

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

KJR

DOCKETED

AUG 28 1997

DOCUMENT
FOLDER

FIRST PREHEARING ORDER

AND NOW, this 25th day of August, 1997, upon consideration of our determinations made at the first, second and third prehearing conference, the parties shall file joint briefs in this matter. The parties are directed to indicate to lead counsel in their group which issues listed on the commonality of issues attachment they feel the need to address individually. Such indication shall be made to lead counsel no later than Thursday, August 28, in writing. Lead counsel shall then notify us as to what coordination efforts will be necessary and at that time we will make a determination as to the length of briefs.


GEORGE M. KASHI
Administrative Law Judge

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

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RECORDED

PARTY GROUPING

GROUP

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REVISED OUTLINE OF
RESTRUCTURING PLAN CASE ISSUES
(August 5, 1997)

1. CONTEXT OF RESTRUCTURING

- A. Economic and Competitive Background
- B. Legal and Legislative Background
- C. Electricity Generation Competition And Customer Choice Act
 - 1. Concerns addressed by the Customer Choice Act
 - 2. Post-Restructuring Electricity Market Envisioned By The Customer Choice Act

II. LEGAL AND POLICY FOUNDATIONS OF STRANDED COST RECOVERY

- A. Legal Standard
 - 1. Statutory
 - 2. Regulatory
- B. Effect on Regulated Activities
- C. Effect on Investors
- D. Mitigation
 - 1. Pre-Restructuring Mitigation and Rates
 - a) PP&L's Pre-Restructuring Rates
 - b) Refinancings
 - c) O&M Cost Reductions
 - d) Reductions In Planned Capital Expenditures

- e) Employee Reductions Inventory Reductions'
- g) Cost-Effective Nuclear Plant And Fossil Plant Operations
- h) NUG Contract Cost Reductions Development Initiatives

2. Post-Restructuring Mitigation

- a) Foregone Recovery Under Rate Cap
- b) Depreciation Swap
- c) Operations And Maintenance Cost Reductions
- d) Cost Reductions In Administrative And General Activities
- e) Treatment of Depreciation Change in 1999 NUG Buyouts
- g) Reduction In Planned Capital Expenditures

E. Allocation of Stranded Costs

III. STRANDED COST CALCULATION METHODOLOGY

- A. Regulatory Method
- B. Asset Value Method
- C. Other Methods including Auction of Generating Assets

IV. MARKET PRICE OF ELECTRICITY

- A. Relevant Market for Energy
- B. Price of Capacity
 - 1. Methodology
 - 2. Cost and Efficiency of New Units
- C. Price of Energy
 - 1. Choice and Use of Models
 - a) Realism or Reliability of Output
 - b) Treatment of start-up and no-load costs
 - 2. Fuel Prices
 - 3. Inflation
 - 4. Load Growth
 - 5. Efficiency Of New Capacity
 - 6. Other Inputs
 - a) Nuclear Capacity Factor
 - b) Variable O&M
 - c) Reserve requirements
 - d) Environmental costs
 - e) Inclusion of A & G NUG Output

- g) Ancillary Services
- h) Other Inputs and Factors Affecting Price

V. REVENUE UNDER REGULATION

- A. PUC Jurisdictional Allocation
- B. Cost Of Capital
 - 1. Equity
 - 2. Debt
- C. Regulatory Assets and Liabilities
 - 1. Unrecovered Energy Costs
 - 2. Employee Transition Costs And Pension Plan
 - 3. Taxes Other Than Income
 - 4. Fossil Plant Decommissioning
 - 5. Nuclear Plant Decommissioning
 - 6. DOE Assessments
 - 7. Susquehanna Deferred Refueling Costs
 - 8. Earnings On Recovered SFAS 106 Costs
 - 9. SFAS 109 (Investment Tax Credit)
 - 10. Retirement of Generating Plant
 - 11. Rate Case Expenses
 - 12. Safe Harbor

D. Other Revenue Issues

VI. DETERMINATION OF PRESENT VALUE

A. Appropriate Discount Rate

B. Application of Discount Rate

VII. RECOVERY OF STRANDED COST

A. CTC Design Methodology, including Fixed, Variable or Levelized CTC

B. Prohibition on Inter and Intra Class Cost Shifting

C. CTC Reconciliation and Tracking

D. CTC and Rate Cap Extension

E. Return on Unamortized CTC Balances

F. Calculation Of CTC Applicable To Interruptible Service Customers

VIII. RATE DESIGN AND TARIFFS

A. Customized Rate Design

B. Closure Of Existing Economic Incentive Rates

C. Terms and Conditions Modifications to Existing Tariffs

D. Allocation Of Universal Service Charges

E. Federal/State Jurisdictional Determination

F. Transmission and Distribution Unbundling

IX. PHASE-IN ISSUES

- A. Phase-in Selection Method
- B. Grandfathering Of Pilot Customers

X. CODE OF CONDUCT AND COMPETITION ISSUES

- A. Purpose and Goal of Codes of Conduct and Competitive Access Rules
- B. Existing Prohibitions on Anticompetitive or Discriminatory Behavior
 - 1. Antitrust Laws
 - 2. Federal Power Act
 - 3. FERC Order Nos. 888 & 889.
- C. Basis and Extent of PP&L's Proposed Code of Conduct
 - 1. Applicability With PP&L
 - 2. Prevention of Cross-Subsidy
 - 3. Protection of and Access to Customer Information
 - 4. Comparable Access to Delivery Systems
 - 5. Functional Separation Of Business Units
 - 6. Dissemination and Enforcement
- D. Additional Competitive Restrictions Proposed
 - 1. Prohibit Use of "PP&L" Name
 - 2. Require Delivery Group to Supply Customers Not Eligible to Choose Alternate Suppliers During the Phase-in
 - 3. Prohibit Joint Marketing

