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July 31, 1998

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JUL 31 1998

VIA FEDERAL EXPRESS

Prothonotary
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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Re: **Application of Pennsylvania Power & Light Company for
Approval of Restructuring Plan Under Section 3806 of the
Public Utility Code
Docket No.: R-00973954**

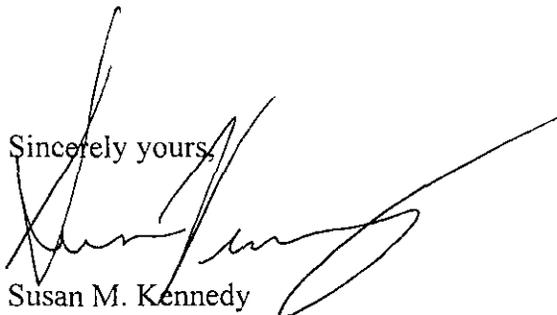
Dear Sir or Madam:

KJR

Enclosed please find the original and four copies of Intervenor Titanium Hearth Technologies, Inc.'s Objections and Comments to PP&L Inc.'s Restructuring Plan Compliance Filing. Kindly time stamp one copy and return it in the stamped, self-addressed envelope provided for this purpose.

Thank you for your courtesies.

Sincerely yours,


Susan M. Kennedy

SMK:pd
Enclosures

cc: Philip J. Mause, Esquire
Gregg R. Mellinson, Esquire
w/ enclosure to both parties

**DOCUMENT
FOLDER**

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Application of Pennsylvania : Commonwealth of
 Power & Light Company : Pennsylvania before
 For Approval of Restructuring : The Pennsylvania
 Plan under Section 2806 of the : Public Utility Commission
 Public Utility Code : Docket No.: R-00973954

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**Intervenor Titanium Hearth Technologies Inc.'s
 Objections and Comments to PP&L Inc.'s
Restructuring Plan Compliance Filing**

JUL 31 1998

PUBLIC UTILITY COMMISSION
 SECRETARY'S BUREAU

On July 21, 1998, Titanium Hearth Technologies Inc. ("THT") filed a Petition to Intervene in the instant proceeding. This petition is presently pending before the Public Utility Commission ("PUC"). Based on the belief that its petition will be granted, THT hereby respectfully submits its objections and comments to Pennsylvania Power & Light Company's ("PP&L") recent compliance filing as follows:

1. On July 17, 1998 PP&L filed with the PUC a compliance filing pursuant to its request for Approval of the Restructuring Plan under Section 2806 of the Public Utility Code.
2. In Supplement No. 75 to Tariff Electric Pa. P.U.C. No. 200, Sixteenth revised page no. 31 of this July 17, 1998 Compliance filing, PP&L states that rate schedule PR-1 will end on January 1, 1999.
3. In Supplement No. 1 to Tariff Electric Pa. P.U.C. No. 201 original page no. 2G of the July 17, 1998 Compliance filing, PP&L states that rate schedule PR-1 and PR-2 are eliminated.
4. These provisions effectively discontinue the PR-1 rate under which THT takes service.
5. The PR-1 Rate Structure is a program offered by PP&L to certain industrial customers. Customers under the PR-1 rate structure pay rates for electric usage which vary on an hourly basis. These rates are a function of the marginal generating costs on the PJM pool.
6. Under the PR-1 Rate Structure, a customer can control and minimize its electricity costs by scheduling usage at time periods during which PP&L's anticipated costs will be lower. During periods of very intense electricity demand (such as those experienced by many electric utilities this summer), PR-1 customers face a very strong incentive to reduce their electricity consumption. This, in turn, reduces the danger of system failures,

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outages, or brownouts. There are, thus, strong public policy benefits associated with the continuation of the PR-1 rate.

7. The PR-1 rate does not expose PP&L to losses because, by the very way in which the rate operates, PP&L always recovers its costs plus a mark-up.
8. The elimination of the PR-1 rate will potentially cause serious economic damage to THT. THT, therefore, opposes PP&L's compliance filing to the extent it will eliminate the PR-1 rate.
9. THT is a large industrial customer of PP&L. It has over 300 employees in the Commonwealth of Pennsylvania and contributes significantly to economic development in Berks County, Pennsylvania.
10. In 1998, THT will incur electricity expenses of nearly \$2 million under the current PR-1 Rate Structure.
11. THT recently chose to significantly expand its operations in the Commonwealth of Pennsylvania.
12. One of the critical considerations behind THT's decision to expand in the Commonwealth of Pennsylvania, rather than elsewhere, was anticipated electricity costs.
13. Because of the aggressive domestic and international competition that THT faces, electricity costs are a critical element in determining the competitive viability of production at a given site. This factor was especially important to the recent expansion decision since the proposed expansion would increase THT's electricity demand by roughly 60 percent over the next three year period.
14. Prior to making its decision to expand, THT carefully reviewed comparative electricity costs in Pennsylvania and a number of other jurisdictions. During this review PP&L provided THT with assurances that it planned to continue the PR-1 Rate Structure and encouraged THT to expand its operations in Pennsylvania.
15. Based on, and in reliance upon, these assurances about the PR-1 Rate Structure, THT decided to expand its operations in the Commonwealth of Pennsylvania and committed to invest \$36 million. THT's expansion will result in a significant number of new jobs in Pennsylvania.

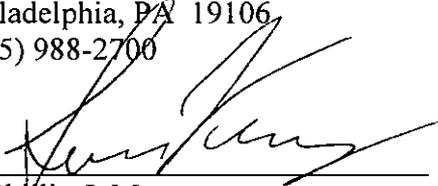
16. In violation of the prior representations upon which THT relied, PP&L is now trying to eliminate the PR-1 Rate structure.
17. THT submits that the elimination of this rate is contrary to sound economic policy and, further, is not consistent with either the *Electric Generation Consumer Choice and Competition Act*, 66 Pa. C.S. §§2801 *et. seq.* ("The Competition Act"), or the P.U.C.'s Restructuring Order.
18. Under the Competition Act, PP&L is not permitted to discontinue the PR-1 Rate Structure because to do so would violate the legally mandated price cap.
19. Section 2804(4)(i)(A) of the Act requires that the charges PP&L imposes upon customers, such as THT, may not exceed the charges "approved by the Commission for such service as of the effective date of this chapter." The PR-1 rate was in effect and was utilized by THT as of the effective date of the Competition Act.
20. Thus, PP&L must continue to make the PR-1 Rate Structure available or must take other measures that assure that THT not be required to pay higher charges than those in effect as of the effective date of the Competition Act. The PR-1 rate structure should be continued until the end of the transition period (September 30, 2005).
21. PUC is violating this mandate by attempting to eliminate the PR-1 Rate and raise the charges imposed upon THT.
22. PP&L's planned discontinuance of the PR-1 Rate Structure is also blatantly inconsistent with the PUC's Restructuring Order which required that Rates such as PR-1 continue to be made available as long as PP&L is collecting transition costs (until September 30, 2005).
23. Section VII. E. of the Restructuring Order recognizes that many of PP&L's incentive rates "are scheduled to terminate in the relatively near future." The Restructuring Order, therefore, mandates that all such rates be offered during the phase-in of competition.
24. In addition, after the phase-in is completed, the Restructuring Order does not permit PP&L to terminate such rates for existing customers such as THT. Instead, the Restructuring Order states only that the "incentive rate shall be closed to new customers."

25. PP&L's action in terminating the PR-1 Rate is, thus, a clear violation of the Restructuring Order.
26. The rate schedules submitted by PP&L must be revised in other respects to reflect the continuation of the PR-1 Rate. For example, PP&L has deleted references to Rate Schedule PR-1 in the "Application Provisions" sections of the Economic Development Initiatives Rider and of the Industrial Development Initiatives Rider. (See PP&L General Tariff, issued July 17, 1998, List of Changes Made by This Supplement, Original Pages 2A and 2B; and First Revised Page No. 19 and First Revised Page No. 19D). These deletions must be cancelled so that it is clear that customers utilizing the PR-1 Rate will still be eligible for the Economic Development Initiatives Rider and the Industrial Development Initiatives Rider.

Therefore, for the above stated reasons, THT respectfully requests that the PUC disapprove PP&L's July 17, 1998 Compliance Filing insofar as it provides for the elimination of the PRS Rate program and the PR-1 Rate.

Respectfully submitted,

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VERIFICATION

I, Susan M. Kennedy, attorney for Titanium Health Technologies, Inc., hereby state that the facts set forth in the foregoing document are true and correct to the best of my knowledge, information and belief and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. §4904 relating to the unsworn falsification to authorities.

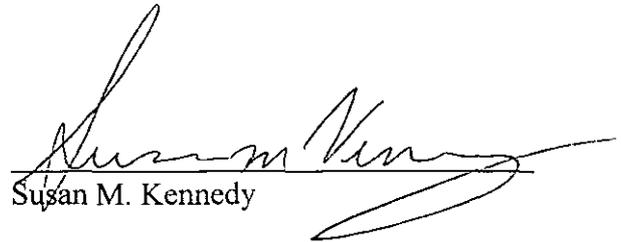
Date: July 31, 1998

A handwritten signature in cursive script, reading "Susan M. Kennedy", written over a horizontal line.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the participants, listed on the attached list, in accordance with the requirements of § 1.54

Dated this 31st day of July, 1998


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August 5, 1998

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Mr. James J. McNulty, Sec.
Pennsylvania Public Utility Commission
Room B20 North Office Bldg.
Commonwealth and North Street
Harrisburg, PA 17120

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

Dear Mr. McNulty:

Enclosed please find one original and fifteen copies of the Motion of DuPont Power Marketing Inc. for Withdrawal of Intervention in the above-referenced proceeding.

Please stamp and return the extra copy of this submission in the enclosed envelope

Sincerely,

Bruce A. Connell
EB

cks
Enc.

cc: **Pennsylvania Power & Light Company**
Parties on Official Service List

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

AUG 05 1998

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Pennsylvania Power & Light Company §
§ Docket No. R-00973954
§

MOTION OF DUPONT POWER MARKETING INC.
FOR WITHDRAWAL OF INTERVENTION

Pursuant to the rules and procedures of the Pennsylvania Public Utility Commission, 52 Pa. Code @ 5.71, *et seq.*, DuPont Power Marketing Inc. ("DPMI") hereby moves to withdraw its intervention in the above-captioned proceeding and to be removed from the service list.

Respectfully submitted,

DOCUMENT
FOLDER

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Bruce A. Connell, Esq.
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August 5, 1998

DOCKETED
AUG 10 1998

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon Pennsylvania Power & Light Company and all parties listed on the official service list.

Dated at Houston, Texas this 5 day of August, 1998.

VIA FIRST CLASS MAIL

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Certificate of Service

Page 2

Docket No. R-00973954

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Certificate of Service

Page 3

Docket No. R-00973954

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Certificate of Service

Page 4

Docket No. R-00973954

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Page 5

Docket No. R-00973954

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COMMONWEALTH OF PENNSYLVANIA

DATE: August 6, 1998

SUBJECT: R-00973954

TO: Law Bureau

FROM: James J. McNulty, Secretary

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

Attached is copy of a Petition to Intervene of Titanium Hearth Technologies Inc. filed in connection with the above entitled proceeding.

This matter is assigned to your Bureau for appropriate action.

Attachment - copy of petition

cc: Ots - w/copy of petition

JEP

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AUG 06 1998

**DOCUMENT
FOLDER**

KJR

THE LAW FIRM OF

MALATESTA HAWKE & McKEON LLP

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ORIGINAL

August 6, 1998

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Pennsylvania Public Utility Commission
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PA. P.U.C. BUREAU
SECRETARY'S BUREAU
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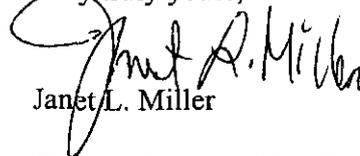
RE: Application of PP&L, Inc. for Approval of its Restructuring Plan Under Section 2806 of the Public Utility Code, et al.; Docket No. R-00973954; **COMMENTS OF THE MID-ATLANTIC POWER SUPPLY ASSOCIATION TO COMPLIANCE FILING**

Dear Secretary McNulty:

Enclosed, for filing with the Commission, are an original and fifteen (15) copies of the Comments of the Mid-Atlantic Power Supply Association to the Compliance Filing in the above-referenced matter. As reflected on the Certificate of Service, all parties to this proceeding have been served with a copy of MAPSA's Comments.

If you have any questions regarding this matter, please direct them to me. Thank you.

Very truly yours,



Janet L. Miller

Counsel for the Mid-Atlantic
Power Supply Association

cc: Chairman John Quain
Vice Chairman Robert Bloom
Commissioner David Rolka
Commissioner Nora Mead Brownell
Commissioner Aaron Wilson
Barbara Bruin, Executive Director
Per Service List

ORIGINAL

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of PP&L, Inc. for Approval :
of its Restructuring Plan Under Section : Docket No. R-00973954
2806 of the Public Utility Code, et al. :

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COMMENTS OF MAPSA TO
COMPLIANCE FILING

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P.A. P.U.C.
SECRETARY'S BUREAU

The Mid-Atlantic Power Supply Association ("MAPSA") hereby offers its comments to the July 17, 1998, compliance filing of PP&L, Inc. ("PP&L") as ordered by this Commission on June 15, 1998 in the above-captioned matter. PP&L's compliance filing consists of several parts, MAPSA's comments will be generally confined to the tariff supplements ("Tariff") and to PP&L's Electric Generation Supplier Coordination Tariff ("Supplier Tariff"). MAPSA's specific comments follow.

I. EDC TARIFF

1. PP&L's Tariff, on original pages 19 through 19A, change the provisions of PP&L's Economic Development Rider ("EDI"). That Rider contains billing adjustments for existing customers as well as separate billing adjustments for those customers who shop for their electric generation supply. PP&L's filing contains a significant disparity in the calculation of the billing adjustment, to the detriment of customers who choose to receive their electric generation supply from alternative suppliers. PP&L has offered no justification for this disparity, and this disparity is in contradiction to the Commission's Order which requires that rates be unbundled without discrimination to customers who shop, as opposed to those who do not shop. PP&L's

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treatment of the EDI Rider constitutes a penalty to customers who shop in the form of a reduced credit for energy and capacity. PP&L should be required to modify its Tariff, and provide the same credit regardless of whether a customer chooses to shop or not.

2. On page 19D.1, PP&L's Tariff contains an Industrial Development Initiatives Rider ("IDI"), which contains similarly discriminatory billing adjustments which PP&L also should be required to modify. Again, PP&L has offered no justification for the discrimination against shopping customers and this action is directly in contradiction to the Commission's Order, which requires the unbundling of rates in a non-discriminatory fashion.

3. PP&L's Competitive Rate Rider is found on page 19E of PP&L's proposed Tariff. The Competitive Rate Rider is essentially closed to new customers. However, customers who may initiate service with PP&L after July 1, 1999, and who may not be eligible for choice until January 2, 2000, may apply for service under the Rider. In such a case, however, a new customer would be mandated to a minimum five-year term, which would take that customer well beyond the period in which that customer might otherwise obtain choice. PP&L should be required to revise its Tariff to eliminate the five-year minimum contract provision for new customers under this Tariff.

4. For PP&L's rate schedules, which employ time-of-day metering, namely GS-1 (page 24B), Global Settlement-3 (page 25B), Rate Schedule LP-4 (page 27B) and Rate Schedule LP-5 (page 28A.1), PP&L employs a different method for calculating the billing KW for customers receiving electric generation supply from a competitive supplier than PP&L does for customers who continue to take generation service under its Tariff. While a customer taking service of electric generation from PP&L has its billing KW calculated as the average number of

kilowatts supplied during a fifteen minute period of maximum use during on-peak hours, customers who shop will have their billing KW applied to the maximum fifteen minute period during the current billing period. This is a discriminatory difference in the calculation of billing KW and PP&L should be required to eliminate this provision in order to put shopping customers on the same footing as non-shopping customers.

5. Generally, PP&L should be required to unbundle all its industrial tariffs and rate riders and should be required to apply all discounts to the delivery service component of those rates in order to put a shopping customer on the same footing competitively as a non-shopping customer. Otherwise, PP&L will continue to offer discounts which are allocated to the generation component of a non-shopping customer's bill which put that customer at a competitive advantage vis-a-vis a shopping customer. Any and all discounts applied under an industrial rate rider or competitive rate rider should be applied to the delivery service so that all customers, whether they shop or not, will benefit from the discounts or credits.

