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COMMONWEALTH OF PENNSYLVANIA  
PUBLIC UTILITY COMMISSION

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MEM

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:  
Pennsylvania Power & Light Company.  
Application for approval of a  
Restructuring Plan.

: Docket No.  
: R-00973954  
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:  
----- X

Public Input Hearing.

Pages 165 through 206

Town Hall Council Chambers  
10 East Church Street  
Bethlehem, Pennsylvania

Monday, June 2, 1997

Met, pursuant to adjournment, at 7:00 p.m.

BEFORE:

GEORGE M. KASHI, Administrative Law Judge

APPEARANCES:

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C O N T E N T S

<u>WITNESS</u>	<u>DIRECT</u>	<u>CROSS</u>	<u>REDIRECT</u>	<u>RECROSS</u>
Nancy Tate	176	--	--	--
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E X H I B I T S

<u>NUMBER</u>	<u>FOR IDENTIFICATION</u>	<u>IN EVIDENCE</u>
(None.)		

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P R O C E E D I N G S

1  
2 ADMINISTRATIVE LAW JUDGE GEORGE M. KASHI: Good  
3 evening, ladies and gentlemen. I am calling this public  
4 input hearing onto the record.

5 I am Judge Kashi. I am an Administrative Law Judge  
6 for the Public Utility Commission and I am the  
7 Administrative Law Judge who has the responsibility for  
8 marshalling the evidence, hearing this matter and making a  
9 recommended decision to the Commission on the application  
10 that has been filed by PP&L on its restructuring plan under  
11 the Electric Generation Customer Choice and Competition Act  
12 that has been passed by the Pennsylvania Legislature and  
13 signed into law by the Governor.

14 The plan, if you are not familiar with it, has four  
15 major components to it, not just four issues that are  
16 involved but four major components.

17 And those are components are the terms and conditions  
18 for open access for retail competition, including a proposal  
19 to provide comparable access to the company's transmission  
20 and distribution system.

21 Secondly, there is the calculation of the company's  
22 stranded or transition costs as defined in the Act,  
23 including the company's efforts to mitigate stranded costs.

24 The third component that is involved in this case is  
25 the unbundling of rates for the generation, transmission and

1 distribution of electricity, including a competitive  
2 transition charge to recover stranded costs, and a proposed  
3 rate design to facilitate and encourage full and fair  
4 competition.

5 Finally, in the plan there are proposals for  
6 continued ratepayer protection including an expanded company  
7 program for assistance to low income customers and other  
8 measures to insure continued safe, reliable and efficient  
9 service to the customers at reasonable rates.

10 The purpose of this evening's public input session is  
11 to hear from customers in the service territories to give us  
12 an idea as to what the thinking of the people is.

13 There are two ways in which you can participate  
14 tonight. The first, the preferable way is to, as I said,  
15 sign up and come forward and give whatever testimony you  
16 wish as sworn testimony and allow yourself to be subject to  
17 cross-examination, which in fact is nothing to be fearful  
18 of.

19 If in fact you do that, I can consider whatever you  
20 say as part of the record when it comes time for me to make  
21 my recommended decision to the Commission.

22 This case will go on for some time. The parties  
23 presently -- and there are some 30 parties involved in this  
24 case outside of the statutory parties who are here tonight  
25 who will be participating, and they are presently in a

1 process called discovery.

2 Testimony is being prepared, and it will be prefiled.  
3 Cross-examination of the testimony will take place sometime  
4 in the latter part of August for approximately eight days.  
5 My decision is due to the Commission sometime in early  
6 November.

7 The parties will file exceptions to my decision. In  
8 cases of this type, the only thing the parties ever can  
9 agree on, when my decision is filed, is that the Judge  
10 doesn't know what he's talking about.

11 It then goes to the Commission and they will make  
12 their decision sometime I believe the first week of January.  
13 So if in fact we can get you to testify tonight, sworn  
14 testimony, that becomes part of the record. I can consider  
15 it. The parties here can consider it when they are filing  
16 their briefs with me, and the Commission can consider it  
17 when they are making their decision.

18 If however you are here tonight just to get something  
19 off your chest, we will listen to that, also. However, I  
20 want you to understand that that does not become part of the  
21 record. I cannot consider that when I make my decision nor  
22 can the Commission when it makes its decision.

23 The parties who are here tonight, I would like to  
24 introduce to you and give them an opportunity to say a few  
25 words. The prime reason, though, that we are here tonight

1 is to hear from you.

2 To my extreme left is Mr. Irwin Popowsky who is the  
3 Consumer Advocate of Pennsylvania and is representing the  
4 Office of Consumer Advocate here this evening.

5 Next to Mr. Popowsky is Mr. Simms from the Office of  
6 Trial Staff of the Public Utility Commission. They have a  
7 unique role in these types of proceedings.

8 To my right is Ms. Karen Moury, who is with the  
9 Office of Small Business Advocate. They too have a  
10 statutory role in this to play.

11 And to my extreme right is Mr. Paul Russell, who  
12 represents PP&L. With us this evening also, representing  
13 Commissioner Hanger, is his administrative assistant, Mr.  
14 John Rohrbach.

15 And tonight we also have with us, from the state  
16 senator's office of Senator Afflerbach, Mr. Kurt Derr.

17 Now, at this time, I would call upon the statutory  
18 parties to give you an opportunity to say something. Mr.  
19 Popowsky?

20 MR. POPOWSKY: Thank you, Your Honor.

21 My name is Irwin Popowsky. I'm the Consumer Advocate  
22 of Pennsylvania. Our office is a state office, and our job  
23 is to represent consumers, particularly residential  
24 consumers, in matters involving Pennsylvania's public  
25 utilities, including Pennsylvania Power & Light Company.

