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C O N T E N T S

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E X H I B I T S

<u>NUMBER</u>	<u>FOR IDENTIFICATION</u>	<u>IN EVIDENCE</u>
<u>PPLICA Cross-Examination Exhibits</u>		
6 (OTS-RS-7D)	766	817
7 (OTS-RE-46D)	785	817
<u>PP&L Statements</u>		
10 (Farber)	828	830
11 (Stathos)	867	869
11-S (Stathos)	867	869

*SEE EXHIBIT Folder
To TEST 3/21/95 FOR
STATS 10 + 11*

FORM 2

E X H I B I T S (Continued)

2	<u>NUMBER</u>	<u>FOR IDENTIFICATION</u>	<u>IN EVIDENCE</u>
3	<u>OCA Cross-Examination Exhibit</u>		
4	14 (CEPFOD-I-11)	831	838
5	<u>OTS Cross-Examination Exhibits</u>		
6	14 (OTS-RE-51D)	870	908
7	15 (OTS-RE-85 & 86)	870	908
8	16 (OTS-RE-55D)	882	908

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P R O C E E D I N G S

1
2 ADMINISTRATIVE LAW JUDGE ROBERT A. CHRISTIANSON: I
3 am Administrative Law Judge Robert Christianson. We're here
4 this morning a little bit early, not for the benefit of Mr.
5 Zielonis, but it might work to his benefit. We thought we'd
6 just get started a little early with a carryover witness,
7 because last night we had a good hour or more left and it
8 was after 5:00.

9 In any case, I have nothing preliminary for the
10 record. We've discussed the public input hearings somewhat,
11 but we'll just see how those work out. Each one is
12 individual at those things, but I expect we'll have a fair
13 crowd here at Harrisburg tomorrow afternoon.

14 We've checked off the record. Mr. Zielonis has some
15 brief questioning. Notwithstanding certain reasons we
16 should throw him out, he may proceed first.

17 MR. ZIELONIS: Thank you, Your Honor.
18 Whereupon,

19 OLIVER G. KASPER

20 having previously been duly sworn, testified further as
21 follows:

CROSS-EXAMINATION

22
23 BY MR. ZIELONIS:

24 Q. Good morning, Mr. Kasper.

25 A. Good morning.

1 Q. At page 8 of your testimony, you indicate that
2 for Rate Schedules GS-3, LP-4 and LP-5, the demand charges
3 in kilowatt-hour steps were modified and simplified.

4 Why was it necessary for the company to do that?

5 A. To simplify?

6 Q. Yes.

7 A. That is just in a general rate philosophy that
8 we are trying to move to a simpler rate structure and moving
9 towards a higher demand charge and a simpler energy
10 blocking.

11 Q. In your mind, simplification means reduction in
12 the number of kilowatt-hour blocks?

13 A. Yes.

14 Q. Would you agree that under present rates for the
15 LP-4 customer, that 86 percent of your present revenue -- I
16 am referring to Attachment IV-C, part 4, the green book of
17 your rate filing, and it's page 12. Do you have that page,
18 Mr. Kasper?

19 A. Yes, I do.

20 Q. Would you agree with me subject to check that
21 under your present rate design for the LP-4 class, 86
22 percent of your revenue is collected in the first three
23 blocks?

24 A. Yes, I would.

25 Q. And would you agree that under your proposed

1 rate design for the LP-4 class, 87 percent of your revenue
2 is now collected in two blocks?

3 A. That's correct.

4 Q. And if you could turn to page 15 of that
5 exhibit, would you agree with me that under present rate
6 design for LP-5 that you collect approximately 76 percent of
7 your revenue in the first three blocks?

8 A. That's correct.

9 Q. And under your proposed rate design, you now
10 collect 80 percent of your revenue in the first block?

11 A. That's correct.

12 Q. Why was it necessary for the company to reduce
13 the demand blocks for the LP-4 class from two blocks to one
14 block?

15 A. We look at the GS-3, LP-4 and LP-5 rates as a
16 family of rates, and what we're doing in the restructuring
17 of the LP-4 in reducing from two demand blocks to one is
18 bringing it more in line with the type of rate structure we
19 have in LP-5.

20 Q. Do the customers on Rate Schedules GS-3, LP-4
21 and LP-5 place the same type of demands on the system?

22 A. All these customers place a demand on the
23 system. Usually customers within the LP-5 rate schedule
24 have a much higher load factor for the industrial type
25 customers, and you'll see a decline in the average load

1 factor down through the LP-4 and the GS-3.

2 Q. Now, if you could refer to your answer to
3 OTS-RS-23D.

4 A. I've got it.

5 Q. Do you see under your answer to Subpart A of
6 that question, paragraph 3, that the objectives of general
7 service rate design are that commercial and industrial rate
8 schedules should be simple and easy to understand? Do you
9 see that?

10 A. Yes.

11 Q. Was there something about Rate Schedule LP-4 and
12 LP-5 as currently designed that they were not simple and
13 easy to understand?

14 A. Not to my knowledge. We did not run any studies
15 on that with our customers.

16 Q. Now, how did you encourage high load factor use
17 by reducing the number of kilowatt-hour blocks?

18 A. I don't believe that the blocking has changed
19 significantly enough to encourage higher off-peak usage or
20 higher load factor usage. I believe if you look at the
21 blocking as it stands today in our proposal, that it still
22 has 400 hours of use within the first two blocks. In the
23 present, existing rates, we still have 400 hours of use
24 within the three blocks under LP-4.

25 Now, the rate is a declining block rate schedule and

1 continues to encourage high load factor use or an increase
2 in load factor.

3 Q. Would you agree with me that under currently
4 designed LP-4, the first two blocks only cover 250 kilowatt-
5 hours? That is page 12 of Attachment IV-C.

6 A. You'll note that there are three blocks there.

7 Q. Yes.

8 A. If you add up the hours of use, you're going to
9 come to 400 under there.

10 Q. And my question is, though: the first two
11 blocks only have 250 kilowatt-hours of use; correct?

12 A. Right.

13 Q. While the first two blocks now of proposed LP-4,
14 400 kilowatt-hours; correct?

15 A. Right.

16 Q. If you could now turn, please, to OTS-RS-7D.

17 A. Okay.

18 Q. The second column of that interrogatory response
19 provides for the company's proposed revenue allocation by
20 class; correct?

21 A. Yes.

22 Q. And the third column is the proposed rate of
23 return that each individual class will contribute to the
24 overall system rate of return; correct?

25 A. Correct.

1 Q. And the final column shows the present rate of
2 return contribution to the overall system-wide rate of
3 return?

4 A. Correct.

5 Q. And those columns would be unitized rates of
6 return; correct?

7 A. Yes.

8 Q. Could you agree with me that under present rate
9 of return, the GS-3 class contributed 135.84 percent to the
10 overall system-wide rate of return?

11 A. Yes.

12 Q. And would you agree with me that the LP-4 class
13 contributed 122.57 percent?

14 A. Yes.

15 Q. And would you agree with me that under your
16 proposed revenue allocation in this proceeding that the GS-3
17 class will contribute 115.34 percent rate of return?

18 A. Yes.

19 Q. And the LP-4, 116.72 percent rate of return?

20 A. Yes.

21 Q. Can you explain to me why, if you are attempting
22 to move customers closer to the system rate of return, why
23 those two classes' contributions reversed as compared to the
24 present rate of return?

25 A. Within the LP-4 structure and also within the

1 LP-5 structure, we're correcting for a pricing problem with
2 our interruptible rates. The firm customers within LP-4 are
3 seeing probably in the order of a 7 percent rate increase,
4 where the interruptible customers under LP-4 are seeing
5 closer to a 28 to 30 percent rate increase. So it does tend
6 to change some of the results in our allocation process when
7 we're doing the correction to those interruptible rates.

8 Q. Your cost of service study, though, does not
9 break out returns for the LP-4 or the LP-5 class between
10 firm and interruptible customers, does it?

11 A. Not with our filing, no.

12 Q. And it does not allocate cost on that breakout
13 either; correct?

14 A. Not with the cost of service that was filed.

15 Q. Would you agree with me that reductions in -- as
16 a general basis, that a reduction in billing kilowatt blocks
17 for the demand charge as well as a reduction in the
18 kilowatt-hour blocks for purposes of consumption, reductions
19 in those blocks tend to insulate the company from loss of
20 load?

21 A. Yes.

22 MR. ZIELONIS: Your Honor, that's all the questions I
23 have for the witness. Thank you for your indulgence and Mr.
24 Kleppinger's indulgence.

25 JUDGE CHRISTIANSON: Thank you. I was going to make

1 a comment, but I probably won't for the record. Having come
2 late, you're leaving early, I guess.

3 MR. ZIELONIS: I may be back.

4 JUDGE CHRISTIANSON: Your client filed a complaint,
5 but you didn't seek to intervene, so you are part of the
6 case when you filed the complaint.

7 Then we might as well go ahead with Mr. Kleppinger,
8 and we may take a break after a bit, but we'll go for a
9 while.

10 MR. KLEPPINGER: Thank you, Your Honor.

11 CROSS-EXAMINATION

12 BY MR. KLEPPINGER:

13 Q. Good morning, Mr. Kasper.

14 A. Good morning.

15 Q. Your friend, Mr. Bernini, referred a question to
16 you regarding the retention in this case and the rate case
17 expense claim associated with the consulting firm by the
18 name of Putnam Hayes & Bartlett.

19 Do you recall that question being deferred to you?

20 A. No. I wasn't in the room at the time, but I was
21 informed.

22 Q. You've been informed?

23 A. Yes.

24 Q. And it was his belief that they were retained
25 for the rate design or rate structure portion of this case;

1 is that correct?

2 A. We had retained them for some consulting on rate
3 design/rate structure.

4 Q. Was a report or a study prepared by them for
5 your use in this case?

6 A. He had done some work with us on testimony for
7 the case and some suggestions on cost of service, but an
8 official report, no, he had not prepared a report.

9 Q. Who is the individual at the firm that you were
10 consulting with?

11 A. At the time, it was Joe Pace, and he has now
12 left the firm.

13 Q. I believe the rate case expense interrogatory
14 listed a \$200,000 item for Putnam Hayes & Bartlett but that
15 only \$25,000 had been paid.

16 Is that firm still under contract with PP&L for this
17 case?

18 A. For the rate design and cost of service?

19 Q. Yes.

20 A. No.

21 Q. They are not?

22 A. No.

23 Q. So you're not expecting to spend the remaining
24 \$175,000 with them on rate structure or cost of service?

25 A. No.

1 Q. Are there written communications from Putnam
2 Hayes & Bartlett to PP&L discussing their input on rate
3 structure and rate design?

4 A. Yes, there are a few items. It was on some of
5 the work on the interruptible service.

6 MR. KLEPPINGER: Your Honor, I would like to make an
7 on-the-record data request for any and all written
8 communications from Putnam Hayes & Bartlett to PP&L and PP&L
9 back to Putnam Hayes & Bartlett with respect to the
10 retention of that firm and their input on rate design and
11 cost of service issues.

12 JUDGE CHRISTIANSON: Okay. You want all the
13 writings, basically?

14 MR. KLEPPINGER: That's correct. If there was a
15 report prepared, I would like the report, but I gather from
16 the witness that no formal report was presented.

17 JUDGE CHRISTIANSON: Okay. I think that is fairly
18 clear. I was thinking about confidentiality, but you don't
19 really have that problem here. There is no lawyer involved.

20 MR. KLEPPINGER: Is that acceptable to the company?

21 MR. MacGREGOR: Yes. We will provide what we have.

22 MR. KLEPPINGER: Thank you.

23 BY MR. KLEPPINGER:

24 Q. Next, Mr. Kasper, if you could turn for the
25 moment to your Exhibit OGG-3. I believe you've indicated

1 previously that you were attempting to design rates in this
2 case to move classes towards cost of service; correct?

3 A. That's correct.

4 Q. Now, in looking at the residential class, that
5 is one of the classes that is below the system average rate
6 of return; correct?

7 A. That's correct.

8 Q. And according to your study, at least LP-5 is
9 also below the system average rate of return?

10 A. That's correct.

11 Q. Would you agree with me that you have moved the
12 LP-5 class farther towards the system average than you moved
13 the residential class?

14 A. Yes.

15 Q. Would you agree that you did that on both an
16 absolute basis in the sense that the movement by the
17 residential class from 5.84 percent return to 9.13 percent
18 return is a lesser number than moving LP-5 from 5.34 percent
19 to 10 percent return?

20 A. Yes.

21 Q. And that translates also into the relative
22 return components where now under proposed rates the
23 residential class is at about 90 percent of the system
24 average and LP-5 is at a little over 98 percent?

25 A. That's correct.

1 Q. Was there a particular reason why you concluded
2 that the LP-5 class needed to be moved almost to unity at
3 98.33 percent, whereas the residential class did not?

4 A. Yes. As stated earlier, in the LP-5 class, we
5 have a large group of interruptible customers, and we are
6 correcting pricing of our interruptible rate within the LP-5
7 structure, which resulted in a greater move for the LP-5
8 class.

9 Q. So I take it that it is the increase that is
10 being assigned in this case to the interruptible portion of
11 the LP-5 class that is driving that rate of return almost to
12 unity?

13 A. That's true.

14 Q. Now, the LP-5 class contains PP&L's largest
15 industrial customers, does it not?

16 A. Yes, it does.

17 Q. And are those among the large industrial
18 customers you are referring to at page 5 of your testimony,
19 line 8, which have production facilities in other states
20 producing the same products?

21 A. What line number was that?

22 Q. Page 5, lines 8 and 9.

23 A. Yes, several of those customers do.

24 Q. And are several of PP&L's largest industrial
25 customers in the LP-5 class also PP&L's customers with the

1 greatest likelihood of self-generating?

2 A. I would say there is a possibility.

3 Q. In fact, have not some of your LP-5 customers
4 installed on-site generation in order to back up the
5 interruptible service they take from PP&L?

6 A. I only know of one customer that has done that
7 at this time, and that project may not be complete.

8 Q. Is it your testimony that only one customer on
9 PP&L's system has backup generation installed?

10 A. For the exclusive purpose of backing up the
11 interruptible rate, I believe at this time there is only
12 one, but I'd have to check that.

13 MR. KLEPPINGER: If you could check that; and if it
14 is a different number, I'd appreciate knowing that, Mr.
15 MacGregor.

16 MR. MacGREGOR: Yes, we will.

17 BY MR. KLEPPINGER:

18 Q. Now, you're generally familiar, I would guess,
19 with the movement in the industry towards more competition
20 among utilities for utility customers in the electric
21 business, at least in general terms?

22 A. In general.

23 Q. If that competition comes to pass, would it be
24 your belief that the LP-5 large industrial customers would
25 be the most likely customers to attempt to bypass the PP&L

1 system if it is economic for them to do so?

2 A. If it is economic for them to do so, yes.

3 JUDGE CHRISTIANSON: You're talking about this
4 concept of --

5 MR. KLEPPINGER: Retail competition.

6 JUDGE CHRISTIANSON: They would still use the system
7 in a sense?

8 MR. KLEPPINGER: The transmission and distribution
9 system, correct.

10 JUDGE CHRISTIANSON: Okay.

11 BY MR. KLEPPINGER:

12 Q. Would you also agree with me, Mr. Kasper, that
13 among your LP-5 large industrial customers, those are the
14 customers who are most likely to cogenerate at their
15 facilities?

