



**PENNSYLVANIA CAMPAIGN  
FOR CLEAN AFFORDABLE ENERGY**

9/4/97  
Fact Sheet

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**PP&L RESTRUCTURING PLAN FAILS TO DELIVER SAVINGS**

**BACKGROUND**

*We recommend to P&C This Input*

Last year, the PA General Assembly passed the Electric Generation Competition and Customer Choice Act. Starting in 1999, consumers, businesses and institutions will be able to shop for the provider of their electricity in much the same way as they now can shop for long distance telephone service. The Act required Pennsylvania's utilities to develop plans for transition to a competitive electricity marketplace. Right now the utilities enjoy a monopoly - they have exclusive access to all the customers in their service territories. The utilities will continue to maintain a monopoly in the transmission and distribution of electricity across their wires. Customers in PP&L's service territory will continue to pay PP&L for transmission and distribution services no matter who they buy their actual electricity from. These two factors create a huge competitive advantage for the utilities as the marketplace opens to competitors.

The Pennsylvania Public Utility Commission (PUC) will review the utilities' restructuring plans, including PP&L's plan. The plans are supposed to promote competition, serve the public interest, and continue programs aimed at assisting low income customers. Our experts have reviewed PP&L's plan and concluded that it fails to meet those goals. PP&L's plan does not promote competition, deliver savings to consumers, adequately plan for decommissioning of its nuclear power plant, or provide customers with crucial information about their electricity. The PP&L plan would also create more air and water pollution.

**THE PP&L PLAN WOULD MAKE CUSTOMERS PAY OFF HUGE DEBTS**

PP&L wants its current customers to pay off 100% of its \$4 billion debt for its nuclear power plant and other "stranded assets" even if they choose to buy electricity from another supplier. PP&L would collect the money with a competitive transition charge (CTC) that would be added to monthly electric bills for at least 9 years. The higher the CTC, the less customers will save in the new competitive electricity marketplace. The PA Campaign for Clean Affordable Energy believes PP&L's stockholders should be responsible for most of that debt. Stockholders are now receiving a 7% return on their investment. If PP&L were allowed to recover about 43% of its debt, shareholders would continue to receive that rate of return. Even if no debt recovery were allowed, PP&L stockholders would still earn about 4% on their investment.

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### **The PP&L PLAN IS ANTI-COMPETITIVE**

The more PP&L is allowed to collect through the CTC, the less it needs to charge for the actual electricity it sells. This gives PP&L a huge advantage over competitors who will not have a similar guaranteed source of income. Competitors will have to set their rates based on what it costs them to produce the electricity. The Electric Generation Competition and Customer Choice Act was passed to create competition - the PP&L plan would stifle competition and lead to higher rates for customers.

### **THE PP&L PLAN WOULD LEAD TO INCREASED AIR & WATER POLLUTION**

Allowing PP&L to recover debt through the CTC will slow the introduction of cleaner forms of energy into the new marketplace. The CTC is an indirect subsidy of existing power plants, many of which are old, inefficient polluters of air and water. PP&L's plan includes extending the life of these older plants and does not include improving the environmental performance of its dirty coal-fired power plants. PP&L owns one of the worst air polluters in Pennsylvania - the coal-fired plant at Brunner Island.

### **PP&L'S PLAN TO ENSURE SAFE DECOMMISSIONING OF ITS NUCLEAR POWER PLANT IS INADEQUATE**

PP&L wants to use the CTC for longer than 9 years to collect funds to pay for the inevitable decommissioning of its nuclear power plant. The Pennsylvania Campaign for Clean Affordable Energy believes that customers should not be saddled with an open-ended obligation to bear these costs. Any money collected for decommissioning should be placed in a special fund so that it is available when the plant's life is over. PP&L's plan also does not include measures to operate the plant in such a way as to minimize the level of radioactivity and the subsequent increased cost of dismantling the plant's highly contaminated components.

### **PP&L DOES NOT WANT TO TELL CUSTOMERS ABOUT ITS POLLUTION**

PP&L wants to give information about how much pollution its plants generate only when a customer specifically asks for it. The Pennsylvania Campaign for Clean Affordable Energy believes that PP&L and all suppliers of electricity should be required to tell customers about how they produce their electricity and about the pollution that results in a user-friendly format similar to a food nutrition label. Customers will need access to consistent, easy-to-understand information in order to make choices in the competitive electric marketplace. Right-to-know should be a fundamental characteristic of competition.