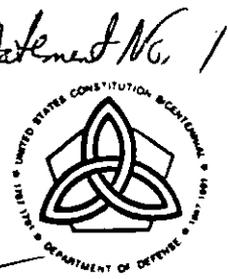




REPLY TO  
ATTENTION OF

DEPARTMENT OF THE ARMY  
UNITED STATES ARMY LEGAL SERVICES AGENCY  
901 NORTH STUART STREET  
ARLINGTON, VA 22203-1837

DOD Statement No. 1  
A-973954  
8/19/97  
Mg joo



Regulatory Law Office  
U 3949

1 July 1997

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

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

PROCEIVED  
97 AUG 20 PM 1:38  
PAPUC  
PROTHONOTARY'S OFFICE

Dear Mr. Frazier:

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

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

Sincerely,

David A. McCormick  
General Attorney  
Regulatory Law Office

UUG  
AUG 20 1997

DOCUMENT  
FOLDER

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

DIRECT TESTIMONY  
OF THOMAS J. PRISCO

For

THE DEPARTMENT OF DEFENSE AND  
THE FEDERAL EXECUTIVE AGENCIES

Date Due: 2 JULY 1997

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21

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

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

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

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

Q. PLEASE SUMMARIZE YOUR PAST WORK EXPERIENCE.

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

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21

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

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND.

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

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

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21

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

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

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

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

1

2

3

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

9

10

Q. WHOM ARE YOU REPRESENTING IN THIS PROCEEDING?

11

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

15

16

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

17

18 -

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

19

20

21

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21

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

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

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

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

10

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

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

16

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

20

21

1 A. The major federal facilities currently receiving  
2 power from PP&L use tariffs LP-4, and LP-5/6.  
3

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

6 A. The electric utility industry in Pennsylvania is  
7 moving to a competitive market. Governor Tom Ridge  
8 on December 3, 1996, signed the "Electricity  
9 Generation Customer Choice and Competition Act" to  
10 provide electric customers in Pennsylvania a choice  
11 of their electric generator.  
12  
13

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

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

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

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

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

17  
18 Q. PP&L HAS INCLUDED IN ITS REQUEST FOR STRANDED  
19 INVESTMENT THE PROJECTED COST OF DECOMMISSIONING  
20 COAL-FIRED AND OIL FIRED GENERATING PLANTS BEGINNING  
21

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21

IN THE LAST YEAR OF EACH PLANT'S REMAINING LIFE.

HAVE YOU CONSIDERED THIS ISSUE?

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

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

1 DEPRECIATION ASSOCIATION WITH THE SUSQUEHANNA PLANT. DO

2 YOU HAVE ANY OBJECTION TO THIS TRANSFER?

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

14  
15 Q. PLEASE EXPLAIN?

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

1 while increasing the regulated transmission and  
2 distribution costs.

3

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

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

17

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

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

1 capital analysis. I calculated the stranded investment  
2 overall rate of return by substituting PP&L's requested  
3 return on common equity of 11.50% with the Company's  
4 calculated overall rate of return of 9.46%. This resulted  
5 in an overall rate of return for stranded investment of  
6 8.54%, and a corresponding discount rate for calculating NPV  
7 of 7.00% (DOD Exhibit TJP-4)  
8  
9

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

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

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

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27

Mr. Kleha, on the other hand, makes an argument for simplification of the stranded investment reconciliation process to avoid any re-litigation of restructuring issues at a future time. He states in his direct testimony on page 16, lines 12 through 20:

The Act does not contemplate a recalculation of stranded costs collected through the CTC. The reconciliation contemplated by the Act appears to be limited to a true-up for changes in sales from the level of sales that the Commission uses to establish the CTC initially. Under this approach, the utility and its customers would be assured that the collection of stranded costs through the CTC would track the Commission's order. At the same time, this approach could be implemented in a relatively simple manner which would not lead to re-litigation of the many complex issues raised in the utility's original Restructuring Plan filing.

Mr. Kleha is an advocate for simplifying the true-up of the stranded investment costs by litigating all issues at the present time, while Mr. Hill is recommending that the issue of securitization be postponed to a future time. My recommendation, purposes a middle ground, allowing a return on common equity equal to the overall cost of capital,

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

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

10  
11 Q. WHY HAVE YOU RECOMMENDED THE COMPANY BE ALLOWED TO  
12 COLLECT THE STRANDED COSTS FOR NINE YEARS AND NOT FOR  
13 THE LIFE OF THE FACILITIES?

