET PRESENT VALUE</u>	
NUCLEAR	(1,919,454)
FOSSIL	(98,246)
NUG'S	(655,370)
REGULATORY ASSETS	<u>(378,384)</u>
NPV TOTAL	<u>(3,051,454)</u>

STRANDED COST
PENNSYLVANIA POWER AND LIGHT COMPANY

DOD Exhibit TJP-3A

Fossil	1999	2000	2001	2002	2003	2004	2005	2006	2007
Fossil Fuel Plant	1,272,877	1,131,446	990,015	848,585	707,154	565,723	424,292	282,862	141,431
Amortization 9yrs	141,431	141,431	141,431	141,431	141,431	141,431	141,431	141,431	141,431
Stranded Balance	1,131,446	990,015	848,585	707,154	565,723	424,292	282,862	141,431	0
Accumulated Deferred Taxes	117,179	104,159	91,139	78,119	65,099	52,080	39,060	26,040	13,020
Amortize Deferred Tax	13,020	13,020	13,020	13,020	13,020	13,020	13,020	13,020	13,020
Deferred Tax Balance	104,159	91,139	78,119	65,099	52,080	39,060	26,040	13,020	0
Inventory/Prepayments	150,641	133,903	117,165	100,427	83,689	66,952	50,214	33,476	16,738
Amortization (9 Years)	16,738	16,738	16,738	16,738	16,738	16,738	16,738	16,738	16,738
Balance Inventory/ Prepayments	133,903	117,165	100,427	83,689	66,952	50,214	33,476	16,738	0
Rate Base Amount	1,161,190	1,016,041	870,893	725,744	580,595	435,446	290,298	145,149	0
Rate Base Amount	1,161,190	1,016,041	870,893	725,744	580,595	435,446	290,298	145,149	0
Rate of Return	8.54%	8.54%	8.54%	8.54%	8.54%	8.54%	8.54%	8.54%	8.54%
Return	99,118	86,728	74,339	61,949	49,559	37,169	24,780	12,390	0

STRANDED COST
PENNSYLVANIA POWER AND LIGHT COMPANY

DOD Exhibit TJP-3A

FOSSIL									
	1,999	2,000	2,001	2,002	2,003	2,004	2,005	2,006	2,007
Return	99,118	86,728	74,339	61,949	49,559	37,169	24,780	12,390	0
Depreciation	141,431	141,431	141,431	141,431	141,431	141,431	141,431	141,431	141,431
Fuel Expense	356,491	385,589	405,761	414,726	432,579	430,409	451,378	464,954	483,977
O&M	226,630	229,908	231,692	232,553	230,452	250,979	257,091	261,625	262,585
Tax Other Than Incom	22,152	22,705	23,273	23,855	24,451	25,063	25,689	26,331	26,604
Amortization of Taxes	(13,020)	(13,020)	(13,020)	(13,020)	(13,020)	(13,020)	(13,020)	(13,020)	(13,020)
Amortiztion Inventory/ Prepayments	16,738	16,738	16,738	16,738	16,738	16,738	16,738	16,738	16,738
Total	845,822	866,361	876,495	874,514	878,472	885,051	900,368	906,731	914,597
Revenue Required	845,822	866,361	876,495	874,514	878,472	885,051	900,368	906,731	914,597
Market Value	658,221	727,436	829,610	902,728	926,268	934,313	941,870	975,567	1,048,713
Tot Excess/Deficiency	(187,601)	(138,925)	(46,885)	28,214	47,796	49,262	41,502	68,836	134,116
PUC Jurisdiction %	94.150%	95.920%	96.620%	96.880%	96.880%	96.880%	96.880%	96.880%	96.880%
PUC Excess(deficiency)	(176,626)	(133,257)	(45,301)	27,334	46,305	47,725	40,207	66,689	129,932
Nine Year Total Exces	3,008	179,634	312,891	358,192	330,857	284,552	236,827	196,621	129,932
Present Value	(98,246)								