16 A. Not necessarily. Usually to cogenerate versus
17 on-site generation to back up an interruptible rate,
18 cogeneration requires a thermal usage of the cogeneration
19 equipment in addition to the electrical load, and they have
20 to be coincident with one another. If they're not, you're
21 going to have problems justifying the economics of the
22 cogeneration system under PP&L's existing rates or under
23 their proposed rates.

24 Q. Typical industries that are susceptible to
25 cogeneration due to the presence of that steam load would be

1 companies that are in the paper business?

2 A. That's correct.

3 Q. And the chemical business?

4 A. Chemical, yes. It depends on the type of
5 chemical. If you're talking air reduction, no. If you're
6 talking pharmaceuticals, maybe, but they are much like a
7 batch operation.

8 Q. I was thinking of the pharmaceutical line.

9 A. Yes.

10 Q. You've provided an interrogatory response at
11 OTS-RS-3D, which asks you define gradualism. Do you have
12 that with you?

13 A. Yes.

14 MR. MacGREGOR: Could I have the number for the
15 interrogatory?

16 MR. KLEPPINGER: OTS-RS-3D.

17 MR. MacGREGOR: Thanks.

18 BY MR. KLEPPINGER:

19 Q. Could you read at least the first sentence of
20 the definition and the rest of it if you think it is
21 necessary that you assigned to gradualism?

22 A. "This term defines the judgment applied to rate
23 design when a change in rate structure or price is required.
24 Many times the rate design goals to simplify rate structure
25 and to move the rate class from its current rate of return

1 to 100 percent of system average rate of return are too
2 burdensome on the customer to achieve in one single step."

3 Q. So in your definition, you refer to changes in
4 rate structure and in price as being included in the concept
5 of gradualism, do you not?

6 A. Yes.

7 Q. I'd also like to refer you to your response to
8 OTS Interrogatory RS-7D, which was mentioned earlier by Mr.
9 Zielonis.

10 MR. KLEPPINGER: And Your Honor, I'd like to have
11 that marked as PPL Industrial Customer Alliance Cross-
12 Examination Exhibit No. 6.

13 JUDGE CHRISTIANSON: So identified, your No. 6.

14 (Whereupon, the document was marked
15 as PPLICA Cross-Examination Exhibit
16 No. 6 for identification.)

17 MR. KLEPPINGER: I'm sorry I don't have an assistant,
18 Your Honor.

19 JUDGE CHRISTIANSON: One of your colleagues can give
20 you a hand.

21 (Pause.)

22 MR. HAYNES: No. 7?

23 MR. KLEPPINGER: No. 6.

24 JUDGE CHRISTIANSON: Yes. This is identified as his
25 No. 6.

1 BY MR. KLEPPINGER:

2 Q. Mr. Kasper, what has now been identified as
3 PPLICA Cross-Examination Exhibit No. 6 indicates that when
4 you were assigning this increase among customer classes, you
5 tempered it with certain bullet points on the second page of
6 this exhibit; correct?

7 A. That's correct.

8 Q. And one of those bullet points indicates a self-
9 imposed maximum rate class increase of 1.5 times the system
10 average increase; correct?

11 A. That's correct.

12 Q. So I take it that when we look at this exhibit
13 in conjunction with your definition of gradualism, that an
14 increase of 1.5 times the system average would not violate
15 that principle of gradualism?

16 A. On a rate class basis, that's correct.

17 Q. The increases that are shown then on Exhibit
18 OGK-3 to each of the classes, it would be your testimony
19 that none of those increases violate your concept of
20 gradualism?

21 A. On the rate class basis, that's correct.

22 Q. Now, this self-imposed maximum of 1.5 times was
23 applied to a system average increase of 11.7 percent; and
24 would I be correct that that 11.7 percent assumes a base
25 rate increase of \$261 million in this case?

1 A. That's correct.

2 Q. So that -- well, let me ask you this. You were
3 in the room quite a bit yesterday at least, if not the
4 entire day, and I believe you would recollect the colloquy I
5 had with Mr. Kleha and subsequently with Mr. MacGregor as to
6 whether this is a \$260 million base rate increase or a \$240
7 million base rate increase; correct?

8 A. I remember it.

9 JUDGE CHRISTIANSON: Yes, that mysterious \$20
10 million.

11 THE WITNESS: Yes.

12 BY MR. KLEPPINGER:

13 Q. If the base rate increase in this case as
14 requested by PP&L turns out to be \$240 million, the 11.7
15 percent becomes something less than that; correct?

16 JUDGE CHRISTIANSON: That's one thing I never quite
17 understood. When you give those percentages, does that
18 include ECR revenue?

19 THE WITNESS: That includes all revenues.

20 JUDGE CHRISTIANSON: That's what I thought.

21 THE WITNESS: It's everything.

22 JUDGE CHRISTIANSON: So it would be neutral.

23 THE WITNESS: So it's neutral. So it would still be
24 the 261.

25 JUDGE CHRISTIANSON: I guess you'd have to, because

1 your bring ECR revenues into base rates.

2 MR. MacGREGOR: It is still 11.7.

3 THE WITNESS: It is still 11.7.

4 BY MR. KLEPPINGER:

5 Q. Your testimony is that if the net increase in
6 this case is \$240 million, the percentage increase on base
7 rates is still 11.7 percent?

8 A. If it has to include ECR increased revenues,
9 yes.

10 JUDGE CHRISTIANSON: The increase associated with
11 this case will still be 11.7?

12 THE WITNESS: Yes.

13 JUDGE CHRISTIANSON: If that scenario is followed
14 that you folks went over yesterday as to the Commission
15 decision?

16 MR. MacGREGOR: Just for clarification, that assumes
17 I think that OGK-3 includes ECR revenues and it does.

18 MR. KLEPPINGER: Right.

19 JUDGE CHRISTIANSON: I think that's how companies
20 quote their increases. For years I wasn't sure, and I
21 finally started asking people.

22 MR. KLEPPINGER: I could have sworn that yesterday we
23 heard testimony that there are two results possible in this
24 case, a \$260 million base rate increase and a \$20 million
25 credit in the ECR, or a \$240 million base rate increase and

1 no credit in the ECR.

2 THE WITNESS: So the ECR would then go from a
3 negative \$20 million to zero at that point.

4 MR. KLEPPINGER: That's under PP&L's proposed ECR.
5 I'm trying to isolate the difference between what my clients
6 are paying today versus what they're going to be paying at
7 the end of this rate case under a scenario where this JCP&L
8 contract and the ECR proposal by PP&L is rejected. And my
9 understanding of the testimony given yesterday and the
10 stipulation by counsel was that that number is \$240 million.

11 MR. MacGREGOR: In base rate change.

12 MR. KLEPPINGER: Yes.

13 MR. MacGREGOR: Not total rate change.

14 MR. KLEPPINGER: If the base rates change at the
15 conclusion of this case to the tune of \$240 million, is this
16 11.7 percent still a number to work with for purposes of
17 rate allocation and applying the 1.5 times that number?

18 JUDGE CHRISTIANSON: Let's go off the record just
19 for a minute.

20 (Discussion off the record.)

21 JUDGE CHRISTIANSON: Let's be back on the record.

22 We've been off the record to make sure of these
23 numbers. I don't fully understand the ECR involvement here,
24 but I probably will before the case is over. My naive view
25 now is that the increase associated with this filing is in a

1 sense about \$240 million because of this ECR effect, but the
2 people are checking on that to make sure what this overall
3 increase of whatever it was, 11.7, amounts to, whether that
4 is the increase to the ECR effect or not; and Mr. Kleppinger
5 is concerned about his client's increase and the overall
6 increase, whether this \$20 million makes a difference.
7 Evidently, it doesn't, but people are checking to make sure
8 of this before we definitively address that point.

9 One other point I mentioned off the record is about
10 the residential increase. Many people are still writing in
11 -- as a matter of fact, that written letter, handwritten
12 letter I mentioned before we came on the record I think
13 still mentions the 20 percent increase, which is the
14 advertised increase for residential.

15 As I understand it, that is the increase if you take
16 500 KWH.

17 THE WITNESS: That is part of the regs that we have
18 to supply the number for the 500 kilowatt-hours.

19 JUDGE CHRISTIANSON: But then the average residential
20 increase on this exhibit and in the handout that Mr. Mickens
21 had yesterday as part of his exhibit, it is actually about
22 15 percent.

23 THE WITNESS: That's correct.

24 JUDGE CHRISTIANSON: And this handout Mr. Mickens had
25 mentions that electric heating is about 12 percent.

1 Okay. In the public input hearings, there may be
2 cause to mention this, because people might be confused
3 about it. Either the company or I may mention the numbers,
4 because particularly with residential, people are sensitive
5 about that, and I wanted to check it to make sure.

6 In any case, Mr. Kleppinger has more cross-
7 examination. The company will get back to him and probably
8 to the record at some point as to just what we're talking
9 about with this increase.

10 MR. MacGREGOR: Yes, Your Honor.

11 JUDGE CHRISTIANSON: It has bemused me in many cases,
12 and I thought that that's how it worked, but you hate to ask
13 people, because I've embarrassed people in other cases by
14 asking that sort of question, and they're not quite sure,
15 just as Mr. MacGregor is not absolutely sure of it and wants
16 to be sure because it is a very important number.

17 But let's go ahead with cross.

18 BY MR. KLEPPINGER:

19 Q. Just one follow-up, and I'll have to do this
20 hypothetically, depending on what the company's response is
21 to the off-the-record discussion.

22 If in fact the overall increase in this case turns
23 out to be at the full rate relief asked for by PP&L less
24 than 11.7 percent, would you still apply the 1.5 times
25 whatever that system average increase is as a guide towards

1 assigning the increase among customers classes?

2 A. Yes, we would.

3 Q. Now, with that 1.5 times whatever the increase
4 is in this case, that you testified earlier does not violate
5 your principle of gradualism for a rate class; correct?

6 A. Correct.

7 Q. Would a 20 percent increase to a rate class
8 violate that principle?

9 JUDGE CHRISTIANSON: At this overall increase?

10 MR. KLEPPINGER: Yes.

11 THE WITNESS: To a rate class, yes, I believe it
12 would.

13 BY MR. KLEPPINGER:

14 Q. It would?

15 MR. MacGREGOR: Would violate the 1.5 times?

16 MR. KLEPPINGER: No. It would violate his principle
17 of gradualism was the question.

18 JUDGE CHRISTIANSON: That's sort of a -- well, go
19 ahead. Try to respond. It's just sort of an ephemeral
20 standard.

21 BY MR. KLEPPINGER:

22 Q. So then by definition, Mr. Kasper, any increases
23 to a rate class above 20 percent would also violate your
24 principle of gradualism?

25 A. Yes.

1 Q. So if that were to occur to a rate class, it
2 would be your suggestion that it be tempered -- and that's a
3 word you use from PPLICA Cross-Examination Exhibit No. 6 --
4 by the 1.5 times?

5 A. On a rate class.

6 Q. Now, you've been careful in answering these
7 questions to refer to rate class as opposed to a given group
8 within a rate class.

9 A. That's correct.

10 Q. And I take it the reason you are being careful
11 is that within a class, namely LP-5, there are customers
12 that are proposed to receive increases in excess of that
13 20 percent threshold of gradualism you mentioned on a rate
14 class basis?

15 A. That's correct; and those are the interruptible
16 customers.

17 Q. Now, the prices to those customers -- well, let
18 me take a step back. Do you know as you sit here today what
19 the average increase is to the LP-5 interruptible class of
20 customers in this rate case?

21 A. The average is 28 percent.

22 Q. Twenty-eight percent. So if that is the average
23 increase to the interruptible class, the prices for those
24 interruptible customers are increasing by 28 percent;
25 correct?

1 A. On average for the interruptible customers.

2 Q. Is it your testimony today that a 28 percent
3 increase in the price of electric service to the LP-5
4 interruptible class of customers does not violate your
5 principle of gradualism?

6 A. It does not; and let's look at the whole record
7 on the interruptible customers. Going back to 19 --

8 Q. Well, we'll get back to the old record.

9 MR. KLEPPINGER: The question called for a yes or no
10 answer, Your Honor.

11 THE WITNESS: Can I explain?

12 BY MR. KLEPPINGER:

13 Q. Doesn't your definition --

14 MR. MacGREGOR: Object. The witness has not finished
15 his answer, and he has asked to explain his answer, and the
16 Judge hasn't ruled on that request. So I object to another
17 question.

18 JUDGE CHRISTIANSON: I'll let him explain. I think
19 it is probably best that Mr. Kleppinger states the question
20 again if he wants it clear, and then he can answer yes or no
21 and go ahead and explain.

22 MR. KLEPPINGER: I'll have the question read back,
23 because I won't be able to state it as well again.

24 (Whereupon, the reporter read from the record, as
25 requested.)

1 MR. KLEPPINGER: Your Honor, I would contend that
2 calls for a clear yes or no answer and that an explanation
3 is not required.

4 MR. MacGREGOR: Well, I think the standard we've set
5 in this case so far is the witness is entitled to explain
6 his answer; and if Mr. Kleppinger wants to change that rule
7 and wants to apply it to his witnesses and all of the other
8 witnesses in this case as they come along, that's fine.

9 JUDGE CHRISTIANSON: Well, I'll allow a brief
10 explanation, but let's have a -- I've read the transcript
11 from the Chief, and she was rather insistent on the yes or
12 no aspect.

13 MR. MacGREGOR: He did give a no answer, and now he
14 wants to explain it.

15 JUDGE CHRISTIANSON: Try it again. Your answer is no
16 to the question?

17 THE WITNESS: My answer is no to that question, and I
18 think you have to look at the whole record of the
19 interruptible customers starting at 1991. In 1992, we
20 instituted the interruptible rate. Those customers saw on
21 average a 15 to 20 percent rate reduction. Now we're going
22 back and correcting those rates under the Order from Judge
23 Schnierle, and we're bringing them back up.

24 In the final analysis, those customers are going to
25 be at the same level that they were in 1991 on a cents per

1 kilowatt-hour basis average. If you look back to 1985, they
2 are going to be at essentially the same levels they were in
3 1985. So if we look at gradualism, this is typical and a
4 very good example of gradualism for these customers.

5 JUDGE CHRISTIANSON: And I will acknowledge to Mr.
6 Kleppinger that might better have been done on redirect, but
7 I'm allowing it now.

8 BY MR. KLEPPINGER:

9 Q. You referred to an Order by ALJ Schnierle. That
10 was a Recommended Decision; correct?

11 A. Yes, and it was accepted by the PUC and
12 implemented on February 15th.

13 Q. Have you reviewed both of those documents, the
14 Recommended Decision and the Order?

15 A. Huh?

16 Q. Have you reviewed both of those documents, the
17 Recommended Decision of the Judge and the Order?

18 A. Yes, I have.

19 Q. They are not verbatim, identical documents, are
20 they?

21 A. No.

22 JUDGE CHRISTIANSON: Just to make sure I'm clear,
23 what we're talking about is Docket No. R-943081? Maybe Mr.
24 Kleppinger can confirm it. This is a Commission Order?

25 MR. KLEPPINGER: I think that's correct, Your Honor.

1 JUDGE CHRISTIANSON: Okay. I saw it was in my file
2 and I've read it.

3 MR. KLEPPINGER: Great.

4 JUDGE CHRISTIANSON: And I know it is in this case.
5 I may even have called you about that aspect of the case
6 very briefly, on the procedural aspect of it.

7 Go ahead. I think Commissioner Quain, now Chairman
8 Quain, had a statement on it.

9 BY MR. KLEPPINGER:

10 Q. Back to your testimony at page 5, line 7. You
11 acknowledge here that the company is attempting to
12 acknowledge and respond to competition in some of your
13 markets; correct?