6. Budget billing is currently available only to those customers who are full service customers of PP&L. For example, Rate RS (page 20B), RTS (page 21A), RTD (page 22A), GS-1 (page 24E), GS-3 (page 25E), IS-1 (page 30.2), GH-1(R) (page 41B) and GH-2(R) (page 42A), provide that:

Budget billing is available at the option of the customer for charges under this Rate Schedule if the customer receives Basic Utility Supply Service from the company.

Basic Utility Supply Service is available only to: (1) those who cannot choose; (2) those who continue to choose to take PP&L's bundled retail service; (3) those customers whose EGS fails;

and, (4) those customers who are PLR customers (page 5). This provision is at odds with the Commission's requirement that a customer be given the option of choosing budgeted billing from whomever they receive generation service.

II. ELECTRIC GENERATION SUPPLIER COORDINATION TARIFF

Definitions. On page 4 of PP&L's proposed Supplier Tariff, PP&L defines the term electric generation supplier ("EGS"). That definition should be required to include the following language: "This term shall be applicable in all instances to any division or subsidiary of the company engaged in the competitive supply of electricity." Under the current definition, it is not clear whether PP&L expects that the definition of EGS applies to itself in either a divisional or affiliate role. This suggested clarification is essential to ensure that PP&L abides by the terms of the Supplier Coordination Tariff when operating as a divisional or affiliated EGS in its own service territory.

Rule 4.9 **Determination Of Load And Location.** The following language should be added to Rule 4.9: "In the event there shall be a disagreement between an EGS and the company as to the proper determination and location of load, the PJM OI's determination shall be controlling." The above-noted language should be included because, under the present provision, there is no method for dealing with a dispute over the appropriate location of load. Because the determination of magnitude and location of load is essential to the PJM's pricing scheme for transmission, it is necessary to have a neutral arbiter when disputes might arise with regard to that location. Including such a provision in PP&L's Supplier Tariff will immediately make the PJM Office of Interconnection's determination the controlling determination of the location of the load.

Rule 4.14 **Data Exchange.** Under Rule 4.14, PP&L specifies the items of information that it will make available to an EGS on a daily basis on its website. However, PP&L has not included on the list the information of “whether a customer is on a payment plan.” This information was included in the PECO Supplier Tariff and is necessary for an EGS when contacting customers. PP&L should be required to include this information so that an EGS can make appropriate billing arrangements for the customer.

Also, PP&L should be required to include the customer’s billing demand for the month, and, the customer’s capacity obligation. These pieces of information are essential because, under the new PJM rules, an EDC will calculate the load requirements for a customer which is translated into a capacity obligation that an EGS will be required to maintain on behalf of that customer. Having the customer’s billing demand for the month and the customer’s capacity obligation information, will enable the EGS accurately to price service to a particular customer. PP&L should be required to modify Rule 4.14 accordingly.

Rule 5.1.3 **Provision of Customer List.** PP&L states that it will continue to enroll customers after the final date for the enrollment period if less than 66% of the non-coincident peak load for the classes have been enrolled. PP&L states that it will provide this list bi-weekly until the loads of the enrolled customers comprise 66%, or the date on which full access begins. PP&L should be required to modify this provision to require that it provide the list on a weekly basis. This Commission’s May 21, 1998, Final Order on Enrollment Procedures Applicable to EDCs and EGSs (“Enrollment Order”) states that EDCs must update this list on a weekly basis and make it available to EGSs. PP&L should be required to modify its Supplier Tariff provisions accordingly.

Rule 5.2.1 **Initial EGS Selection For 1998.** PP&L's Rule 5.2.1 on original page 19 states that "the EGS will obtain appropriate written authorization from a customer or person authorized to act on a customer's behalf, indicating the customer's choice of EGS. The written authorization shall include the customer's acknowledgment that the customer has received the notice required by Rule 5.2.1(a)." PP&L has failed to incorporate the finding of the Commission reached as a result of a request by the PEA that "direct oral confirmation from the customer of record or written evidence of the customer's consent to change a supplier" is, in fact, the standard for customer acknowledgment of choice of EGS. Revised Final Rulemaking Order Establishing Standards for Changing a Customer's Electric Generation Supplier, Docket No. L-00970121 (Order entered July 7, 1998) (Appendix A, p. 2). The Regulations do not differentiate between initial supplier selection and switching. Therefore, there is no need to differentiate for purposes of customer confirmation in the Supplier Tariff. PP&L's Supplier Tariff should be modified accordingly to remove the requirement for written confirmation of initial supplier selection and switching. While MAPSA does not object to providing customers with notice that their selection of an EGS will result in certain of their customer information being disclosed to an EGS. However, the timing of that notice is an issue. An EGS should not have to provide any notice prior to signing up a customer. It is sufficient that notice is provided after sign-up, but within the period that a customer is allowed to rescind.

In Rule 5.2.1(d) and (e), PP&L's proposed Supplier Tariff requires the company to send letters of confirmation at the end of the initial selection period to customer's confirming their EGS selection. This provision is not in accord with the Commission's rule in the Enrollment Order. That Order requires an EGS to notify an EDC by the end of the next business day after a customer exhibits his or her desire to switch, and requires an EDC to confirm receipt of said

information by the end of the following business day. The EDC is also required to send the customer a confirmation letter. PP&L has offered no rationale as to why it should wait until the end of the initial selection period to notify customers of their EGS selection. PP&L should be required to notify customers prior to the final date, so customers are certain that their information has been received and communicated appropriately. Otherwise, it is likely that, at the end of the selection period, any discrepancies would have to be dealt with in a matter of days, as opposed to a matter of months.

Rule 5.3.2 Again, PP&L includes the requirement that an EGS obtain written authorization from a customer indicating that customer's desire to select an EGS. As stated above, the Commission has determined that written authorization is not required and PP&L's Supplier Tariff should be modified accordingly. While MAPSA does not object to providing customers with notice that their selection of an EGS will result in certain of their customer information being disclosed to an EGS, the timing of that notice is an issue. An EGS should not have to provide any notice prior to signing up a customer. It is sufficient that notice is provided after sign-up, but within the period that a customer is allowed to rescind.

Also, under Rule 5.3.2(b), PP&L has required that a new EGS submit the customer's information using the company's file format, specifically, including the "price plan" information. This Commission found in Pennsylvania Public Utility Commission v. PECO Energy, Docket No. R-00984298, Order entered May 28, 1998, that price plan information is not necessarily included in the file the customer sends to the company. PP&L has offered no justification for its inclusion and this requirement should be stricken from PP&L's Supplier Tariff.

Rule 5.3.2 Switching Among EGSs. Again, PP&L requires in Rule 5.3.2, on original page 21, that a customer changing its EGS must obtain written authorization confirming the switch. As noted above, this Commission has found that written confirmation is not required and that oral confirmation is appropriate. PP&L should be required to modify its Supplier Tariff accordingly.

Rule 5.4.3 Customer Obligations. The following language should be included at the end of Rule 5.4.3 to clarify the obligations of a customer: "To the extent the company provides service." The additional clause will make it clear that customers are not required to obtain all services offered by the EDC under the EDC's tariff.

Rule 6.2.6 Purchase Of Energy Or Capacity From More Than One EGS. PP&L's proposed Rule 6.2.6 on original page 26 should be modified by inserting the following language at the end of the first paragraph:

The partial load from a competitive supplier will be first through the meter for any given hour. The split-load ratio for each commercial and industrial rate class shall be released by PP&L on or before August 28, 1998. In addition, PP&L will provide, when customer lists are released to EGSs, the peak demand for each customer potentially affected by the split-load ratio.

The customer's EGS may then schedule, on a hourly basis, no more than the split-load ratio share of that peak demand in any hour. Any energy consumption by the customer in excess of the EGS's delivery shall be provided by PP&L according to the customer's tariff rate. If the EGS's delivery exceeds the customer's consumption in a given hour, the excess will be settled according to the reconciliation rules at Rule 8.

Inclusion of this additional language will clarify that the electric generation provided by an alternative supplier is the first through the meter when, indeed, the customer loads are split during the limited circumstances of this provision. It also provides that PP&L will provide the appropriate information to allow suppliers to supply split-load under these circumstances.

The second paragraph of PP&L's proposed Rule 6.2.6 which starts "in order for the customer to receive electric supply..." should be removed from PP&L's Supplier Tariff. The Commission has been quite clear on several occasions that the customer has the right to choose the billing options that he or she wants to receive, and not the EDC. PP&L has offered no justification for this requirement and, until it can do so, this provision is not appropriately included in PP&L's Supplier Tariff.

Rule 6.2.7 Partial Purchase By The Company Prohibited. This provision should be removed. Such a blanket prohibition is not necessary, nor has it been approved by the Commission in any other context. Likewise, PP&L has offered no justification for the blanket prohibition, and it is not appropriately included in PP&L's Supplier Tariff.

Rule 6.6 Line Losses. As part of the PECO settlement, the parties stipulated to the inclusion of a provision in PECO's Supplier Tariff which would specify the line loss requirements for EGSs providing service in PP&L's service territory. PP&L's Supplier Tariff fails to include such a provision, and should be required to do so. MAPSA suggests the following language, taken directly from the PECO stipulation, as the appropriate language. Further, MAPSA has included the appropriate line loss percentages for the various rate classes from PP&L's original filing in this matter. MAPSA's suggested language follows:

For purposes of forecasting, scheduling and reconciliation in Sections 6-8 of this Tariff, the following transmission and distribution line loss percentages shall be used: for rates RS, RTS, GS-1, GS-3, GH, SL and AL, the line loss percentage shall be 7.45%; for rates LP-4 and ISP, the line loss percentage shall be 5.09%; and, for rates LP-5, LP-6, IST, LPEP, ISA and Stand-by, the line loss percentage shall be 2.61%. These percentages shall be reduced to the extent that PJM and/or the company separately charge for line losses, such as for a portion or all of the transmission line losses under a FERC-jurisdictional tariff.

Failure to include this language would allow PP&L the opportunity to modify the line loss percentages, to the detriment of suppliers.¹

Rule 14.2 Notice To Customers. PP&L has proposed to require a 30-day notice period in advance of cessation of service to a customer. This provision has been expressly rejected by this Commission and should be rejected here. Customer Information Disclosure for Electricity Providers, Order entered May 1, 1998, p. 20. The Commission adopted the position of the IRRC in its order that notice of discontinuance not be subject to an additional time requirement, PP&L should be required to modify its Supplier Tariff accordingly.

Rule 16.2 Events Of Breach. Rule 16.2 should be modified to include the term “material” in front of the word breach in Section (a). This modification was included in the PECO Supplier Tariff and should be included in this Tariff, as well.

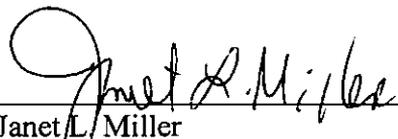
III. CONCLUSION

MAPSA asks this Commission to consider its comments to PP&L’s compliance filing and to incorporate those changes which MAPSA suggests. MAPSA’s members have gained valuable experience in participating in the first months of the Retail Access Pilot Programs and have attempted to incorporate the lessons learned from that experience in revising PP&L’s proposed tariff provisions for the good of all consumers in PP&L’s service territory. MAPSA’s position generally is that supplier tariffs will likely be amorphous documents constantly in need of change as the market matures. MAPSA suggests that this Commission plan to institute a proceeding sometime after January 1, 1999, where this Commission might review

¹ During the Pilot Programs, PP&L charged suppliers an average line loss percentage of 7.4%, which is approximately 1.3% higher than the average of the line loss percentages listed above, and which were taken from PP&L’s filing in this matter.

all Pennsylvania jurisdictional utilities' supplier tariffs to ensure that they do not contain anti-competitive provisions and to ensure that they all consistently apply all rulemakings and current knowledge in order to ensure that customers receive the best possible service.

Respectfully submitted,



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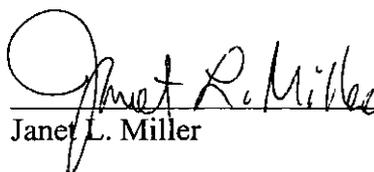
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Dated: August 6, 1998



ORIGINAL

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August 6, 1998

James J. McNulty, Secretary
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DOCUMENT
FOLDER

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

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PA.P.U.C.
SECRETARY'S BUREAU

Dear Secretary McNulty:

Enclosed please find for filing an original and 15 copies of the Office of Consumer Advocate's Comments Regarding PP&L, Inc.'s Compliance Filing in the above-captioned proceeding.

Copies have been served upon all parties of record as shown on the attached Certificate of Service.

Sincerely,

Craig R. Burgraff
Senior Assistant Consumer Advocate

Enclosures
cc: All parties of record

ORIGINAL

BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

APPLICATION OF PENNSYLVANIA :
POWER & LIGHT COMPANY FOR :
APPROVAL OF RESTRUCTURING : DOCKET NO. R-00973954
PLAN UNDER SECTION 2806 OF THE :
PUBLIC UTILITY CODE :

DOCUMENT
FOLDER

COMMENTS OF THE OFFICE OF
CONSUMER ADVOCATE
REGARDING PP&L, INC.'S COMPLIANCE FILING

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SECRETARY'S BUREAU

DOCKETED

AUG 07 1998

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Dated: August 6, 1998

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I. INTRODUCTION

The Office of Consumer Advocate (“OCA”) submits the following Comments to the Compliance Filing of PP&L, Inc. (“PP&L”) in the above-captioned matter. In the short time that the OCA has had to review this extensive filing, the OCA has identified a number of concerns that are listed below. While the OCA has identified several problems with the Company’s compliance filing, the OCA has not been able in all cases to present alternative calculations and proposals that it believes are consistent with the Commission’s Orders in this case. In some other cases, the OCA is not sure of the Commission’s intent and therefore cannot determine whether or not the Company’s positions are in compliance with the Commission’s Orders.

As a general matter, the OCA notes that PP&L’s Compliance Filing produces overall results that differ from the Commission’s anticipated results as shown on Attachment A Revised of the Commission’s July 9, 1998 Opinion and Order on Reconsideration (“July 9, 1998 Order”) in this matter. This is particularly true of the annual Competitive Transition Charge (“CTC”) rate levels with Gross Receipts Tax included. The OCA will explain and comment upon these discrepancies.

Finally, the OCA would note that, at the time of the filing of these Comments, settlement negotiations between the parties were continuing. The OCA anticipates that many of the issues raised below can be addressed as part of the settlement process.

The OCA’s comments follow.

II. SPECIFIC ISSUES

A. Technical Issues

1. Starting Point Issues

In its June 26, 1998 Petition for Reconsideration in this case, PP&L alleged that the Commission's original Attachment A contained several errors that it asked be corrected. Included within these errors were an incorrect current bundled starting rate for rate unbundling purposes, incorrect sales figures, and incorrect transmission and distribution rates. In its order in Application of Pennsylvania Power & Light Company For Approval of Restructuring Plan Under Section 2806 of the Public Utility Code, Docket No. R-00973954 (June 15, 1998) ("June 15, 1998 Order"), the Commission in Attachment A reflected a current bundled rate of 7.21¢ per kwh, a transmission and distribution rate of 1.70¢ per kwh, and an initial 1999 CTC rate with Gross Receipts tax of 1.78¢ per kwh. The assumed system average sales figure used in setting the starting point for PP&L's recovery of stranded costs in 1999 was 33,090,377,000 kilowatt hours. June 19, 1998, Slip op. at 79.

PP&L stated in its Petition for Reconsideration that the correct starting point values for rate unbundling were the system average bundled rate of 7.42¢ per kwh, 1999 system average sales of 33,108,701,350 kwh, and a 1.74¢ per kwh transmission and distribution rate. The Commission, in its July 9, 1998 Order refused to make the corrections requested by PP&L based upon PP&L's failure to evidence the correctness of its calculations in the record of the case. July 9, 1998 Order, Slip op. at 7-9. Thus, the Commission in its Attachment A Revised to its July 9, 1998 Order employed the 7.21¢ per kwh bundled rate, the 1.70¢ per kwh transmission and distribution rate and the 33,090,377,000 kwh 1999 system average sales amount. This resulted in CTC rates

beginning at 1.79¢ per kwh in 1999, declining to 0.79¢ per kwh hour in 2007.

In its Compliance Filing, PP&L incorporated its preferred above-referenced starting point amounts in its unbundling analysis. PP&L Compliance Filing, Description at 5-6; Volume 2 at Page 1B. The OCA has had further discussions with the parties in the case, and it does not object to the use of PP&L's stating points if the Commission determines that this is appropriate.