STRANDED COST
PENNSYLVANIA POWER AND LIGHT COMPANY

	1999	2000	2001	2002	2003	2004	2005	2006	2007
Nuclear									
Nuclear Plant	2,806,630	2,494,782	2,182,934	1,871,087	1,559,239	1,247,391	935,543	623,696	311,848
Amortization 9 yrs	311,848	311,848	311,848	311,848	311,848	311,848	311,848	311,848	311,848
Stranded Balance	2,494,782	2,182,934	1,871,087	1,559,239	1,247,391	935,543	623,696	311,848	0
Accumulated Deferred Taxes	702,022	624,020	546,017	468,015	390,012	312,010	234,007	156,005	78,002
Amortize Deferred Tax	78,002	78,002	78,002	78,002	78,002	78,002	78,002	78,002	78,002
Deferred Tax Balance	624,020	546,017	468,015	390,012	312,010	234,007	156,005	78,002	0
Inventory/Prepayments	45,415	40,369	35,323	30,277	25,231	20,184	15,138	10,092	5,046
Amortization (9 Years)	5,046	5,046	5,046	5,046	5,046	5,046	5,046	5,046	5,046
Balance Inventory/ Prepayments	40,369	35,323	30,277	25,231	20,184	15,138	10,092	5,046	0
Rate Base	1,911,132	1,672,240	1,433,349	1,194,457	955,566	716,674	477,783	238,891	0
Rate Base	1,911,132	1,672,240	1,433,349	1,194,457	955,566	716,674	477,783	238,891	0
Rate of Return	8.54%	8.54%	8.54%	8.54%	8.54%	8.54%	8.54%	8.54%	8.54%
Return	163,132	142,809	122,408	102,007	81,605	61,204	40,803	20,401	(0)

STRANDED COST
PENNSYLVANIA POWER AND LIGHT COMPANY

DOD Exhibit TJP-3A

NUCLEAR									
	1999	2000	2001	2002	2003	2004	2005	2006	2007
Return	163,132	142,809	122,408	102,007	81,605	61,204	40,803	20,401	(0)
Depreciation	311,848	311,848	311,848	311,848	311,848	311,848	311,848	311,848	311,848
Fuel Expense	76,984	76,984	76,984	76,984	76,984	76,984	76,984	76,984	76,984
O&M	209,990	213,075	216,612	222,013	227,552	233,231	239,053	245,021	251,137
Tax Other Than Incom	45,919	47,067	48,243	49,449	50,686	51,953	53,252	54,583	55,947
Amortization of Taxes	(78,002)	(78,002)	(78,002)	(78,002)	(78,002)	(78,002)	(78,002)	(78,002)	(78,002)
Amortiztion Inventory/ Prepayments	5,046	5,046	5,046	5,046	5,046	5,046	5,046	5,046	5,046
Decommissioning	11,681	11,681	11,681	11,681	11,681	11,681	11,681	11,681	11,681
Revenue Required	746,598	730,508	714,819	701,025	687,400	673,944	660,664	647,562	634,640
Market Value	326,701	351,446	384,575	410,117	419,227	429,429	430,567	442,580	473,406
Tot Excess/Deficiency	(419,897)	(379,062)	(330,244)	(290,908)	(268,173)	(244,515)	(230,097)	(204,982)	(161,234)
Nine Year Total Exces	(2,529,113)	(2,109,216)	(1,730,154)	(1,399,910)	(1,109,002)	(840,829)	(596,313)	(366,216)	(161,234)
Present Value	(1,919,454)								

	Balance 31-Dec-96	(1) Ratio	(2) Cost of Capital	(1) X (2) Weighted Cost of Capital	After Tax Rate
Long-term debt	\$2,744,256	47.01%	7.90%	3.71%	2.17%
Preferred stock	454,911	7.79%	7.10%	0.55%	0.55%
Common equity	2,637,839	45.19%	9.46%	4.28%	4.28%
	<u>\$5,837,006</u>	<u>100.00%</u>		<u>8.54%</u>	<u>7.00%</u>

AFFIDAVIT

State of Virginia)
)
) SS.
)
County of Arlington)

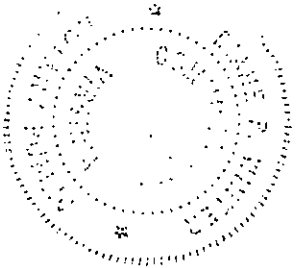
Thomas J. Prisco, being duly sworn according to law, deposes and says that he has read the foregoing document, that the facts set forth therein are true and correct, to the best of his knowledge, information and belief.

Thomas J. Prisco

Sworn and subscribed before me this

1st day of July, 1997

My Commission expires April 30, 2, 000.