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

19  
20 Q. MR. PRISCO, DOES THIS CONCLUDE YOUR TESTIMONY?

21 A. Yes.

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

EXHIBITS  
OF THOMAS J. PRISCO

For  
THE DEPARTMENT OF DEFENSE AND  
THE FEDERAL EXECUTIVE AGENCIES

Date Due: 2 JULY 1997

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

EXHIBIT TJP-1  
PAGE 1 OF 4

COMPANY	PROCEEDING	JURISDICTION	ACTION & SUBJECT
LOUISVILLE GAS & ELECTRIC COMPANY	CASE NO. 10064	KENTUCKY	TESTIMONY REV REQMT
SOUTHWESTERN BELL TELEPHONE COMPANY	CASE NO. TC-89-14	MISSOURI	TESTIMONY REV REQMT
MOUNTAIN STATES TELEPHONE AND TELEGRAPH COMPANY	DOCKET NO. E-1051-88-146	ARIZONA	TESTIMONY REV REQMT
BALTIMORE GAS AND ELECTRIC COMPANY	CASE NO. B910	MARYLAND	TESTIMONY REV REQMT
BALTIMORE GAS AND ELECTRIC COMPANY	CASE NO. B251	MARYLAND	TESTIMONY REV REQMT
JERSEY CENTRAL POWER AND LIGHT COMPANY	BRC DOCKET NO. ER89110912J	NEW JERSEY	TESTIMONY REV REQMT
NEW JERSEY-AMERICAN WATER COMPANY	BRC DOCKET NO. WR91081399J	NEW JERSEY	SETTLEMENT NEGOTIATION
NEW JERSEY-AMERICAN WATER COMPANY	BRC DOCKET NO. WR92090908J	NEW JERSEY	TESTIMONY REV REQMT
TUCSON ELECTRIC POWER COMPANY	DOCKET NO. 01993 90 270	ARIZONA	SETTLEMENT NEGOTIATION
BALTIMORE GAS AND ELECTRIC COMPANY	CASE NO. B47B	MARYLAND	TESTIMONY REV REQMT

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

EXHIBIT TJP-1  
PAGE 2 OF 4

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

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

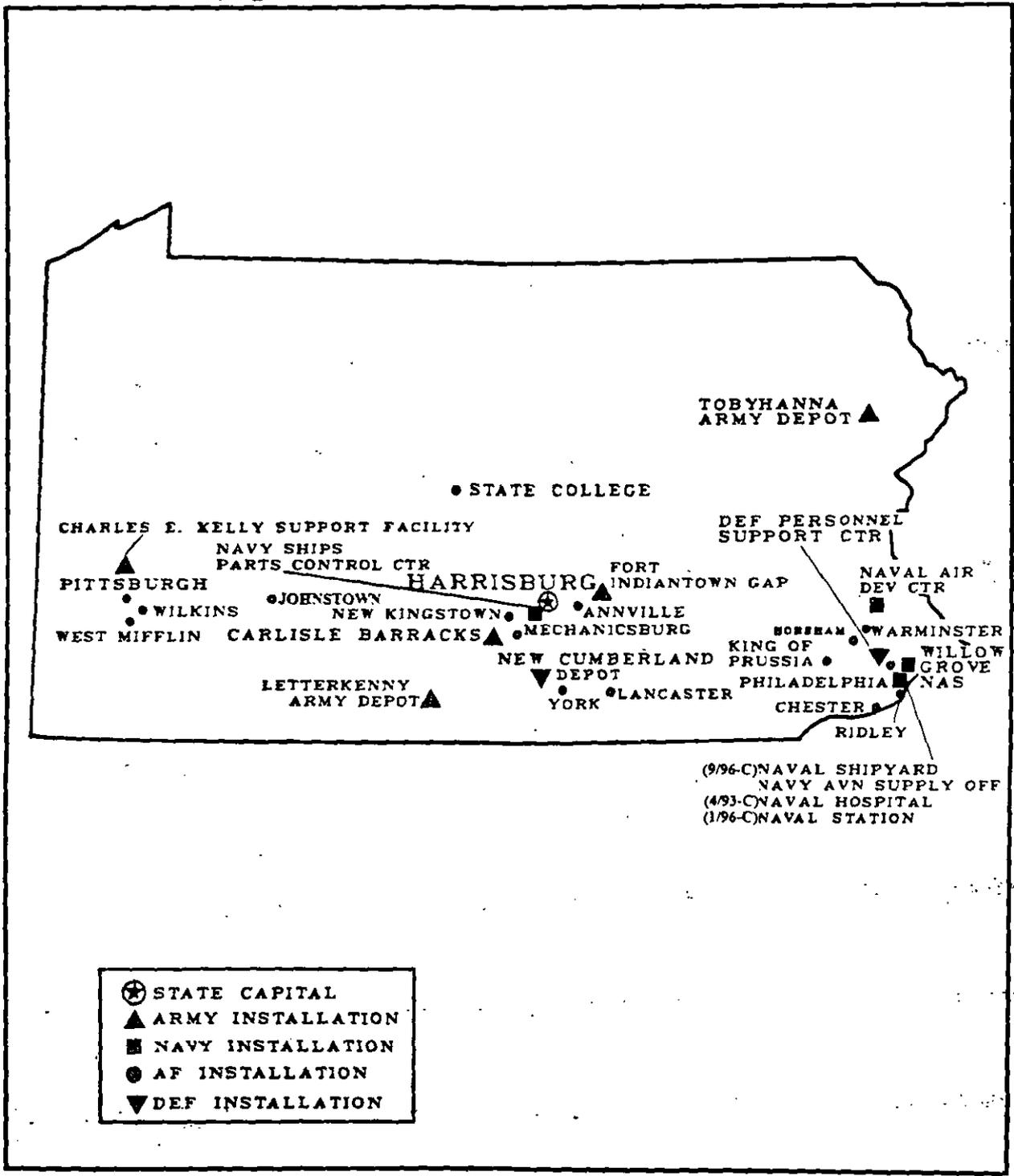
COMPANY	PROCEEDING	JURISDICTION	ACTION & SUBJECT
EL PASO ELECTRIC COMPANY	DOCKET NO. 12700	TEXAS	TESTIMONY REV REQMT
NIAGARA MOHAWK POWER CORPORATION	CASE NOS. 94-E-0098 94-E-0099, 94-E-0100	NEW YORK	REV REQMT PRICE CAPS
ENERGY POLICY ACT OF 1992 SEC 115 CONSERVATION EFFORTS BY GAS UTILITIES	DOCKET NO.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