14 A. That's correct.

15 Q. Now, based on your Exhibit OGK-3, the increase
16 that is stated here for the LP-5 class is 15.45 percent on a
17 total class basis; correct?

18 A. That's correct.

19 Q. Is it your testimony that that increase
20 acknowledges and responds to competition?

21 A. Yes. A brief explanation on that. We have
22 introduced other rates to help in the competitive response
23 that our customers are seeing and address the competitive
24 markets, and one of those is a price response service for
25 real time pricing, and another one is what is called the

1 competitive rate rider, which allows us to negotiate when
2 there is a competitive option for the customer. It better
3 addresses the economic development issues on a better
4 targeting of our competition, our markets.

5 Q. In your opinion, Mr. Kasper, is the 28 percent
6 increase that you have mentioned as proposed for your LP-5
7 interruptible customers also acknowledging and responding to
8 competition as used at line 7 on page 5 of your testimony?

9 A. Yes, it is. We have had a long history of
10 economic development rates available to our customers. The
11 interruptible was just one of those rates. We also have
12 EDI, which is being reinstated for those customers at their
13 original base, which is our EDI credit program.

14 Q. While we're on that EDI program, the
15 reinstatement is occurring within the LP-5 class as
16 proposed; is that correct?

17 A. That's right.

18 Q. Am I correct that the tariff needs to be revised
19 to clarify that issue?

20 A. That's correct.

21 Q. It is not being reinstated for the LP-6
22 customers; is that correct?

23 A. No.

24 Q. Now, you mentioned price response service as one
25 of the areas where you are acknowledging and responding to

1 competition. How many customers have signed up for the
2 price response service to date?

3 A. To date, we have one contract signed and we have
4 15 contracts out for signature.

5 Q. Now, the price response service applies
6 primarily to incremental loads of a customer above a base
7 line usage amount, does it not?

8 A. No. It also applies to customers who can move
9 their loads off of high cost hours.

10 Q. So it applies to kilowatt-hours that can be
11 shifted from on to off-peak or incremental kilowatt-hours?

12 A. Not necessarily off-peak; away from high cost
13 hours.

14 Q. Is the effective rate that will be available to
15 industrial customers under the price response service
16 greater than or less than the effective rate that your LP-5
17 interruptible customers are currently paying for electric
18 service?

19 A. In general for the increment, it is going to be
20 lower.

21 Q. The effective rate for the total consumption of
22 that customer was the question.

23 A. If the customer does not respond to the price
24 response service either through an incremental increase or a
25 shifting of load, his price for the PRS service will be

1 exactly the same as for LP-5 firm rate or interruptible rate
2 that he is at now.

3 Q. So if a customer is running a three-shift-a-day
4 operation and that customer does not have the ability to
5 shift load, if you will, because he is running flat out,
6 would that customer's effective rate be lower under price
7 response service than what that customer has today under
8 LP-5 interruptible service?

9 A. If he makes no move to change his load pattern,
10 it will be exactly the same.

11 Q. That's because the base line in the price
12 response service is his current rate?

13 A. That's correct.

14 Q. Now, the competitive rate rider was also
15 mentioned. How many contracts have you executed under the
16 competitive rate rider?

17 A. None at this time.

18 Q. How many LP-5 interruptible customers do you
19 currently have?

20 A. I believe, subject to a check here, 128.

21 Q. I think that is the LP-5 total class, Mr.
22 Kasper. The question was: how many are on LP-5
23 interruptible?

24 JUDGE CHRISTIANSON: Let's be off the record just
25 briefly.

1 (Discussion off the record.)

2 JUDGE CHRISTIANSON: Let's be back on the record.

3 MR. KLEPPINGER: Thank you, Your Honor.

4 THE WITNESS: There are 27 customers on the LP-5 rate
5 that are interruptible at this time.

6 BY MR. KLEPPINGER:

7 Q. Mr. Kasper, at the time this case was filed on
8 December 30, did you know that the rate design change on
9 LP-5 interruptible produced a 28 percent increase to the
10 LP-5 interruptible sub-group of customers?

11 A. Yes.

12 Q. Now, Mr. Hill has testified previously that he
13 was not aware of the increase in general terms to the
14 industrial customers at the time he prepared his testimony.

15 Did you advise the Vice-President of Finance for PP&L
16 of the increase to LP-5 interruptible after that date the
17 testimony was submitted?

18 A. Personally, I did not. We did advise our CEO
19 and President of the company.

20 Q. And was that advice given prior to the filing of
21 this case?

22 A. Yes, it was.

23 Q. Now, you have proposed in this case a new Rate
24 Schedule LP-6; correct?

25 A. That is correct.

1 Q. And that is developed as a firm rate schedule
2 and not an interruptible rate schedule?

3 A. Either.

4 Q. It has an interruptible option within it?

5 A. That's correct.

6 Q. But the base rate portion of the LP-6 tariff is
7 a firm rate?

8 A. That's correct.

9 Q. And a customer can elect to take interruptible
10 or not pursuant to LP-6?

11 A. That's correct.

12 Q. Now, you characterize LP-6 I believe on page 9
13 of your testimony at lines 9 and 10 as a responsive attempt
14 to prevent such a loss and hardship to the communities it
15 serves; correct?

16 A. Yes.

17 Q. And by that loss, you mean the loss of an
18 industrial customer employer?

19 A. Or a portion of their load.

20 Q. What is the average proposed rate for the LP-6
21 class? I've calculated that by looking at Attachment IV-C,
22 page 17. And if you'd like to accept subject to check that
23 the average rate produced by the proposed Rate LP-6 is
24 approximately 6 cents per kilowatt-hour.

25 MR. MacGREGOR: That's under proposed rates?

1 MR. KLEPPINGER: Yes.

2 MR. MacGREGOR: Just dividing the total revenue by
3 total KWH?

4 MR. KLEPPINGER: Yes.

5 THE WITNESS: I will accept that subject to check.

6 BY MR. KLEPPINGER:

7 Q. Do you know, Mr. Kasper, what the average LP-5
8 interruptible rate is today?

9 A. It is 3.87 cents per kilowatt-hour.

10 Q. So if a customer were to switch from the current
11 LP-5 interruptible service to the LP-6 firm service, he
12 would see an increase in the average rate from 3.87 cents
13 under current rates to 6 cents under proposed rates if he
14 went from interruptible to firm service?

15 A. Only customers of 10 megawatts or larger with
16 very high load factor would be shifting from the LP-5 to the
17 LP-6 rate. Many of the customers do not have that high of a
18 load factor.

19 Essentially, you would actually see a higher increase
20 going from the LP-5 interruptible for the customers that
21 qualify to the LP-6.

22 Q. And among your LP-5 interruptible customers are
23 customers with demands over 10,000 KW and high load factor;
24 namely, for example, the four air reduction companies?

25 A. That's correct.

1 MR. KLEPPINGER: I'd like to have marked for
2 identification, Your Honor, as PPLICA Cross-Examination
3 Exhibit No. 7 the company's response to Interrogatory
4 OTS-RE-46D.

5 JUDGE CHRISTIANSON: So identified, your No. 7.

6 (Whereupon, the document was marked
7 as PPLICA Cross-Examination Exhibit
8 No. 7 for identification.)

9 BY MR. KLEPPINGER:

10 Q. You provide a list here of customers who could
11 actually choose to move to LP-6, do you not?

12 A. That's correct.

13 Q. If I counted them correctly, there are 17
14 customers listed here?

15 A. Yes.

16 Q. Of that 17, do you know how many of these
17 customers are currently taking service under the LP-5
18 interruptible tariff?

19 A. I believe 12 of them are.

20 Q. That comports with my count, Mr. Kasper.

21 Now, those would be the customers who would be
22 currently paying rates in the range of 3.87 to 4 cents a
23 kilowatt-hour for the interruptible portion of their load;
24 correct?

25 A. For the interruptible portion of their load or

1 for their average under the interruptible rate?

2 Q. That would be their average rate under LP-5
3 interruptible. I'm sorry.

4 A. Correct.

5 Q. Now, do you think it would be likely for them to
6 switch to a rate which would have the average rate of
7 6 cents a kilowatt-hour?

8 A. As mentioned earlier, under the LP-6, the
9 interruptible option is also available under that, so they
10 would not be changing to a 6-cent per kilowatt-hour rate.
11 They'd be going to an LP-6 rate with an interruptible
12 option, which would be lower than the 6 cents.

13 Q. Do you know what the average rate would be for
14 that group of customers were they not to change the portion
15 of their load that is firm and the portion that is
16 interruptible at the proposed rate? Would that be the
17 28 percent increase over 3.87 cents?

18 A. I would have to check that. I do not know at
19 this point.

20 MR. KLEPPINGER: If you could check on that and make
21 that a data request, please.

22 MR. MacGREGOR: Fine. That's if they maintain their
23 current --

24 MR. KLEPPINGER: Their load characteristics do not
25 change.

1 MR. MacGREGOR: And they move from LP-5I to LP-6I?

2 MR. KLEPPINGER: LP-6I.

3 MR. MacGREGOR: Okay.

4 BY MR. KLEPPINGER:

5 Q. Turning to page 10 of your testimony, lines 15
6 through 17, you begin to relate the originally proposed PP&L
7 interruptible service offering; correct?

8 A. That's correct.

9 Q. And what you're referring to there is what we
10 know as the currently effective LP-5 interruptible tariff?

11 A. That's correct.

12 Q. Now, among the risks that you list there are
13 risk of closure, correct, at line 17?

14 A. Yes.

15 Q. Are any of your LP-5 interruptible customers
16 today still subject to the risk of closure?

17 A. Any of the LP-5 interruptible customers?

18 Q. Is that a risk that is still present with
19 respect to your LP-5 interruptible customers today?

20 A. That question, I believe, is better answered by
21 Gerry Farber in his testimony.

22 JUDGE CHRISTIANSON: I guess there is always some
23 risk. The question is: how clear and present is it?

24 BY MR. KLEPPINGER:

25 Q. But your testimony is that some were at risk of

1 closure when LP-5I was proposed; correct?

2 A. That's correct.

3 Q. And that was when, June of '92?

4 A. That was -- yes, I believe that was June of '92
5 that was proposed.

6 Q. Less than three years ago?

7 A. Yes.

8 Q. Now, would you also refer questions to Mr.
9 Farber on whether or not there is a risk of substantial
10 business contraction among your LP-5 interruptible customers
11 today?

12 A. Yes, I would.

13 Q. And also as to whether there is a risk of
14 relocation among your LP-5 interruptible customers today?

15 A. Yes.

16 Q. Now, Mr. Kasper, I'd like to refer you back to a
17 PPLICA exhibit that I had marked yesterday as No. 5. If you
18 don't have that, I have an extra here for you.

19 (Document handed to witness.)

20 MR. KLEPPINGER: I still have one extra if you need
21 it.

22 MR. MacGREGOR: No, we've got it.

23 JUDGE CHRISTIANSON: Leave it on the table. One of
24 the lawyers might want it.

25 MR. KLEPPINGER: Judge, do you still have yours?

1 JUDGE CHRISTIANSON: I have mine from yesterday.
2 Thanks. Maybe we'll do this and take a break soon. You're
3 going to be several more minutes, I think.

4 MR. KLEPPINGER: I think so, Your Honor.

5 JUDGE CHRISTIANSON: Okay.

6 BY MR. KLEPPINGER:

7 Q. Mr. Kasper, do you recognize this document as
8 the company's presentation to the Commission in June of 1992
9 proposing Phase IV of the economic development initiatives?

10 A. Yes.

11 Q. And I think you agreed earlier that one of those
12 initiatives was the modification to the LP-5 interruptible
13 service.

14 A. That's correct.

15 Q. Now, if you would turn for the moment to page 3
16 of the exhibit under the section labeled, "No. 2,
17 Background." Do you have that?

18 A. Yes.

19 Q. Now, it indicates that this EDI was proposed to
20 respond to increasingly competitive economic conditions. Do
21 you see that?

22 A. That's correct.

23 Q. Are there currently competitive economic
24 conditions in existence in PP&L's service territory today?

25 A. I would say they always exist.

1 Q. Would you also say further down in this first
2 paragraph that regional, national, global economic
3 developments are placing increased competitive demands on
4 businesses located in PP&L's service territory is still true
5 today as in 1992?

6 A. It's still true.

7 Q. It's still true in the beginning of the next
8 paragraph that PP&L is interested in proposing flexible and
9 competitive pricing structures?

10 A. That's correct.

11 Q. Turning to page 4, is it still true today that
12 PP&L is desirous of maintaining and increasing the
13 competitiveness of industries in its service territory,
14 basically the first three lines of page 4?

15 A. That's correct.

16 Q. Can you agree that these conditions that still
17 exist today require PP&L to continue a pricing structure
18 that encourages economic development?

19 A. Yes.

20 MR. KLEPPINGER: Your Honor, that concludes my cross
21 on that exhibit.

22 JUDGE CHRISTIANSON: Maybe we'll take a few minutes.

23 MR. KLEPPINGER: It's up to you.

24 JUDGE CHRISTIANSON: Let's be off the record in any
25 case.

1 (Recess.)

2 JUDGE CHRISTIANSON: Let's be back on the record.

3 We have been off the record for a little longer than
4 we thought to discuss some topics, including some minor
5 problems with public input hearings and this question of a
6 percent increase and what the base is on the percent
7 increase and so forth.

8 But we don't have to speak to that at this point. In
9 fact, at this point, Mr. Kleppinger may continue with his
10 cross-examination.

11 MR. KLEPPINGER: Thank you, Your Honor.

12 BY MR. KLEPPINGER:

13 Q. Mr. Kasper, if you would turn to page 10 of your
14 testimony at the bottom of the page, line 21 and 22, you
15 indicate that the original proposal of the LP-5
16 interruptible rate back in 1992 produced a discount off of
17 firm service greater than would have been indicated by
18 quantifiable measures of the difference in cost between firm
19 and interruptible load. Do you see that reference?

20 A. Yes.

21 Q. Now, at the time PP&L made the proposal in 1992,
22 was there a study included in that filing which identified
23 this quantifiable measure of difference in the cost between
24 firm and interruptible load?

25 A. No, no cost of service filing was made at that

1 time.

2 Q. And in this case, has the company provided a
3 study which shows the quantifiable measure of the difference
4 in cost between firm and interruptible load?

5 A. Yes. That is within Joe Kleha's exhibits, the
6 cost of service.

7 Q. Now, in Mr. Kleha's cost of service exhibit, is
8 there a differentiation within the LP-5 class between the
9 cost of serving firm and the cost of serving interruptible
10 load?

11 A. The credit was applied to the LP-5 class, and I
12 have to go back and look at exactly how that was done. I'd
13 have to say it was applied to the LP-5 and LP-4 class.

14 Q. So that there isn't a specific cost of service
15 study in this case that has cost of service for LP-5 firm
16 and cost of service for LP-5 interruptible, is there, Mr.
17 Kasper?

18 A. Not as filed.

19 JUDGE CHRISTIANSON: Let me try one question if Mr.
20 Kleppinger doesn't have trouble with it. Can you describe
21 briefly how this cost is measured, what system you use to
22 extract this cost? Is it demand charge?

23 THE WITNESS: We gave a base rate credit of \$300 a kw
24 within the cost of service filing to arrive at the required
25 rate of return for the LP-4 and LP-5 class, and that cost

1 was then transferred to other rate classes.

2 JUDGE CHRISTIANSON: I'm thinking more, is there a
3 cost justification in the sense of, it cost less for
4 interruptible service, like you would remove the demand cost
5 or something like that?