Diane R. Winter
Notary Public

BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility)
Commission, et al.) Docket No. R 00973954
vs.)
Pennsylvania Power & Light Company)

CERTIFICATE OF SERVICE

I certify that I have caused a copy of the foregoing document to be sent this day, by
postage prepaid, first class U.S. Mail (or Private Messenger) to the following addressees:

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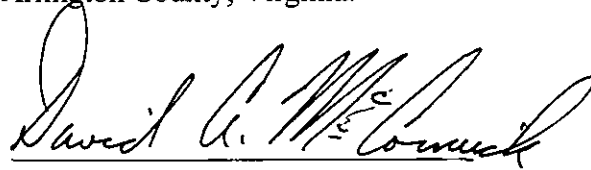
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ADMINISTRATIVE LAW JUDGE
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MARY M. HOPPER, ESQ.
PECO ENERGY COMPANY
S23-1
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PHILADELPHIA, PA 19103

Dated this 1st day of July, 1997, at Arlington County, Virginia.


David A. McConch

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97 JUL -2 AM 8:10

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16091 751-8500

RECEIVED
PROTHONOTARY'S OFFICE

MEM

(717) 236-4812

Linda C. Smith

July 1, 1997

The Honorable George M. Kashi
PA Public Utility Commission
North Office Building
P.O. Box 3265
Harrisburg, PA 17105

Re: Application of Pennsylvania Power & Light Company For
Approval of Its Restructuring Plan Under Section 2806 of
the Public Utility Code, Docket No. R-00973954

Dear Judge Kashi:

Enclosed please find the original copy of the Direct Testimony of Dr. Mark N. Cooper on behalf of the American Association of Retired Persons in the above captioned action. Parties are being served in accordance with the attached Certificate of Service.

Very truly yours,

Linda C. Smith

Linda C. Smith

LCS:sdc

Enclosures

cc: James McNulty, Prothonotary (Certificate of Service only)
Certificate of Service

DOCUMENT
FOLDER

CERTIFICATE OF SERVICE

I, Linda C. Smith, hereby certify that I have this day caused a true copy of the foregoing to be served upon the parties of record in Docket No. R-00973954 in accordance with the requirements of 52 Pa. Code Section 1.54 (relating to service by a participant), in the manner and upon the parties listed below.

Dated at Harrisburg, Pennsylvania, July 1, 1997.

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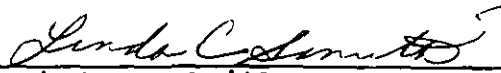
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MEMO

Honorable George M. Kashi
Administrative Law Judge
Pennsylvania Public Utility Commission
Room G-08, North Office Building
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VIA HAND DELIVERY

Re: **Pennsylvania Public Utility Commission v. Pennsylvania Power & Light Company**
- Application of Pennsylvania Power & Light Company for Approval of its
Restructuring Plan under Section 2806 of the Public Utility Code;
Docket No. R-00973954

Dear Judge Kashi:

Consistent with the procedural schedule in the above-referenced proceeding, enclosed please find a copy of written direct testimony prepared on behalf of the PP&L Industrial Customer Alliance ("PPLICA") as follows:

- (1) PPLICA Statement 1 (the direct testimony and exhibits of Stephen J. Baron)
- (2) PPLICA Statement 2 (the direct testimony and exhibits of Randall J. Falkenberg)
- (3) PPLICA Statement 3 (the direct testimony and exhibits of Lane Kollen)

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Honorable George M. Kashi
July 1, 1997
Page 2

- (4) PPLICA Statement 4 (the direct testimony of James H. Rooney on behalf of Armstrong World Industries, Inc.)
- (5) PPLICA Statement 5 (the direct testimony of James S. Schneider on behalf of R.R. Donnelley & Sons, Inc.)

Copies are also being served upon all parties of record as evidenced by the attached Certificate of Service.

Very truly yours,

McNEES, WALLACE & NURICK

By 

Pamela C. Polacek

Counsel to the PP&L Industrial Customer Alliance

PCP/clc

Enclosures

c: Certificate of Service
James J. McNulty, Prothonotary (transmittal letter and Certificate of Service only)

CERTIFICATE OF SERVICE

I hereby certify that I am this day serving a true copy of the foregoing direct testimony and exhibits upon the participants listed below in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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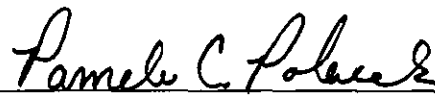
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