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

EXHIBIT TJP-1  
PAGE 4 OF 4

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

# PENNSYLVANIA



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

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

STRANDED COST  
PENNSYLVANIA POWER AND LIGHT COMPANY

DOD Exhibit TJP-3A

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

STRANDED COST  
PENNSYLVANIA POWER AND LIGHT COMPANY

DOD Exhibit TJP-3A

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

STRANDED COST  
PENNSYLVANIA POWER AND LIGHT COMPANY

DOD Exhibit TJP-3A

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

STRANDED COST  
PENNSYLVANIA POWER AND LIGHT COMPANY

DOD Exhibit TJP-3A

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

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

**AFFIDAVIT**

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

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

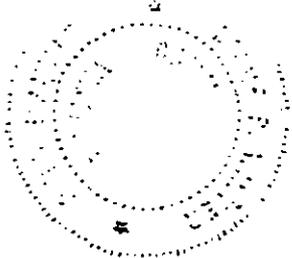
Thomas J. Prisco

Sworn and subscribed before me this

1st day of July, 1997

My Commission expires April 30, 2,000.

Deane R. Winter  
Notary Public



BEFORE THE

**PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

**CERTIFICATE OF SERVICE**

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

PAUL E. RUSSELL, ESQUIRE  
LAW DEPARTMENT  
PENNSYLVANIA POWER & LIGHT CO.  
TWO NORTH NINTH STREET  
ALLENTOWN, PA 18101-1779

DAVID M. KLEPPINGER, ESQUIRE  
ROBERT A. WEISHAAR, ESQUIRE  
McNEES, WALLACE & NURICK  
P.O. BOX 1166  
100 PINE STREET  
HARRISBURG, PA 17108-1166

DONALD A. KAPLAN, ESQUIRE  
LISA M. HELPERT, ESQUIRE  
PRESTON, GATES, ELLIS,  
ROUVELAS & MEEDS  
SUITE 500  
1735 NEW YORK AVENUE, N.W.  
WASHINGTON, DC 20006

ALAN KOHLER, ESQUIRE  
ROBERT J. LONGWELL, ESQUIRE  
WOLF, BLOCK, SCHORR &  
SOLIS-COHEN  
305 N. FRONT STREET, SUITE 401  
HARRISBURG, PA 17101-1236

