

DOCKETED

OCT 02 1997

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Pennsylvania Power & Light :
for Approval of its Restructuring Plan Under :
Section 2806 of the Public Utility Code :
:

DOCKET NO. R-00973954

Briefing Order

KJR

The transcript of testimony taken in the above entitled proceeding indicates that the parties will file briefs. On October 24, 1997, as per the revised schedule, Initial Post-Hearing briefs are due. A word to the wise seems appropriate.

It has often been said
there's so much to be read,
you can never cram all those words in your head.

DOCUMENT
FOLDER

So the writer who breeds
more words than he needs
is making a chore
for the reader who reads.

That's why my belief is
the briefer the brief is,
the greater the sigh
of the reader's relief is

And that's why your books
have such power and strength,
You publish with shorth!
(Shorth is better than length.)¹

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¹ Dr. Seuss in praise of Readers Digest Condensed Books.

Pursuant to the Commission's regulation at 52 Pa. Code §5.502(b), we have fixed the following briefing schedule:

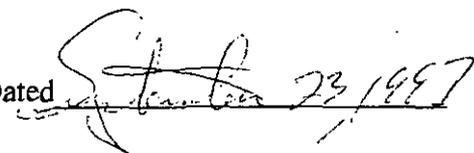
An original and nine copies of the initial/main brief of each party must be filed with the Commission's Secretary on or before 4:00 p.m. October 24, 1997 . An original and nine copies of the reply brief, if any, of each party must be filed with the Commission's Secretary on or before 4:00 p.m. November 13, 1997. Briefs shall comport to the attached instructions. If briefs are not received within the allotted time, they shall not be accepted for filing, except by special permission of the presiding officer.

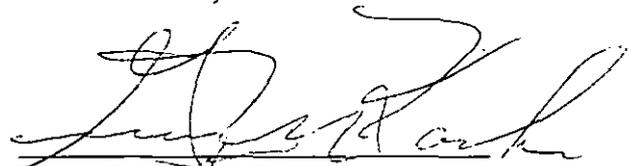
The content and form of briefs should generally follow the Commission's regulation at 52 Pa. Code §5.501. Primary emphasis in the brief should be placed on the issues identified in the commonality of issues identification (attached hereto). Briefs may include proposed fact-findings and proposed conclusions of law. Briefs should include references to transcript pages and exhibits where can be found the evidence upon which the briefs rely. When citing to the transcript, please indicate the transcript hearing date. Briefs should include a specific prayer for relief which may be stated in proposed ordering paragraphs. A brief citing an unreported (unpublished) decision shall have attached to it a copy of the decision.

Briefs length has yet to be determined.. Briefs of more than 20 pages shall contain a table of contents with page references and a table of citations.

The parties should submit their briefs in traditional hard copy and also on computer disk (Micro Soft Word 6.0, floppy disk 3.5" or 5.25").

Dated

 23/1997


George M. Kashi

INSTRUCTIONS FOR BRIEFS AND EXCEPTIONS
IN GENERAL RATE INCREASE PROCEEDINGS

1. All adjustments shall be based on a specific test year, to be selected before the record is closed.

2. Each brief shall contain a table of contents with page references to the summary of argument and to each topic addressed in the argument.

3. Each brief shall follow the general organization shown in the standardized format attached hereto as Tab 1.

4. The following schedules shall be submitted with each brief:

a. A schedule showing summary of Stranded Costs

b. A schedule showing the precise derivation and calculation of Stranded costs-calculation of Regulatory assets

c. A schedule showing stranded Cost calculation-Non-utility Generation

d. A schedule showing stranded Cost calculation -Fossil

e. A schedule showing stranded cost calculation -Nuclear.

f. A schedule which lists the party's exhibits which were identified and admitted and the date on which each exhibit was admitted into evidence.

5. Every party filing a brief shall complete and include as appendices thereto an Income Summary (Table I) and a Summary of Adjustments (Table II), These tables should include all recommended adjustments together with a reference to the appropriate source in the record. It will be assumed that any recommended adjustment not listed in the

Summary of Adjustments table cannot be quantified with enough specificity to be considered in the Recommended Decision.

6. Adjustments shall be complete and self-contained, shall include reference to the appropriate record source or sources, shall be on a before-income-tax basis and a consistent jurisdictional basis.

7. Briefs shall demonstrate, explicitly or by reference to the record, how each proposed adjustment is derived and shall, when appropriate, show constituent elements of adjustments.