2. The Average CTC Rate

As noted earlier, the Commission in Attachment A Revised of its July 9, 1998 Order derived an average CTC rate of 1.79¢ per kwh in 1999, which declines to 0.79¢ per kwh in 2007. In its Compliance Filing, PP&L took the .21¢ per kwh difference between its average bundled rate and the Commission's average bundled rate, netted out the .04 cent per kilowatt hour difference between its transmission and distribution rate and the Commission's transmission and distribution rate, and reflected the .17¢ per kwh difference as additional CTC recovery. This treatment, according to the OCA's calculations, resulted in increased average CTC rates beginning at 1.96¢ per kwh in 1999 which decline to 1.38¢per kwh in 2004, or .17 cents higher than the Commission's levels in Attachment A Revised. However, PP&L's application results in a 1.06 cent per kilowatt hour in 2005, and the CTC recovery period ends on September 30 of that year. Thus, PP&L's advanced CTC recovery results in a transition period of 6.75 years, which is shorter than the 8.5 years set out in the Commission's Order. PP&L Compliance Filing, Description at 6.

The OCA does not object to PP&L's treatment if the Commission determines that it is appropriate.

3. Return Calculation

The Commission in its June 15, 1998 Order, Slip op. at 166, directed that the CTC

be calculated in a manner recognizing monthly receipt of competitive transition charge revenues. PP&L in its June 26, 1998 Petition for Reconsideration submitted an Attachment 2, Schedule 3 that delineated a monthly calculation method that tracked a mortgage amortization type schedule, i.e with declining interest and inclining principal payments. The OCA has been unable to verify if PP&L applied the same type of monthly calculation for purposes of its Compliance Filing. The OCA submits that the Commission should insure that its CTC calculation order be followed, and that it would be appropriate to calculate the CTC revenue requirement based upon return calculated on the basis of a level monthly amortization for CTC principal. This would result in a lower overall CTC revenue requirement and a lower average CTC rate.

B. Tariff Issues

1. Definitions

The Company has not provided a definitions section for its Tariff. The OCA submits that a definitions section would be useful for this tariff, and would provide necessary continuity for the terms used throughout the tariff. The OCA requests that the Company be required to develop a definitions section that includes key terms utilized in the Tariff, such as the definitions utilized in PECO Energy's Compliance Tariff or West Penn's Compliance Tariff, as modified by the Commission.

2. Rule 1--Electric Service Tariff

a. Basic Utility Supply Service

In Rule 1.B.(1), the Company sets forth its Basic Utility Supply Service. As set forth in the Commission's Order, PP&L's proposed Basic Utility Supply Service is intended to satisfy the Company's Provider of Last Resort obligations under the Act. June 15, 1998 Order at 88. PP&L's

utilization of the phrase “Basic Utility Supply Service” rather than Provider of Last Resort or PLR service may be somewhat confusing. The Commission has consistently utilized the term “PLR” or “provider of last resort service” to describe this basic obligation, as have other utilities. See, e.g., PECO Energy Company Electric Service Tariff, Tariff Electric Pa.P.U.C. No. 3, Original Page No. 6. To avoid confusion for customers, the OCA recommends that PLR Service or Provider of Last Resort Service should be utilized in subpart (1) rather than “Basic Utility Supply Service”. This term should also be used throughout the remainder of the Company’s tariff, including its Supplier Tariff.

Additionally, the Company does not clearly describe the terms of the PLR service in its Tariff. The terms of default service should be clearly established in the tariff and the terms contained in the tariff should be the only terms that apply to such service.

3. Rule 2--Requirements for Service

a. Rule 2.B.--Service Contracts

Under this Rule, the language provides that all applicants for service shall enter into contracts for a period of one year “except as otherwise specifically provided.” The OCA is concerned that this tariff language might require a residential customer to sign a written contract with PP&L for the provision of default PLR service. A residential customer should not be required to sign a separate written contract, perhaps including additional terms, for the provision of default service from the Company. The OCA recommends that this provision be clarified to exclude residential customers, consistent with the Commission’s decision in Application of PECO Energy, Docket No. R-00973953, slip op. at 28-29 (Order on Compliance Filing, Feb. 5, 1998).

b. Rule 2.D--Security Deposits

Throughout this tariff rule, the Company refers to “bills” rather than specific charges when determining whether a security deposit will be required from a customer, and in determining the amount of the security deposit. The OCA submits that the use of the term “bills” does not adequately specify that in determining whether a security deposit is due, or in calculating the amount of the security deposit, only the regulated charges should be considered. In other words, the Company should not be permitted to require a deposit based on unpaid EGS charges. As such, the Company’s reference to “bills” should be amended to refer only to those charges that remain regulated.

4. Rule 8--Measurement of Service

a. Rule 8.A.(2)--Location and Method of Measurement

Rule 8.A.(2) begins with the following sentence: “The Company installs and maintains the metering equipment.” Although this may be an accurate description of current metering practices, this language forecloses any future developments in metering or meter deployment. The OCA submits that this language should be modified to allow for possible future developments in meter deployment. This could be accomplished by addition of a phrase such as “unless otherwise allowed by the Commission”.

b. Rule 8.B.--Meter Installations

The Company’s Rule on Meters and Meter Installations does not comport with the Commission’s Final Rulemaking Order on Advanced Meter Deployment, Docket No. L-00970128. Nowhere in the Company’s tariff rules is any provision made for advanced metering upon the customer’s and EGS’s request, as required by the Rulemaking. See, e.g. Section 57.255. The OCA

submits that the Company should be required to submit a Meter Rule that comports with the Commission's Final Rulemaking Order. The OCA would recommend the following language be added to the Company's tariff:

If a customer wishes to replace their billing metering equipment, to the extent technically practical, the Company will offer, provide, and support a selection of qualified advanced meters and metering related devices compatible with its existing infrastructure and will perform installation within a reasonable time and at the expense of the customer. The customer or the customer's electric generation supplier must pay for any such metering equipment based on the net incremental cost of purchasing and installing the new metering equipment. A customer may also be assessed a bill surcharge to cover the net incremental cost of reading, operating, and maintaining a qualified advanced meter or meter related device.

The OCA submits that this language should allow the Company to comply with the Advanced Meter Deployment Rulemaking Order.

5. Rule 9--Billing and Payment for Service

a. General

Throughout this Rule, the Company does not make a distinction between the regulated and competitive portions of customers' bills. PP&L must adequately differentiate between EDC charges and EGS charges in its billing and payment rules. As such, PP&L's language in this tariff rule should be amended to clarify which charges are being referred to in each section of the Rule.

PP&L's tariff also does not clearly provide for the two bill option. That is, the tariff does not reflect the possibility that a customer can receive a separate bill from its EGS. The OCA submits that the tariff should be clarified to allow for this option.

b. Rule 9.D.--Payment

Under Rule 9.D.4, PP&L provides for a late payment charge for those bills unpaid as of their due date. However, the Company does not specify whether it will assess a late fee based on the entire bill or whether the Company will offer a “supplier-specific” late fee, i.e., applied only to generation services. This subpart should be supplemented to clarify whether the Company intends to apply late payment charges to the supplier’s charges when it is performing billing services for the EGS.

Under Rule 9.D.8, the Company sets forth its procedure for partial payments. The Company’s tariff rule provides that partial payments are first applied to any balance due for prior use, unless disputed. The Company’s tariff rule, however, does not fully reflect the Commission’s Guidelines for Maintaining Customer Service, Docket M-00960890F.011 (Order of July 11, 1997 at 30).

Rule 9.E provides for Budget Billing. Although not specified in this tariff rule, under Rate RS and Rate RTS, the Company specifies that budget billing is only available to customers who receive Basic Utility Supply Service, PP&L’s name for its default PLR service. As will be discussed below, the OCA submits that pursuant to Chapter 56, budget billing must be made available for all residential customers, and cannot be limited to only those customers receiving PP&L service. The OCA recommends that this tariff rule also be clarified to assure that budget billing is available to *all* residential customers.

6. Rule 10--Disconnection and Reconnection of Service

a. Rule 10.A--Contract Cancellation

Rule 10.A provides for the cancellation of contracts after the expiration of the initial

term. As set forth above, residential customers should not be required to enter into contracts for the receipt of service from PP&L. As such, the OCA submits that this subpart should be amended to state that it is not applicable to residential customers since these customers do not take service for an “initial term”.

b. Rule 10.B--Termination

The Company’s rules regarding termination allow for termination for “nonpayment of an undisputed delinquent account.” This language does not clearly recognize that the Company cannot terminate a customer for failure to pay EGS charges. The OCA submits that this tariff language should clearly specify that termination can only occur for nonpayment of undisputed delinquent accounts associated with the Company’s regulated charges. This change would bring the Company’s tariff into compliance with the Commission’s Orders on termination. See, e.g., Guidelines For Maintaining Customer Service, Docket No. M-00960890F.011, slip op. at 38 (Order of July 11, 1997). Additionally, the Company specifies that failure to post deposits, establish credit, or comply with settlements or amortization agreements are grounds for termination. These provisions must also be clarified to refer to only regulated charges.

c. Rule 10.C--Reconnection

Rule 10.C. sets out the Company’s policy regarding reconnection of service. However, as in other provisions, this rule fails to adequately differentiate between regulated charges and EGS charges when determining whether the requirements for reconnection have been met. For example, Rule 10.C.(4) requires the payment, or arrangement for payment, of “all amounts currently due.” See also, Rule 10.C.(3). The OCA submits, however, that this provision must only refer to regulated charges. The OCA submits that this Rule must make clear that the Company cannot

refuse to reconnect service on the basis of a customer's failure to pay EGS charges.

7. Provision of Load Data

PP&L's Tariff does not address the issue of providing load data to all residential and small business customers. The OCA submits that either the billing or metering sections of the tariff should include a provision which requires the provision of historical billing data to residential and small business customers at least once per year at no charge. This requirement is contained within the Commission's Customer Information Order. Final Rulemaking Order Establishing Customer Information Disclosure Requirements, Docket No. L-00970126 (Order entered May 1, 1998). The Rule provides:

Residential and small business customers are entitled to receive at no charge and at least once per year, historical billing data from whomever reads the meter for billing purposes.

Id., at Section 54.6(g). Since PP&L's tariff contemplates that PP&L will read the meters for billing purposes, the OCA submits that this requirement should be included in the PP&L Tariff.

C. Interim Code Of Conduct--Original Page 19K-19L

At Original Page 19K-19L, the Company provides an Interim Code of Conduct in compliance with the Commission's Order. Rule 8 of the Interim Code reads: "The PP&L EDC and a PP&L supplier shall not jointly market regulated services with non-regulated electricity supply services unless the PP&L EDC offers the same promotional services to non-affiliated EGSs." This Rule was apparently provided in response to the Commission's Order at page 124. Although this language closely approximates the language in the Order, the OCA submits that its meaning may be somewhat unclear. In the PECO Settlement, the Commission specifically adopted a Code of Conduct that addressed the issue of joint marketing between an EDC and its affiliated supplier. If

the Commission intended for PP&L to address the joint marketing situation, the OCA submits that the language contained in the PECO Settlement Code of Conduct Rule No. 7 on Original Page 101 of PECO Tariff Pa. P.U.C. No. 3 should be utilized rather than PP&L's proposed Rule 8.

D. Bill Formats

The Company did not provide any bill formats with its compliance filing for review by the parties. The OCA submits that the Company should be directed to submit bill formats that comply with the Commission's Final Rulemaking Order Establishing Customer Information Disclosure Requirements, Docket No. L-00970126.

E. Rate Schedule RS

1. Contract Term

The Company's tariff for Rate RS customers provides for a contract period of one year from the date service is first rendered. To the best of OCA's knowledge, the Company has not required residential customers to enter into contracts for service. Such contracts, and any potential penalties, would be particularly burdensome for residential customers. The OCA submits that, as the Commission found in Application of PECO Energy, Docket No. R-00973953, slip op. at 28-29 (Order on Compliance Filing, Feb. 5, 1998), a 12 month contract requirement for default PLR customers should not be permitted. As such, the contract period language on Original page 20D should be removed from the tariff.

2. Budget Billing

At Original Page 20B, the Company's tariff indicates that it will only provide budget billing for customer charges under this rate schedule if the customer receives Basic Utility Supply Service (PLR service) from the Company. The OCA submits that this limitation of budget billing

is a clear violation of Chapter 56. The Commission's regulations provide:

Equal Monthly Billing. An electric utility shall provide its residential ratepayers with an optional billing procedure which averages estimated utility service costs over a 10-month, 11-month or 12-month period to eliminate, to the extent possible, seasonal fluctuations in utility bills.

52 Pa. Code §56.12(7). The OCA submits that this provision is clear that the utility must provide budget billing services to *all* residential customers. The Company cannot discriminate against customers for a mandatory service simply because the customer selects an alternative generation provider. Moreover, the OCA would note that the Company's distribution charges and CTC charges for shopping customers represent more than half of the customer's total bill. As such, the OCA submits that the language restricting the availability of budget billing service be removed from the Company's tariff.

F. Rate Schedule RTS

1. Shopping Credit

Although not clearly specified in the tariff, the OCA has determined that the average shopping credit for Rate RTS customers is 2.018¢/kwh for 1999. The OCA has concerns about the shopping credit proposed for Rate RTS. Importantly, it is the OCA's understanding that the shopping credit for RTS customers provided in the pilot program was significantly higher. Indeed, PP&L's revised compliance filing for its retail access pilot program evidenced a monthly credit of 3.32¢ per kwh for RTS customers. Customers who shopped for electricity assuming this higher shopping credit may experience a rate increase on January 1, 1999, or force a return of the customer to PP&L service. Equally important, the OCA anticipates that there will be little opportunity for these customers to shop with a shopping credit of only 2.018¢/kwh. Clearly, if the Commission

wishes PP&L's RTS customers to participate in the competitive market, this issue must be addressed.

2. Applicability To Returning Customers

The Company's tariff regarding the applicability of this tariff rate contains the same language regarding the closure of the tariff to new customers as originally proposed by the Company. During the course of the proceeding, the Company interpreted this language to mean that an RTS customer who shopped, and then returned to PP&L would not be allowed to return to this rate. The OCA opposed this position, arguing that the rate must be made available to returning customers at the existing location, as provided for in the Commission's 1995 PP&L rate case order. See, e.g., Pa. P.U.C. v. PP&L, Docket No. R-00943271 slip op. at 215-220 (Order entered September 27, 1995). The Commission, in this case, agreed with the position of the OCA, stating: "we find ourselves in agreement with the ALJ and the OCA that rate RTS customers are entitled to the same opportunity to shop without penalty upon return as any other class of customers." Restructuring Order at 91-92.

The OCA submits that the Company's language regarding the applicability of this tariff provision should be modified so that it clearly allows for Rate RTS customers to return to Rate RTS once they have shopped if they remain at the existing, grandfathered location. The OCA is concerned that without clarification, the tariff language is subject to misinterpretation and the possible loss of consumer protections for RTS customers.

3. Contract_Period

Same as E.1, above

4. Budget_Billing

Same as E.2, above

G. Rate_Schedule_RT D

1. Shopping_Credit

Although not clearly specified, the OCA has calculated the average shopping credit for Rate RTD customers to be 3.159¢/kwh for 1999. This is less than the 3.64¢ per kwh shopping credit provided to these customers during the pilot program. As with Rate RTS customers, the OCA is concerned that these customers will experience a rate increase on January 1, 1999 given the significant difference in shopping credits. Additionally, the OCA is concerned about the ability of these customers to participate in the competitive market with an average shopping credit of only 3.159¢/kwh. The OCA submits that if these customers are to have a meaningful opportunity to participate in the market, this issue must be addressed.

2. Contract_Period

Same as E.1, above

3. Budget_Billing

Same as E.2, above

H. Supplier_Tariff

1. Rule_11 - Confidentiality of Information

The Supplier Tariff submitted by PP&L is based almost entirely on that Tariff created

in the PECO Energy Company Supplier Tariff proceeding.¹ However, PP&L's proposed Supplier Tariff has omitted one particular rule included within the PECO Supplier Tariff specifically approved by the Commission in the PECO Supplier Tariff Order.

In a sub-part to the Rule governing "Confidentiality of Information," Rule 11.2 of the PECO Supplier Tariff provides that:

The EGS shall keep all Customer-specific information supplied by the Company confidential unless the EGS has the Customer's written authorization to do otherwise.

This Rule was specifically addressed within the PECO Supplier Tariff proceeding, to which PP&L was a party, and the OCA argued for the inclusion of this Rule within the Tariff. In that proceeding, the OCA recognized that other Commission Rulemakings attempted to address issues similar to that described here.² However, the OCA was concerned that other effective limitations on EGS use and transfer of such information, as contained within these proposed Rules, may simply not be in place in time for the enrollment period set to begin in July of this year. Moreover, some of these proposed Rules are far more general in that they apply to all customer information, not just that supplied by the EDC.