6 THE WITNESS: Yes, we remove the demand equivalent
7 cost of \$300 a kw.

8 JUDGE CHRISTIANSON: And is this justified in --

9 THE WITNESS: Yes, that was brought out in Mr.
10 Sipics' testimony on the price of a peaking unit.

11 JUDGE CHRISTIANSON: Okay, that's what I'm talking
12 about.

13 THE WITNESS: That's correct.

14 JUDGE CHRISTIANSON: Okay, that's enough for me. Go
15 ahead.

16 BY MR. KLEPPINGER:

17 Q. You go on to indicate on page 11, line 4 that
18 since the institution of the LP-5 interruptible rate,
19 several factors have changed, correct?

20 A. Correct.

21 Q. And the first one you state there is that the
22 value of interruptible load has declined materially.

23 A. Correct.

24 Q. Do you agree with me that use of the term
25 "value" on line 5 of page 11 and use of the term "cost" on

1 page 10, line 22 are two different concepts?

2 A. Yes, they are.

3 Q. When the company proposed the LP-5 interruptible
4 rate, was it proposed to your knowledge on the basis of the
5 value of that interruptible load?

6 A. At the time it was introduced, it was based on
7 the value of the interruptible load on the PJM capacity
8 credit, which I believe at that time, subject to checking,
9 it was \$73 a kw, plus a credit for economic development.

10 Q. We're going back to 1992 when the LP-5
11 interruptible rate was proposed.

12 A. That's correct.

13 Q. Can you please refer back to PPLICA Cross-
14 Examination Exhibit No. 5 and show me where in that document
15 a value of service approach was used to justify the LP-5
16 interruptible rate?

17 JUDGE CHRISTIANSON: Five is the one from yesterday,
18 the longer one that Mr. Kleppinger gave you a courtesy copy
19 of. It's the justification from '92.

20 THE WITNESS: I don't believe that was within this.

21 MR. MacGREGOR: I thought your question was how he
22 calculated it. I don't think he said it was within the
23 statement of reasons.

24 THE WITNESS: It's not within the statement of
25 reasons.

1 MR. MacGREGOR: That's a separate question.

2 THE WITNESS: You're asking a question of how we
3 arrived at where we are going with it, and that was not
4 placed within the statement of reasons at that time.

5 JUDGE CHRISTIANSON: I guess the immediate question
6 is, is this in the statement of reasons, and I guess the
7 answer is no.

8 THE WITNESS: No.

9 JUDGE CHRISTIANSON: Were there other associated
10 documents --

11 MR. KLEPPINGER: To your recollection -- oh, I'm
12 sorry.

13 JUDGE CHRISTIANSON: Well, go ahead. You can make
14 way better than I can.

15 BY MR. KLEPPINGER:

16 Q. To your recollection, Mr. Kasper, outside of
17 this statement of reasons, was there support shown to the
18 Commission in 1992 which justified the level of the LP-5
19 interruptible rate on a value of service basis?

20 A. There was only one justification, and that was
21 on what we called a revenue neutral calculation, in that if
22 a customer took service under LP-5 interruptible or LP-5
23 without having any interruptible load basically, not
24 interrupting anything and had 100 percent firm, that the
25 revenues derived from either rate schedule were exactly the

1 same.

2 Q. Will you agree with me that that justification
3 is not a value of interruptible load concept?

4 A. That's correct.

5 Q. Could you turn to page 12 of PPLICA Cross-
6 Examination Exhibit No. 5? This is the point where you
7 discuss the revenue neutral concept that you mentioned in
8 your prior answer.

9 A. Correct.

10 Q. Am I correct that as part of the justification,
11 the company stated that in establishing the interruptible
12 energy rates, PP&L considered recovery of short-run marginal
13 energy costs and coordination with pricing established under
14 interruptible service by agreement contracts?

15 A. That's correct.

16 Q. And did the company represent that all costs not
17 recovered through the interruptible energy rates were
18 assigned to demand and a demand charge assigned to recover
19 those costs?

20 A. That's correct.

21 Q. Based on this excerpt, would you agree with me
22 that at least as proposed in 1992 to the Commission, the
23 LP-5 interruptible rate was proposed on a cost of service
24 basis and not a value of service basis?

25 A. It was not based on a cost of service. There

1 was no cost of service filing done with this proposal of the
2 interruptible rate.

3 Q. I understand not a complete cost of service
4 study was done comparable to what the honored Mr. Kleha did
5 in this case.

6 But was the representation made to the Commission
7 that the rates were designed to recover short-run marginal
8 costs and that all costs not recovered in the energy rates
9 would be assigned and recovered in the demand charge? Isn't
10 that what this tells us?

11 JUDGE CHRISTIANSON: He's focusing on page 12 of this
12 document.

13 MR. KLEPPINGER: Yes.

14 THE WITNESS: I believe what this tells us is that a
15 customer on our firm rates or interruptible rates with 100
16 percent firm power, calculated under either of the rate
17 schedules, would then end up being revenue neutral. That's
18 all this really says to you.

19 JUDGE CHRISTIANSON: So he's not agreeing with you.
20 I see where you're going.

21 BY MR. KLEPPINGER:

22 Q. It doesn't tell us that marginal energy costs
23 are going to be recovered under the LP-5 interruptible rate?

24 A. We had to file with this a graph which indicated
25 that we are above our marginal energy cost with the low step

1 of the energy block in the rate.

2 JUDGE CHRISTIANSON: That's a minimum you have to
3 stay above as a general matter?

4 THE WITNESS: Yes.

5 BY MR. KLEPPINGER:

6 Q. And to remain revenue neutral, is this telling
7 us that all costs that aren't recovered in the interruptible
8 energy rates are assigned to demand and a demand charge is
9 designed to recover those costs?

10 MR. MacGREGOR: Your Honor, I --

11 BY MR. KLEPPINGER:

12 Q. That's what it says, doesn't it?

13 MR. MacGREGOR: Your Honor, I object. He has
14 explained under what conditions that sentence would be met
15 and his understanding of what's in the document.

16 The document is in the record and speaks for itself.
17 I don't know what we get by going over it.

18 JUDGE CHRISTIANSON: I will allow Kleppinger to go
19 over it a little bit.

20 MR. KLEPPINGER: That's the last question.

21 JUDGE CHRISTIANSON: Let me, for Mr. Kleppinger, when
22 you mentioned "value of service," you're talking about the
23 possibility of migrating to another state or something like
24 that?

25 MR. KLEPPINGER: No, Your Honor. The reference to

1 value was really relating back to page 11, line 5 of
2 Mr. Kasper's testimony.

3 JUDGE CHRISTIANSON: Okay, because you used the term
4 and I just wasn't sure how you used it. You oppose it to
5 "cost of service," obviously.

6 MR. KLEPPINGER: That's correct.

7 JUDGE CHRISTIANSON: Okay, go ahead.

8 THE WITNESS: The rate was simply unbundled to a
9 higher demand charge and a lower energy charge. Then the
10 billing demand calculation was introduced to reduce that
11 billing demand charge, thereby giving a credit for both
12 interruptible and economic development within the rate
13 structure.

14 So in that it reflects a reduction in demand charge,
15 that's correct, but that reduction in demand charge
16 represents both interruptible and economic development.

17 MR. KLEPPINGER: Thank you.

18 JUDGE CHRISTIANSON: Let me just make a comment, and
19 nobody has to respond to it. In other cases, in other
20 industries as well, I'm wondering sometimes whether the
21 interruptible service is more an excuse than a reason.

22 I guess the rate structure itself could be on either
23 basis, either economic development or interruptible, and the
24 rate might be the same whether you have one basis or the
25 other. So it's a little hard to give a reason. I

1 understand why Mr. Kleppinger is struggling a little bit
2 with it.

3 But the witness is vaguely nodding to that, but I
4 don't need a response. If Mr. Kleppinger wants one, he can
5 get one.

6 MR. MacGREGOR: Emphasis on the word "vaguely," Your
7 Honor.

8 (Laughter.)

9 JUDGE CHRISTIANSON: I'll acknowledge that.

10 BY MR. KLEPPINGER:

11 Q. A second reason you cite on page 11 of your
12 testimony as a change factor is that customers are
13 encouraged to use on-site generation to back up the
14 interruptible service, correct?

15 A. That's correct.

16 Q. Now, if I understood your previous testimony,
17 you said only one customer had installed that on-site
18 generation?

19 A. So far.

20 Q. And you referred to revenue erosion at line 12
21 of page 11. Is that revenue erosion the same whether or not
22 the customer installs on-site generation from the company's
23 perspective of revenue erosion?

24 A. This would be an incremental revenue erosion
25 above what we could get with interruptible rates. To

1 explain that, what was happening with our interruptible
2 rate, it was encouraging customers who would normally not be
3 interruptible to engage in putting on-site generation on
4 their property to take advantage of the interruptible rate,
5 thereby becoming interruptible through on-site generation.

6 In doing so, you're taking customers who would
7 normally be firm, treating them as interruptible, and you
8 would be transferring those costs to other rate classes.

9 Q. Well, I guess whether those costs are
10 transferred will be debatable in this case, correct, Mr.
11 Kasper?

12 A. That's correct.

13 JUDGE CHRISTIANSON: And they were not transferred in
14 1992 because you didn't have a general case going.

15 THE WITNESS: That's correct.

16 BY MR. KLEPPINGER:

17 Q. You use the term "uneconomic cost shifting" at
18 line 17 of page 11. Are you limiting that uneconomic cost
19 shifting only to the situation where an interruptible
20 customer installs on-site generation?

21 A. Yes.

22 Q. And what may be uneconomic from the company's
23 perspective may be quite economic from a customer's
24 perspective to install that on-site generation?

25 A. Yes, because we were sending an incorrect price

1 signal to those customers. Now the customer is going to
2 take dollars that could have been used for other productive
3 efforts and put it into a non-productive on-site generator,
4 deterring from the economic value of the rate itself.

5 Q. Now, Mr. Kasper, wasn't this second factor,
6 namely the on-site generation issue, one of the
7 justifications used by PP&L to close the availability of the
8 interruptible rates -- docket numbers always escape me --

9 A. R-0094 --

10 Q. The proceeding before Judge Schnierle.

11 MR. KLEPPINGER: You have the order, Judge, so you
12 can -- Docket No. R-943081.

13 THE WITNESS: That's correct. And the other --

14 BY MR. KLEPPINGER:

15 Q. And PP&L -- I'm sorry.

16 A. That's okay.

17 Q. PP&L was successful, was it not, in having
18 interruptible rates closed effective February 15, 1995?

19 A. That's correct.

20 Q. So any additional revenue erosion beyond
21 February 15, '95 can no longer occur as you've defined
22 revenue erosion at this portion of your testimony; is that
23 correct?

24 A. It could occur with existing customers on the
25 rate currently, but -- no, that's incorrect. We also froze

1 the firm levels of those contracts at the same time.

2 Q. So the revenue erosion issue was eliminated by
3 the Commission's order at the docket previously mentioned?

4 A. That's correct.

5 Q. Now, let's discuss the interruptible rate design
6 itself for a few moments, and I'd like to refer you back to
7 PPLICA Cross-Examination Exhibit No. 4 from last week, which
8 is the currently effective LP-5 tariff, if you have it at a
9 different location.

10 (Pause.)

11 Q. Do you have the tariff?

12 A. Yes, I do.

13 MR. KLEPPINGER: Your Honor, I don't know if you have
14 that. It's an exhibit from last week.

15 JUDGE CHRISTIANSON: I probably don't have it with me
16 today.

17 (Document handed to Judge Christianson.)

18 BY MR. KLEPPINGER:

19 Q. What I would like to focus on is the manner in
20 which the company has designed optional interruptible power,
21 about two-thirds of the way down this Tariff Page 28. Do
22 you see that?

23 A. Yes.

24 Q. Now, you will agree with me, will you not, that
25 this is priced out with an explicit demand charge applicable

1 to billing kw of \$9.60 per kw?

2 A. Correct.

3 Q. And then there are two energy blocks plus the
4 energy cost rate; is that correct?

5 A. Correct.

6 Q. Would you agree with me that this type of rate
7 design is a load factor sensitive rate design to the extent
8 that the higher a customer's load factor, the lower average
9 effective rate that customer pays per kilowatt-hour?

10 A. That's correct.

11 Q. Now, the proposed interruptible rate option in
12 this case -- and I'll refer you to OGK Exhibit 1. Again, it
13 would be Tariff Page 28; actually, 28(b).

14 This is the proposed Rate Schedule LP-6, correct?

15 A. Correct.

16 Q. And I think we agreed previously that the
17 largest of the LP-5 interruptible customers today would most
18 likely become LP-6 interruptible customers today if the
19 company's proposal comes in. It would be in their interest
20 to do that.

21 A. That's correct.

22 Q. That would be the lowest rate available to them
23 at the time.

24 Now, on this proposed tariff, optional interruptible
25 power does not have the demand energy/blocked rate that we

- 1 saw in the currently effective LP-5 interruptible, correct?
- 2 A. No, that's incorrect. The LP-6 rate schedule is
- 3 an energy blocked rate, again, declining block rate
- 4 structure.
- 5 Q. I'm trying to focus only on the optional
- 6 interruptible power portion of the tariff.
- 7 A. That also has a power factor adjustment to the
- 8 credit.
- 9 Q. Is it a demand/energy blocked rate?
- 10 A. No.
- 11 Q. Thank you. What it is, is it not, is a flat
- 12 \$6.00 per kw credit applicable to the interruptible portion
- 13 of that customer's load?
- 14 A. That's correct.
- 15 Q. And the possibility exists, does it not, for a
- 16 customer to obtain an additional \$2.00 per kw credit if they
- 17 can take 30 minutes' notice?
- 18 A. That's correct.
- 19 Q. Now, when we talked earlier today about the 28
- 20 percent increase to the LP-5 interruptible class, am I
- 21 correct that it is this revision to the way optional
- 22 interruptible power is being charged that contributes
- 23 primarily to that 28 percent increase?
- 24 A. The application of the credit as opposed to the
- 25 declining block rate structure?

1 Q. Yes.

2 A. Yes.

3 Q. Now, this rate structure proposal within
4 optional interruptible power could theoretically be approved
5 by the Commission even if PP&L's revenue requirement
6 increase in this case were reduced to zero; is that correct?

7 A. That's correct.

8 Q. And if implemented even at a zero revenue
9 requirement increase in this case, would not LP-5
10 interruptible customers experience a rate increase at the
11 conclusion of this case?

12 A. That's correct.

13 Q. Do you know what that percentage increase would
14 be?

15 A. No, I do not.

16 MR. KLEPPINGER: I'd like to make an on-the-record
17 data request for the company to quantify what the average
18 percentage increase would be to the LP-5 interruptible group
19 of customers under a circumstance where the revenue
20 requirement increase is held at zero.

21 JUDGE CHRISTIANSON: I guess you have to assume no
22 Commission imposed changes on your other rate design
23 proposals, basically what you proposed at a zero increase.

24 MR. MacGREGOR: Is this LP-5 or 6, or both?

25 MR. KLEPPINGER: It would be the LP-5 interruptible

1 group of customers who would, under Mr. Kasper's testimony,
2 be best served by moving to LP-6 interruptible.

3 JUDGE CHRISTIANSON: Again, the witness seems to be
4 understanding.

5 THE WITNESS: Yes.

6 BY MR. KLEPPINGER:

7 Q. And in order for it to be accurate, I think a
8 second calculation would be where, because LP-6 is a new
9 schedule, also do it for LP-5 interruptible, assuming LP-6
10 isn't created.