JOHNNIE E. SIMMS, ESQUIRE  
OFFICE OF TRIAL STAFF  
901 NORTH SEVENTH STREET -REAR  
PENNSYLVANIA PUBLIC UTILITY COMMISSION SUITE 403  
PITNICK BUILDING  
HARRISBURG, PA 17102

LINDA C. SMITH, ESQUIRE  
DILWORTH, PAXSON,  
KALISH, & KAUFFMAN  
305 N. FRONT STREET  
HARRISBURG, PA 17101

ALAN J. BARAK, ESQUIRE  
MID ATLANTIC ENERGY PROJECT  
3700 VARTAN WAY  
HARRISBURG, PA 17110

HARRY S. GELLER, ESQUIRE  
PA UTILITY LAW PROJECT  
118 LOCUST STREET  
HARRISBURG, PA 17101

BERNARD A. RYAN, JR. ESQUIRE  
KAREN OILL MOURY, ESQUIRE  
OFFICE OF THE SMALL BUSINESS ADVOCATE  
SUITE 1102, COMMERCE BUILDING  
300 N. SECOND STREET  
HARRISBURG, PA 17101

TANYA J. McCLOSKEY, ESQUIRE  
ASSISTANT CONSUMER ADVOCATE  
OFFICE OF THE CONSUMER ADVOCATE  
1425 STRAWBERRY SQUARE  
HARRISBURG, PA 17120

SCOTT J. RUBIN, ESQUIRE  
ATTORNEY AT LAW  
3 LOST CREEK DRIVE  
SELINGROVE, PA 17870

PATRICIA ARMSTRONG, ESQUIRE  
REGINA MATZ, ESQUIRE  
THOMAS, THOMAS, ARMSTRONG & NIESEN  
212 LOCUST STREET, SUITE 500  
P.O. BOX 9500  
HARRISBURG, PA 17108-9500

JAMES H. NORRIS, ESQUIRE  
ECKERT, SEAMANS, CHERIN & MELLOTT  
600 GRANT STREET, 42d FLOOR  
PITTSBURGH, PA 15219

MICHAEL T. VOUGH, ESQUIRE,  
VOUGH & MECADON  
GREATER PITTSBURGH PROFESSIONAL CENTER  
126 SOUTH MAIN STREET  
PITTSBURGH, PA 15204-1793

SUSAN M. SHANAMAN, ESQUIRE  
SUITE 203  
212 N. THIRD STREET  
HARRISBURG, PA 17101-1505

ROBERT P. HAYNES III, ESQ.  
METTE, EVANS & WOODSIDE  
3401 NORTH FRONT STREET  
P.O. BOX 5950  
HARRISBURG, PA 17110-0950

STAFF JUDGE ADVOCATE  
U.S. ARMY GARRISON  
CARLISLE BARRACKS  
ATTN: ATZE-JA  
45 ASHBURTON DRIVE, ROOM 21  
CARLISLE, PA 17013-5009

STAFF JUDGE ADVOCATE  
U.S. ARMY GARRISON  
ATTN: SDSSTO-JD  
TOBYHANNA ARMY DEPOT  
TOBYHANNA, PA 18466-5046

RICHARD L. CAPLAN, ESQ.  
CAPLAN & LUBER  
40 DARBY ROAD  
PAOLI, PA 19301-1461

USHER FOGEL, ESQUIRE  
ROLAND, FOGEL, KOLBENZ  
& CARR  
1 COLUMBIA PLACE  
ALBANY, NY 12207

MR. ANDREW ALTMAN  
CLEAN AIR COUNCIL  
SUITE 300  
135 SOUTH 19TH STREET  
PHILADELPHIA, PA 19103

FRED ZALCMAN, ESQUIRE  
PACE UNIVERSITY SCHOOL OF LAW  
78 NORTH BROADWAY  
WHITE PLAINS, NY 10603

JOAN O. BRANDEIS, ESQUIRE  
SCHNADER, HARRISON, SEGAL & LEWIS  
SUITE 3600  
1600 MARKET STREET  
PHILADELPHIA, PA 19103-4252

MR. SAM DE FRAWI  
NAVY RATE INTERVENTION  
CHESNAVFACECOM  
BUILDING 212, 4th FLOOR  
NAVY YARD  
901 M STREET, S.E.  
WASHINGTON, D.C. 20374-5018

DAVID W. FRANCIS, ESQUIRE  
POWELL, TRACHTMAN, LOGAN, CARRLE,  
BOWMAN & LOMBARDO  
114 NORTH SECOND STREET  
HARRISBURG, PA 17101