1 Now, this case that we are here about today is an  
2 extremely important one regarding the future of how you will  
3 receive electric service for at least the next ten years.

4 Our office has hired a team of experts to address  
5 every aspect of PP&L's filing. We will be addressing that  
6 filing on behalf of consumers.

7 Our office's goal in this case is to try to insure  
8 that all of PP&L's customers have access to a wide range of  
9 competitive alternatives for reliable electric generation  
10 service at rates that are no more expensive and will  
11 hopefully be less expensive than what you are paying today.

12 But the purpose of the hearing this evening is to  
13 hear from you, the members of the public, to hear your  
14 opinions and your concerns regarding these issues.

15 I would encourage you to testify and, if possible, to  
16 testify on the record under oath so that we can utilize your  
17 testimony in our briefs to the Judge and to the Commission.

18 I want to thank you for coming this evening, and I  
19 look forward to hearing your testimony.

20 JUDGE KASHI: Thank you, sir.

21 Mr. Simms?

22 MR. SIMMS: Thank you, Your Honor.

23 My name is Johnnie Simms. I'm a prosecutor with the  
24 Commission's Office of Trial Staff. The chief prosecutor is  
25 Charles F. Hoffman.

1           Our office was created to represent and to present  
2 evidence in the public interest in proceedings before the  
3 Commission. In our office, we have a team of attorneys,  
4 accountants and engineers.

5           With respect to the present filing by PP&L, we have  
6 submitted a number of interrogatories for submission and  
7 evaluation by our engineers and accountants.

8           As Judge Kashi has identified, there are four major  
9 components of this filing. We are evaluating that filing  
10 along with a number of additional issues and will be  
11 preparing direct testimony to be filed in this proceeding.

12           But as you have heard tonight, the purpose of this  
13 public input is to receive your comments, and I want to  
14 thank you for your attendance tonight. I look forward to  
15 hearing your comments, and if you have any questions after  
16 this public input, please feel free to talk to me. Thank  
17 you very much.

18           JUDGE KASHI: Thank you, Mr. Simms.

19           Ms. Moury?

20           MS. MOURY: Thank you, Your Honor.

21           Good evening. My name is Karen Moury, and I am here  
22 tonight on behalf of the Small Business Advocate of  
23 Pennsylvania, and his name is Bernard Ryan.

24           Our office was created by the Legislature to  
25 represent the interests of small business consumers of

1 utility services in cases before the Public Utility  
2 Commission.

3 Our primary goal in this proceeding is to insure that  
4 PP&L's small business customers are treated fairly during  
5 the transition to a competitive generation market.

6 We're looking at PP&L's overall stranded cost claim  
7 and at the method that PP&L wants to use to recover those  
8 costs from its ratepayers.

9 We're also trying to make sure that PP&L's small  
10 businesses have a meaningful opportunity to obtain access to  
11 a reliable competitive generation supply as soon as  
12 possible.

13 As an attorney for the Office of Small Business  
14 Advocate, it's my job to let the Commission know what we  
15 think needs to be done to insure that small business  
16 customers are adequately protected during this process.

17 We've hired an expert witness who is assisting us in  
18 making those determinations. But if any of you are here  
19 today as a small business owner or representative, I would  
20 appreciate it if you would share your concerns with us,  
21 because that will help us focus on what needs to be done to  
22 adequately protect the interests of small businesses.

23 Thank you for coming out tonight.

24 JUDGE KASHI: Thank you, Ms. Moury.

25 Mr. Rohrbach, do you have any comments?

1 MR. ROHRBACH: Just to say, Your Honor -- thank you,  
2 sir -- that Commissioner Hanger takes this case very  
3 seriously. It has a great impact on the future of  
4 Pennsylvania, eastern Pennsylvania.

5 I urge you to testify under oath so that we can, to  
6 the extent the parties want to use your testimony and the  
7 Commission can use your testimony as needed later on down  
8 the road. Thank you.

9 JUDGE KASHI: Thank you, sir.

10 Mr. Derr, do you have any comments on behalf of the  
11 senator?

12 MR. DERR: I'm just here to listen.

13 JUDGE KASHI: Mr. Russell, sir?

14 MR. RUSSELL: Thank you, Your Honor.

15 My name is Paul Russell. I'm a lawyer in the legal  
16 department of PP&L and I am assigned to handle this case on  
17 behalf of PP&L.

18 PP&L was an early advocate of retail competition. We  
19 supported passage of the Customer Choice Act which the  
20 Governor signed in December, and that Act requires each  
21 utility to file a restructuring plan with the PUC detailing  
22 how the utility plans to move from full regulation to  
23 competition.

24 PP&L asked the PUC to allow us to file early in the  
25 process. The request was granted, and the company filed its

1 restructuring plan with the Commission on April 1st.

2 And it is that restructuring plan which is the  
3 subject of this evening's public input hearing. PP&L  
4 strongly supports public input hearings. We view them as an  
5 essential part of the Commission process, and it gives the  
6 Commissioners and the Administrative Law Judge an  
7 opportunity to hear the public's concerns about the case  
8 that's before them.

9 I want to join in thanking you for attending today,  
10 and also join in encouraging you to testify, if at all  
11 possible, under oath. We are interested in hearing your  
12 views on the case.

13 Finally, in closing, I would like to introduce  
14 another member of the staff from PP&L. Jim Burns, who is  
15 the community development director, will be here in about  
16 five minutes. Jim and I will be available throughout the  
17 evening to answer any questions you might have on your  
18 individual service or rate issues. Again, thank you for  
19 attending. We're glad you're here tonight.

20 JUDGE KASHI: Thank you, Mr. Russell.

21 One other comment I'd like to make. The filing is  
22 rather extensive, and one of the things that has been done  
23 to try to get it as widely disseminated as possible, in  
24 addition to the hard copies that are available at the  
25 company's office and in Harrisburg is, the Commission has

1 placed it on the Internet.