11 MR. MacGREGOR: Is not created.

12 I think we can do it.

13 JUDGE CHRISTIANSON: You might have to make some
14 assumptions as to what the Commission order --

15 MR. MacGREGOR: I don't think that will be a problem.

16 BY MR. KLEPPINGER:

17 Q. You did agree, Mr. Kasper, despite the need for
18 this calculation, that there would be an increase to those
19 LP-5 interruptible customers at a zero revenue requirement?

20 A. Uh-huh.

21 Q. If the revenues from those LP-5 interruptible
22 customers increase and the company's revenue requirement has
23 to be held where it is today, would you agree with me that
24 someone else in this case would end up with a rate
25 reduction?

1 A. It would appear that way.

2 Q. Otherwise, the revenues of the company would
3 grow; is that correct?

4 JUDGE CHRISTIANSON: Yes, it seems that would
5 necessarily follow, if you're at zero. Just who would
6 benefit, you're not quite sure.

7 THE WITNESS: I'm not sure.

8 BY MR. KLEPPINGER:

9 Q. Now, we've talked about the limitation that's
10 being imposed on optional interruptible power in this case,
11 and if you still have the proposed LP-6 tariff, we can find
12 that under optional interruptible power being limited at 500
13 megawatts for all customers on Rate Schedules LP-4, LP-5,
14 LP-6, IS-1 and interruptible service by agreement, correct?

15 A. Correct.

16 Q. Now, the optional interruptible power, under
17 PPLICA Cross-Examination Exhibit No. 4, was restricted as of
18 February 15, '95?

19 A. Correct.

20 Q. When read in conjunction with the proposed LP-6
21 tariff, it's being reopened in a sense up to this 500
22 megawatt limit?

23 A. That's correct.

24 Q. Now, between last week and this week, we've had
25 some discussion as to what that cap really means in terms of

1 what interruptible load PP&L currently has.

2 And Mr. Kleha's cross-examination and his cost of
3 service study indicated I believe that that number is 287
4 megawatts, for his use.

5 A. Correct.

6 Q. Now, if my understanding is correct, that does
7 not mean, even with a 500 megawatt cap, that the company is
8 willing to accept 213 more megawatts of interruptible load,
9 which is 500 minus 287?

10 A. Yes, we're not willing to accept that. That 500
11 level is a difference between the average monthly peak
12 demands of the customers minus their firm in the contract,
13 and it's a simple summation of those averages.

14 Q. And that number today in relation to the 500
15 megawatts is what number?

16 A. I do not have that available right now.

17 Q. Let me show you a copy of the transcript at
18 Docket R-943081, and this is my cross-examination of the
19 company witness Richard Mazzini.

20 And it purports to indicate that that number
21 currently would be 460 megawatts, and if you'd like to
22 review that or accept that number subject to check, I would
23 appreciate knowing just how much interruptible load is left
24 that is acceptable to PP&L up to 500.

25 (Pause.)

1 JUDGE CHRISTIANSON: Off the record briefly.

2 (Discussion off the record.)

3 JUDGE CHRISTIANSON: Back on the record.

4 There has been some review of this information, and
5 maybe the witness can respond.

6 MR. MacGREGOR: I think the question is, will we
7 accept the 460 subject to check or do you have some of that
8 information on --

9 THE WITNESS: 460 is fine.

10 BY MR. KLEPPINGER:

11 Q. 460 is fine?

12 A. Yes. That represents about 63 customers, at
13 this time.

14 Q. The way it is now open, if you will, it's only
15 open for an additional 50 megawatts?

16 A. That would be correct.

17 Q. When the rate was closed effective February 15,
18 am I correct that a new customer on the system or new load
19 of a customer that was already on interruptible power could
20 have been added under the optional interruptible power
21 provisions of the tariff despite the February 15th closure,
22 a brand new customer on the system -- excuse me, I'm wrong.
23 I withdraw that question.

24 Am I correct that an existing optional interruptible
25 power customer at LP-5, after the closure date of February

1 15th, could have added additional interruptible load if that
2 was incremental load over and above his current usage?

3 A. That's correct.

4 Q. And there was not a limit on how much that
5 interruptible load growth could have been, with the closure
6 that went into effect February 15th?

7 A. No.

8 Q. With the cap that is in place or proposed,
9 excuse me, in the new proposed tariffs for interruptible
10 service, that customer could not add an unlimited amount of
11 incremental interruptible load; is that correct?

12 A. No, that cap is designed to basically put a
13 limit on signing up new customers onto the rate. If it
14 grows past the 500 with the existing customers on the rate,
15 we're going to allow that. We'll limit new customers
16 entering the rate.

17 Q. Okay.

18 A. Conversely, if it drops below that level, new
19 customers can sign up.

20 Q. Is that clear in the tariff from your
21 perspective, that my existing LP-5 interruptible load
22 clients can add whatever incremental amount they can?

23 A. No, I don't think that's extremely clear.

24 Q. Perhaps that can be clarified in the tariff at
25 some point.

1 JUDGE CHRISTIANSON: Just mention it in your brief,
2 and we'll try to do it.

3 (Laughter.)

4 JUDGE CHRISTIANSON: If I read that part of it.

5 (Laughter.)

6 MR. KLEPPINGER: I'm getting beat up here.

7 JUDGE CHRISTIANSON: No, I see your point. The
8 point's been made on the record now, but I see you want it
9 in the tariff, so the various energy managers at your
10 clients' places can read it.

11 BY MR. KLEPPINGER:

12 Q. Mr. Sipics referred a question back to you on
13 the ability of PP&L to control its interruptible load
14 customers, and my only point to you, Mr. Kasper, is to
15 confirm that within the optional interruptible power tariff
16 at both present and proposed rates, there are penalties for
17 a customer that fails to interrupt?

18 A. That's correct.

19 Q. And those penalties include, do they not, the
20 potential for PP&L to actually cancel the contract?

21 A. That's correct.

22 Q. And there is a penalty which would charge that
23 customer not only the appropriate rate for the purchase of
24 the power, but an additional rate based on the company's
25 estimated PJM interconnection billing rate?

1 A. That's correct.

2 Q. And do you also agree that there's an additional
3 charge of \$25 per kw proposed in this case if a customer
4 fails to interrupt?

5 A. That's correct.

6 Q. Moving now to the portion of your testimony
7 addressing EDI and IDI credits, page 17, at line 14, you
8 indicate customers base investment decisions on the
9 existence of those programs?

10 A. Yes.

11 Q. Do you see that reference? Now, among the EDI
12 programs, at least Phase IV was the optional interruptible
13 power provision, correct?

14 A. That's correct.

15 Q. So that you believe that some customers at least
16 have based investment decisions on the existence of the
17 optional interruptible power program?

18 A. I would have to refer that question over to
19 Jerry Farber.

20 Q. Why wouldn't you be able to answer that, if line
21 14 and 15 --

22 A. Under the EDI programs, yes, they have based on
23 the -- several investment decisions have been made under
24 those programs.

25 From what we have seen so far in the interruptible

1 rate, we have not seen much in the way of expansion of our
2 interruptible customer base as far as kilowatt-hour
3 consumption or demand.

4 Q. Well, investment decision doesn't necessarily
5 require expansion of a facility, does it, Mr. Kasper?

6 A. No, but I would expect, if they are adding more
7 production to the facilities, I would see an increased
8 kilowatt-hour usage.

9 Q. You also testified that elimination of the EDI
10 and IDI credits would adversely affect the viability of
11 numerous customer operations; do you see that reference?

12 A. On what line?

13 Q. Sixteen.

14 A. Yes.

15 Q. Is it your testimony that a 28 percent increase
16 to the optional interruptible power provision of EDI, Phase
17 IV would also adversely affect the economic viability of
18 numerous customer operations?

19 A. No.

20 Q. You don't think it will. Did you do any study
21 of your customers to confirm that testimony?

22 A. No, I did not.

23 Q. Another proposal by the company is to eliminate
24 the demand free day provision billing option as of January
25 1, 1998, correct?

1 A. That's correct.

2 Q. Would I be correct that the seven customers you
3 mention in your testimony as having utilized demand free
4 days are also interruptible customers?

5 A. No. The demand free days are not available to
6 interruptible customers.

7 Q. So those would only be firm customers?

8 A. That's correct.

9 Q. Now, you had provided us an interrogatory answer
10 at PPLICA Set III, Questions 6 and 7 relating to PP&L's FERC
11 approved wholesale tariffs. Do you have that with you?

12 A. Six and seven?

13 Q. Yes.

14 A. Yes.

15 Q. And PP&L's largest wholesale customers are
16 served at 69,000 volts, are they not?

17 A. That's correct.

18 Q. And that is also the voltage requirement on Rate
19 Schedule LP-5 and the proposed LP-5 and 6?

20 A. That's correct.

21 Q. Are the rates today for PP&L's wholesale
22 customers served at 69,000 volts lower in general than the
23 rates available to PP&L retail customers?

24 A. To the LP-5 class of customers that we just
25 mentioned?

1 Q. Yes.

2 A. At this time, under the first step of the
3 contract for the LP-5, I would say they are probably
4 comparable, on average.

5 Q. And if you would look at Question 7 in the two
6 that I had mentioned to you and compare that to Volume
7 IV-D-2, the page beginning -- look at 152, for example?

8 This is a 10,000 kw customer demand, correct?

9 JUDGE CHRISTIANSON: Give the witness a minute.

10 (Witness perusing document.)

11 THE WITNESS: That's correct.

12 BY MR. KLEPPINGER:

13 Q. For a customer at 6 million kilowatt-hours, the
14 present rate is roughly \$328,000; is that correct?

15 A. That's correct.

16 Q. And for a comparable customer on page 9 of 17 of
17 the PPLICA response, Set III, No. 7, the customer at present
18 wholesale rates would have a monthly bill of \$272,800?

19 A. That's correct.

20 Q. So would you care to retract and indicate
21 whether or not under the present rates your wholesale rates
22 are lower generally than the retail rates for comparable
23 customers?

24 A. Well, you're looking at the proposed rates, not
25 the present rates, in this D statement.

1 Q. No, I'm looking at the present bill, \$328,169.

2 A. Oh, okay. You're correct.

3 Q. And am I correct that the second step of the
4 wholesale decrease would provide a 12 percent, 12.5 percent
5 reduction from the present bill for your wholesale
6 customers?

7 A. That's correct.

8 Q. So the differential between the retail rate and
9 the wholesale rate will actually widen if the company gets
10 even no increase in this case; is that correct?

11 A. That's correct.

12 MR. KLEPPINGER: Mercifully, Mr. Kasper, I think that
13 concludes my cross-examination.

14 I would like to move Exhibits PPLICA I think --

15 JUDGE CHRISTIANSON: Six and seven.

16 MR. KLEPPINGER: -- six and seven are the only two
17 that I had not moved previously.

18 JUDGE CHRISTIANSON: Six and seven are these two
19 interrogatory responses. Any objection to six and seven?

20 MR. MacGREGOR: No, Your Honor.

21 JUDGE CHRISTIANSON: Then those two also are accepted
22 into the record at this point.

23 (Whereupon, the documents marked as PPLICA
24 Cross-Examination Exhibits Nos. 6 and 7 were
25 received in evidence.)

1 JUDGE CHRISTIANSON: I guess we can first close the
2 bidding. Any more cross of the witness?

3 (No response.)

4 JUDGE CHRISTIANSON: I just thought, with Mr.
5 Kleppinger's presentation, there might be some need for
6 follow up, but I gather there isn't.

7 I suspect the company wants a few minutes with the
8 witness.

9 MR. MacGREGOR: Just a couple, Your Honor.

10 JUDGE CHRISTIANSON: Let's be off the record.

11 (Discussion off the record.)

12 JUDGE CHRISTIANSON: We can go ahead and be back on
13 the record.

14 There has been some discussion off the record about
15 various topics which don't have to be repeated. This is a
16 complicated area, clearly. I think there is a lot happening
17 in rate design these days with a lot of companies. It's
18 tough to try to keep up with it.

19 I think this is sometimes de-emphasized by people who
20 don't know quite how much dollars are involved in these
21 decisions.

22 But go ahead. I understand you have redirect for the
23 witness.

24 MR. MacGREGOR: I just have a few questions, Your
25 Honor, by way of clarification.

REDIRECT EXAMINATION

1
2 BY MR. MacGREGOR:

3 Q. Mr. Kasper, you were asked some questions
4 yesterday by Mr. Mickens concerning the metering of the
5 streetlighting class.

6 Do you have a correction to make at this time
7 regarding the extent to which the company's streetlighting
8 customers are separately metered?

9 A. Yes. All of our streetlighting rates are
10 unmetered service. We do not have meters on any of our
11 streetlighting rates.

12 Q. You were also asked a question by the Consumer
13 Advocate regarding your position that declining block rates
14 encourage increased usage of electricity.

15 Do declining block rates have other beneficial
16 aspects that you would like to note for the record?

17 A. Yes. The declining block rate structures
18 recover our costs in the early steps of the rate, such as
19 our customer charge under the RS rate, and they also
20 stabilize the rates through seasons of the year, also, and
21 prevent revenue erosion due to temperature swings or weather
22 related factors.

23 And you were asked some questions by Ms. Brandeis for
24 Bethlehem Steel regarding what appeared to be an error on
25 page 12 of your testimony in the calculation of some

1 hypothetical bills.

2 Are you in a position where you might correct your
3 testimony at this time, just so the record is clear?

4 A. Yes. There was an error in the calculation.

5 On page 12, line 20 --

6 JUDGE CHRISTIANSON: Let me interrupt briefly. Your
7 exhibit is correct, but you're fixing it in your testimony?

8 THE WITNESS: Yes.

9 JUDGE CHRISTIANSON: Go ahead.

10 THE WITNESS: The exhibit is correct. The
11 calculation was incorrect in the testimony.

12 On line 20, the monthly energy charges of \$220,530
13 should read \$231,650.

14 The first energy block that reads 4.88 cents per
15 kilowatt-hour should read 4.86 cents per kilowatt-hour.

16 The energy block that reads 3.88 cents per
17 kilowatt-hour should read 3.68 cents per kilowatt-hour.

18 On line 21, the total dollar amount of \$264,530
19 should be \$275,550.

20 On page 13, those corrections affect first of all
21 line 6. The savings would be \$120,778, replacing the
22 \$109,758.

23 And on line 7, replace 146.34 with 161.04.

24 JUDGE CHRISTIANSON: If anybody missed that, you can
25 repeat it, but I think it's clear enough.

1 Go ahead, counselor.

2 BY MR. MacGREGOR:

3 Q. Mr. Kasper, just so the record is clear -- and
4 it may be only my misunderstanding and no one else's -- is
5 it your testimony that it's the RS class shift in load that
6 has caused a change in some of the company's monthly peaks
7 as opposed to the RTS load?

8 A. That's correct.

9 Q. And we've had various questions concerning Rate
10 RTS and the fact that under present and proposed rates under
11 the company's cost of service study, there's an indicated
12 negative class rate of return for those classes.

13 And again, just so the record is clear, is it the
14 company's position that it is selling power to Rate RTS at a
15 loss at this time?

16 A. No. Under current rates on an average for
17 incremental load coming in under the RTS rate, we're selling
18 it at about 5.5 cents per kilowatt-hour, which is above our
19 variable energy costs or marginal costs, which are down
20 around about 2 cents per kilowatt-hour on average.

21 With the proposed rate, we're going to be looking at
22 6 cents per kilowatt-hour, and again, that's above our
23 marginal rate, considerably.