MR. ERIC EPSTEIN  
2308 BRANDYWINE DRIVE  
HARRISBURG, PA 17110

WILLIAM T. HAWKE, ESQUIRE  
MALATESTA, HAWKE & McKEON  
100 NORTH TENTH STREET  
P.O. BOX 1778  
HARRISBURG, PA 17120

WAYNE M. THOMAS, ESQ.  
KOHNS, NAST & GRAFF  
1101 MARKET STREET  
PHILADELPHIA, PA 19107

ROGER CLARK, ESQUIRE  
NESIP  
905 DENSTON DRIVE  
AMBLER, PA 19002-3901

Mr. RICHARD CAPRA  
CAPRA ASSOCIATES  
333 WASHINGTON STREET  
BOSTON, MA 02108

THOMAS S. CATLIN  
EXETER ASSOCIATES, INC.  
12510 PROSPERITY DRIVE, SUITE 350  
SILVER SPRING, MD 20904

GORDON E. GOODMAN, PRESIDENT  
DuPONT POWER MARKETING, INC.  
600 N. DAIRY ASHFORD, CH-1081  
HOUSTON, TX 77079

Mr. BRUCE BIEWALD  
SYNAPSE ENERGY ECONOMICS, INC.  
101 CHILTON STREET  
CAMBRIDGE, MA 02138

Ms. NANCY BROCKWAY  
18 TREMONT STREET, SUITE 400  
BOSTON, MA 01208

MR. STEPHEN J. BARON  
J. KENNEDY & ASSOCIATES  
35 GLENLAKE PARKWAY, SUITE 475  
ATLANTA, GA 30328

MR. JERRY MENDEL  
MSB ENERGY ASSOCIATES  
SUITE 200  
7507 HUBBARD AVENUE  
MIDDLETON, WI 53562

GORDON J. SMITH, ESQUIRE  
JOHN & HENGERER  
1200 17TH STREET, N.W., SUITE 600  
WASHINGTON, DC 20036

MR. DAVID CRUTHIRDS  
ELECTRIC CLEARINGHOUSE, INC.  
1000 LOUISIANA AVE., SUITE 5800  
HOUSTON, TX 77002-5050

MR. WILLIAM SCHMITT  
IBEW Local 1600  
540 GRANGE ROAD  
TREXERTOWN, PA 18087

ROBERT F. YOUNG, ESQ.  
ALLEGHENY ELECTRIC COOPERATIVE  
212 LOCUST STREET  
P.O. BOX 1266  
HARRISBURG, PA 17108-1266

MID-ATLANTIC POWER SUPPLY ASSOC.  
SUITE 200  
620 HERNDON PARKWAY  
RESTON, VA 22170

BRUCE A. CONNELL, ESQUIRE  
LEGAL DEPARTMENT  
DuPONT POWER MARKETING, INC.  
600 NORTH DAIRY ASHFORD, ML 1034  
HOUSTON, TX 77079

LISA YOHO  
THE EASTERN GROUP  
2900 EISENHOWER AVENUE, SUITE 300  
ALEXANDRIA, VA 22314

GEORGE ELLIS, ESQUIRE  
PENNSYLVANIA COAL ASSOCIATION  
212 N. THIRD STREET, SUITE 102  
HARRISBURG, PA 17101

BILLIE E. RAMSEY, ESQ.  
ANTHRACITE REGIONAL INDEPENDENT  
POWER PRODUCERS ASSOCIATION  
1300 MARKET STREET, SUITE 7  
LEMOYNE, PA 17043

MICHAEL D. KLEIN, ESQUIRE  
LeBOUEF, LAMB, GREEN 7 McCRAE  
200 N. THIRD STREET, SUITE 300  
P.O. BOX 12105  
HARRISBURG, PA 17108-2105

CRAIG A. DOLL, ESQUIRE  
214 STATE STREET  
HARRISBURG, PA 17101

MICHAEL A. STOSSER, ESQUIRE  
HELLER & EHRMAN, WHITE  
& McAULIFFE  
SUITE 200  
815 CONNECTICUT AVENUE, N.W.  
WASHINGTON, DC 20006

Mr. ROBERT KNECHT  
INDUSTRIAL ECONOMICS, INC.  
2067 MASSACHUSETTS AVENUE  
CAMBRIDGE, MA 02140

Mr. KEITH M. SAPPENFIELD II  
DIRECTOR OF MARKETING SUPPORT  
NORAM ENERGY MANAGEMENT, INC.  
P.O. BOX 2628  
HOUSTON, TX 77252-2628