2 And the address where you can locate it is, it's not  
3 www, but it's http:\\puc.paonline.com. I believe it's  
4 hyperlinked text so that you can go to those relevant  
5 portions where your interests lie and be able to read it.

6 At this time, I would ask the court reporter if he  
7 could bring me the list.

8 (Pause.)

9 JUDGE KASHI: Nancy Tate, can you come to the podium,  
10 ma'am? Ms. Tate, do you wish your testimony to be sworn or  
11 unsworn?

12 MS. TATE: I guess sworn.

13 JUDGE KASHI: Can I get you to raise your right hand  
14 and be sworn?

15 MS. TATE: I prefer to affirm, if that's possible.  
16 Whereupon,

17 NANCY TATE  
18 having duly affirmed, testified as follows:

19 DIRECT TESTIMONY

20 JUDGE KASHI: Could you please state your name and  
21 address for the record, ma'am?

22 THE WITNESS: My name is Nancy Tate. I live in  
23 Riegelsville, Pennsylvania, Post Office Box 344. I work at  
24 the LEPOCO Peace Center, 313 West Fourth Street on the south  
25 side of Bethlehem.

1 JUDGE KASHI: What is it you do, ma'am?

2 THE WITNESS: I'm a staff person for LEPOCO, an  
3 organizer, peace worker.

4 JUDGE KASHI: Can you explain to us a little bit  
5 about the organization?

6 THE WITNESS: We are a local grassroots peace and  
7 justice organization. We've been in existence since 1965.  
8 We work on a range of issues which, over the years, has  
9 included concern about nuclear power in the late seventies  
10 and the early eighties.

11 I guess that's the primary thing that brings me here  
12 tonight, but we're concerned about a whole range of justice  
13 issues.

14 JUDGE KASHI: And are you authorized on behalf of  
15 that group to come and testify here tonight?

16 THE WITNESS: I'm authorized in the sense of our  
17 steering committee supporting me being here. I'm not  
18 authorized in the sense of this statement or whatever I'm  
19 saying having been approved by them.

20 JUDGE KASHI: Okay. So what brings you here tonight,  
21 then?

22 THE WITNESS: Well, I have a lot of questions. Is  
23 that okay, as far as --

24 JUDGE KASHI: That's not the format. Let me explain  
25 a little bit about that.

1 THE WITNESS: I've never done this before.

2 JUDGE KASHI: Sure. I understand. There's no reason  
3 for you to have done this before. You are participating in  
4 an historic event right now, let's put it that way.

5 The format is not one of a dialogue of questions and  
6 answers with the audience, but in fact to be able to hear  
7 what comments it is and concerns that you have about the  
8 plan, okay.

9 If there are specific questions that you have, as the  
10 parties here said tonight, they will be willing to stay  
11 after the hearing and address specific issues with you and  
12 explain specific things to you, if that is in fact what you  
13 want.

14 But what we're here tonight to do is to hear what it  
15 is that you have to say and what it is that you have to  
16 comment on.

17 Like you said, one of your concerns was the nuclear  
18 issue. We want to hear about that, okay?

19 THE WITNESS: I guess my questions -- I don't really  
20 present them in the sense of getting answers tonight, but  
21 questions that I would like for you to consider.

22 JUDGE KASHI: I see.

23 THE WITNESS: Is that appropriate?

24 JUDGE KASHI: Sure.

25 THE WITNESS: I think the first part of what I have

1 here, maybe I have already addressed, but let me just go  
2 ahead and read my statement, if that's okay.

3 JUDGE KASHI: Good.

4 THE WITNESS: I work at the LEPOCO Peace Center in  
5 south side Bethlehem. We are PP&L customers and many of our  
6 over 600 members are also customers.

7 LEPOCO, which stands for the Lehigh Pocono Committee  
8 of Concern, has worked locally in the Lehigh Valley for  
9 peace and justice for over 30 years.

10 Unfortunately, the issues around deregulation and  
11 competition and electric generation have not received  
12 adequate public attention and debate.

13 That was true as the enabling law was rushed through  
14 the Pennsylvania Legislature, and is again true as public  
15 opinion is being sought for PP&L's restructuring proposal.

16 Most of us have only a few clues about what this will  
17 mean, and many probably have no idea that drastic changes  
18 are coming in the way electricity is provided in this state.

19 While many of the powerful in our country currently  
20 sing unquestioning praises for competition and no government  
21 interference in business, there are also some of us who  
22 believe that the regulations that have been placed on  
23 businesses like electric utilities came about to provide  
24 fair and equitable access to this service and to protect the  
25 average consumer.

1           Indeed, that system has not always served that  
2 average consumer. Just witness the development of nuclear  
3 power, in my opinion. But moving to a system that serves  
4 mainly large businesses cannot be seen as an improvement.

5           Dare I say, more public control, not less, is the  
6 direction we should be moving. But given our current  
7 situation, I have several questions and concerns that I hope  
8 the Pennsylvania Public Utility Commission will address as  
9 they review the PP&L proposal.

10           What protections will there be to prevent customers  
11 from harassing calls and solicitations that have accompanied  
12 the deregulation of telephone service?

13           There are many of us who feel there should be much  
14 more to life than shopping, whether that be at a mall or  
15 through the phone calls offering you the best deal on long  
16 distance rates or electric rates.

17           What unbiased review will be available to the  
18 consumer to assist in making an intelligent, wise choice in  
19 electric service?

20           For starters, such information should weigh  
21 environmental benefits or hazards of such service, how fair  
22 the service will be to the poorest in our community, what  
23 special deals are being cut for the richest.

24           Are the workers of the provider being paid a living  
25 wage? Do they have union representation? Are their rates

1 fair and comparable?