24 So we are getting a contribution to fixed costs from
25 the incremental load coming on under the RTS rate.

1 Q. And finally, Mr. Kasper, just by way of
2 clean-up, I think when you first took the stand yesterday, I
3 neglected to point out that you are also responsible for
4 certain portions of the company's response to the
5 Commission's filing regulations that have been marked for
6 identification in this case as PP&L Exhibit 1; is that
7 correct?

8 A. That's correct.

9 Q. And those pages are identified with your name in
10 the upper right-hand corner?

11 A. That's correct.

12 Q. And that information was prepared either by you
13 or under your direct supervision?

14 A. Yes.

15 Q. And is the information contained in there true
16 and correct to the best of your knowledge?

17 A. Yes.

18 MR. MacGREGOR: That's all I have, Your Honor.

19 JUDGE CHRISTIANSON: Fine. Then I guess we can pause
20 in case there's need for follow-up, and I'll take any bids
21 on recross.

22 MR. MICKENS: I have a question or two.

23 JUDGE CHRISTIANSON: Mr. Mickens, then.
24
25

RE CROSS-EXAMINATION

1
2 BY MR. MICKENS:

3 Q. Mr. Kasper, with regard to the streetlighting
4 and the metering or lack thereof, just to make sure the
5 record is clear, you're stating now that streetlighting is
6 not metered at all, that's either under the SE class or the
7 SHS class?

8 A. That's correct.

9 Q. So that the pricing of these classes is based
10 upon the number of hours that the lights are turned on?

11 A. That's correct.

12 Q. And the difference in cost per kilowatt-hour
13 between Rate Classes SE and SHS is based upon whether or not
14 the customer owns the pole or not?

15 A. And the light fixture.

16 Q. And the light fixture?

17 A. That's correct.

18 Q. And it has nothing to do with the type of
19 fixture, the type of light fixture that is affixed to the
20 pole?

21 A. No. We have several different types of light
22 fixtures and several different pricings for those light
23 fixtures.

24 There's an extreme difference between a simple wood
25 pole with a simple fixture on it versus a boulevard pole,

1 and those are covered within our costs.

2 JUDGE CHRISTIANSON: Are you talking about capital
3 costs as opposed to energy costs to light the light?

4 THE WITNESS: We also have different light fixture
5 sizes within those categories.

6 JUDGE CHRISTIANSON: Okay.

7 BY MR. MICKENS:

8 Q. Now, those different light fixtures, are those
9 fixtures the same within say the SE class and the same
10 within the SHS class, or do you have different light
11 fixtures within either class?

12 A. We don't supply any light fixtures within the SE
13 class. That is an energy-only rate.

14 Q. What about the SHS?

15 A. In the SHS, there are different light fixtures
16 within there, or wattages.

17 MR. MICKENS: That's all I have, Your Honor.

18 JUDGE CHRISTIANSON: Go ahead.

19 RECROSS-EXAMINATION

20 BY MS. McCLOSKEY:

21 Q. Mr. Kasper, in discussing declining block rates
22 with you yesterday, I believe you agreed with me that PP&L's
23 purpose in shifting to a declining block rate for the
24 residential class was to recover the customer cost
25 components in the first two blocks; is that correct?

1 A. Yes.

2 Q. And now you've mentioned a beneficial aspect of
3 stabilizing rates through the seasons. Am I correct that
4 was not PP&L's purpose in proposing a declining block rate?

5 A. That's correct, but it is within some principles
6 of good rate design to do that.

7 Q. You agreed with me yesterday that the use of a
8 declining block rate can encourage energy use. And wouldn't
9 it be true that for PP&L, for example, the use of a
10 declining block rate could increase use such as air
11 conditioning use in the summertime?

12 A. It could.

13 Q. And at this point, PP&L is a winter peaking
14 utility and not a summer peaking utility?

15 A. That's correct.

16 Q. But do you expect, from the use of this rate, to
17 see increased energy usage in the summertime associated with
18 such things as air conditioning load?

19 A. Would I expect -- maybe. It depends on the
20 lifestyle selections of the customers.

21 JUDGE CHRISTIANSON: Probably not a major impact, but
22 I can see the possibility.

23 THE WITNESS: Right.

24 MS. McCLOSKEY: Thank you, Your Honor.

25 JUDGE CHRISTIANSON: I guess it's collecting the

1 up-front costs as opposing it to a flat energy charge where
2 you collect everything right down to the millionth
3 kilowatt-hour?

4 THE WITNESS: That's correct.

5 JUDGE CHRISTIANSON: Any other recross?

6 MR. HAYNES: Yes, Your Honor.

7 JUDGE CHRISTIANSON: Mr. Haynes?

8 RE-CROSS-EXAMINATION

9 BY MR. HAYNES:

10 Q. You were asked by your counsel regarding the
11 Rate Schedule RTS, and I believe your response was that
12 under a marginal cost analysis, that Rate Schedule RTS was
13 justified; is that a correct summation of your response?

14 A. Yes.

15 Q. Have you done a marginal cost analysis for all
16 of the rate schedules proposed by PP&L in this rate
17 proceeding?

18 A. No, we have not.

19 Q. Would the same marginal cost analysis apply to
20 all the rate schedules of PP&L?

21 JUDGE CHRISTIANSON: Are they making money on the
22 margin?

23 THE WITNESS: Are we making money at the margin? Is
24 that your question? Yes.

25

1 BY MR. HAYNES:

2 Q. And a marginal cost analysis is based upon --
3 what is the determining factor in determining the margin,
4 the cost at the margin?

5 A. We take a look at what we call the incremental
6 value of energy on our system being one component, and other
7 variable costs.

8 Q. Essentially the variable costs of running the
9 most efficient generating station?

10 A. Or the one on PJM, because we're tied into the
11 power pool.

12 Q. It doesn't factor in any peak responsibility; is
13 that correct?

14 A. No.

15 Q. I take it that PP&L is not proposing a marginal
16 cost analysis as part of its direct case to support its Rate
17 Schedule RTS??

18 A. No.

19 MR. HAYNES: That's all the questions I have.

20 JUDGE CHRISTIANSON: Then we can pause further.
21 Evidently, we're done with recross, and I'll give the
22 company a few seconds to decide if they want any further
23 direct.

24 MR. MacGREGOR: I'm finished, Your Honor.

25 JUDGE CHRISTIANSON: Then the witness is excused, and

1 let's be off briefly to see where we go.

2 (Discussion off the record.)

3 JUDGE CHRISTIANSON: Let's be back on the record.

4 We have lost a few lawyers and other people here.
5 We're on a different topic, slightly. Counsel may go ahead
6 and introduce the witness.

7 MR. MacGREGOR: Yes, Your Honor. We would like to
8 call as our next witness Mr. Gerald S. Farber.

9 JUDGE CHRISTIANSON: Yes. I think I have to swear in
10 the witness.

11 Whereupon,

12 GERALD S. FARBER

13 having been duly sworn, testified as follows:

14 JUDGE CHRISTIANSON: We had hoped you wouldn't have
15 to stand cross, but you will, as it turns out.

16 Go ahead, counsel.

17 MR. MacGREGOR: Your Honor, we distributed as part of
18 the filing and supplied to the court reporter at the pre-
19 hearing conference copies of a document entitled,
20 "Pennsylvania Power & Light Company Direct Testimony of
21 Gerald S. Farber," and I would ask that it be marked for
22 identification as PP&L Statement No. 10.

23 JUDGE CHRISTIANSON: So marked, your No. 10.

24 (Whereupon, the document was marked as PP&L
25 Statement No. 10 for identification.)

DIRECT EXAMINATION

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BY MR. MacGREGOR:

Q. Mr. Farber, do you have a copy of PP&L Statement No. 10 before you at this time?

A. Yes, I do.

Q. Is this a copy of your direct testimony in this proceeding?

A. Yes.

Q. Was it prepared either by you or under your direct supervision?

A. Yes, it was.

Q. Do you have any clarifications you wish to make concerning the testimony at this time?

A. Yes, I do have one clarification, if I could.

On page 5 of my direct testimony, lines 4 through 8, referring to the use of ground source heat pump among existing electric heat customers, that is a program that has existed in 1994. We are not carrying out that program in 1995.

Q. Thank you for that clarification, Mr. Farber. With that clarification, if I were to ask you the questions contained in Statement No. 10 again today, would your answers be the same as those contained therein?

A. Yes, they would.

Q. And would those answers be true and correct to

1 the best of your knowledge?

2 A. Yes, they would.

3 MR. MacGREGOR: Your Honor, I would like to move the
4 admission of Statement 10 at this time, subject to cross and
5 motions.

6 JUDGE CHRISTIANSON: Yes. Subject to the standard
7 conditions, No. 10 is accepted into the record.

8 (Whereupon, the document marked as PP&L
9 Statement No. 10 was received in evidence.)

10 MR. MacGREGOR: Mr. Farber is available for cross-
11 examination.

12 JUDGE CHRISTIANSON: Let's get started. I just don't
13 recall who has what. Does Trial Staff have cross?

14 MR. SIMMS: No, Your Honor, we do not have cross-
15 examination.

16 JUDGE CHRISTIANSON: How about Consumer Advocate?

17 MS. McCLOSKEY: Yes, Your Honor, about 10 or 15
18 minutes.

19 JUDGE CHRISTIANSON: Go ahead.

20 MS. McCLOSKEY: Your Honor, I'd like to start by
21 having marked for identification OCA Cross-Examination
22 Exhibit No. 14.

23 JUDGE CHRISTIANSON: So identified, your No. 14.
24
25

1 (Whereupon, the document was marked as OCA
2 Cross-Examination Exhibit No. 14 for
3 identification.)

4 CROSS-EXAMINATION

5 BY MS. McCLOSKEY:

6 Q. Mr. Farber, this is your response to a data
7 request by the Central Eastern Pennsylvania Fuel Oil
8 Dealers, I believe it's their Set I, No. 11.

9 A. Yes, it is.

10 Q. And on the attachment, you list the company's
11 claim for demand side management expenditures that is
12 contained in this case; is that correct?

13 A. That's correct.

14 Q. Now, in March of 1994, the company filed its
15 demand side management plan with the Commission in response
16 to the Commission's order in its investigation into demand
17 side management by electric utilities at Docket No.
18 I-900005. And do you have a copy of that filing with you?

19 A. Yes, I do.

20 Q. Now, if you could look at the DSM program
21 summary that was provided with your plan in the introduction
22 and keep in front of you Attachment 1 on OCA Cross-
23 Examination Exhibit No. 14, first of all, am I correct that
24 all of the program proposed to the Commission on that plan
25 are not being included in the company's claim in this case

1 for DSM program expenditures?

2 A. I'm sorry, could you repeat that? All of the
3 ones being claimed -- what?

4 Q. Let me just phrase that a different way.

5 A. Okay.

6 Q. Am I correct that the company is not requesting
7 recovery of all of the programs contained in its DSM program
8 plan filed March, 1994 with the Commission?

9 A. Yes, you're correct.

10 JUDGE CHRISTIANSON: Off the record just a minute.

11 (Discussion off the record.)

12 JUDGE CHRISTIANSON: Okay, back on.

13 BY MS. McCLOSKEY:

14 Q. Am I correct that at this point the Commission
15 has not issued an order approving the company's March, 1994
16 DSM program plan filing? Is that correct?

17 A. That is correct.

18 Q. But I believe you will agree with me there is
19 some overlap in the programs contained in the filing?

20 A. Yes.

21 Q. Now, I'd like to first focus on OCA Cross-
22 Examination Exhibit 14, and the first program under
23 "Residential" would be Advance Systems Research program.

24 And that was not included in your March, 1994 DSM
25 program filing, at least not under that name. Could you

1 explain to us what that program entails?

2 A. If you could bear with me one moment?

3 Q. Sure.

4 JUDGE CHRISTIANSON: Yes, we can certainly pause.

5 (Pause.)

6 THE WITNESS: That program is referring to a pilot
7 program that we are currently undertaking, research pilot
8 activity where we are looking at existing electric heat
9 customers in two of our operating divisions, conducting --
10 excuse me, doing energy analyses for those pilot customers
11 as well as doing thermal integrity testing for those
12 customers, and then making recommendations to those
13 customers as to how they could reduce their energy usage.

14 We are then -- we will be; this is underway -- we
15 will be conducting customer satisfaction surveys then to
16 determine the customers' level of acceptance, are they
17 satisfied with their systems, have they made the
18 improvements in the systems at that point in time.

19 Q. And has the company conducted a benefit/cost
20 analysis on that program similar to the types of analyses it
21 conducted for its DSM program filing with the Commission?

22 A. I believe those are, the pilots are, yes,
23 contained in the DSM filing, and we do have benefit/cost
24 analyses done for those. They are referred to in Item 5.

25 Q. So in other words, the Advance Systems Research

1 program is really, by another name, in the DSM program
2 filing --

3 A. Yes.

4 Q. -- under residential pilots, and it includes the
5 existing electric home, the new home heating equipment
6 enhancements and the residential IQ audit that was filed
7 with the Commission?

8 A. Yes. It actually includes two of those
9 programs. The middle program is not being conducted. That
10 pilot program is not being conducted. But it does include
11 two of them.

12 Q. Now, staying with the program summary in the
13 program cost category, the company did not identify any
14 expenditures for that pilot in 1995, but in this case it has
15 claimed \$80,202 for that pilot; is that correct?

16 A. Yes.

17 Q. And how did the company come about to changing
18 its plan as it regards those programs, to now making
19 expenditures in the 1995 time frame?

20 A. Carrying out those pilot programs did get
21 delayed. Some of the work was done in '94. The rest of it
22 will be done in 1995.

23 When we filed the program initially, we anticipated
24 that they would be done in 1994.

25 Q. And also, the program cost shows no expenditures

1 in 1996 for this program. Do you expect now to have all the
2 expenditures completed in 1995 for those programs?

3 A. Yes, we do.

4 Q. Now, I'd like to look at the Electric Thermal
5 Storage program briefly that is filed in your DSM program
6 summary and it also appears on OCA Cross-Examination Exhibit
7 14, Attachment 1.

8 And in this case, you're claiming \$297,580 for that
9 program; is that correct?

10 A. Correct, yes.

11 Q. And again, if you're looking at the DSM program
12 summary table, the company had projected \$975,000 worth of
13 expenditures in 1995.

14 A. Yes.

15 Q. Has the company then cut back the electric
16 thermal storage program from what was proposed?

17 A. Yes, we have. That is one of the programs that,
18 as a result of discussions with the Commission Bureau of
19 CEEP, we have dropped as a DSM activity.

20 Q. But you're still seeking recovery of the
21 \$297,580 in this case?

22 A. Yes.

23 Q. And again, looking at your DSM program summary
24 table, am I correct that for that program, for the Electric
25 Thermal Storage program under the benefit/cost analysis for

1 the total resource cost, it shows a .31, which means that
2 the costs of the program exceed the benefits to the company?

3 A. Yes. And that is the reason why we have dropped
4 it from our DSM filing.

5 Q. And will the company be eliminating that program
6 completely within the next several years?

7 A. We have no plans to eliminate the program per
8 se. We will continue our Electric Thermal Storage program.

9 Q. Now, also, some of these additional residential
10 programs, there has been a scale-back in the costs for 1995
11 that were originally shown on the DSM program summary.

12 Have those scalebacks in costs also resulted from
13 discussions with the Commission's Bureau of CEEP?

14 A. Are there specific ones that --

15 THE WITNESS: Your Honor, could I ask a question?

16 JUDGE CHRISTIANSON: Yes.

17 THE WITNESS: Which specific programs are you
18 referring to?

19 BY MS. McCLOSKEY:

20 Q. If you look at the Home -- I'm sorry, the Energy
21 Efficient Equipment program -- I'm sorry, I'm hitting the
22 increases before the decreases.