ELIZABETH BENSON  
ENERGY ASSOCIATES  
7303 TIMBER LANE  
FALLS CHURCH, VA 22046-2735

EUGENE M. TRISKO, ATTORNEY  
UNITED MINE WORKERS UNION  
P.O. BOX 596  
BERKELEY SPRINGS, WV 25411

DAVID M. BOONIN, ESQUIRE  
NEW ENERGY VENTURES  
200 S. BROAD STREET, SUITE 800  
PHILADELPHIA, PA 19102

DOUGLAS BEIMFOHR, ESQUIRE  
BUCHANAN INGERSOLL  
COLLEGE CENTRE  
500 COLLEGE ROAD EAST  
PRINCETON, NJ 08540

TERRENCE J. FITZPATRICK, ESQ.  
RYAN, RUSSELL, OGDEN &  
SELTZER  
800 N. THIRD STREET, SUITE 101  
HARRISBURG, PA 17102-2025

RALPH L. LENTZ, ESQUIRE  
I.B.E.W., LOCAL UNION 777  
740 ANNA MAY STREET  
YORK, PA 17404-1366

PAUL E. NORDSTROM, ESQUIRE  
VERNER, LIPERT, BERNHARD,  
McPHERSON & HAND  
901 15th STREET, N.W.  
WASHINGTON, D.C. 20005

PETER J. THOMPSON, ESQUIRE  
ANDREWS & KURTH  
1701 PENNSYLVANIA AVENUE, NW  
WASHINGTON, DC 20006

CRAIG G. GOODMAN, ESQ.  
EQUITABLE RESOURCES, INC.  
333 K STREET, NW SUITE 425  
WASHINGTON, DC 20007

TIMOTHY W. MERRILL, JR.  
ENSERCH ENERGY SERVICES, INC.  
PENN CENTER WEST, BLDG. 4, SUITE 200  
PITTSBURGH, PA 15276

MR. DONALD STITLER  
GENERAL SERVICES ADMINISTRATION  
WANNAMAKER BUILDING, ROOM 719  
100 PENN SQUARE EAST  
PHILADELPHIA, PA 19107

CHRISTOPHER ZETTLEMOYER, ESQ.  
REED, SMITH, SHAW & McCLAY  
213 MARKET STREET  
P.O. BOX 11844  
HARRISBURG, PA 17108

AMY LEADER, ESQUIRE  
DECHERT, PRICE & RHOADS  
30 N. THIRD STREET  
HARRISBURG, PA 17120

THOMAS P. BROGAN, ESQUIRE  
KLETT, LIEBER, ROONEY &  
SCHORLING  
240 N. THIRD STREET, SUITE 600  
HARRISBURG, PA 17101

JOHN L. MUNSCH, ESQUIRE  
ALLEGHENY POWER COMPANY  
800 CABIN HILL DRIVE  
GREENSBURG, PA 15601

RAYMOND. B. WULSLICH, ESQ.  
WINSTON & STRAWN  
1400 L STREET, NW  
WASHINGTON, DC 20005-3502

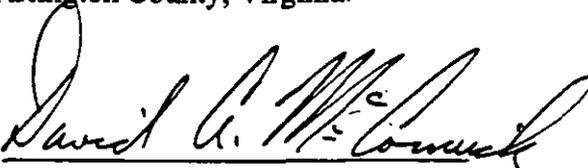
RANDALL V. GRIFFIN, ESQ.  
DELMARVA POWER & LIGHT CO.  
800 KING STREET  
WILMINGTON, DE 19899

DEFENSE FUEL SUPPLY CENTER  
DEFENSE LOGISTICS AGENCY  
ATTN: DFSC-A (LTC HERRICK)  
SUITE 4950  
8725 JOHN J. KINGMAN ROAD  
FORT BELVOIR, VA 22060

HON. GEORGE M. KASHI  
ADMINISTRATIVE LAW JUDGE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION  
P.O. BOX 3265  
COMMONWEALTH AVENUE & NORTH STREET  
HARRISBURG, PA 17105

STEPHEN L. HUNTOON, ESQ  
MARY M. HOPPER, ESQ.  
PECO ENERGY COMPANY  
S23-1  
2301 MARKET STREET  
PHILADELPHIA, PA 19103

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

  
David A. McLaughlin