Both the ALJ and the Commission agreed with the position of the OCA and approved the inclusion of this Rule in the PECO Supplier Tariff. As noted by the Commission:

¹ Pennsylvania Public Utility Commission v. PECO Energy Company, Docket No. R-00984298, Order entered May 28, 1998 (hereinafter referred to as the "PECO Supplier Tariff Order").

² See Licensing Requirements for Electric Generation Suppliers, Docket No. L-00970126, proposed Rule 54.52 and Re: Customer Information Disclosure for Electricity Providers, proposed Rule 54.9.

[w]e are concerned that the EGSs must keep customer information confidential and believe that although this issue will be addressed in other regulations, this matter should be included in the proposed supplier's tariff to reinforce the Commission's intention to maintain confidentiality of customer information.

PECO Supplier Tariff Order at 31.

Accordingly, the OCA submits that PP&L should be required to include the Rule described above in its Supplier Tariff so that there is assurance that EDC-supplied customer information will be treated confidentially following its transfer to a customer's selected EGS. An EGS should not be permitted to sell, assign or transfer this information to any other unrelated entity absent separate express consent from the customer. If such a prohibition is not included within the PP&L Supplier Tariff, then, at a minimum, customers must be made aware that by providing consent to the transfer of their information from PP&L to their EGS, or to all EGSs if provided during enrollment, they are also allowing these EGSs to provide this information to whomever they wish. Any other result is simply not knowing and informed consent. The better option, however, is to provide the same protections to PP&L's customers as those provided to PECO's and require the inclusion of the above-referenced rule into PP&L's Supplier Tariff so that EDC-supplier customer information is treated confidentially.

2. Rule 12.2.6--Collection Costs

Taken from the PECO Supplier Tariff, this Rule provides PP&L collection costs, including filing, witness and attorney fees, if PP&L files suit against an EGS. This provision of the PECO Supplier Tariff was rejected in its entirety by the Commission. Pennsylvania Public Utility Commission v. PECO Energy Company, Docket No. R-00984298, Order entered May 28, 1998, at 31-32. Accordingly, the OCA submits that this Rule should be removed from the PP&L Supplier

Tariff.

3. ~~Section 12.1(c)--Budget Billing~~

In this section of the tariff, the Company appears to indicate that it will not provide budget billing for EGS charges. The OCA submits that if PP&L is performing consolidated billing, it is required by Chapter 56 to provide budget billing for all residential customers for all charges included on its bill. 52 Pa. Code §56.12(7). As such, this provision should be clarified to indicate that PP&L will provide budget billing for all charges for residential customers.

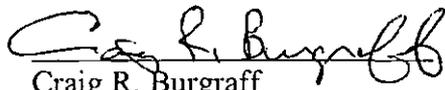
4. ~~Section 12.2.3--Late Fees~~

This Section addresses late fees, but it is unclear whether this provision applies to late customer payments or late payments by an EGS to PP&L for services rendered. This section should be clarified.

III. CONCLUSION

For the reasons set forth above, the OCA respectfully urges the Commission to order modifications to PP&L's Compliance Tariff consistent with the positions set forth in these Comments and to make any further modifications deemed necessary upon any further review conducted by the Commission.

Respectfully submitted,



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Dated: August 6, 1998
47669

CERTIFICATE OF SERVICE

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

I hereby certify that I have this day served a true copy of the foregoing document,
Office of Consumer Advocate's Comments Regarding PP&L, Inc.'s Compliance Filing, upon parties of
record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by
a participant), in the manner and upon the persons listed below:

Dated this 6th day of August, 1998.

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ANTHRACITE REGION INDEPENDENT POWER PRODUCERS ASSOCIATION

August 6, 1998

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RE: PP&L, Inc. -- Compliance Filing
Docket No. R-00973954

DOCUMENT
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Dear Secretary McNulty:

The Anthracite Region Independent Power Producers Association ("ARIPPA") hereby submits its comments regarding PP&L, Inc.'s ("PP&L") compliance filing filed on July 17, 1998.

BT

Members:

- Archbald Power Company
Archbald, PA
- Ebensburg Power Company
Ebensburg, PA
- Foster Wheeler Mt. Carmel, Inc.
Mt. Carmel, PA
- Gilberton Power Company
Frackville, PA
- Inter-Power/Ahlon Partners, L.P.
Colver, PA
- Northeastern Power Company
Mc Adoo, PA
- Panther Creek Partners
Nesquehoning, PA
- Schuykill Energy Resources
Shenandoah, PA
- U. S. Generating Company
Northampton, PA
- U. S. Generating Company
Scrubgrass, PA
- Westwood Energy Properties
Tremont, PA
- Wheelabrator Frackville Energy Co.
Frackville, PA

Tariff Rule 6A, Stand-by Service for Qualifying Facilities, and Rule 6, Auxiliary Service for Non-Qualifying Facilities, should be clarified to ensure that customers with existing on-site generation as of 1/01/99 will not be required to pay any additional CTC revenue beyond that assessed on actual billing determinants. This can be accomplished by a simple language change at Rule 6A, subsection E(4) on original page 10G as follows:

(4) If a customer installs on-site generation after January 1, 1999, and the sum of the customer's annual purchases is less than ninety (90) percent of the customer's purchases in the Base Calendar Year, the Company will render a separate bill annually in the first quarter of each calendar year in the Transition Period for the difference between: a) the amount of annual CTC revenue that the customer would have been billed by the Company based on monthly billing determinants for the Base Calendar Year and b) the amount of annual CTC revenue actually billed in the just completed calendar year. The Base Calendar Year shall be the earlier of: a) the calendar year immediately prior to the year of operation of the on-site generator or b) the calendar year 1998.

A similar change is needed to Rule 6, section B. In support of this clarification, ARIPPA notes as follows:

Affiliate Member:

Air Products & Chemicals, Inc.
Cambria, PA

(1) The Electric Generation Customer Choice and Competition Act ("Act") provides that stranded costs will be imposed on load

James McNulty, Secretary
August 6, 1998
page 2

lost to on-site generation for new installations only. The Act at §2808(a) states that a customer that installs (not a customer with installed) on-site generation that significantly reduces the customer's purchases of power will pay a fully allocated share of stranded costs. This provision was discussed and clarified during the meetings of the Stakeholders Group in 1996.

(2) The PUC's order of June 4, 1998 in the instant proceeding makes clear that billing for lost load would apply only to new installations:

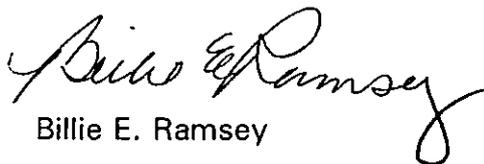
PP&L proposed a new Rule 6A, paragraph E(5), that requires a customer installing self-generation after January 1, 1999, to pay a CTC for generation no longer purchased from PP&L. PP&L's proposal did not consider the Section 2808(a) that provides that only self-generation that, "significantly" decreases use of the transmission and distribution network must be subject to a separate recoupment of otherwise avoided payment of a customer's allocated CTC responsibility... Consistent with PECO Energy Restructuring, We find that only reduced usage exceeding 10% of the pre-1999 use of the system requires payment of additional CTC.

Order at 104-105 (emphasis supplied).

(3) The rationale behind assessing stranded cost charges on load lost to new self-generation facilities is that, at the time the Act was being drafted, the utility would have included the load in its demand forecasts and built generation in part to serve that existing load. This rationale doesn't apply to self-generation already in existence in 1996.

For the reasons stated above, ARIPPA respectfully requests the Commission to adopt the necessary clarifying language in Rule 6A and Rule 6. Nine copies of these comments are enclosed for filing.

Very truly yours,


Billie E. Ramsey

Enc.
cc: Bureau of Fixed Utility Service
As per Certificate of Service

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

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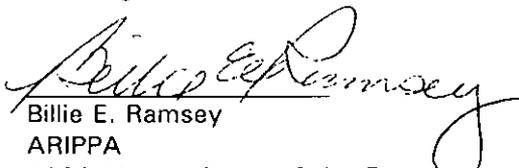
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Dated: August 6, 1998

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VIA HAND DELIVERY

**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 Secretary McNulty:

Enclosed for filing are the original and nine (9) copies of the Comments of the PP&L Industrial Customer Alliance to the Compliance Filing of PP&L in the above-referenced proceeding.

As evidenced by the attached Certificate of Service, all parties are being duly served with the Comments. Please date stamp the extra copy of this letter and return it for our filing purposes.

Very truly yours,

MCNEES, WALLACE & NURICK

By *Pamela C. Polacek*
Pamela C. Polacek

Counsel to the PP&L Industrial Customer Alliance

PCP/clc
Enclosures

- c: Chairman John M. Quain (via hand delivery)
- Vice Chairman Robert K. Bloom (via hand delivery)
- Commissioner David W. Rolka (via hand delivery)
- Commissioner Nora Mead Brownell (via hand delivery)
- Commissioner Aaron Wilson, Jr. (via hand delivery)
- Cheryl Walker Davis, Office of Special Assistants (via hand delivery)
- Bureau of Fixed Utility Services (via hand delivery)
- Certificate of Service

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ORIGINAL

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission

v.

Docket No. R-00973954

Pennsylvania Power & Light Company

Application of PP&L for Approval
of its Restructuring Plan Under
Section 2806 of the Public Utility Code

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COMMENTS OF THE PP&L INDUSTRIAL CUSTOMER ALLIANCE

Air Products and Chemicals, Inc.
Alumax
Appleton Papers Inc.
Armstrong World Industries, Inc.
Bethlehem Steel
CertainTeed Corporation
Hercules Cement Company
Hershey Foods Corporation
Horsehead Resource Development Co., Inc.
Lafarge Corporation - Whitehall Plant

Lucent Technologies
Magee Rieter Automotive Systems
Mount Joy Wire Corporation
Praxair, Inc.
R.R. Donnelley & Sons Company, Inc.
The Stroh Brewery Company
Thomson Consumer Electronics, Inc.
Titanium Hearth Technologies, Inc.
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Dated: August 6, 1998

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I. INTRODUCTION

On June 15, 1998, the Pennsylvania Public Utility Commission (“PUC” or “Commission”) issued an Opinion and Order in Application of Pennsylvania Power & Light Company for Approval of Restructuring Plan Under Section 2806 of the Public Utility Code, at Docket No. R-00973954 (“Restructuring Order”). The Restructuring Order required PP&L to submit a compliance filing consistent with the Commission’s findings on July 6, 1998. On June 23, 1998, PP&L submitted to the Commission a motion to extend the period of time for submitting the compliance filing. The Commission granted that motion by order dated June 26, 1998, and established July 15, 1998, as the new deadline for submission of the compliance filing. On July 13, 1998, PP&L submitted a letter to the Commission requesting a further extension of the deadline to July 17, 1998, which was granted by Secretarial Letter issued on July 14, 1998.

In accordance with the deadline in the Commission’s Restructuring Order, as revised by the Secretarial Letters issued on July 20, 27 and 31, 1998, the PP&L Industrial Customer Alliance (“PPLICA”) submits these Comments to the PP&L compliance filing. PPLICA has been an active participant in all aspects of this proceeding. As explained in PPLICA’s previous pleadings, PPLICA is an ad hoc association of many of PP&L’s largest industrial and commercial customers taking service on PP&L’s Large General Service rate schedules (i.e., LP- 4, LP-5, and LP-6), Interruptible Service rate schedules (i.e., IS-A, IS-P and IS-T), Price Response Service rate schedules (i.e., PR-1 and PR-2), the Competitive Rate Rider (CRR), and the Economic Development Initiative and Industrial Development Initiative Riders (EDI and IDI). Under these various tariffs and arrangements, PPLICA members collectively consume over 2.8 billion kWh of electricity each year.

PPLICA views the unbundled rates and tariff conditions that will be approved as a result of this compliance filing as the final critical step in the Commission's duty to implement the Electricity Generation Customer Choice and Competition Act, P.L. 802, No.138, effective January 1, 1997, 66 Pa. C.S. §§ 2801-2812 ("Competition Act"). PPLICA believes that the Competition Act will bring substantial benefits to the consumers and businesses of this Commonwealth if it is implemented appropriately. PPLICA's Comments focus on the terms and conditions in the above-cited rate offerings in an attempt to ensure that large customers will realize the full benefits that the Competition Act and the Commission's Restructuring Order intend to provide to customers on these rates.

Because the majority of PPLICA's comments deal with tariff issues, it seems appropriate to discuss the operative portions of the Competition Act and the Commission's Restructuring Order at the outset of these Comments. Three provisions of the Competition Act must guide the Commission's determination on these issues. First, the Competition Act establishes the right of every customer of electric distribution companies in the Commonwealth to have the opportunity to purchase electricity from an alternative supplier. 66 Pa. C.S. § 2806(a). The Commission must ensure that all customers have a realistic opportunity to exercise this right by adopting tariff provisions that do not discriminate against customers that choose to shop and by ensuring that rates are properly unbundled.

Second, during the period that the utility is collecting stranded costs (or other statutory periods), the Competition Act provides that rate caps will apply on the charges that customers must pay to the utility. *Id.* § 2804(4). Section 2804(4)(i)(A) provides that any customer purchasing generation from the utility shall maintain total charges that are capped as of January 1, 1997, for a

period of 54 months. Id. § 2804(4)(i)(A). Likewise, Section 2804(4)(i)(B) provides that for any customer purchasing generation from a supplier other than the electric distribution utility, the charges for any non-generation services shall not exceed the level of those charges as of January 1, 1997. Id. § 2804(4)(i)(B). Likewise, the generation component of the utility's charges to any customer purchasing generation from the utility (inclusive of the competitive transition charge or intangible transition charge) shall not exceed the generation charge to the customer as of January 1, 1997, for a period of nine years or until the utility is no longer recovering stranded costs (whichever is shorter). Id. § 2804(4)(ii). In short, a customer's total charges, including charges for generation, are capped for an extended period, to the extent that the customer continues to receive generation service from the utility; all other non-generation charges are to be similarly capped, in the event that the customer receives generation service from an entity other than the utility.

Third, the Competition Act also states that restructuring must not unreasonably discriminate against one customer class to the benefit of another; i.e., there must be no cost shifting among customers or customer classes. Id. § 2804(7). Indeed, the Competition Act specifically recognizes that in allocating the CTC and unbundling all component charges, the allocation must occur in a manner that does not shift inter-class or intra-class costs. Id. § 2808(a).

The Commission's Restructuring Order sets forth general principles to govern individual tariffs and rate design issues. Restructuring Order, pp. 82-83. These general principles must be incorporated into PP&L's compliance filing for all rate design and tariff issues unless specifically indicated to the contrary. Id. at 82.

First, PP&L is directed to unbundle all tariff classes based on the allocation of costs and the rate design in its last base rate cases as well as this Opinion and Order. Such unbundling will permit all customer classes to procure generation competitively. Specific tariff rules and regulations shall be those currently approved and on file with the Commission or directed to be filed by the Commission except as modified in this Opinion and Order.

Second, all existing special contracts shall remain in effect under their specific terms and conditions. A contract that explicitly prohibits shopping in contemplation of passage of the Act shall remain unchanged. However, any customer with a contract that does not explicitly prohibit shopping must be permitted to shop if that customer so desires. . . . We note that some contracts may have to be renewed. However, any rate caps remain applicable as provided in Section 2804(4).

Restructuring Order, p. 82. In discussing specific tariff issues, the Commission also made several statements of general applicability to all tariff issues:

All customers without a competitive supplier shall be served by the EDC pursuant to the applicable tariff and are entitle[d] to the full protection of the applicable rate cap provisions. (Restructuring Order, p. 88)

The Act provides no basis for treating [provider of last resort] customers any differently than customers who never chose generation service from an EGS. Returning customers are still protected by the same rate cap as if they had not left, and returning customers must be served on the same terms and conditions as would other similar customers who did not previously receive generation services from an EGS. (Restructuring Order, p.91)

As discussed previously in this Opinion and Order, customers on all tariffs are entitled to shop and are protected by the applicable rate cap. (Restructuring Order, p. 93)

We do not otherwise require the extension of any tariff schedule for an individual customer, but PP&L must provide a rate to all customers consistent with the rate cap. (Restructuring Order, p. 98)

The compliance filing contains significant errors in the unbundled rates and CTC charges. These errors clearly must be corrected to ensure compliance with the Competition Act's rate cap and anti-cost shifting provisions. In addition, the Company's treatment of self-generation customers is

inconsistent with the requirements of the Act. Further, the compliance filing blatantly violates the directives from the Restructuring Order and the mandates of the Competition Act in its treatment of the following issues:

1. The proposed use of the PJM Open Access Transmission Tariff (“OATT”) charges for transmission without a concurrent recognition that the imposition of those charges will not result in a violation of the rate cap.
2. The failure to include demand and energy blocking for the CTC and distribution charges applicable to rate schedules IS-T, IS-P, LP-4, LP-5 and LP-6.
3. The unreasonable limitation on the ability of IS-A, IS-T, IS-P and Competitive Rate Rider customers to return to service from PP&L after accessing competitive supply with appropriate rate cap protections.
4. The failure to “unbundle” the monthly minimum charge applicable to rate schedules LP-4, LP-5 and LP-6 to ensure that the charge reflects only the parts of service that the customer takes from PP&L (*i.e.*, transmission and distribution).
5. The elimination of language in rate schedules explaining how the amount of interruptible power is calculated.
6. The elimination of the Price Response Service rate schedules from the tariff without providing for a mechanism to ensure that the charges to price response customers comply with the rate caps and will be available if the customer accesses competitive supply but later returns to service from PP&L.