23 The Residential Employee Assistance program has been
24 reduced to a zero funding.

25 A. Yes. That is not a result of discussions with

1 the Bureau.

2 Q. And the Thermal Integrity program is proposed in
3 this case for \$1,397,528, but its 1995 cost in the DSM
4 program summary was \$2,044,000.

5 A. That is not one that is -- well, excuse me. I
6 should say that we have revised that program. We've
7 excluded existing homes that are heated by electric
8 baseboard systems.

9 This is really a result of the Commission's request
10 on that. So that is a revision from that standpoint.

11 Q. Now, on OCA Cross-Examination Exhibit No. 14,
12 you show a line item called, "Implementation" noted as
13 "field personnel".

14 And in the original DSM program budgets, were the
15 implementation costs for field personnel included in the
16 budget for each individual program?

17 A. Yes, they were. At the time of preparing it,
18 this document, the OCA Exhibit 14, we were not able to do
19 the allocation of field personnel costs across each of the
20 programs.

21 Q. But that had been done for the DSM program plan
22 that was filed in March of 1994; is that correct?

23 A. Yes, you're correct.

24 Q. And finally, you have a program marked on
25 Attachment 1 to OCA Cross-Examination Exhibit No. 1

1 entitled, Leased Water Heater program.

2 Does that program have a different name in the DSM
3 program filing, or is this a new program of the company?

4 A. I'm sorry, your reference to that is --

5 Q. On OCA Cross-Examination Exhibit 1 -- I'm sorry,
6 14.

7 A. Oh, okay.

8 Q. I'm sorry, Exhibit 14, Attachment 1 -- you have
9 a program entitled, Leased Water Heater program. And is
10 that a new program or is that a program that goes by a
11 different name in the DSM program summary?

12 A. It is in the program summary under 3(c)
13 entitled, "Residential Water Heater."

14 Q. And those are the same program?

15 A. Yes.

16 MS. McCLOSKEY: Thank you, Your Honor. That's all
17 the questions I have. I'd like to move in OCA Cross-
18 Examination Exhibit No. 14.

19 MR. MacGREGOR: No objection.

20 JUDGE CHRISTIANSON: 14 is accepted.

21 (Whereupon, the document marked as OCA
22 Cross-Examination Exhibit No. 14 was
23 received in evidence.)

24 JUDGE CHRISTIANSON: Does Mr. Haynes have anything?

25 MR. HAYNES: Yes.

CROSS-EXAMINATION

1
2 BY MR. HAYNES:

3 Q. Good afternoon, Mr. Farber. My name is Bob
4 Haynes. I'm representing the Central Eastern Pennsylvania
5 Fuel Oil Dealers in this proceeding. I just have a few
6 questions for you.

7 In your testimony, you did not make any reference to
8 Rate Schedule RTS; is that correct?

9 A. That's correct.

10 Q. Is Rate Schedule RTS a load management rate
11 schedule?

12 A. Yes, we do regard it as that.

13 Q. What is your role and responsibility in
14 determining Rate Schedule RTS as part of PP&L's load
15 management policy?

16 A. The actual determination of the rate schedule is
17 the responsibility of Mr. Kasper, the rates people. We have
18 had input in discussions through that process, looking at
19 the impact on our customers.

20 Q. What are PP&L's goals in terms of load
21 management?

22 A. Our goals in terms of load management are really
23 to make maximum use of our generating capacity.

24 Q. Would that entail encouraging usage to be
25 shifted to off-peak hours and away from on-peak hours?

1 A. Well, it would be really just a general load
2 management tool to, yes, allow it to shift away from on-peak
3 hours if possible.

4 Q. And as the person responsible for load
5 management, what are the hours that PP&L would like its
6 customers to avoid having peak usage on?

7 A. I think that's something that would be better --
8 I believe it should have been responded to by Mr. Kleha
9 yesterday, or --

10 Q. You don't know? If you don't know, just --

11 A. I don't know.

12 JUDGE CHRISTIANSON: We might get agreement. Are you
13 talking about on a day, or monthly, or annual basis? You
14 just want a general answer?

15 MR. HAYNES: It would be a daily basis.

16 THE WITNESS: Daily?

17 MR. HAYNES: Daily.

18 JUDGE CHRISTIANSON: Maybe we can check, given the
19 status of where we are.

20 MR. HAYNES: His answer is fine.

21 JUDGE CHRISTIANSON: Okay, then you don't have to
22 follow up. I could venture a guess myself, but we have a
23 witness on the stand.

24 BY MR. HAYNES:

25 Q. Have you made any analysis of whether Rate

1 Schedule RTS has been successful in load management?

2 A. No, I have not.

3 Q. Have you reviewed any analysis whether Rate
4 Schedule RTS has been successful in load management goals?

5 A. No, I have not.

6 MR. HAYNES: That's all the questions I have. Thank
7 you.

8 JUDGE CHRISTIANSON: Okay, we'll probably want to
9 break soon for lunch, but let me -- let's be off the record
10 briefly.

11 (Discussion off the record.)

12 JUDGE CHRISTIANSON: Let's be back on the record.

13 Let's take a break for lunch and be back at 1:30.

14 (Witness temporarily excused.)

15 (Whereupon, at 12:28 p.m., the hearing was adjourned,
16 to be reconvened at 1:30 p.m., this same day.)

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1 and very much utilized by existing customers.

2 Q. Existing commercial customers is my question.

3 A. Existing commercial and industrial. It is a
4 broad classification.

5 Q. That was my question, because in your testimony
6 at page 7, lines 8 through 10, where you initially refer to
7 the Energy Conscious Construction and the Electrotechnology
8 Applications, et cetera, you indicate that it is for the
9 industrial customers processes. But it is also for
10 commercial customers?

11 A. It would be available to commercial customers in
12 helping processes that they may have. We don't utilize it
13 that extensively with commercial customers.

14 Q. Now, the one program, Efficient Energy
15 Management, that is available to both commercial and
16 industrial customers; is that right?

17 A. Yes.

18 Q. Do you know how many commercial customers have
19 been targeted for these energy audits?

20 A. No, I do not.

21 Q. Do you know what the expense per energy audit is
22 on an average basis?

23 A. No, I'm not sure. We could provide that.

24 Q. Do you know how the company goes about targeting
25 particular customers or participation in this program?

1 A. Typically, it is contact by customers to PP&L
2 that are interested in having us work with them. In some
3 cases, it is through our contacts with builders, commercial
4 builders, architects and engineers, people in the
5 construction industry that may bring us in.

6 We do also have a number of newsletters that we
7 target to commercial and industrial customers, describe the
8 services that we have available, and if they respond, when
9 they respond, then follow up with those customers.

10 In addition, we will hold seminars for customers
11 typically promoting those through those newsletters and
12 encouraging the customers to attend, hear more about energy
13 efficient construction.

14 Q. The newsletters, are they distributed to, say,
15 all of your commercial and industrial customers or is it a
16 sampling of them?

17 A. I believe it is a sampling of them, principally.

18 Q. Do you have any idea how many you send out?

19 A. I'm not sure just what that number is. I could
20 check that and provide it.

21 MS. MOURY: That would be fine. Thank you. I have
22 no other questions, Your Honor.

23 JUDGE CHRISTIANSON: Does Mr. Kleppinger have any?

24 MR. KLEPPINGER: Thank you, Your Honor, just a couple
25 for Mr. Farber.

CROSS-EXAMINATION

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BY MR. KLEPPINGER:

Q. Good afternoon.

A. Good afternoon.

Q. Actually, these were deferred to you by Mr. Kasper while you were in the audience, so these won't come as any surprise.

Mr. Farber, can you agree with me that PP&L's LP-5 interruptible customers, some of those customers, are still subject to the risk of business closure in today's economic markets?

A. Business closure in the sense of just a competitive environment that they are in?

Q. Yes.

A. Absolutely.

Q. And they are also still exposed to the risk of business contraction?

A. Yes.

Q. Are they also still subject to the risk of relocation or product shifts within their company's organization outside of PP&L's service territory?

A. Typically, yes. We find most of our customers, their facilities in our service territory are in competition with other facilities that they have throughout the country.

Q. Mr. Farber, your position is the Director of

1 Marketing and Economic Development; correct?

2 A. Pardon me?

3 Q. Your position with the company is Director of
4 Marketing and Economic Development?

5 A. Yes.

6 Q. Mr. Farber, were you consulted prior to the
7 decision in this case to propose an increase to LP-5
8 interruptible customers by 28 percent?

9 A. Not specifically on that. I was involved in
10 discussions on all of the rate impact on all customers.

11 Q. At the time you prepared your testimony at page
12 2, line 14, where you indicate that PP&L is a recognized
13 leader in economic development, were you aware that PP&L was
14 proposing in the same rate case that this testimony was
15 filed a 28 percent increase to the LP-5 interruptible class?

16 A. Yes.

17 MR. KLEPPINGER: You were. Thank you. I have no
18 other questions.

19 JUDGE CHRISTIANSON: Then we have another party
20 present. We discussed the matter the other day and off the
21 record today. The party is not represented by counsel, at
22 least not here at the hearing, and the company at this point
23 has no objection to proceeding under the circumstances given
24 the nature of the party, the Commission on Economic
25 Opportunity.

1 I'm going to allow them to go ahead and ask questions
2 invoking the provision at 1.23(a)(2) of our regulations,
3 which indicates that a person may be represented as
4 permitted by the Commission in a specific case. The general
5 rule is that any corporation should be represented by
6 counsel. You get into a little problem about practicing law
7 without a license at some point or other. But under these
8 circumstances, I think we can go ahead and take some
9 questions.

10 Kuennen, is it?

11 MR. KUENNEN: Yes.

12 JUDGE CHRISTIANSON: Will you be spokesman for them?

13 MR. KUENNEN: Yes.

14 JUDGE CHRISTIANSON: Could you just very briefly
15 state what your organization is?

16 MR. KUENNEN: We're a non-profit organization in
17 Wilkes-Barre, Pennsylvania. We do energy, housing, food
18 programs for the poor for mainly Luzerne County, but some of
19 the surrounding communities.

20 JUDGE CHRISTIANSON: Do you depend largely on
21 government money?

22 MR. KUENNEN: We have a variety of sources.

23 JUDGE CHRISTIANSON: That is sufficient.

24 Go ahead. Again, if there is any trouble, we'll have
25 counsel speak up, but go ahead and ask the questions.

CROSS-EXAMINATION

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BY MR. KUENNEN:

Q. Good afternoon, Mr. Farber.

A. Good afternoon.

Q. Could you give me some idea of what the basic philosophy behind DSM for PP&L is, how it fits in in their resource plan?

A. Basically, what we are trying to do is promote energy efficiency and thermal integrity and match that in the most efficient manner with our generating capacity.

Q. So you weigh supply and demand side options equally?

A. Well, demand side options to make the most efficient utilization of supply.

Q. In your plan -- these are the figures in your March filing?

A. Yes.

Q. Can you give me a brief summary of how much you plan on spending for the years '94 through '96 as they are in the plan?

A. A brief description --

JUDGE CHRISTIANSON: Total dollars is what you want?

MR. KUENNEN: Total dollars. I'm looking at total dollars.

1 BY MR. KUENNEN:

2 Q. I'm looking at the summary page. You have 11.2
3 million for '94, 11.7 for '95, 12 for '96. Is that pretty
4 much what you plan on spending, in that ballpark?

5 A. That's a three-year projection based on the
6 estimate at the time that we did our filing. Since then, as
7 I've indicated, there are certain components of the plan
8 that we've agreed to drop. I suspect there will be
9 enhancements that we may choose to add as the program
10 unfolds, but it would be the closest approximation of over
11 that three-year period of what we intend.

12 Q. I haven't marked this as an exhibit, but are you
13 familiar with "The Electricity Journal"? It is a trade
14 publication journal.

15 A. I am familiar with it.

16 Q. Eric Hirst and Stan Hadley --

17 JUDGE CHRISTIANSON: Are you going to hand out
18 copies?

19 MR. KUENNEN: Yes. I brought copies. I just want to
20 get some frame of reference of how much your plan is
21 compared to other utilities in the nation and in the region.
22 This is just a short article.

23 (Document handed to witness.)

24 JUDGE CHRISTIANSON: You can give the witness a
25 minute with the article.

1 (Pause.)

2 JUDGE CHRISTIANSON: Again, we're not marking this
3 yet as an exhibit. If it becomes appropriate, we can do
4 that.

5 (Pause.)

6 JUDGE CHRISTIANSON: I guess this is "The Electricity
7 Journal" from December of '94, and the gentlemen he
8 mentioned are the two authors, Hirst and Hadley.

9 BY MR. KUENNEN:

10 Q. I'm just going to focus on Figure 2 on page 78
11 on just projections of what utilities are submitting. If
12 you look at Figure 2, you can see that the 1993 average DSM
13 expenditures as a percent of retail revenues is right around
14 1.5 percent for the national average, and in 1994, it will
15 be just over 1.5 percent for the MAAC region, which I think
16 PP&L is a member of that region, the Mid-Atlantic --

17 JUDGE CHRISTIANSON: Yes. I think that is correct,
18 MAAC.

19 THE WITNESS: Yes.

20 MR. KUENNEN: Yes.

21 BY MR. KUENNEN:

22 Q. Are you a member of the MAAC?

23 JUDGE CHRISTIANSON: That's the region you're in?

24 THE WITNESS: Yes.

25

1 BY MR. KUENNEN:

2 Q. As far as PP&L's expenditures, do you know what
3 their total expenditures on DSM are in terms of gross
4 revenues, retail revenues?

5 A. Gross retail revenue, no, I don't have that
6 figure. We can provide that figure. I can do an
7 approximate.

8 Q. Less than a half a percent I think it is.

9 JUDGE CHRISTIANSON: If you give him a number,
10 perhaps he can take it subject to check. You're talking now
11 in gross dollars or in percent?

12 MR. KUENNEN: Percent of DSM expenditures in terms of
13 gross dollars.

14 JUDGE CHRISTIANSON: Okay. Give him a minute. If
15 necessary, the company can come back to you in a few days
16 with some response, but we can try and do it now, if you
17 want.

18 THE WITNESS: You're talking total revenue?

19 MR. MacGREGOR: Retail.

20 MR. KUENNEN: Retail revenue.

21 (Pause.)

22 THE WITNESS: It would be approximately two-tenths of
23 a percent.

24 BY MR. KUENNEN:

25 Q. As a member of the MAAC in that region and that

1 region is spending on average 1.5 percent, can you give me
2 some idea, aside from the fact that the cost recovery
3 mechanism is just coming into play here in Pennsylvania, do
4 you have plans to ramp up to the average?

5 MR. MacGREGOR: I object to the question, Your Honor.
6 There is no foundation in the exhibit that what they define
7 as DSM expenditures here are the same as how PP&L has
8 defined them in its DSM report, and it could be apples and
9 oranges. I don't know what is included in retail revenues
10 and what is not. There's really no basis for comparison.

11 JUDGE CHRISTIANSON: We have trouble with comparison,
12 and really, the 1.5 percent is not a matter of record
13 exactly yet. Perhaps the witness can comment about
14 projections.