2           There are probably many other issues that will be  
3 important for the consumer to make a truly intelligent  
4 choice.

5           Many of us feel deregulation and competition in  
6 telephone service has really meant higher rates for the  
7 average consumer. What will be done to prevent this  
8 eventuality as electric providers establish duplicate  
9 marketing and production networks?

10           What protections will be given for adequate,  
11 affordable service to the poor in our communities? What  
12 protections will be given to assure that heat is available  
13 to everyone during the winter months and is not cut off  
14 unfairly?

15           What will you do to assure that the workers and  
16 employees of other electric providers besides PP&L have  
17 union representation and protection like the present workers  
18 at PP&L?

19           How will you prevent the profits of competing  
20 providers from being made at the expense of lower wages for  
21 the workers? How will you prevent PP&L's profits from being  
22 made from layoffs of their workers?

23           What protections will you give to assure that the  
24 small and environmentally friendly producer of power has a  
25 good opportunity to be among the electric generators?

1           What measures will be taken to guarantee that this  
2 new system encourages rather than discourages energy  
3 conservation?

4           And what protections are there that large power  
5 customers don't get savings at the expense of the average  
6 electric consumer?

7           Finally, I believe it is grossly unfair to the  
8 average consumer to be asked to pay for the decision by PP&L  
9 management and stockholders to build the nuclear power  
10 plants that are located near Berwick, Pennsylvania.

11           It was an unsafe and uneconomical decision at the  
12 time it was made, and remains so. Indeed, to allow them to  
13 bill the average consumer for this expense while these  
14 plants continue operating, producing ever more nuclear  
15 waste, is doubly hazardous.

16           These stranded costs should be borne by those who  
17 were the advocates of nuclear power, as I have said,  
18 management and the stockholders.

19           These are the many points that I want to raise, and  
20 thank you for the opportunity to do so.

21           JUDGE KASHI: Thank you very much, ma'am. There's a  
22 couple questions that I have. You made reference to I  
23 believe higher rates for telephone service with  
24 deregulation.

25           Is that just a general statement, or is that

1 something that you specifically have some knowledge of?

2 THE WITNESS: It's a general statement of personal  
3 experience.

4 JUDGE KASHI: And the personal experience is based on  
5 your long distance service, your local service?

6 THE WITNESS: I believe it's long distance. My  
7 husband is the one who helped me with that statement.

8 JUDGE KASHI: And you believe long distance rates  
9 have gone up?

10 THE WITNESS: Yes.

11 JUDGE KASHI: Are there any questions from counsel?  
12 Mr. Popowsky?

13 MR. POPOWSKY: No, Your Honor.

14 JUDGE KASHI: Mr. Simms?

15 MR. SIMMS: No, Your Honor.

16 JUDGE KASHI: Ms. Moury?

17 MS. MOURY: No, Your Honor.

18 JUDGE KASHI: Mr. Russell?

19 MR. RUSSELL: No, Your Honor.

20 JUDGE KASHI: Thank you for coming. We appreciate  
21 your comments, and I can assure you that just about  
22 everything that you have on your list is going to be in one  
23 way or another covered by the testimony that has been filed  
24 by the company, the testimony that is being filed by the  
25 statutory parties, the testimony that is going to be filed

1 by the 30-some parties that have filed interventions in the  
2 case.

3 And there isn't an issue on here that, to the best of  
4 my reading so far of what's taking place, will not be  
5 considered and looked at and testimony on those issues  
6 subject to cross-examination.

7 Thank you for coming. I appreciate your testimony.

8 (Witness excused.)

9 JUDGE KASHI: Tim Foldes?

10 Sir, do you wish your testimony to be sworn or  
11 unsworn?

12 MR. FOLDES: I've never done this before, so if it's  
13 not sworn, will the PUC and the Consumer Advocate still  
14 consider it, or --

15 JUDGE KASHI: We won't consider it. We'll listen to  
16 you, but we won't consider it when it comes time to make a  
17 decision.

18 MR. FOLDES: Okay, I'll swear.

19 Whereupon,

20 TIM FOLDES

21 having been duly sworn, testified as follows:

22 DIRECT TESTIMONY

23 JUDGE KASHI: Please state your name and address for  
24 the record, sir.

25 THE WITNESS: Tim Foldes, 1442 Hazlewood Lane,

1 Bethlehem, Pennsylvania, 18018.

2 JUDGE KASHI: What is it you do, Mr. Foldes?

3 THE WITNESS: I'm a manufacturing engineer.

4 JUDGE KASHI: What brings you here tonight?

5 THE WITNESS: Saw this as an opportunity to express  
6 my opinion in this public forum on a subject I have a little  
7 bit of interest in.

8 JUDGE KASHI: Are you familiar with the restructuring  
9 plan that has been filed by the company?

10 THE WITNESS: Unfortunately, very little. My opinion  
11 is that I think that many of the points of the plan are not  
12 well communicated to the general public.

13 I consider myself fairly intelligent and as well  
14 informed as I can be via the newspaper and so on, and I kind  
15 of feel a little bit in the dark about all the details, many  
16 of the details.

17 JUDGE KASHI: Do you have access now to a computer  
18 that I gave you computer address and that you can sit down  
19 and familiarize yourself with it?

20 THE WITNESS: I will.

21 JUDGE KASHI: What kind of comments would you like us  
22 to hear tonight, sir?

23 THE WITNESS: Okay, I have kind of outlined four  
24 comments or concerns that I have. One is that I'm a little  
25 concerned about the generating credit and the level that

1 that's being set at.

2 I feel that that should be, at the very least, at the  
3 same level as the price that they'll be charging people from  
4 outside the normal utility area, so that they can't  
5 manipulate the number of customers they have via that  
6 method, and also that that rate level be fair for the same  
7 reasons, to prevent them from intentionally, unfairly  
8 underpricing the market, suddenly causing a large influx of  
9 customers which would then negatively impact those current  
10 customers.