All of these errors must be corrected to ensure that the PP&L Direct Access Tariff represents an appropriate balancing of the interests of all market participants.

II. COMMENTS

A. The Direct Access Tariff Allocation Of Stranded Cost Recovery To Customer Classes Is Unjust, Unreasonable, and Shifts Costs Between Customer Classes In Violation Of The Competition Act.

In unbundling rates and assigning customer class responsibility for stranded cost recovery, PP&L has impermissibly shifted costs between customer classes in violation of the Competition

Act's mandates. Specifically, PP&L has not fully complied with the results of its cost of service study in assigning stranded cost revenue responsibility because PP&L did not take into account the necessary adjustments made in that study to account for the interruptible nature of certain loads on rate schedules IS-P, IS-T, and IS-A. The failure to take into account these adjustments results in interclass cost shifting in the recovery of stranded cost, which is specifically prohibited by the Act. 66 Pa. C.S. § 2808(a).

In assigning stranded cost responsibility, the Competition Act requires the utility to adhere to two requirements. First, the stranded costs must be allocated to customer classes in a manner that does not shift interclass or intraclass costs. Id. Second, the stranded costs must be allocated in a manner that maintains consistency with the allocation methodology for utility production plant accepted by the Commission in the utility's most recent base rate proceeding. Id.

The only allocation methodology that will comply with both of the Act's requirements is to allocate stranded cost liability based on production capacity revenue requirements. Appendix A to these Comments contains a sworn affidavit by Mr. Stephen J. Baron, PPLICA's rate design witness during this proceeding, explaining why the production capacity revenue requirement is the only appropriate allocation methodology. See Appendix A, Baron Affidavit ¶¶ 6, 7, 15 & 16. As Mr. Baron explains, both the production demand allocation factor and the production capacity revenue requirement were developed by PP&L from the cost of service study in performing its unbundling analysis. Only allocation based on production capacity revenue requirements ensures that no cost shifting occurs.

As shown on Exhibit SJB-5 attached to Mr. Baron's affidavit, for most firm rate schedules, the allocation of stranded cost based on the production demand allocation factor (as used by PP&L)

or the production capacity revenue requirement (as advocated by PPLICA) are equivalent (see e.g., LP-5 & LP-6). For other rate schedules, such as RS, RTS, RTD, IS-P, IS-T, and IS-M,¹ the allocation is lower under the PPLICA methodology than under the PP&L methodology.

Regardless of the impact on individual rate schedules, the allocation of CTC responsibility in the compliance filing is in clear error and must be corrected to appropriately account for the interruptible load on the system. The failure to use the proper allocation methodology, when coupled with the errors in the determination of distribution rates that will be discussed in the next section of these Comments, results in the extremely low shopping credits for interruptible rate schedules that will effectively preclude these customers from accessing competitive supply. Appendix A, Baron Affidavit, ¶ 9. This result is unjust and unreasonable when an allocation methodology that is proper according to the dictates of the Competition Act can be employed that will result in a more equitable sharing of stranded cost responsibility. PP&L must be directed to submit a revised compliance filing using the production capacity revenue requirements to allocate CTC responsibility to rate classes in conformity with Exhibits SJB-5 and SJB-6 attached to Mr. Baron's affidavit. See Appendix A, Baron Affidavit, Exhibit Nos. SJB-5 & SJB-6.

B. PP&L's Distribution Rate Unbundling Impermissibly Shifts Costs Between Classes, Violates The Competition Act's Rate Caps, And Results In Diminished Opportunities For Some Classes To Economically Participate In The Market.

PP&L's compliance filing also errs in its formulation of unbundled distribution rates. Because of the complex and technical nature of this issue, PPLICA attaches to these Comments

¹The IS-M rate referenced in Mr. Baron's affidavit and exhibits is synonymous with rate schedule IS-A. PP&L uses IS-A to designate the tariff rate schedule, but uses IS-M to designate the rate in the cost of service study.

Mr. Baron's affidavit to discuss the proper allocation of distribution rate and the Company's errors in this regard. See Appendix A, Baron Affidavit, ¶¶ 8-14 & 17-18. PPLICA summarizes here the reasons why the distribution rates in the compliance filing impermissibly shift costs, violate the Competition Act's rate caps and will render some customer classes unable to economically participate in the competitive market. For a more detailed explanation, PPLICA refers the Commission to Mr. Baron's affidavit.

The distribution rate developed by PP&L in the compliance filing for rate IS-T is 0.35 cents per kWh. See Appendix A, Baron Affidavit, ¶ 12 & Exhibit No. SJB-1. This charge is unreasonable and is clearly not based on a proper functionalization and allocation of distribution costs to the rate classes. As explained by Mr. Baron, based on the Company's 1995 unbundling study, the approximate costs that the Company incurs to provide distribution facilities for IS-T customers is \$2 million. Appendix A, Baron Affidavit, ¶ 12 & Exhibit No. SJB-2. The Company's compliance filing (based on the 0.35 cents per kWh rate) will recover over \$8 million in revenues from IS-T customers. Id. As shown on Exhibit SJB-2 attached to the affidavit, this represents a 292% increase in recovery over the costs as shown in the 1995 unbundling study. Appendix A, Baron Affidavit, Exhibit No. SJB-2. This excessive mark-up is unexplained and unreasonable.

The IS-T distribution rate impermissibly shifts costs and may lead to a violation of the transmission and distribution rate cap. Given the vast difference between the cost to provide distribution service to IS-T customers and the Company's proposed recovery from IS-T customers in unbundled rates, PPLICA submits that the IS-T distribution rate is patently unreasonable and must be modified.

As calculated by Mr. Baron, the appropriate distribution rate based on the costs incurred to provide distribution service to IS-T customers is 0.089 cents per kWh. Appendix A, Baron Affidavit, ¶ 13 & Exhibit No. SJB-4. This calculation takes into account the original PP&L rate IS-T “delivery charge” contained in the Company’s restructuring filing and the transmission rate charge for IS-T contained in the Company’s compliance filing. Id. This rate complies with the rate cap and anti-cost shifting provisions of the Competition Act. The Commission should specifically adopt Mr. Baron’s analysis and direct PP&L to submit a revised compliance filing reflecting Mr. Baron’s proposed rates.

Mr. Baron provides a summary exhibit showing both the correction to the CTC allocation methodology and the correction to the distribution charge allocation. See Appendix A, Baron Affidavit, Exhibit No. SJB-6. As depicted on this exhibit, the revised shopping credit for IS-T customers is 2.535 cents per kWh. Id. Compared to the 1.74 cents per kWh shopping credit in the compliance filing, this is a more reasonable shopping credit and a credit that will permit IS-T customers to economically exercise the statutory right to direct access and participate in the competitive market. This rate reflects an appropriate balancing of the interests of interruptible customers with the interest of other ratepayers and the utility.

C. The Direct Access Tariff Fails To Ensure That Imposition Of The PJM OATT Rates Will Not Result In A Violation Of The Transmission And Distribution Rate Cap.

The Direct Access Tariff submitted with the compliance filing states on numerous rate schedules that the transmission charge imposed by the Company will be consistent with the PJM OATT. See e.g., Compliance Filing, Volume 1, Tab C, Supplement No. 1 to Tariff Electric Pa. P.U.C. No. 201, effective January 1, 1999, pp. 27A, 28A, 28C, 30B & 30D (“Direct Access Tariff”).

Although PPLICA agrees that it is appropriate for PP&L to base the transmission charges on the Federal Energy Regulatory Commission ("FERC") approved rates, the Company fails to acknowledge that it must comply with the Competition Act's rate caps in imposing the OATT transmission charge. During the first 54 months after enactment of the Competition Act, the "charges of the utility for non-generation services that are regulated as of the effective date of this chapter . . . shall not exceed the non-generation charges that have been approved by the commission for such service as of the effective date of this chapter." 66 Pa. C.S. § 2804(4)(i)(B).

Although the Commission does not regulate transmission, at the effective date of the chapter, the Commission regulated the bundled rate that PP&L was permitted to charge customers for service, which included a transmission component. Consequently, the transmission charge that PP&L levies on customers for the first 54 months must comply with the non-generation charge rate caps. This is applicable whether or not the FERC changes the transmission charge revenue requirements. Consequently, if the FERC-approved transmission charge will result in the customer's charges for non-generation services exceeding the level in effect on January 1, 1997, the Company must adjust other aspects of the non-generation charges to ensure rate cap compliance (*i.e.*, the distribution charge).

Nothing in the Company's filing acknowledges its obligation to comply with the rate cap or explains how it intends to adjust other charges to ensure compliance with the rate cap. The Company must be directed to resubmit its compliance filing with both an acknowledgment of the rate cap obligations and an explanation of how it will comply with those obligations if the FERC approves a transmission rate at variance with the rate used to unbundle the tariffs.

D. The Direct Access Tariff Inappropriately Fails To Include The Demand And Energy Blocking Contained In The Current Tariff For Rate Schedules LP-4, LP-5, LP-6, IS-P And IS-T.

The Company was directed to submit with its compliance filing rate schedules with unbundled charges for generation, transmission and distribution service. Restructuring Order, Ordering ¶ 15(a)(1). The Restructuring Order endorses the unbundling method used by PPLICA to separate PP&L's originally proposed "delivery charge" into separate transmission and distribution components. Id. at 100-101. The rates for tariff schedules LP-4, LP-5, LP-6, IS-T and IS-P do not, however, comply with the methodology proposed by PPLICA and endorsed by the Commission.

PP&L's current LP-4, LP-5, LP-6, IS-P and IS-T rate schedules charge a bundled rate with both demand and energy components. See Exhibit OGK 1, pp. 27, 28, 28B, 30A & 30C. The proposed unbundling submitted by PP&L does not carry forward the demand and energy components into each unbundled component of rates. Specifically, the unbundled CTC charges for these rate schedules do not contain a demand component and the transmission and distribution charges for these rate schedules do not contain an energy component. See Direct Access Tariff, pp. 27-27A, 28-28A, 28B-28C, 30A-30B & 30C-30D. The failure to include appropriate demand and energy blocks in the CTC impacts the CTC responsibility and shopping credits based on the customer's load factor and may render it economically impossible for high load factor customers to access competitive supply.

The PPLICA unbundling analysis separated each of the unbundled components into both demand and energy charges. See PPLICA Statement No. 1, Exhibit Nos. SJB-8 - SJB-13. This is clearly the proper manner to unbundle rates, with a portion of the fixed demand charge and a portion of each block of the variable energy charges being allocated to the unbundled functions. This

unbundling methodology is most consistent with cost functionalization and allocation principles and should be endorsed. PP&L should be directed to revise its compliance filing to include demand and energy blocking for all elements of its unbundled rates for LP-4, LP-5, LP-6, IS-P and IS-T.

E. The Direct Access Tariff Inappropriately Limits The Ability Of Customers To Return To Provider Of Last Resort Service Under Rates That Comply With The Competition Act's Rate Caps.

The Company's proposed Direct Access Tariff inappropriately limits the ability of customers currently taking service on numerous rate schedules to return to service from PP&L at charges in conformity with the applicable rate caps. Specifically, the proposed tariff sheets for IS-A, IS-1, IS-P, IS-T and the Competitive Rate Rider contain the following limitation on the ability of customers to receive service under the specified rates:

New applications for service under this Rate Schedule will be accepted only for customers of the Company who do not yet have the opportunity to purchase capacity and energy from their choice of electric generation supplier.

Direct Access Tariff, pp. 19B, 19E, 30, 30A, & 30C. To the extent that a customer accessing competitive supply and then returning to service from PP&L is considered a "new application" under these tariff provisions, the customer will be prevented from exercising its statutory right to return to service at capped rates.

The Commission's Restructuring Order clearly requires that customers that shop and return should be charged rates in accordance with the rate cap applicable to the customer if it had remained PP&L customers and did not access competitive supply. Restructuring Order, p. 91. PP&L must submit a revised compliance filing eliminating the quoted language or modifying the tariff sheet to explicitly acknowledge the ability of current customers on these rates to return to service at the appropriate capped rate levels after accessing competitive supply.

F. The Direct Access Tariff Fails To Disaggregate The Types Of Unbundled Charges In Determining The Monthly Minimum Charge On Rate Schedules LP-4, LP-5 and LP-6.

PP&L's Direct Access Tariff contains monthly minimum bill provisions that will be applicable to all customers on certain rate schedules. The amounts of the monthly minimum bill for LP-4, LP-5 and LP-6 customers are identical to the charges in the current tariff. This is an error and may result in violation of the Competition Act's rate caps. The monthly minimum charge must be disaggregated so that the customer will be billed a monthly minimum based solely on the items of unbundled service that the customer takes from PP&L.

The current LP-4, LP-5 and LP-6 tariffs require large service customers to sign at least a one-year contract for service with PP&L. See PP&L Exhibit OGK 1, Supplement No. 63 to Tariff Electric Pa. P.U.C. No. 200, effective January 1, 1997, pp. 27, 28, & 28B.² In the event a customer breaches this contract and discontinues service during the contract term year, the customer must pay to PP&L the monthly minimum charge stated in the tariff. Id. This minimum charge also applies if the customer reduces consumption to a level that yields a bill below the stated minimum.

The monthly minimum charges in the Direct Access Tariff are identical to the amounts in the current tariff. Compare Direct Access Tariff, pp. 27B, 28A.1 & 28D to Exhibit OGK 1, pp. 27, 28 & 28B. This is inequitable and may result in violations of the rate cap. The monthly minimum charge levels stated in the current tariff were established based on the assumption that customers were required to take all aspects of service from PP&L, including generation. Customers are no

²For convenience, PPLICA cites to the tariff in effect as of April 1, 1997, that was submitted with the Company's restructuring filing and direct testimony as Exhibit OGK 1. PPLICA will cite to the current Supplement No. 71, which was effective on January 1, 1998, only when the distinction is necessary.

longer required to receive generation service from PP&L; consequently, the monthly minimum charge should be disaggregated to impose on customers a minimum charge based only on the aspects of service that the customer is required to take from PP&L (*i.e.*, transmission and distribution).³

By including the identical minimum charge when the customer receives only transmission and distribution from PP&L, the customer is paying a higher rate for transmission and distribution than that which was embedded in the LP-4, LP-5, and LP-6 rates as of January 1, 1997. This violates the Competition Act's rate cap provisions and must be rejected. PP&L must be directed to file a revised compliance filing containing minimum charges for rate schedules LP-4, LP-5, and LP-6 that reflect only the components of service that customers are required to receive from the utility.

G. The Minimum Charge Provisions Of PP&L's Rules 6 And 6A Are Inconsistent With The Competition Act.

PP&L's Direct Access Tariff contains provisions providing for auxiliary service and stand-by service to customers that install on-site generation. Direct Access Tariff, pp. 10 & 10G. These provisions impose on self-generating customers the amount of annual CTC revenue that the self-generating customer would have been required to pay to PP&L under the otherwise applicable rate schedule. These provision violate the Competition Act and the Restructuring Order by inappropriately imposing stranded cost liability on customers that commence self-generation prior to January 1, 1999. See 66 Pa. C.S. § 2808(a); Restructuring Order, pp. 104-105.

Both Rule 6 and Rule 6A contain the following passage related to a customer's CTC responsibility if its installs either qualifying or non-qualifying self-generation facilities.

³It is inequitable to include any CTC or stranded cost component as part of this charge. The customers' CTC and stranded cost liability must be based on actual usage, not on a minimum charge. Otherwise, the customer could continue paying a CTC to PP&L despite abandoning operations in the PP&L service territory. This result is unjust and unreasonable and must be rejected.