4. Require That Surplus Power Be Offered to Alternate Suppliers
 5. Require the Delivery Group to Make Non-Delivery System Information Available to All Alternate Suppliers
 6. Prohibit Market-Driven Contracts Before Choice Is Implemented
 7. Require a Uniform State-Wide Code of Conduct
 8. Require PP&L to Permit Alternate Suppliers to Bill for Distribution Services and Be the Sole Contact for Customer Service
 9. Limitations of the Provision of Non-Utility Services
- E. Further Unbundling Of Distribution Rates or Services
1. Metering, Billing And Collection Services
 2. Ancillary Services
- F. "Open Architecture" Standards for Metering and Other Distribution Services
- G. Treatment Of Partial Payments by Customers
- H. Allocation Of PJM Intertie Capacity
1. Customer "Slamming"
- J. Other Consumer Protection Recommendations

XI. CUSTOMER EDUCATION

- A. Statewide Customer Education Program
- B. Specific Milestones And Budgets
- C. Customer Research
- D. Evaluation Of Customer Education Efforts

- E. Separation Of Education From Marketing Activities
- F. Other Specific Customer Education Recommendations

XII. UNIVERSAL SERVICE AND CUSTOMER ASSISTANCE PROGRAMS

- A. Increased Funding
- B. Availability Of Universal Service And Customer Assistance Programs
- C. Allocation Of Universal Service Program Costs
- D. Other Universal Service And Customer Assistance Program Recommendations

XIII. ENVIRONMENTAL ISSUES

- A. Disclosure Of Fuel Mix And Waste Discharge Information
- B. Renewables Pilot Program

XIV. CONCLUSION

**PP&L RESTRUCTURING PROCEEDING
WITNESS SCHEDULE
(August 6, 1997)**

Day	PP&L INTERVENORS	ISSUES
Monday 8/18	Kalt on) Geneczko Mayo (Enron) Dirmeier (Enron) Johnstone (MAPSA)	Competition
Tuesday 8/19	Krall Tierney Kasper Kleha	L. Smith (OCA) Rate Design Reising (Enron) Knecht (OSBA)
Wednesday 8/20	Kahn Bradford (Env) Hill Rooney (PPLICA) Schneider (PPLICA)	Stranded Cost Principles
Thursday 8/21	Baumann	Alexander (OCA) Metering
Friday 8/22	Bujnowski Osmanski Bowen (Enron) Whitehead Tabor (Enron) Coles (Enron)	Jacobson (Enron) Billing Transmission
Monday 8/25	Jones Falk Schoengold (Env) Kolien (PPLICA)	D. Smith (OCA) Market Price
Tuesday 8/26	Schadt	Prisco (Army) Stranded Calculation
Wednesday 8/27	Berish Hoch Baron (PPLICA) Farley Catlin (OCA) Biewald (Env)	Falkenberg (PPLICA)
Thursday 8/28	Guth Gruber (OTS) Moul Reed (OTS) Deardorf (OTS)	Stranded Calculation
Friday 8/29	Dahl Brockway (OCA) Lennon Crandall (CEO) Karp (CEO) Cooper (AARP)	Universal Service Education

PP&L RESTRUCTURING PROCEEDING
WITNESS CROSS-EXAMINATION PROJECTION

PARTY

<u>DAY</u>	<u>WITNESS</u>	<u>TIME</u>	<u>COMMENTS</u>
<u>Monday 8/18</u>	<u>Kalt (PP&L)</u> <u>Geneczko (PP&L)</u> <u>Shapiro (Enron)</u> <u>Mayo (Enron)</u> <u>Dirmeier (Enron)</u> <u>IJohnstone (MAPSA)</u>		
<u>Tuesday 8/19</u>	<u>Krall (PP&L)</u> <u>Tierney (PP&L)</u> <u>Kasper (PP&L)</u> <u>Kleha (PP&L)</u> <u>L. Smith (OCA)</u> <u>Reising (Enron)</u> <u>lknecht (OSBA)</u>		
<u>Wednesday 8/20</u>			
<u>Thursday 8/21</u>	<u>Kahn (PP&L)</u> <u>Bradford (Env)</u> <u>Hill (PP&L)</u> <u>Rooney (PPLICA)</u> <u>Schneider (PPLICA)</u>		
<u>Friday 8/22</u>	<u>Baumann (PP&L)</u> <u>Bujnowski (PP&L)</u> <u>Osmanski (PP&L)</u> <u>Whitehead (PP&L)</u> <u>Alexander (OCA)</u> <u>Jacobson (Enron)</u> <u>Bowen (Enron)</u> <u>Tabor (Enron)</u> <u>Coles (Enron)</u>		

DAY

WITNESS

TIME

COMMENTS

Monday 8/25

Jones (PP&L)
Falk (PP&L)
Kolien (PPLICA)
D. Smith (OCA)
Schoengold (Env)

Tuesday 8/26

Wednesday 8/27

Schadt (PP&L)
Berish (PP&L)
Hoch (PP&L)
Farley (PP&L)
Falkenberg (PPLICA)
Baron (Enron)
LaCapra (OCA)
Catlin (OCA)
Prisco (Army)
Biewald (Env)

Thursday 8/28

Guth (PP&L)
Moul (PP&L)
Gruber (OTS)
Reed (OTS)
Deardorf (OTS)

Friday 8/29

Dahl (PP&L)
Lennon (PP&L)
Brockway (OCA)
Kuennen (CEO)
Crandall (CEO)
Karp (CEO)
icooper (AARP)