11 The second point or concern that I have is, I feel  
12 that what you call the stranded costs should be more  
13 equitably split between the investors or stockholders and  
14 the consumers.

15 The reason is that I feel that since this drive  
16 towards competition has the potential to benefit the  
17 shareholders by enlarging the markets of the utilities and  
18 potentially making them more money, they should carry a  
19 little more burden of the risk and the cost of the stranded  
20 costs.

21 A third point or concern that I have is that I would  
22 like to be comfortable that PP&L is prevented from selling  
23 more capacity than they currently have, particularly that  
24 the reserve that they currently use to handle summer demand  
25 and so on is not cut short and thus negatively impacting the

1 current customers.

2 For example, if they have to start buying electricity  
3 from outside their normal generating plants, it will  
4 suddenly cost us more than it would have if they had not  
5 been allowed to oversell their capacity.

6 And the fourth concern that I have is about the  
7 reliability of service from the generator, that is the  
8 utility that generates the power.

9 For example, if for some reason PECO has a lower rate  
10 and I decide to switch to them, if PECO, because they're  
11 cutting expenses and maintenance and so on in order to  
12 charge this lower rate, if their utility plants go down or  
13 their transmission lines are damaged and they can't repair  
14 them quickly enough, where is my electricity going to come  
15 from?

16 Technically, I'm still connected through PP&L. Is  
17 PP&L going to supply the power to make up the difference, or  
18 is PP&L going to shut my power off because the guy I buy it  
19 from is no longer generating any?

20 That's all I have.

21 JUDGE KASHI: Thank you, sir.

22 Are there any questions from counsel? Mr. Popowsky?

23 MR. POPOWSKY: No, Your Honor.

24 JUDGE KASHI: Mr. Simms?

25 MR. SIMMS: No, Your Honor.

1 JUDGE KASHI: Ms. Moury?

2 MS. MOURY: None, Your Honor.

3 JUDGE KASHI: Mr. Russell?

4 MR. RUSSELL: No, Your Honor.

5 JUDGE KASHI: Thank you very much, sir. You are  
6 excused, and thank you for coming.

7 (Witness excused.)

8 JUDGE KASHI: Mr. Adolph Butkys?

9 MR. BUTKYS: I have a loud voice.

10 JUDGE KASHI: I can hear that. I guess we don't need  
11 a microphone for you.

12 MR. BUTKYS: No, and I won't be able to stand behind  
13 that podium. If I do, you'll never see me.

14 JUDGE KASHI: Do you wish your testimony to be sworn  
15 or unsworn, sir?

16 MR. BUTKYS: Whatever I say, I want to swear.

17 Whereupon,

18 ADOLPH BUTKYS

19 having been duly sworn, testified as follows:

20 DIRECT TESTIMONY

21 JUDGE KASHI: Please state your name and address for  
22 the record, sir.

23 THE WITNESS: Adolph Butkys, B-U-T-K-Y-S.

24 JUDGE KASHI: And your address, sir?

25 THE WITNESS: 3936 Birch Drive, Bethlehem,

1 Pennsylvania, 18017.

2 JUDGE KASHI: And what is it you do, sir?

3 THE WITNESS: I am a retired teacher, and I'm also a  
4 retired member of the PUC Consumer Advisory Council. I used  
5 to serve on that council since it started, many years ago,  
6 17, 18 years ago.

7 JUDGE KASHI: And are you familiar, sir, with the  
8 plan that is presently before this Commission?

9 THE WITNESS: Not the last details, but I was  
10 involved in the beginning when we were discussing this  
11 issue, and we raised a lot of concerns and questions during  
12 that period.

13 I don't know how the final plan was -- I mean, I saw  
14 it, but I don't know all the small details.

15 JUDGE KASHI: No. I don't think all of us really  
16 have a full appreciation of the final details yet ourselves.

17 THE WITNESS: Exactly.

18 JUDGE KASHI: What brings you here tonight, sir?

19 THE WITNESS: Well, first of all, I am always  
20 inspired when the PUC has a hearing to come and see what is  
21 cooking and who is all here and how are things going along.  
22 And I also admire our Consumer Advocate here, who does a  
23 great job in protecting our consumer interests.

24 Having said all that, I'm concerned about the service  
25 that the electric utilities are providing, and here I have

1 three topics.

2 First of all, I'm the third speaker, so I'm really  
3 surprised that I'm here so soon. When I saw this first  
4 speaker, the lady, she started out so timid and I was  
5 worried that she wasn't able to really know what is going on  
6 and discuss herself.

7 As I kept listening to her, she was talking more and  
8 more in terms of what everybody else is concerned about. So  
9 in a way, I hate to say it, but she took a little of the  
10 wind out of my sails.

11 JUDGE KASHI: She gave one of the best presentations  
12 I have heard at a public input hearing.

13 THE WITNESS: Yes. I'm glad you confirm my  
14 confidence in her. I have never met her before. I don't  
15 know who she is until today, and I really was surprised, how  
16 she finished this presentation. I may take some tutoring  
17 lessons from her.

18 All right. The first thing is this stranded costs.  
19 That is the big issue, of course. And the bigger problem  
20 here is not so much whether we want to have it paid by the  
21 consumer or by anybody else. The concern is that we don't  
22 know what the costs would entail.

23 They could fluctuate. I'm not just talking PP&L  
24 here, I'm talking about all utilities in the state. When  
25 the utilities don't make enough money on other things, they

1 are going to put this as one of their crutches.

2 They're going to say, "Well, we're losing money and  
3 we need more money." They're trying to get business from  
4 competing with low rates, but then they try to make it up,  
5 maybe.