If a customer installs on-site generation and the sum of the customer's annual electricity purchases is less than ninety (90) percent of the customer's annual purchases in the Base Calendar Year, the Company will render a separate bill annually in the first quarter of each calendar year in the Transition Period for the difference between: a) the amount of annual CTC revenue that the customer would have been billed by the Company based on monthly billing determinants for the Base Calendar Year and b) the amount of annual CTC revenue actually billed in the just completed calendar year. The Base Calendar Year shall be the earlier of: a) the calendar year immediately prior to the year of operation of the on-site generator or b) the calendar year 1998.

Direct Access Tariff, pp. 10 & 10G. These passages in the tariff apparently were intended to ensure that the tariff complies with the Competition Act's provision that a CTC must be assessed on a customer that installs new on-site generation operating in parallel with other generation on PP&L's system and which significantly reduces the customer's purchases from the utility. See 66 Pa. C.S. § 2808(a). However, the language inappropriately extends stranded cost responsibility to customers that install self-generation prior to January 1, 1999, in violation of the Competition Act and the Restructuring Order.

The Competition Act clearly intends to impose stranded cost liability only on customers that install on-site generation after the beginning of phase-in on January 1, 1999, in order to avoid stranded cost responsibility. The Competition Act discusses the stranded cost responsibility of a customer that "installs" on-site generation on a going forward basis during the recovery period. See 66 Pa. C.S. § 2808(a). The Competition Act does not authorize the imposition of stranded cost responsibility on customers that "installed" on-site generation prior to the beginning of the recovery period. In addition, the Commission discussion of self-generation in the Restructuring Order clearly indicates that a customer installing self-generation is only responsible for "lost" CTC revenues if the generation is installed after January 1, 1999. Restructuring Order, pp. 104-105.

The above-quoted tariff language, which determines the charge to the customer according to the base calendar year of the earlier of the calendar year immediately prior to the year of operation of the on-site generator or the calendar year 1998 would permit imposition of stranded cost liability on customers that commenced self-generation prior to January 1, 1999. This clearly is contrary to the Competition Act and Restructuring Order. PP&L must submit a revised compliance filing correcting this error.

H. The Company Failed To Provide Sufficient Support For Its Unbundling Of The EDI And IDI Riders.

The Company's compliance filing contains provisions in both the EDI and IDI riders that unbundle the credit in the rider. The riders state one credit that will be available if the customer purchases supply from the Company and a different credit applicable if the customer purchases competitive supply. See Direct Access Tariff, pp. 19A & 19D.1. The Company provides no supporting information for how it calculated the credits applicable if the EDI or IDI customer accesses competitive supply. Consequently, PPLICA cannot confirm the accuracy of the calculations or whether the unbundled credits comply with the Competition Act's rate caps and the Commission's Restructuring Order. PP&L must be required to submit a revised compliance filing containing such supporting information to enable all parties to appropriately comment on the Company's treatment of these rate schedules.

I. PP&L's Supplement No. 75 Is Unnecessary, Contains Unreasonable And Unsupported Tariff Changes That Eliminate The Explanation Of How Interruptible Power Is Calculated, And Must Be Rejected.

As part of the compliance filing, PP&L submits a proposed tariff supplement to its current Tariff Electric Pa. P.U.C. No. 200. See Compliance Filing, Volume 1, Tab B, Proposed Supplement

No. 75 to Tariff Electric Pa. P.U.C. No. 200 (hereinafter "Supplement No. 75"). Supplement No. 75 has an issue date of July 15, 1998, and a proposed effective date of August 15, 1998. PP&L's description of the compliance filing states Supplement No. 75 contains "uncontested tariff changes that will be implemented before the beginning of competition on January 1, 1998." Compliance Filing, Volume 1, Tab A, Description of Compliance Filing at Docket No. R-00973954 (hereinafter "PP&L Compliance Filing Description"). PP&L's Supplement No. 75 is unnecessary and must be rejected.

As a preliminary matter, the Supplement does not comply with the Commission's regulations regarding the notice period for tariff changes. The Commission's regulations clearly provide for a sixty-day notice period. 52 Pa. Code § 53.31. No legitimate reason exists to waive the sixty-day notice for PP&L's Supplement. If the Company believes the tariff changes are appropriate, it can resubmit the Supplement with appropriate supporting information according to the normal procedures.

In addition, no necessity or authorization exists for any of the changes included in Supplement No. 75 to be effective prior to January 1, 1999. PP&L never requested to separate any of its proposed tariff changes from the logical January 1, 1999, date for effectiveness of the Direct Access Tariff. None of the changes in Supplement No. 75 are of a nature to require separate treatment. Furthermore, contrary to PP&L's statement in the compliance filing description, the tariff changes in Supplement No. 75 are not all "uncontested." PPLICA objects to PP&L's attempted "clarif[ication of] how the amount of interruptible power is determined." PP&L Compliance Filing Description, p. 3. This tariff change was not one of the uncontested modifications noted in the Restructuring Order. See Restructuring Order, pp. 103-104.

Moreover, the proposed changes in Supplement No. 75 to rate schedules IS-A, IS-1, IS-P, IS-T, PR-2 and the Competitive Rate Rider do not “clarify” how the amount of interruptible power is determined. In fact, Supplement No. 75 eliminates the explanation of how the amount of interruptible power is determined. PP&L’s current tariff contains the following paragraph in each of the rate schedules discussing when the Company will enter into new interruptible contracts:

The Company will not enter into new contracts for interruptible service if the amount of interruptible power from all customers served under Rate Schedules IS-1, IS-P, IS-T, PR-2, the Competitive Rate Rider, and Interruptible Service by Agreement exceeds a total of 500 MW. For purposes of determining this amount, interruptible power is the twelve month average of each customer’s monthly Maximum On-peak Demand less the customer’s contract Firm Power level.

Exhibit OGK 1, pp. 19B, 19E, 30, 30A, 30C, & 32 (emphasis added). Supplement No. 75 eliminates the underlined language explaining how the amount of interruptible power is calculated. Obviously, the Company does not “clarify” anything by eliminating the explanation.

The proposed change detrimentally impacts the terms of these rate schedules by leaving the calculation methodology to the Company’s discretion. This impact is amplified because the change is carried forward into PP&L’s Tariff Electric Pa. P.U.C. No. 201, which becomes effective on January 1, 1999. See Direct Access Tariff, pp. 19B, 19E, 30, 30A & 30C.

The elimination of the explanation of how the amount of interruptible service is calculated is not an “uncontested” tariff change and is highly objectionable to PPLICA. It imposes an unreasonable ambiguity on interruptible customers regarding how the amount of interruptible power is calculated that does not exist in the tariff effective on January 1, 1997. As such, PPLICA asserts that the change diminishes the value of interruptible service and implicitly violates the rate cap principles in the Competition Act. Furthermore, the change is not necessary “to reflect a competitive

generation market.” See Restructuring Order, Ordering ¶ 15(a)(3). Consequently, the proposed change violates the directives in the Commission’s Restructuring Order. The “clarification” of the method for calculating interruptible service must be rejected and PP&L must be ordered to submit a revised compliance filing eliminating at least this portion of Supplement No. 75 (if not eliminating the entire supplement).

J. PP&L’s Supplement No. 75 And Direct Access Tariff Must Be Modified To Ensure That Price Response Service Customers Will Retain The Protections Of The Competition Act’s Rate Caps.

Both Supplement No. 75 and PP&L’s proposed Direct Access Tariff institute inappropriate changes to its currently effective tariff that impinge upon the rights and protections afforded to Price Response Service customers under the Competition Act and the Restructuring Order. These changes must be rejected.

Price Response Service is a real time pricing arrangement offered to customers on both a firm power and an interruptible power basis. Rate schedule PR-1 governs the firm power arrangements and rate schedule PR-2 governs the interruptible power arrangements. See Exhibit OGK 1, pp. 31-31B & 32-32B. On these rate schedules, instead of paying a specific rate established by the Company’s tariff the Customer pays a rate determined by the Company based on a formula contained in the tariff that considers factors including the Company’s estimated marginal operating cost, marginal capacity cost, delivery charge, loss adjustment factor and risk adjustment factor. See id. at pp. 31A & 32A. In large measure, the real time price is driven by the short-run marginal operating cost as estimated by the Company based on the value of its generation, transactions with the PJM

Interconnection Association, and any two-party transactions between the Company and other companies. See id. Price Response Service customers also pay to the Company a monthly program charge. Id.

Each day, price response customers receive a message containing the twenty-four hourly firm or interruptible real time prices that PP&L will charge the customer on the following day. The customer then decides whether to vary its load and production the following day in response to those prices by increasing production and usage during low cost periods and decreasing usage during high cost periods. Hourly meter readings are performed remotely by the Company to determine usage and to appropriately bill the customer.

Supplement No. 75 terminates both price response programs on January 1, 1999. Supplement No. 75, pp. 31 & 32. PP&L's Direct Access Tariff completely eliminates the PR-1 and PR-2 rate schedules. Direct Access Tariff, pp. 31-31B & 32-32B. Both changes violate the Competition Act's rate caps and the directives in the Commission's Restructuring Order and must be rejected.

The Restructuring Order addresses the price response services in the section dealing with the "Availability of Tariff Rates." See Restructuring Order, pp. 92-94. In that section, the Commission deals with the Company's proposal to limit the availability of price response service and other tariff offerings to customers that currently take service under the applicable rate schedules and that elect to remain bundled sales customers of PP&L. Id. at 92. The Commission rejects Company's proposed limitation and mandates that "customers on all tariffs are entitled to shop and are protected by the applicable rate cap." Id. at 93. In addition, the Commission requires that all of the rate schedules be unbundled to permit customers to access competitive supply. Id. at 93-94. This is the

only section specifically addressing the Price Response Service offerings. Thus, nothing in the Restructuring Order requires the Price Response Service rate schedules to be treated in any manner at variance with the Commission's general comments on tariff and rate design issues discussed in the Introduction to these Comments.

As explained in that Introduction, the Commission included a detailed explanation of the treatment of all tariff and rate design issues in the Restructuring Order. The sum of the Commission's remarks on the general treatment of tariff and rate design issues and the specific discussion of Price Response Service equate to the following treatment of PR-1 and PR-2:

- The Company must unbundle the arrangements of customers on the Price Response Service rates to enable those customers to obtain competitive supply while maintaining the non-generation related benefits of the rates. See Restructuring Order, pp. 82, 93 & 97.
- Although the Company need not extend the availability of the actual price response rider to new customers after all customers have direct access, the Company must ensure that the rate caps applicable to current price response customers (and any new customers enrolled prior to January 2, 2000) are maintained. See Restructuring Order, pp. 82, 93 & 98.
- The Company must guarantee the ability of current price response customers to obtain competitive supply and to return to service from PP&L at charges that do not violate the applicable rate caps in Section 2804(4). See Restructuring Order, pp. 91-91 & 98.

The Company's proposals clearly violate these principles. In order to ensure that price response customers maintain the protections of the rate cap, the Company should maintain the current price response rate schedules in the Direct Access Tariff. In addition, the tariff sheets in Supplement No. 75 should be modified to provide for the continued ability of current price response customers to maintain the Price Response Service from the Company and to return to Price Response Service at the appropriate rate cap levels if they choose to shop.

The Price Response Service rate offerings are highly analogous to the Economic Development Initiative and Industrial Development Initiative Riders and the Competitive Rate Rider discussed in the Restructuring Order. See Restructuring Order, pp. 94-98. In essence, the Price Response Service and economic incentive rates provide current customers with a rate lower than the current bundled rate on the otherwise applicable rate schedule. Because of the similarity, it is logical to afford customers on these offerings equivalent protection by the rate caps in the Competition Act.

The Commission addressed the proper treatment of economic incentive rates as follows:

All existing, "competitive" tariffs shall continue to be offered to any eligible customer who does not yet have the opportunity to choose a competitive supplier. Once the phase-in is completed, and all customers may choose a competitive supplier, the incentive rate schedule shall be closed to new customers. Regulated "competitive" tariffs will no longer be appropriate, although PP&L may offer competitive generation through its unregulated affiliate(s). We do not otherwise require the extension of any tariff schedule for an individual customer, but PP&L must provide a rate to all customers consistent with the rate cap.

Restructuring Order, pp. 97-98. PP&L has implemented the Commission's instructions by making the EDI and IDI rate schedules available until October 1, 2005, to correspond with the revised end of the stranded cost recovery period as calculated by the Company in the compliance filing. See Direct Access Tariff, pp. 19A & 19D.1. The Company must afford equivalent treatment to the Price Response Service rate schedules.

The ability of price response customers to obtain similar real time price arrangements in the competitive market is irrelevant to the Company's duty to ensure that the rate cap is not violated. Price response customers, like every other type of customer, have the right to remain with PP&L for *generation service (or to return to PP&L for generation service) during the stranded cost recovery period*. This service from PP&L must be offered in accordance with the level of charges to the

customer in effect as of January 1, 1997. The charges for the transmission and distribution of electricity that a price response customer will be forced to pay to PP&L under the otherwise applicable rate schedule in the absence of a tariffed price response offering may not be equivalent to the charges for transmission and distribution that the price response customer was paying as of January 1, 1997, for equivalent service.

Price Response Service customers are entitled to continue to take service from PP&L at rate levels that do not violate the cap as evidence by the charges in effect on January 1, 1997. No provision exists in the Competition Act or in the Restructuring Order that provides PRS customers with a diminished right to remain with PP&L as provider of last resort customers subject to the applicable rate cap protections. The Act specifically provides that PP&L “shall continue to have the full obligation to serve, including the connection of customers, the delivery of electric energy and the production or acquisition of electric energy for customers” throughout the period of stranded cost recovery. 66 Pa. C.S. § 2807(e)(1). The Restructuring Order specifically places the duty to provide this service on PP&L as the EDC. Restructuring Order, p. 91.

PP&L should be directed to submit a revised compliance filing specifying that customers taking Price Response Service as of January 2, 2000, will be permitted to take service from the Company on the PR-1 and PR-2 rates schedules in compliance with the Competition Act’s rate caps throughout the stranded cost recovery period regardless of whether the customer exercises the right to direct access. In addition, PP&L should submit with the revised compliance filing an explanation of how it intends to unbundle the price response rate schedules and how it believes that methodology complies with the rate caps.⁴

⁴PPLICA reserves the right to comment on the Company’s proposal at that time.

III. CONCLUSION

PP&L's compliance filing fails to fully implement the requirements of the Competition Act and the Commission's Restructuring Order in this proceeding. The tariff language and unbundled rates determined in this proceeding will impact the ability of customers to realize the economic benefits of competition during the stranded cost recovery period. For large, energy-intensive businesses, this may impact the ability to retain or expand facilities in the PP&L service territory. To ensure the large users in PP&L's service territory receive the full benefits of the Competition Act and the Restructuring Order, PP&L must correct the following aspects of its compliance filing.

- Stranded costs must be allocated to rate classes based on production capacity revenue requirements.
- Distribution rates must be revised to eliminate the mark-up on the IS-T rate.
- PP&L must ensure the integrity of the transmission and distribution rate cap if its transmission rate is revised by the FERC.
- Rate Schedules LP-4, LP-5, LP-6, IS-P and IS-T must include demand and energy components for each unbundled element.
- The minimum charge for rate schedules LP-4, LP-5 and LP-6 must be unbundled.
- Rule 6 and 6A must specifically state that a CTC will not be imposed on self-generating customers that installed the facility prior to January 1, 1999.
- The Company must provide supporting information for its unbundling of the EDI and IDI riders.
- The definition of how interruptible power is calculated must be reinserted into rate schedules IS-A, IS-I, IS-P, IS-T, PR-2 and the Competitive Rate Rider.
- Price Response Service must be continued and must ensure that the applicable rate caps are fully applied.

- The ability of all customers to access competitive supply and return to service at the applicable rate caps must be guaranteed.

Respectfully submitted,

McNEES, WALLACE & NURICK

By Pamela C. Polacek /ek

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Counsel to the PP&L Industrial Customer Alliance

Dated: August 6, 1998

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY COMMISSION, ET. AL.)	
)	
)	
V.)	
)	
PENNSYLVANIA POWER & LIGHT COMPANY)	
)	DOCKET NO. R-00973954
APPLICATION OF PENNSYLVANIA POWER & LIGHT COMPANY FOR APPROVAL OF ITS RESTRUCTURING PLAN UNDER SECTION 2806 OF THE PUBLIC UTILITY CODE)	
)	
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AFFIDAVIT

OF

STEPHEN J. BARON

**J. KENNEDY AND ASSOCIATES, INC.
ATLANTA, GEORGIA**

JULY 1998

AFFIDAVIT OF STEPHEN J. BARON

**STATE OF GEORGIA
COUNTY OF FULTON**

Before me, the undersigned Notary Public in and for the County of Fulton, State of Georgia, personally came and appeared Stephen J. Baron, who was sworn by me and attested to the following facts:

1. I am the President and a Principal of J. Kennedy and Associates, Inc. ("Kennedy and Associates"), a firm of utility rate, planning and economic consultants in Atlanta, Georgia. Kennedy and Associates provides consulting services in the electric, telephone and gas utility industries.