8. Calculations which are the basis for proposed adjustments, but which are not in the record, shall be included with the brief.

9. Adjustments shall never be shown solely on either a net income or revenue requirement effect basis.

10. The calculation of the basic adjustment shall be detailed to demonstrate the step-by-step calculation of that adjustment together with the appropriate record reference.

11. Concomitant rate base, revenue, expense, depreciation expense, and tax adjustments should be set forth, together with the details of their calculation.

12. The starting point for the Income Summary table shall be the utility's pro forma showing at present rates.

13. Net Revenue and Expense Net Lag Days for all Cash Working Capital Adjustments shall, if appropriate, be calculated to at least one decimal place.

14. The effect of deferred or accrued taxes on the various tax adjustments presented in the Summary of Adjustments table shall be indicated by a footnote.

15. Rate structure proposals shall be reasonably specific and explicit, refer to record support as appropriate, and be summarized at the end of the "Rate Structure" topic heading of each brief.

16. Parties shall, as feasible and appropriate, discuss alternative rate design proposals for overall rate increases at and below the requested increase.

17. Each exception shall be separately identified and discussed.

18. Each exception shall include, before any discussion is provided, the following elements:

- (a) a reference to the relevant part of the Recommended Decision, specifying the pertinent pages;
- (b) a reference to related discussions in the excepting party's brief and, as appropriate, to other briefs; and
- (c) a concise statement of the exception.

19. The exceptions shall follow the order of presentation provided in the table of contents to the Recommended Decision.

20. If a party takes exception concerning a topic not included within the Recommended Decision or the table of contents thereto, such exceptions shall be included at the end of the appropriate major topic heading (such as "Rate Base" or "Expenses").

21. If a party seeks to correct computations associated with the Recommended Decision, replacement computations, with source references to briefs or the record, shall be provided with the exceptions.

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

I 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. Renewable Pilot Program

XIV. CONCLUSION

**SUMMARY OF
STRANDED COSTS
(S000)**

	Company Claim	Adjustments	Adjusted Amount
Nuclear			
Fossil			
NUG			
Regulatory Assets	_____		
Total Net Present Value (NPV) in 1999 \$	=====		

**STRANDED COST CALCULATION -
CALCULATION - REGULATORY ASSETS
(\$000)**

	Company Claim	Adjustments	Adjusted Amount
Unrecovered Energy Costs			
Post-Retirement Benefits			
Susquehanna Operating Costs			
Common Plant			
Nuclear			
Other Production			
Retired Miners' Healthcare Costs			
DOE Assessment			
Deferred Refueling Costs			
Voluntary Early Retirement Costs			
Employee Transition Costs			
Rate Case Expenses			
Taxes Recoverable			
Nuclear			
Other Production			
Regulatory Liabilities			
Nuclear			
Other Production			
Total PUC Amortizations (1999-2024)			
Net Present Value (NPV) in 1999 \$			

**STRANDED COST CALCULATION -
NON-UTILITY GENERATION (NUG)**
(\$000)

	Company Claim	Adjustments	Adjusted Amount
Cost of Purchase (1999)			
Market Value (1999)	_____		
Cost in Excess of Market Value (1999)			
Less: Buy-out Payments (1999)	_____		
Total (Deficiency)/Excess (1999)			
PUC Jurisdictional Percent (1999)		%	
PUC (Deficiency)/Excess (1999)	=====		
Summation of (Deficiency)/Excess Amounts (1999-2015)	=====		
Discount Rate		%	
Net Present Value (NPV) in 1999 \$	=====		

**STRANDED COST
CALCULATION - FOSSIL**
(S000)

	Company Claim	Adjustments	Adjusted Amount
Revenue Required (1999)			
Market Revenue (1999)	_____		
Total (Deficiency)/Excess (1999)			
PUC Jurisdictional Percent (1999)		%	
PUC (Deficiency)/Excess (1999)	=====		
Summation of (Deficiency)/Excess Amounts (1999-2045)	=====		
Discount Rate		%	
Net Present Value (NPV) in 1999 \$	=====		

**STRANDED COST
CALCULATION - NUCLEAR**
(S000)

	Company Claim	Adjustments	Adjusted Amount
Revenue Required (1999)			
Market Revenue (1999)			
Total (Deficiency)/Excess (1999)			
PUC Jurisdictional Percent (1999)		%	
PUC (Deficiency)/Excess (1999)			
Summation of (Deficiency)/Excess Amounts (1999-2024)			
Discount Rate		%	
Net Present Value (NPV) in 1999 \$			