6 I'm saying "maybe." I have no proof of this. But  
7 the PUC should be concerned about that, that they're going  
8 to try to use the stranded costs as a way to balance their  
9 budget or to balance their income.

10 And that's something we cannot prove or we cannot  
11 follow up. Suddenly their stranded rate is going to go up,  
12 and we wonder why. It's sort of like a hidden tax, in my  
13 fear. I don't want to say "opinion," just "fear," because  
14 it is something that I have never really understood how  
15 we're going to measure it, how we're going to explain it to  
16 the customer and how the customer justifies paying for it.

17 And that's regardless of the other issues, like  
18 should the investors pay for it or not. I'm not talking  
19 about that. Somebody is going to pay for it sooner or  
20 later. And this is the fear, that the small consumer  
21 doesn't get the biggest share of the burden.

22 The other issue is the service to the consumer and  
23 reliability, of course. That was our big issue when we  
24 discussed it at the PUC Advisory, will reliability and  
25 quality drop.

1 Right now, we get PP&L electricity, so we consider  
2 PP&L electricity very high quality. We feel that they are a  
3 very good utility, and they are.

4 But now we're going to buy from some cheap outfit  
5 somewhere out of state, and the utility, PP&L, will say,  
6 "Well, you know, since nobody buys much from us, why should  
7 we provide them the quality service?" So they're going to  
8 make it up maybe on quality, I mean on service cuts.

9 And that's a problem that we have to face. When  
10 there's a storm, when there's a breakdown, who is going to  
11 be responsible? I know PP&L is responsible in the final  
12 analysis, but are they going to be as committed as they are  
13 now, because now they're bundling everything.

14 If they can't get the money back from service costs,  
15 they get it back from the electricity. If they can't get it  
16 from the electricity, they get it from some other source or  
17 from the PUC raising rates.

18 But now they have to disbundle everything, take  
19 everything apart, and it would be much easier to prove which  
20 pays for what, but it would be much harder to justify the  
21 costs, in my opinion.

22 And again, like the lady said, like everybody else is  
23 talking about, we want to raise this question to you. We  
24 don't have the answers. If I had the answer, I probably  
25 would run for one of the Commissioners.

1           So this is a question that I'm worried about, will  
2 reliability of service fall apart, will we get lower  
3 service. Like the lady said before me, will there be less  
4 people to work at the utilities. In other words, will there  
5 be smaller repair teams. These are some of the issues.

6           And the PUC should keep an eye on it, that they  
7 shouldn't cut service people just because to cut costs. The  
8 only way they could justify that, if there is more  
9 productivity, I mean each employee can do more.

10           The third big issue is competitive pricing. Here we  
11 have a problem. I'm worried. How long do I make a contract  
12 with someone?

13           Let's say PECO wants to sell me, and I get a good  
14 deal. What is it, three months, two months, a year, ten  
15 years? How do we determine how long should I sign up?

16           And like the lady said with the telephone service,  
17 when you sign up for one telephone company and long  
18 distance, suddenly you get a call from another telephone  
19 company, "Would you switch to us?"

20           Can you switch from day to day? Can you do it  
21 overnight, you use in the morning one telephone company,  
22 evening another? I mean, how do you work on this? I've  
23 never done it.

24           I'm with AT&T because -- even, I'm an expert,  
25 basically -- and I never change, because when you buy a

1 service, suddenly they change it and we don't even realize  
2 it. You get it for so many pennies a minute, and then  
3 suddenly when your next bill comes, it went up and they  
4 never told you, and you missed a good opportunity.

5 I don't use much long distance to start with, so I'm  
6 not worried. And I use AT&T only because I know that  
7 whatever it is, I know who it is, who.

8 How are we going to do that with electricity? Do I  
9 change every day from PP&L to another company? And how long  
10 do I keep the contract? How will I get it, by phone, by  
11 mail, by personal visits?

12 And the third issue on that topic, how are we going  
13 to educate the consumers? The consumer not only has to face  
14 this big challenge with the telephone competition, now  
15 they're going to be able to do it soon with gas. Now we're  
16 getting into electricity. Maybe water is next. I will buy  
17 my water from the Pacific instead of from the Atlantic.

18 I mean, you know, these are issues that scare the  
19 ultimate consumer. Now, we know that this law and all this  
20 regulation, you know, FCC and all that, sure, they were  
21 great for large consumers.

22 This is a great benefit to corporations, people who  
23 manufacture, who use a lot of electricity. They will  
24 benefit a lot, and they've done it over the years in the  
25 past, anyway.

1 Many do their own generation. Many buy it already.  
2 They're not tied down to PP&L or any other one. But it's  
3 the little guy who gets 500 kilowatts, see, and 200  
4 kilowatts.

5 And then they have this system, they can get it in  
6 the morning but not in the evening, I mean cheaper, you  
7 know, all these different time periods.

8 I mean, this is so confusing, which the lady said.  
9 You have enough trouble figuring out which is the cheaper  
10 Bounty roll of paper tissues. How are we going to figure  
11 the electricity?

12 And is it cheaper to buy it in the spring? I mean,  
13 it could be like the stock market. Are you buying in  
14 advance, you know, and the company says, "Look, if you  
15 promise to buy it in the fall" -- see, they are seasonal,  
16 electricity.

17 If you buy it now for the fall, you get it cheaper.  
18 If you wait until then, you know -- it's going to be very  
19 sophisticated.

20 Maybe the PUC should consider that PP&L and other  
21 utilities set up some seminars. I mean, sending these  
22 letters out with the bills don't mean a thing.

23 I got the PP&L information about this. It talks  
24 about all kind of A,B,C like SIL and stuff they talk about.  
25 They use initials. The consumer is going to get confused.