2. I have more than twenty-three years of experience in the electric utility industry in the areas of generation planning, economic analysis, load and energy forecasting and cost analysis. I have a Bachelor of Arts Degree from the University of Florida (1972) and a Master of Arts Degree in Economics (1974) also from the University of Florida. My areas of specialization were econometrics, statistics, and public utility economics. I have been employed by the Florida Public Service Commission, the Utility Rate Consulting Division of Ebasco Services, where I was a Vice President; the firm of Coopers & Lybrand, where I was a Manager in the Utility Regulatory and Advisory Services Group; and as a Principal and co-founder of the firm of J. Kennedy and Associates, Inc.

3. During the course of my professional career, I have testified as an expert in more than 100 cases before the FERC and twenty-two State Regulatory Commissions, including more than 30 appearances before the Pennsylvania PUC.. I have presented numerous papers and published articles in Electrical World and Public Utilities Fortnightly and have authored a study for the Electric Power Research Institute on "Load Data Transfer Techniques."

4. I have presented expert testimony on the subjects of electric utility restructuring, system planning, load forecasting and cost analysis, cost allocation, rate design, and regulatory policy issues. I have participated and testified in each of the major electric utility restructuring proceedings in Pennsylvania, including PP&L Docket No. R-00973954.

5. I have reviewed PP&L's compliance filing filed with the Commission on July 17, 1998. Based on my review, I have identified two significant problems with the Company's proposed unbundled rate design, as shown in its proof of revenue analysis and filed tariffs for the period 1999 through 2005.

6. The first of the two problems that I have identified concerns the allocation of the competitive transition charge revenue requirement to rate schedules. The Commission's Order directed the Company to allocate the CTC revenue requirement each year on the basis of the cost of service study filed by PP&L in this proceeding, which is the study from its last base rate case. My review of the Company's summary of proofs of revenue indicates that PP&L has not properly assigned CTC costs to rate schedules. In PP&L's initial submission in this proceeding, the Company used a "CTC residual" methodology that developed the CTC for each rate

schedule after removing transmission and distribution revenue requirements and estimated market revenues from each rate schedule. As a result, there was not a requirement in the PP&L analysis to specifically allocate the CTC charge to rate schedules. However, following its precedent in previous restructuring proceedings (e.g., PECO Energy), the Commission determined that an allocation of the CTC to rate schedules is the appropriate methodology to recover CTC costs.

7. The most appropriate methodology to assign CTC costs to rate schedules is to use production capacity revenue requirements for each rate schedule, as produced in the Company's unbundled cost of service study. This is the method that the Commission accepted in the PECO Energy case and other restructuring proceeding previous to this PP&L case. *Production capacity revenue requirements* recognizes the demand allocation methodology utilized by PP&L in its most recent base rate proceeding, per the Act. In addition, production capacity revenue requirements reflect the production capacity costs currently embodied in each rate schedule and is thus the appropriate allocator to assign CTC revenue requirements, consistent with the Commission's order in this case that requires an allocation that "assures there is no interclass cost shifting." The production capacity revenue requirement developed by PP&L in its unbundling analysis correctly incorporated adjustments to reflect the interruptible nature of certain loads on Rate Schedules ISP, IST and ISM and thus meets the Commission's requirement to assure no interclass cost shifting. The use of an unadjusted production demand allocation factor does not meet this test.

8. The second significant problem that I have identified with the Company's compliance filing concerns the distribution rate proposed for Rate Schedule IST. As I will demonstrate subsequently, PP&L's proposed IST distribution rate is approximately four times the unbundled distribution cost associated with serving IST customers.

9. Attached to this affidavit are a series of exhibits that will provide support for the necessary corrections to PP&L's compliance filing. Exhibit ____ (SJB-1) is an excerpt of information from the Company's compliance filing proof of revenue analysis for the year 1999. In this exhibit, I have shown the Company's proposed shopping credit for each rate schedule, its distribution revenues and the proposed CTC revenue requirement allocated to each rate schedule.

Included in this exhibit is a calculation showing the energy and capacity shopping credit on a per kWh basis for each rate schedule. As can be seen from this column, the shopping credit for PP&L retail customers, on average, for 1999 is approximately 3.72 cents per kWh. For residential Rate Schedule RS, the effective shopping credit for 1999 is 3.74 cents per kWh, while for Rate Schedules LP5 and LP6 the proposed shopping credit is equal to about 3.3 cents per kWh. For Rate Schedule IST, however, the shopping credit is only 1.74 cents per kWh. As I will subsequently demonstrate, this extremely low shopping credit for Rate Schedule IST, that effectively would preclude retail access, is due to both the incorrect allocation of the CTC revenue requirement to customer rate schedules and the erroneous calculation of the distribution rate for IST customers.

10. Also shown on Exhibit ____ (SJB-1) is a calculation of the Company's proposed 1999 average distribution rates for each customer rate schedule. As can be seen from the exhibit, the retail average distribution rate is 1.36 cents per kWh. This includes costs for customers served at secondary voltages (such as residential customers), as well as costs associated with serving high voltage transmission customers. Again, as I indicated, there is a significant problem with the Rate Schedule IST distribution rate. Rate Schedule IST customers take service at transmission voltages and thus have relatively small requirements for distribution facilities. In this manner, Rate Schedule IST customers are similar to Rate Schedule LP5 and LP6 customers. However, as can be seen from Exhibit ____ (SJB-1), the distribution revenues per kWh for Rate Schedule LP5 and LP6 customers are approximately .05 cents per kWh, while the corresponding charge for Rate IST customers is .35 cents per kWh (about seven times higher per kWh). As I will show, this is due to an inappropriate calculation of the Rate Schedule IST distribution rate.

11. The final two columns on Exhibit ____ (SJB-1) show the Company's proposed allocation of the CTC revenue requirement to each rate schedule and the resulting allocated share (in percent terms) associated with that assignment. This allocation does not reflect a production capacity revenue requirement assignment of these costs.

12. Exhibit ____ (SJB-2) shows a comparison between the Company's compliance filing rates for distribution charges (for 1999) compared to the cost of service study produced by PP&L in this proceeding that unbundles the Company's costs for each rate schedule and produces a distribution revenue requirement.

Since the 1999 compliance filing revenues reflect higher sales than employed by PP&L in its 1995 based unbundled cost of service study, it is appropriate to compare the rates per kWh for each of the filings. Everything else being equal, the 1999 compliance filing distribution rates per kWh should be approximately equal to the cost of service based unbundled distribution rate filed by PP&L in this proceeding. These rates are the basis for the Company's unbundled cost analysis and are the cost basis for the Company's actual rates in effect on January 1, 1997.

The last column in Exhibit ____ (SJB-2) compares the 1999 compliance rates per kWh for distribution service with the actual cost of service study that was actually used to unbundled PP&L's current rates. As can be seen, on average, the 1999 compliance filing has distribution rates almost exactly equal to the rates in the unbundled cost of service study for distribution. For residential Rate Schedule RS, the difference is approximately 1.3%, while for Rate Schedule GS-1 the difference is only 5.5%. Although there are significant differences in some other of the rate schedules (particularly lighting classes and the stand-by rate), the most substantial difference between the distribution rate in the Company's compliance filing and the corresponding unbundled cost for distribution service occurs for Rate Schedule IST. PP&L's proposed compliance filing sets the Rate Schedule IST distribution rate 290% higher than the actual distribution cost of service for Rate Schedule IST. Effectively, the Company is proposing to charge Rate Schedule IST customers about four times more per kWh for distribution service than the underlying cost associated with providing that service. There is no basis for the Company recovering over \$8 million from Rate Schedule IST customers for distribution service when the actual cost to provide distribution facilities for these customers, including a fair rate

of return, is approximately \$2 million. There is no such differential between proposed rates and underlying unbundled costs (for distribution service) for other rate schedules. PP&L's unbundling study results cited in Exhibit ____ (SJB-2) are contained in Exhibit ____ (SJB-3), pages 1 and 2. This is a reproduction of the Company's unbundled revenue requirement analysis contained in Exhibit ____ (JMK-2) filed in this proceeding.

13. In order to correct the IST distribution rate in the Company's compliance filing, it is necessary to utilize the functional revenue requirements embodied in the 1995 unbundled cost of service study that forms the basis for the Company's unbundling. Exhibit ____ (SJB-4) contains the development of a correct Rate IST distribution analysis. The first step of the analysis is to adjust the overall transmission and distribution "delivery rate" calculated by PP&L in its original filing for Rate Schedule IST. This combined T&D delivery rate was shown to be \$0.00446 per kWh in the Company's original proof of revenue analysis filed in this proceeding [Exhibit ____ (OGA-4)]. This \$0.00446 per kWh rate included both transmission and distribution charges. In order to calculate the distribution component of the rate per kWh, it is necessary to remove the transmission rate portion, which is shown in the Company's compliance filing to be \$0.00357 per kWh. As noted on the exhibit, the Company has utilized (correctly), its functional unbundling results from the 1995 cost of service study to arrive at its proposed transmission rate. This is the exact transmission rate component contained in the Company's originally proposed T&D "delivery charge" of \$0.00446 per kW. The resulting distribution rate per kWh is \$0.00089 for Rate Schedule IST.

14. Again focusing on Exhibit ____ (SJB-4), the 1999 distribution revenues for Rate Schedule IST using the correct distribution rate (\$0.00089) is \$2,071,658. This is the appropriate distribution revenues that PP&L should recover in 1999 from Rate Schedule IST customers for distribution service. Using the Company's 1999 IST billing kW of 1,385,444 as a billing determinant produces a kW demand rate for distribution service of \$1.495 per kW.

15. Exhibit ____ (SJB-5) shows the development of a corrected CTC allocation to rate schedules using the production capacity revenue requirement results produced by PP&L in its unbundled cost of service study (PP&L Exhibit ____ (JMK-2)). The first portion of Exhibit ____ (SJB-5) shows the Company's proposed 1999 allocation of CTC revenue requirements to rate schedules, the allocated share associated with this allocation and the CTC rate per kWh for each rate schedule. The second set of columns under the heading "unbundling study" shows the corresponding production capacity revenue requirement developed by PP&L in this unbundled cost of service study and the corresponding allocated share (percent) associated with these results. It should be noted, that the Company's cost of service "classes" sometimes combine a number of rate schedules into a single "cost" class. For example, the Company considers Rate Schedules RS and RTD together in its cost of service analysis. In order to calculate production capacity revenue requirements for specific rate schedules, I assigned production capacity revenue requirements on the basis of kWh sales to each of the rate schedules included in the cost of service classification. The costs for the combined "RS + RTD" group were assigned on the relative kWh sales of RS and RTD.

16. As can be seen from the unbundling cost study results, the allocation of production capacity revenue requirements is somewhat different from the allocation of CTC costs utilized by PP&L in its compliance filing. The correct and appropriate method to allocate CTC revenue requirements is the production capacity revenue requirement allocator. A correct allocation of the Company's CTC revenue requirement of \$648,496,868 for 1999 is shown in the last three columns in Exhibit ____ (SJB-5), using a cost-based production capacity revenue requirement allocator. The same allocator should be used for each of the years 1999 through 2005 in the Company's transition plan.

17. Exhibit ____ (SJB-6) shows the overall correction of the Company's 1999 compliance filing, reflecting both the proper allocation of CTC revenue requirements and the correction of the Rate Schedule IST distribution charge. Also shown in this analysis is the shopping credit, on a cents per kWh basis, for each rate schedule. The overall shopping credit for PP&L retail customers is 3.74 cents per kWh, compared with the Company's proposed 3.72 cents per kWh. More importantly, the individual shopping credits for each rate schedule have changed to reflect the corrections that I have previously discussed.

18. The corrections that I have prepared must be adopted by the Commission in order to correct the errors identified in the Company's compliance filing.

Stephen J. Baron
Stephen J. Baron

Sworn to and subscribed before me on this
24th day of July 1998.

Barbara J. Trojanowski
Notary Public

Notary Public, Cobb County, Georgia.
My Commission Expires January 26, 2001

BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

**PENNSYLVANIA PUBLIC UTILITY
COMMISSION, ET. AL.**

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

**AFFIDAVIT EXHIBITS
OF
STEPHEN J. BARON**

**J. KENNEDY AND ASSOCIATES, INC.
ATLANTA, GEORGIA**

JULY 1998

Summary of Proofs of Revenue
PP&L, Inc.
12 Month Period Ended December 31, 1999

Rate Schedule	Sales (KWH)	Energy & Cap Revenue (Shopping Credit)	Rate/kwh (cents)	Distribution Revenues	Rate/kwh (cents)	Competitive Transition Charge With GRT	Allocated Share (%)
RS	11,639,053,426	\$434,698,063	3.735	\$269,957,273	2.319	\$250,949,820	38.70%
RTS	432,888,674	\$8,735,135	2.018	\$3,276,433	0.757	\$11,028,470	1.70%
RTD	5,411,268	\$170,968	3.159	\$123,094	2.275	\$116,687	0.02%
GS-1	1,559,422,912	\$81,032,407	5.196	\$48,066,049	3.082	\$33,399,400	5.15%
GS-3	7,761,639,458	\$347,742,016	4.480	\$72,762,492	0.937	\$144,911,858	22.35%
LP4	4,471,321,372	\$174,005,572	3.892	\$17,569,434	0.393	\$76,917,605	11.86%
ISP	448,755,438	\$10,941,701	2.438	\$1,794,989	0.400	\$7,607,930	1.17%
LP5	2,651,475,957	\$88,774,752	3.348	\$1,337,441	0.050	\$47,088,082	7.26%
IST	2,327,705,181	\$40,459,649	1.738	\$8,137,966	0.350	\$37,649,414	5.81%
LP6	576,039,511	\$19,149,343	3.324	\$304,881	0.053	\$10,226,200	1.58%
LPEP	67,986,000	\$1,597,629	2.350	\$125,713	0.185	\$2,748,345	0.42%
ISM	550,689,000	\$3,328,205	0.604	\$555,915	0.101	\$8,421,059	1.30%
IS1	4,821,917	\$77,506	1.607	\$44,813	0.929	\$90,048	0.01%
BL	4,751,439	\$144,634	3.044	\$171,872	3.617	\$101,776	0.02%
SA	27,512,532	\$385,252	1.400	\$3,401,723	12.364	\$717,155	0.11%
SHS	62,980,150	\$2,573,799	4.087	\$12,639,420	20.069	\$1,642,358	0.25%
SE	10,952,444	\$0	0.000	\$338,849	3.094	\$84,476	0.01%
TS	515,396	\$12,390	2.404	\$32,087	6.226	\$13,442	0.00%
SI-1	194,065	\$4,438	2.287	\$28,943	14.914	\$5,061	0.00%
GH-1	398,577,858	\$13,647,329	3.424	\$5,890,921	1.478	\$11,829,144	1.82%
GH-2	87,190,577	\$2,974,947	3.412	\$1,221,219	1.401	\$2,587,420	0.40%
PUC Subtotal	33,089,884,575						
Standby	11,572,304	\$875,187	7.563	\$30,904	0.267	\$172,871	0.03%
SM	7,244,471	\$122,695	1.694	\$955,154	13.185	\$188,248	0.03%
PP&L Totals	33,108,701,350	\$1,231,453,616	3.719	\$448,767,585	1.355	\$648,496,868	100.00%
Averages							

**Comparison Between Compliance Filing & Unbundled Cost Study
Distribution Revenues and Revenue Requirements
PP&L, Inc.**

