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Pennsylvania Power & Light Company  
Response to Interrogatories  
of Office of Small Business Advocate  
Dated August 22, 1997  
Docket No. R-00973954

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- Q.61. Regarding PP&L's responses to OSBA-11 and OSBA-50, and Mr. Krall's oral rejoinder testimony regarding the proposed alternative "true-up" mechanism in the event that the Customized Rate Design ("CRD") is made optional for all classes:
  - a. For the original "sales-based" true-up mechanism, please provide two examples similar to the one shown in the response to OSBA-11, but based on PP&L's forecasted sales and CTC revenue levels. Please provide an example in which "sales" exceed PP&L's forecast, and an example in which CTC "sales" fall short of PP&L's forecast.
  - b. Is it correct that the response to OSBA-50(b) means that, even if sales exceed PP&L's expectations, that it is the purpose of the original "sales-based" true-up mechanism to recover only PP&L's forecast CTC revenues, which are less than PP&L's forecast stranded costs?
  - c. In the original "sales-based" true-up mechanism, please explain how revenue variances due to self-selection by residential customers are reflected in the calculation. For example, from OCA-III-39, it appears that CTC revenues from the RS class are computed assuming that no customers will take the CRD option. If PP&L's sales forecast is exactly right, but RS customers with growing loads select the option and CTC revenues are below forecast, will that shortfall be recoverable under the "sales-based" true-up mechanism? Please explain your response.
  - d. Please specify the "base" revenues in each year that would be used in the proposed "revenue-based" true-up mechanism.
  - e. For the proposed "revenue-based" true-up mechanism, please provide two examples similar to the one shown in the response to OSBA-11, but based on PP&L's forecasted sales and CTC revenue levels. Please provide an example in which "revenues" exceed PP&L's forecast, and an example in which CTC "revenues" fall short of PP&L's forecast.

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f. Please provide an example that shows how the original "sales-based" true-up mechanism proposed by Mr. Kleha will produce a different result than the "revenue-based" true-up mechanism proposed by Mr. Krall during his oral rejoinder testimony.

A.61.

a. Attachment 1 is an illustrative example which shows "sales" and the resulting CTC revenues exceeding PP&L's forecast.

Attachment 2 is an illustrative example which shows "sales" and the resulting CTC revenues falling short of PP&L's forecast.

b. The purpose of the true-up mechanism is to recover only the amount of stranded costs allowed by the Commission. PP&L has computed the amount of its stranded costs to be \$4.6 billion; however, because of the rate cap provision of the Act, only \$4.026 billion is recoverable through customer rates.

c. The original "sales-based" true-up mechanism is based on total sales forecast, not a sales forecast of individual rate classes. If self-selection by residential customers results in a shortfall of CTC revenues from the residential customer class, the sales of other rate classes may exceed the forecast and, thus not result in a shortfall of total CTC revenues.

d. The "base" revenues in each year that would be used in the "revenue-based" true-up mechanism are shown in response to Question 53(a) of the response to Interrogatories of Office of Small Business Advocate Dated July 16, 1997.

e. Attachments 1 and 2 provide examples which show CTC revenues exceeding or falling short of PP&L's forecast.

f. Under the original "sales-based" true-up mechanism discussed by Mr. Kleha, if the sales forecast is correct but total CTC revenues are less than forecasted, the revenue shortfall would not be recovered.

The "revenue-based" true-up mechanism proposed by Mr. Krall would recover the shortfall in CTC revenues. That is because this true-up mechanism is based on CTC revenues not KWH sales.

PENNSYLVANIA POWER & LIGHT COMPANY  
ILLUSTRATIVE EXAMPLE OF CTC REVENUE COLLECTION

Attachment 1

Year	CTC Revenue Collected	CTC Revenue Base	Annual Over/(Under) Collection	Cumulative Balance
1999	975,000,000	954,382,188	20,637,832	20,637,832
2000	920,000,000	884,050,979	35,949,021	56,586,853
2001	800,000,000	782,881,955	17,108,045	73,694,898
2002	750,000,000	694,801,975	55,198,025	128,892,923
2003	725,000,000	672,186,155	52,813,845	181,706,768
2004	700,000,000	651,444,812	48,555,388	230,262,156
2005	429,403,377	659,865,533	(230,262,156)	0

PENNSYLVANIA POWER & LIGHT COMPANY  
ILLUSTRATIVE EXAMPLE OF CTC REVENUE COLLECTION

Attachment 2

Year	CTC Revenue Collected	CTC Revenue Base	Annual Over/(Under) Collection	Cumulative Balance
1999	900,000,000	954,382,188	(54,382,188)	(54,382,188)
2000	850,000,000	884,050,979	(34,050,979)	(88,413,147)
2001	750,000,000	782,891,955	(32,891,955)	(121,305,102)
2002	700,000,000	694,801,975	5,198,025	(116,107,077)
2003	675,000,000	672,188,155	2,813,845	(113,293,232)
2004	625,000,000	651,444,812	(28,444,812)	(139,737,844)
2005	600,000,000	659,885,533	(59,885,533)	(199,403,377)
2006	199,403,377	0	199,403,377	0