1           And we're talking the small consumer, who has enough  
2 headaches as it is. So maybe all these bills should be  
3 considered more for the larger consumer, and leave the  
4 little one to PP&L and all the other home utilities.

5           In other words, what I'm proposing, which is still a  
6 proposal, that unless you buy more than so many kilowatts a  
7 month, you cannot compete, I mean you cannot buy competitive  
8 market.

9           In order to get in the competitive market, you should  
10 buy a certain amount of more than what you buy now. I mean,  
11 let's say minimum, what is it, 500 kilowatts a month or  
12 5,000? I forget.

13           JUDGE KASHI: Five hundred.

14           THE WITNESS: Five hundred, yeah. In other words,  
15 have the floor there. If you buy less than 500 kilowatts a  
16 month, you cannot -- I mean, buy from PP&L. If you buy  
17 more, then you can start looking around.

18           This way, it gives the user a little more -- I mean,  
19 I'm using 500 just as a -- I mean, you can make 600, you can  
20 make whatever you want, you can make 300.

21           But give it sort of like a border, and then it won't  
22 be as -- because the guy who uses only 100 kilowatts a  
23 month, that's only the flashlight, why should he start  
24 looking around? And you won't get much of a good deal to  
25 begin with. It's only when you buy it in large quantities

1 that you start benefiting.

2 Last but not least, if you cut down on usage and you  
3 buy cheaper amounts, maybe the service rate will go up for  
4 you, because they still have to pay for the running of the  
5 lines, which is all, you know, how shall I put it, fixed  
6 costs.

7 I have a telephone here. It's a mobile, cellular. I  
8 pay by the air time. If I don't use it at all all month,  
9 and sometimes I'm tempted not to, I still pay \$19 a month  
10 for the basic service.

11 So even if you don't use any electricity of PP&L,  
12 they're still going to charge you for the service of running  
13 the line to you.

14 So if you cut down on the purchase of electricity,  
15 you're going to pay more for the service cost to make the  
16 benefit, I mean make the difference.

17 So in the long run you may be paying, the total cost,  
18 just as much as we are now, except they will say, "Look, you  
19 got cheap electricity." And you look at the final bill,  
20 it's going to be the same amount you paid for years.

21 Unfortunately, for the small consumer, this whole  
22 idea may not be of any benefit at all, and with some  
23 telephone, this actually hurts, you know, because what Bell  
24 of Pennsylvania used to do, they used to have very low local  
25 service and then made it up in the profit of the long

1 distance.

2 Now that the long distance, they can't make any  
3 profit on it, they have to charge more on the local service.  
4 Same will be with PP&L. I mean, I'm using PP&L again just  
5 as an example; could be PECO, could be anybody.

6 When you start making less money on one unit, like  
7 the bundling, you get less from one piece of the bundle,  
8 you're going to make it more on the other bundle.

9 It's really -- and that's what I want to finish with  
10 -- it's the bottom line. Thank you very much.

11 JUDGE KASHI: Thank you, sir. Let me ask you a  
12 couple questions. You may or may not have thought of these  
13 things.

14 When you're talking about the education of the  
15 consumer and how sophisticated this whole process could be,  
16 would you consider it to be any benefit -- and I'm going to  
17 say PP&L because that's the case in front of me --

18 THE WITNESS: Exactly.

19 JUDGE KASHI: -- if they were required to place the  
20 information on what their electricity is selling for at  
21 whatever the rate design is at that particular time, to have  
22 that information provided on a daily, hourly, monthly,  
23 weekly kind of basis over the Internet, or also available  
24 through either an 800 or a 900 telephone number?

25 My understanding now is that as far as your telephone

1 service goes, that it has gotten to the point -- and I'm not  
2 quite sure whether it's really available or not -- that  
3 there is a program that you can hook into your computer that  
4 will, when you dial the call, will take you to the lowest  
5 cost provider for that particular call at that particular  
6 time of day.

7 And I'm just wondering if you think that that would  
8 be of any benefit in this type of sales, or would that be  
9 too sophisticated in providing it to the consumer, and in  
10 providing education to the consumer to be able to do that.

11 THE WITNESS: Well, a lot of consumers, especially  
12 the older consumers, the retired consumers, the ones that  
13 are still living in -- I mean, the baby boomer type of  
14 consumers, they don't have that much access to computers as  
15 the new type consumer.

16 So I'm not saying that a lot of consumers are going  
17 to benefit with the computer system yet. As we get longer  
18 and longer into like the next century, yes, computers may be  
19 a bigger help.

20 But what I'd really like to see, if you're talking  
21 computers -- I've been talking like this for years at the  
22 PUC -- having educational programs in the high schools, in  
23 the school system, so when the student gets out of high  
24 school, he is more familiar with all this system.

25 When you are in school, you have time to learn. How

1 many consumers have time to learn on the computer? I mean,  
2 in fact, a lot of people say the computer was supposed to  
3 save us time, and now they realized it has killed a lot of  
4 time. People spend more time with their computer than with  
5 their families.

6 People spend more time with their computer than even  
7 at work, and so how much time do you have, you know.  
8 Learning this from a computer is a great idea on paper, but  
9 how much time can you devote to that?

10 JUDGE KASHI: All right, sir.

11 THE WITNESS: And then again, when you start  
12 purchasing stuff on the computer, you look what the cheapest  
13 rates are and all that -- and again, what's the answer? How  
14 often do they change? Do they change monthly? Do they  
15 change daily? Do they change hourly? Could you give me an  
16 answer on that, sir?

17 JUDGE KASHI: Not yet, I can't.

18 THE WITNESS: Until we know how long each contract  
19 must be taken care of, I cannot -- I mean, can I make a  
20 decision every month? Do I have to make it quarterly,  
21 semi-annually, or what?