Rate Schedule	1999 Compliance Filing			1995 Unbundling Study			% Difference In Rates
	Sales (KWH)	Distribution Revenues	Rate/kwh (cents)	Sales (KWH)	Distribution Revenue Requirements	Rate/kwh (cents) ¹	
RS	11,639,053,426	\$269,957,273	2.32	10,894,124,000	\$256,420,208	2.35	-1.25%
RTS	432,888,674	\$3,276,433	0.76	385,160,000	\$3,082,000	0.80	-5.21%
RTD	5,411,268	\$123,094	2.27	4,877,000	\$114,792	2.35	-3.15%
GS-1	1,559,422,912	\$48,066,049	3.08	1,496,385,000	\$48,917,939	3.26	-5.52%
GS-3	7,761,639,458	\$73,269,710	0.94	6,709,042,000	\$66,524,043	0.99	-4.60%
LP4	4,471,321,372	\$18,515,155	0.41	4,101,059,000	\$17,538,000	0.43	-2.97%
ISP	448,755,438	\$1,794,989	0.40	420,000,000	\$1,700,000	0.40	-0.97%
LP5	2,651,475,957	\$1,462,806	0.06	2,667,002,625	\$1,545,506	0.06	-4.60%
IST	2,327,705,181	\$8,137,966	0.35	2,400,000,000	\$2,144,000	0.09	292.18%
LP6	576,039,511	\$304,881	0.05	520,272,375	\$301,494	0.06	-8.47%
LPEP	67,986,000	\$125,713	0.18	148,928,000	\$185,000	0.12	49.17%
ISM	550,689,000	\$558,123	0.10	540,441,000	\$598,000	0.11	-8.21%
IS1	4,821,917	\$44,813	0.93	3,828,000	\$37,957	0.99	-6.08%
BL	4,751,439	\$171,872	3.62	5,508,000	\$180,061	3.26	10.88%
SA	27,512,532	\$3,401,723	12.36	29,113,000	\$4,465,973	15.31	-19.23%
SHS	62,980,150	\$12,639,420	20.07	58,745,000	\$9,011,562	15.31	31.10%
SE	10,952,444	\$338,849	3.09	9,120,000	\$1,399,020	15.31	-79.79%
TS	515,396	\$32,087	6.23	517,000	\$79,308	15.31	-59.33%
SI-1	194,065	\$28,943	14.91	367,000	\$56,298	15.31	-2.57%
GH-1	398,577,858	\$5,890,921	1.48	462,090,000	\$6,155,741	1.33	11.18%
GH-2	87,190,577	\$1,221,219	1.40	97,756,000	\$1,302,259	1.33	5.36%
PUC Subtotal	33,089,884,575						
Standby	11,572,304	\$30,904	0.27	11,600,000	\$15,000	0.13	106.95%
SM	7,244,471	\$955,154	13.18	9,875,000	\$1,514,838	15.31	-13.87%
PP&L Totals	33,108,701,350	\$450,348,097	1.36	30,975,810,000	\$423,289,000	1.36	-0.25%

¹ Adjusted for roll-in factor of .9979

PENNSYLVANIA POWER & LIGHT COMPANY

Exhibit JMK 2
Cost Allocation Study
Test Year Ended September 30, 1995

Witness: Joseph M. Kleha

PENNSYLVANIA POWER & LIGHT COMPANY
 FUTURE TEST YEAR REVENUE REQUIREMENTS BY FUNCTION
 (\$1,000)

	PA JURIS	RS	RTS	GS-1	GS-3	LP-4	ISP	LP-5,6	IST	LPEP	ISA	STANDBY
ENERGY	595,753	211,887	7,604	29,573	130,603	78,438	7,864	60,721	43,696	2,721	9,836	211
OTHER PRODUCTION	1,169,321	430,533	10,044	78,136	295,591	152,838	9,819	103,561	45,363	5,268	8,027	841
TRANSMISSION	121,017	40,527	455	8,695	30,567	15,421	1,484	9,870	8,591	468	2,036	106
DISTRIBUTION	423,289	256,535	3,082	49,098	66,562	17,538	1,700	1,847	2,144	185	598	15
TOTAL	2,309,380	939,482	21,185	165,502	523,323	264,235	20,867	175,999	99,794	8,642	20,497	1,173
COMPLIANCE FILING (PPUC 9/95)	2,309,380	939,482	21,185	165,502	523,323	264,235	20,867	175,999	99,794	8,642	20,497	1,173

	GH	SL/AL
ENERGY	10,577	2,022
OTHER PRODUCTION	25,839	3,461
TRANSMISSION	2,470	327
DISTRIBUTION	7,458	16,527
TOTAL	46,344	22,337
COMPLIANCE FILING (PPUC 9/95)	46,344	22,337

DEVELOPMENT OF CORRECTED RATE IST DISTRIBUTION RATE

	<u>Rate IST (\$)</u>	<u>Source</u>
Transmission & Distribution Rate (original PP&L Rate IST delivery charge)	0.00446	OGK-4
Less:		
Transmission rate portion	<u>0.00357</u>	Compliance Filing *
Distribution Rate (per kwh)	0.00089	

1999 Distribution Revenue Determination:

Kwh sales - 1999	2,327,705,181
Distribution Revenues (distribution rate * kwh)	\$2,071,658
Rate IST billing kw	1,385,444
Distribution rate/kw	1.495

* This charge is contained in the PP&L compliance filing for Rate IST. It can also be derived by dividing the 1995 transmission revenue requirement from the unbundling study (for IST) of \$8.591 million by the 1995 test year kwh sales of 2,400,000 mWh and adjust for the .9979% roll-in factor.

Correction of CTC Allocation to Rate Classes
PP&L, Inc.
12 Month Period Ended December 31, 1999

Rate Schedule	Compliance Filing			Unbundling Study*		Corrected CTC		
	Competitive Transition Charge With GRT	Allocated Share (%)	CTC Rate Per kwh	Production Capacity Rev Req	Allocated Share (%)	Competitive Transition Charge With GRT	Allocated Share (%)	CTC Rate Per kwh
RS	\$250,949,820	38.70%	2.16	430333	36.802%	\$238,659,492	36.802%	2.05
RTS	\$11,028,470	1.70%	2.55	10044	0.859%	\$5,570,329	0.859%	1.29
RTD	\$116,687	0.02%	2.16	200	0.017%	\$110,958	0.017%	2.05
GS-1	\$33,399,400	5.15%	2.14	77899	6.662%	\$43,202,021	6.662%	2.77
GS-3	\$144,911,858	22.35%	1.87	295407	25.263%	\$163,830,825	25.263%	2.11
LP4	\$76,917,605	11.86%	1.72	152838	13.071%	\$84,762,836	13.071%	1.90
ISP	\$7,607,930	1.17%	1.70	9819	0.840%	\$5,445,546	0.840%	1.21
LP5	\$47,088,082	7.26%	1.78	85078	7.276%	\$47,183,454	7.276%	1.78
IST	\$37,649,414	5.81%	1.62	45363	3.879%	\$25,157,988	3.879%	1.08
LP6	\$10,226,200	1.58%	1.78	18483	1.581%	\$10,250,719	1.581%	1.78
LPEP	\$2,748,345	0.42%	4.04	5268	0.451%	\$2,921,594	0.451%	4.30
ISM	\$8,421,059	1.30%	1.53	8027	0.686%	\$4,451,715	0.686%	0.81
IS1	\$90,048	0.01%	1.87	184	0.016%	\$101,780	0.016%	2.11
BL	\$101,776	0.02%	2.14	237	0.020%	\$131,633	0.020%	2.77
SA	\$717,155	0.11%	2.61	870	0.074%	\$482,717	0.074%	1.75
SHS	\$1,642,358	0.25%	2.61	1992	0.170%	\$1,105,009	0.170%	1.75
SE	\$84,476	0.01%	0.77	346	0.030%	\$192,165	0.030%	1.75
TS	\$13,442	0.00%	2.61	16	0.001%	\$9,043	0.001%	1.75
SI-1	\$5,061	0.00%	2.61	6	0.001%	\$3,405	0.001%	1.75
GH-1	\$11,829,144	1.82%	2.97	21201	1.813%	\$11,758,007	1.813%	2.95
GH-2	\$2,587,420	0.40%	2.97	4638	0.397%	\$2,572,113	0.397%	2.95
PUC Subtotal								
Standby	\$172,871	0.03%	1.49	841	0.072%	\$466,412	0.072%	4.03
SM	\$188,248	0.03%	2.60	229	0.020%	\$127,107	0.020%	1.75
PP&L Totals	\$648,496,868	100.00%	1.96	1169321	100.000%	\$648,496,868	100.000%	1.96

* PPL Exhibit JMK-2, Unbundled Cost Allocation Study

**Summary of Corrected Proofs of Revenue
PP&L, Inc.
12 Month Period Ended December 31, 1999**

Rate Schedule	Sales (KWH)	Energy and Capacity Revenues (Shopping Credit)	Shopping Credit (cents/kwh)	Transmission Revenues	Distribution Revenues	Competitive Transition Charge With GRT	Proposed Base Rate Revenues
RS	11,639,053,426	\$446,988,392	3.840	\$42,715,326	\$269,957,273	\$238,659,492	\$998,320,483
RTS	432,888,674	\$14,193,276	3.279	\$501,096	\$3,276,433	\$5,570,329	\$23,541,135
RTD	5,411,268	\$176,697	3.265	\$19,859	\$123,094	\$110,958	\$430,608
GS-1	1,559,422,912	\$71,229,787	4.568	\$8,810,740	\$48,066,049	\$43,202,021	\$171,308,597
GS-3	7,761,639,458	\$328,823,052	4.237	\$34,927,378	\$72,762,492	\$163,830,825	\$600,343,748
LP4	4,471,321,372	\$166,160,341	3.716	\$16,409,750	\$17,569,434	\$84,762,836	\$284,902,361
ISP	448,755,438	\$13,104,086	2.920	\$1,579,619	\$1,794,989	\$5,445,546	\$21,924,240
LP5	2,651,475,957	\$88,679,379	3.345	\$7,848,369	\$1,337,441	\$47,183,454	\$145,048,643
IST	2,327,705,181	\$59,017,383	2.535	\$8,309,907	\$2,071,658	\$25,157,988	\$94,556,936
LP6	576,039,511	\$19,124,824	3.320	\$1,705,077	\$304,881	\$10,250,719	\$31,385,501
LPEP	67,986,000	\$1,424,380	2.095	\$212,796	\$125,713	\$2,921,594	\$4,684,483
ISM	550,689,000	\$7,297,550	1.325	\$1,214,856	\$555,915	\$4,451,715	\$13,520,036
IS1	4,821,917	\$65,775	1.364	\$21,699	\$44,813	\$101,780	\$234,067
BL	4,751,439	\$114,776	2.416	\$26,846	\$171,872	\$131,633	\$445,127
SA	27,512,532	\$619,689	2.252	\$84,595	\$3,401,723	\$482,717	\$4,588,725
SHS	62,980,150	\$3,111,148	4.940	\$193,846	\$12,639,420	\$1,105,009	\$17,049,422
SE *	10,952,444	\$0	0.000	\$33,734	\$231,161	\$192,165	\$457,059
TS	515,396	\$16,789	3.258	\$1,588	\$32,087	\$9,043	\$59,508
SI-1	194,065	\$6,094	3.140	\$598	\$28,943	\$3,405	\$39,040
GH-1	398,577,858	\$13,718,466	3.442	\$1,797,586	\$5,890,921	\$11,758,007	\$33,164,980
GH-2	87,190,577	\$2,990,254	3.430	\$393,230	\$1,221,219	\$2,572,113	\$7,176,816
PUC Subtotal	33,089,884,575						
Standby	11,572,304	\$581,645	5.026	\$34,298	\$30,904	\$466,412	\$1,113,259
SM	7,244,471	\$183,836	2.538	\$22,301	\$955,154	\$127,107	\$1,288,398
PP&L Totals	33,108,701,350	\$1,237,627,619	3.738	\$126,865,094	\$442,593,588	\$648,496,868	\$2,455,583,171

* Distribution rate adjusted to produce revenue neutral result.

CERTIFICATE OF SERVICE

I hereby certify that I am this day serving a true copy of the foregoing document 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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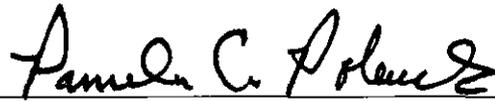
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Dated this 6th day of August, 1998, at Harrisburg, Pennsylvania.

RECEIVED
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PA.P.U.C.
SECRETARY'S BUREAU

Pennsylvania Public Utility Commission v. PP&L, Inc.

R-00973954

KJR

NOTICE OF PETITION by PP&L, Inc., at No. 2168 C.D. 1998, Commonwealth Court of Pennsylvania, from the order of the Commission dated July 9, 1998 in the above-captioned proceeding.

B-00983738

Filed: August 7, 1998

DOCKETED
AUG 25 1998

**DOCUMENT
FOLDER**



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

August 10, 1998

DOCUMENT
FOLDER

Ms. Carol Kerr
1997 Holtwood Road
Holtwood, PA 17532

Dear Ms. Kerr:

R-00918 3954

Thank you for your July 28, 1998 letter to Sam McCullough, Secretary, Department of Community and Economic Development, regarding the recent decision of the Public Utility Commission to allow Pennsylvania Power and Light (PP&L) to recover only \$2.86 billion of its stranded costs as Pennsylvania implements electric competition.

PP&L filed a Petition for Reconsideration on June 26, 1998, before the Commission requesting the Commission to increase the amount of stranded costs PP&L could recover from \$2.86 billion to approximately \$4 billion. In its original restructuring plan filed in April of 1998, PP&L had requested \$4.04 billion in stranded cost recovery. At its Public Meeting of July 9, 1998, the Commission denied PP&L's reconsideration request. PP&L is now free to pursue its appeals which the utility filed before the federal courts and the Commonwealth Court of Pennsylvania challenging the Commission's Order. Currently, settlement negotiations between the Commission, PP&L and other parties are in progress in an attempt to resolve those appeals.

We appreciate having the benefit of your views on this matter and I have taken the liberty of forwarding your correspondence to the Secretary of the Commission for inclusion into the official file of this proceeding. If I can be of any further assistance to you in this matter, please do not hesitate to call upon me.

Sincerely,

Rosemary Chiavetta, Esq.
Director of Legislative Affairs

cc: Secretary James McNulty
Secretary Sam McCullough

BTL

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John Quain
Nora Rose
Harrisburg

July 28, 1998

RC

98 AUG -6 AM 8:23
CHAIRMAN QUAIN'S OFFICE

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JUL 30 1998
DEPT. OF COMMUNITY &
ECONOMIC DEVELOPMENT

Secretary Sam McCullough
Secretary-Community & Economic Development
Forum Building #433
Harrisburg, Pa. 17120

Dear Secretary McCullough:

As a member of the Holtwood Advisory Committee and resident of Martic Township, I am greatly concerned over the recent ruling by the PUC regarding P P & L's ability to recover stranded costs.

As a resident, I am well aware of the many contributions to my township made by P P & L. They have long worked with the Township to keep the coal trucks to a minimum, to monitor and correct any noise complaints, and see that coal truck drivers obey road restrictions. The (P P & L) Pequea Campground is a valuable resource in my community. This idyllic spot is enjoyed by local residents, as well as campers from northern Pennsylvania and New Jersey. The campground is well managed making it an excellent campground for families—both in cost, in facilities, and scenery. The day use picnic areas (open to tubers and others) are kept neat and clean with plenty of tables available. All of this, and at a very reasonable cost, because P P & L keeps it that way. P P & L grounds (in partnership with the State Game Commission) are open to hiking, horseback riding, birding, and hunting. Our local P P & L power plant in Holtwood, along with the Safe Harbor Power Plant, recently incurred great cost to complete shad fish ladders which facilitate the shad movement up the Susquehanna River. The local Holtwood Power plant's Land Management Office sponsors hikes, naturalist programs to view wild flowers, birds, or the beauty of Kelly's Run. They have provided open areas for recreation to the community, and, at all times, I have found the Holtwood management team to be receptive to problem solving with all community concerns.

As a member of the Holtwood Advisory Committee, I have first-hand knowledge of the management's willingness to hear and work through community concerns. No problem or person is too small. They have shared the plans for the power plant and surrounding area, been open with company concerns, and genuinely seek input from those of us that live in their area.

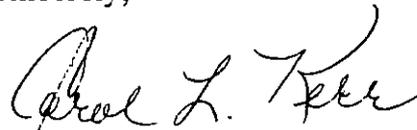
As a homeowner, I appreciate the fact that my electricity costs me less than my "neighbor" pays with PECO. I value having P P & L in my community, and it is for all for the above reasons that I write this letter.

As I am sure you are aware, the PUC has greatly reduced the amount of stranded costs (from a requested \$4.0 billion to \$2.86 billion) that P P & L may recoup as they work their way from a monopoly into the free market of electricity service. As the saying goes, "It doesn't take a brain surgeon" to see the reality such a reduction would have to the viability of P P & L as a company.

As a homeowner, I see the need to repay the debt to P P & L—even if it means having to pay the additional portion on my electric bill for some time to come. As a homeowner in Martic Township, I want to see P P & L stay strong. I want them to be able to continue all the valuable contributions they make to my community. I believe that by not being able to collect at least \$4.0 billion of their stranded costs, they will have to cut many of the services and contributions they make to my community none of which I wish to see happen.

I ask that you do all you can to see that the PUC reconsiders their judgement. Thank you for your time and consideration of my request.

Sincerely,



Carol L. Kerr
1997 Holtwood Road
Holtwood, Pa. 17532