22 JUDGE KASHI: Is there anything else you'd like to  
23 add to your statement, sir?

24 THE WITNESS: I think that educating the -- and  
25 again, I'm afraid if the utility does the seminars, then

1 we're going to have one side of the story.

2 What I'd like to see is maybe some, maybe there  
3 should be in each area, sponsored by the counties or by the  
4 city, some seminars on educating the citizens in that area,  
5 and it should be done by independent consulting for that  
6 purpose.

7 And I'm not just talking electricity. I'm talking  
8 telephone and gas. UGI is filing the same system, soon, and  
9 they're going to start soon, eventually, to sell gas from  
10 different suppliers. And how will I know which is the best  
11 gas? Do I smell it?

12 And by the way, gas or electricity or even gasoline  
13 is all the same. You're just talking a name. People  
14 remember PP&L, it's a great title. It sounds more business-  
15 like, more sexy than PECO. Everybody has a bad reputation  
16 of PECO, so nobody is going to buy from PECO.

17 And then maybe they're going to be, you know, from  
18 Pittsburgh. Whoever has the better label is going to sell  
19 more. I'm a marketing professor, and so I've done --  
20 branding is a much greater appeal than the price.

21 JUDGE KASHI: That's why you're still with AT&T?

22 THE WITNESS: Thank you, sir, exactly, and the same  
23 with PP&L. PP&L may be able to sell me their electricity  
24 more only because they have much better name recognition.

25 And so this is another problem. And then you say,

1 "Well, I don't care if it's more expensive or less, I'm  
2 getting the quality of electricity because PP&L is a great  
3 provider."

4 By the way, before I leave, I'm depending on  
5 electricity to get back up on that ramp. If it wasn't for  
6 PP&L, I couldn't make it up this ramp.

7 JUDGE KASHI: Let me see if counsel has any questions  
8 for you, sir.

9 Mr. Popowsky?

10 THE WITNESS: I admire your job.

11 MR. POPOWSKY: Thank you. I have no questions, but  
12 as always, thank you for coming, Dr. Butkys. We appreciate  
13 your testimony.

14 THE WITNESS: And I hope I contributed something.

15 JUDGE KASHI: You certainly have.

16 Mr. Simms?

17 MR. SIMMS: No questions, Your Honor.

18 JUDGE KASHI: Ms. Moury?

19 MS. MOURY: No, Your Honor.

20 JUDGE KASHI: Mr. Russell?

21 MR. RUSSELL: No questions, Your Honor.

22 THE WITNESS: Before I leave, the small business  
23 people have their work cut out for them.

24 JUDGE KASHI: Thank you very much for coming, sir,  
25 and for your comments. You are excused.

1 THE WITNESS: Thank you, Your Honor.

2 (Witness excused.)

3 JUDGE KASHI: For the audience, the idea of stranded  
4 costs keeps getting kicked around, and as defined in the  
5 Act, let me read for you what the stranded costs, what we're  
6 talking about.

7 What we're talking about are an electric utility's  
8 known and measurable net electric generation related costs  
9 determined on a net present value basis over the life of the  
10 asset or liability as part of its restructuring plan which  
11 traditionally would be recoverable under a regulated  
12 environment but which may not be recoverable in a  
13 competitive electric generation market and which the  
14 Commission determines will remain following mitigation by  
15 the electric utility. That's part of the Act at  
16 66 Pa. C.S. § 2803.

17 So the idea of it is a little tighter than I think  
18 the education is, but Dr. Butkys, your comments were well  
19 taken, because I know where you're coming from on some of  
20 those ideas as far as where they may end up at.

21 At the present time, I have no one left on my list,  
22 and so what I would ask at this time, is there anyone here  
23 in this town hall who has not signed up, who has not been  
24 heard, who at this time would like to be heard? If so,  
25 could I get you to please come forward?

1 (No response.)

2 JUDGE KASHI: Let the record show that I've got no  
3 response.

4 It has been my custom and habit, since it is at the  
5 present time only five minutes of eight, rather than adjourn  
6 the meeting, there may be some people who have had a late  
7 dinner and who are still traveling to get here.

8 I would at this time take a 15 minute recess to see  
9 if we have anyone who still appears this evening and would  
10 like to testify. So I'm going to recess for 15 minutes and  
11 then we'll come back. Thank you. We stand in recess.

12 (Recess.)

13 JUDGE KASHI: Going back on the record, we recessed  
14 to see if anyone else would come into the hearing room.

15 And at this time, I would ask one last time, is there  
16 anyone here who has not signed up to testify, who has not  
17 yet been heard, who would yet like to be heard this evening?  
18 If so, could you please come forward?

19 (No response.)

20 JUDGE KASHI: Let the record show that there is no  
21 response from anyone in the hearing room.

22 I would at this time like to thank you all for  
23 coming, for taking the time out of your evening to be here,  
24 providing us with your comments, and specifically for  
25 providing them to us in the nature of sworn or affirmed

1 testimony so that in fact it can be considered when this  
2 decision is being made and rendered.

3 I would like to thank you on my behalf and I want to  
4 thank you also on behalf of the Commission for doing that.  
5 If there is nothing further this evening, we will stand  
6 adjourned. Thank you very much.

7 (Whereupon, at 8:10 p.m., the hearing was adjourned,  
8 to be reconvened at 1:00 p.m., Tuesday, June 3, 1997, in  
9 Scranton, Pennsylvania.)

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FORM 2

C E R T I F I C A T E

I hereby certify, as the stenographic reporter, that the foregoing proceedings were taken stenographically by me and thereafter reduced to typewriting by me or under my direction, and that this transcript is a true and accurate record to the best of my ability.

COMMONWEALTH REPORTING COMPANY, INC.

By: John A. Kelly

John A. Kelly,  
Certified Verbatim Reporter

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FORM 2