15 The questioner is suggesting you have a low level of
16 expenditures. Can you just comment on that?

17 THE WITNESS: Yes, I can, Your Honor. We do have the
18 highest level of expenditure for DSM of any utility in
19 Pennsylvania. That was cited by the Commission, I believe,
20 in their 1993 conservation activities report of the Bureau
21 of Conservation Economics and Energy Planning, the Bureau of
22 CEEP.

23 In that it specifically noted that PP&L, Pennsylvania
24 Power -- if I can quote this -- "PP&L's total expenses for
25 conservation and load management programs was 13,049,860,

1 the highest among all Pennsylvania utilities."

2 BY MR. KUENNEN:

3 Q. This report?

4 (Document shown to witness.)

5 A. Yes.

6 Q. On page 4 of the report, it does have a summary
7 of all PA utilities. Does this figure include what is
8 called the Low Income Usage Reduction Program since you're
9 quoting expenses?

10 A. The WRAP program?

11 Q. Yes.

12 A. I believe it does.

13 Q. It is my understanding that the WRAP program is
14 not a DSM program according to the PUC, the Bureau of CEEP.

15 A. Uh-huh.

16 Q. So that would have to be subtracted from the DSM
17 amount.

18 A. Yes.

19 Q. And you are quoting dollars and not percent of
20 revenues; is that correct?

21 A. That's correct.

22 MR. KUENNEN: I guess there was an objection to
23 making this comparison based on lack of detail or --

24 JUDGE CHRISTIANSON: I think counsel just brought up
25 a point. Go ahead with your questioning and we'll see where

1 we go. I agree with counsel that the 1.5 percent, for one
2 thing, it's not really established of record and we don't
3 have details about exactly how it is calculated for
4 comparison purposes, but we're reading your article as we
5 sit here.

6 MR. KUENNEN: In the statement of reasons for the
7 purposes of the increase, there is a similar type comparison
8 on page 8 where the company lists 12 or 13 unnamed utilities
9 as a basis for comparing their average price of electricity
10 to give some context. And that's all I'm trying to do is to
11 give a little context.

12 JUDGE CHRISTIANSON: Okay. That's fine.

13 BY MR. KUENNEN:

14 Q. Can you maybe give me some idea of what goes
15 into the decision process for the level of spending that you
16 have set for DSM?

17 JUDGE CHRISTIANSON: Do you work with the Commission,
18 for instance?

19 THE WITNESS: Yes, we do. We work with the
20 Commission. We look principally at the cost/benefit
21 measures and the four tests under the benefit/cost analysis,
22 and that becomes a key factor in determining which programs
23 we include in our demand side management activities.

24 BY MR. KUENNEN:

25 Q. And the funding levels for each of those

1 programs? I guess I'm asking why is it around 12 million
2 annually and not, say, 30 million annually?

3 A. From the standpoint that we feel that is a
4 reasonable cost of ratepayers' money to use for the program.

5 Q. In your March filing, I would just like to talk
6 more specifically about residential programs. Earlier you
7 testified that the ETS program was removed, and the only
8 figures I have was from your March filing. So these are the
9 numbers that I will be looking at.

10 A. Okay.

11 Q. Without the electric thermal storage, I guess in
12 '94, you were looking at spending 6.2 million; in '95, 5.8
13 million; and '96, about 6.3 million; is that correct?

14 A. In the residential area?

15 Q. In the residential areas.

16 A. Yes.

17 Q. I won't ask the percent of revenues for that.

18 On page 3, the bottom paragraph in your filing, it
19 makes reference to the December 13 Order about cost
20 recovery, and it states in here basically that the costs
21 should be recovered from the customer class that is, I
22 guess, benefiting from the program; like residential
23 ratepayers pay for residential DSM; is that correct?

24 A. Yes.

25 Q. Well, then I guess following that logic, would

1 you agree that residential customers as a whole should be
2 able to participate in the residential programs, participate
3 in the benefits? If you were collecting funds from all
4 residential ratepayers, but you had a program that only a
5 certain group of ratepayers could participate in, would that
6 seem unequitable?

7 A. We believe that the expenditures do benefit all
8 ratepayers in that class.

9 JUDGE CHRISTIANSON: Certainly, peak shaving would
10 tend to benefit all?

11 THE WITNESS: Yes.

12 BY MR. KUENNEN:

13 Q. But participants would benefit more than non-
14 participants?

15 A. It would depend on the program, and we could
16 look at the various benefit/cost analyses for the
17 participants or non-participants to make that assessment.
18 You can't generalize that.

19 Each program goes through a cost/benefit test for the
20 participants, for the non-participants, non-participants
21 being the ratepayers, for the utility, and for all
22 ratepayers, the total resource group.

23 Q. But some benefit more than others?

24 A. Certainly.

25 Q. If you look at your residential thermal

1 integrity, if I am a participant, the benefit/cost analysis
2 is 2.63. If I'm a non-participant, it is .72.

3 A. That's right.

4 Q. So if I can participate in that program, my
5 money that I paid into it, I get it back plus some. If I'm
6 a non-participant, I'm not getting any direct benefits from
7 the program.

8 JUDGE CHRISTIANSON: Let me try one follow-up. Does
9 PP&L seek to actively exclude any people? It's just that
10 the program may be more attractive to some than to others.

11 THE WITNESS: Yes, but the emphasis of most of our
12 programs are on electric heat customers, and I suspect that
13 may be a question you're going to raise.

14 MR. KUENNEN: Yes.

15 THE WITNESS: Because we see the greatest benefit
16 coming from expenditures in those areas.

17 JUDGE CHRISTIANSON: Both space heating and water
18 heating?

19 THE WITNESS: Yes.

20 BY MR. KUENNEN:

21 Q. That was my next question. In here there are, I
22 think, 11 programs. The top five on this chart are
23 residential. Could you tell me basically in this
24 residential section what the target market is for these
25 programs, the primary target market?

1 A. The primary target is electric heat customers.

2 Q. If you could categorize it in, say, new
3 construction versus existing ratepayers.

4 A. Principally, new construction. Thermal
5 integrity is basically a new construction program.
6 Efficient energy equipment is a new construction program.
7 Home energy analysis is new construction. The pilot
8 programs that I discussed earlier are looking at existing
9 customers.

10 So that the first three I referred to are new
11 construction from the standpoint that if we can educate and
12 assist customers that are building new homes, make them more
13 energy efficient homes, we get the benefit of that for the
14 life of those units.

15 Q. In terms of dollars, if you add these up, it is
16 close to 92 to 95 percent of your residential funding goes
17 towards new construction, but 5 to 8 percent towards
18 existing electric?

19 JUDGE CHRISTIANSON: Does that sound accurate?

20 THE WITNESS: That sounds approximately right, yes.

21 BY MR. KUENNEN:

22 Q. In light of this, don't you think it might be
23 more equitable to have a different mix of programs so
24 existing customers are not subsidizing the low cost of
25 electric service for people in new homes?

1 A. The major reason we are piloting the two
2 residential programs I referred to before is to look at
3 those in terms of do they accomplish what we want them to
4 accomplish in terms of customer satisfaction and energy
5 reduction; and if they do, are they programs that would pass
6 the cost/benefit tests to be programs in future years. That
7 is the intent of both of those pilot efforts. They are
8 efforts that have been discussed with the Bureau of CEEP in
9 starting to implement those.

10 Q. These are the programs listed at item 5 here?

11 A. Yes.

12 Q. About \$240,000 worth of programs?

13 A. Yes.

14 Q. Out of the \$7.4 million that you spend annually,
15 this would go towards existing ratepayers?

16 A. Yes.

17 Q. If I could then look at a different aspect of
18 the residential programs. I guess I'll just ask: within
19 the residential ratepayer class, what percentage of your DSM
20 residential programs target electric heat customers where
21 the ultimate requirements are you have to be an electric
22 heat customer in order to participate versus regular general
23 base load type customers, if you could give me a percentage?

24 A. All of the programs indicated there are focused
25 on electric heat customers, all of our DSM programs.

1 Q. So 100 percent of the residential DSM?

2 A. Yes.

3 Q. And you are collecting funds from all
4 residential ratepayers to pay for programs that just benefit
5 electric heat customers?

6 JUDGE CHRISTIANSON: Again, directly benefit.

7 BY MR. KUENNEN:

8 Q. Direct benefits. I mean, indirectly, everybody
9 benefits because of the cost/benefit analysis?

10 A. Exactly.

11 Q. But if you could participate in the program,
12 your benefits are far greater than the non-participant. In
13 fact, if you look at the non-participants, they are negative
14 or below one -- not negative, but below one, and they are
15 all above 1.5. A lot are even higher than that, above 2.

16 So a person who can participant will get \$2.00 back
17 for every dollar they put in; whereas, a non-participant
18 gets nothing back.

19 A. Yes.

20 Q. Except maybe greater system efficiency for the
21 whole utility.

22 A. Right.

23 Q. Can you tell me how many of your customers are
24 electric heat and how much are base load only customers?

25 A. Approximately, 300,000 of our customers are

1 electric heat of 1.1 million residential customers.

2 Q. So we're looking at one-third to two-thirds,
3 roughly?

4 A. Yes.

5 Q. So two-thirds of your residential customers have
6 no DSM program that they can participate in, directly
7 participate in?

8 A. Directly participate in, yes.

9 JUDGE CHRISTIANSON: Let me try one clarification on
10 that. You talked about that WRAP program, that it was not
11 DSM anymore.

12 THE WITNESS: Yes.

13 JUDGE CHRISTIANSON: Is that elsewhere now still?

14 THE WITNESS: Yes. That is a Commission-mandated
15 program. Mr. Stathos will discuss that later.

16 JUDGE CHRISTIANSON: Okay. That's enough.

17 THE WITNESS: And that certainly is a program that is
18 available.

19 JUDGE CHRISTIANSON: It's just not under the umbrella
20 of DSM anymore?

21 THE WITNESS: Yes.

22 JUDGE CHRISTIANSON: Okay. Go ahead.

23 BY MR. KUENNEN:

24 Q. Was it ever under DSM?

25 A. Yes, it was a DSM. Initially, I believe it was

1 allowed as a DSM expenditure.

2 Q. Because it was my understanding that LIEURP came
3 about as sort of a bill reduction program for low income and
4 it was designed to basically benefit utilities with respect
5 to costs of arrearages and bad debt expenses and that kind
6 of a thing, and conservation was basically the vehicle
7 chosen in order to bring about the reductions in bad debts
8 and uncollectible accounts, and that over the years it has
9 sort of been coopted by the DSM movement as an energy
10 conservation and DSM program when it never was designed to
11 be such.

12 That's why it's not put in the DSM portfolio is
13 because it is not designed to meet the PSE test, non-
14 participant test or those kinds of tests, because those
15 tests don't take into account the savings that a company
16 gets from not having to have these arrearages and carry the
17 arrearages and whatnot.

18 Is that --

19 MR. MacGREGOR: I object to the question. It went on
20 forever. I have no idea what the question is, and I'm sure
21 the witness doesn't either. It is testimony, not a
22 question, and Mr. Farber is not our witness on the social
23 programs. Our next witness is. He stated that it was at
24 one time part of the DSM program; and if it was, it was.
25 Whether it should have been or not, I mean they can ask the

1 question, but I don't see there is any way he can answer
2 that question.

3 JUDGE CHRISTIANSON: I'd ask that you try to ask
4 questions. Can you maybe frame a question?

5 MR. KUENNEN: That was my last question.

6 JUDGE CHRISTIANSON: Let the witness try to respond
7 if he can.

8 BY MR. KUENNEN:

9 Q. I guess the question was: was LIEURP ever
10 officially a DSM program?

11 A. I can't answer that.

12 JUDGE CHRISTIANSON: Maybe the other witness can.

13 THE WITNESS: Yes, perhaps he can.

14 JUDGE CHRISTIANSON: Any more for this witness?

15 MR. KUENNEN: No.

16 JUDGE CHRISTIANSON: Then we seem to be done with
17 cross-examination for the witness, and we'll take a few
18 minutes off the record.

19 Let's be off the record.

20 (Discussion off the record.)

21 JUDGE CHRISTIANSON: Let's be back on the record.

22 Is there redirect?

23 MR. MacGREGOR: Yes. I just have one clarifying
24 question, Your Honor.

25

REDIRECT EXAMINATION

1
2 BY MR. MacGREGOR:

3 Q. Mr. Farber, you were asked earlier by Mr. Haynes
4 whether the company had conducted any specific studies
5 concerning the load management benefits of Rate RTS. Just
6 so the record is clear, was your response intended to
7 encompass the period of time in which you have been in your
8 current Director position?

9 A. Yes. It was to apply to the period between
10 September, 1993 and today. I'm not sure whether there were
11 previous studies that were done. I would like to go back
12 and see whether there were studies done on the impact of RTS
13 on the peak.

14 JUDGE CHRISTIANSON: Would you share them with Mr.
15 Haynes then?

16 THE WITNESS: Yes.

17 JUDGE CHRISTIANSON: He's not here now. During
18 lunch, he said he was not going to be back.

19 MR. MacGREGOR: I'll let him know, Your Honor.

20 JUDGE CHRISTIANSON: He was going to take his chances
21 on redirect he said. Let him know about it if you pick
22 anything up.

23 MR. MacGREGOR: That's fine.

24 JUDGE CHRISTIANSON: Also, the witness had
25 volunteered to give something to the Commission on Economic

1 Opportunity. Can you briefly state what you are going to
2 get back to them on?

3 THE WITNESS: It was to the Small Business Advocate
4 on some of our --

5 JUDGE CHRISTIANSON: I'm sorry. It was Small
6 Business.

7 THE WITNESS: -- fliers and ways of contacting
8 commercial customers and numbers of customers that we were
9 reaching that way.

10 JUDGE CHRISTIANSON: Okay. I was wrong on the party.
11 Then we seem to be done with the witness. Any
12 follow-up by anyone?

13 (No response.)

14 JUDGE CHRISTIANSON: Then the witness is excused.

15 (Witness excused.)

16 JUDGE CHRISTIANSON: I guess we're down to our last
17 PP&L witness on the direct case.

18 (Pause.)

19 JUDGE CHRISTIANSON: I'll go ahead and swear the
20 witness in and you can proceed.

21 MR. MacGREGOR: Yes, Your Honor. We'd like to call
22 Mr. Thomas C. Stathos, S-t-a-t-h-o-s, at this time.

23 JUDGE CHRISTIANSON: Would you raise your right hand?
24
25

1 Whereupon,

2 THOMAS C. STATHOS

3 having been duly sworn, testified as follows:

4 JUDGE CHRISTIANSON: Just to clarify before we get
5 started, Staff has handed out two proposed Cross-Examination
6 exhibits. One has RE-51 on the top. The other has RE-85 on
7 top. They're about the same thickness is the only reason I
8 mention it.

9 MR. SIMMS: Also, Your Honor, RE-85 also includes the
10 company response to RE-86.

11 JUDGE CHRISTIANSON: Fine. Again, since they are
12 about the same thickness, I just clarified for those
13 present.

14 Go ahead, counsel, and introduce your witness.

15 MR. MacGREGOR: Your Honor, we submitted with our
16 filing and supplied at the prehearing conference copies of a
17 document captioned, "Pennsylvania Power & Light Company
18 Direct Testimony of Bernard J. Bujnowski." We also supplied
19 at the prehearing conference copies of a document entitled,
20 "Direct Testimony of Thomas C. Stathos."

21 As I indicated at the prehearing conference -- and I
22 don't know to what extent Your Honor is already aware of
23 this -- after we filed the case, Mr. Bujnowski was moved to
24 another position and his position was replaced by Mr.
25 Stathos, and we thought it more appropriate to present

1 Mr. Stathos on these issues.

2 So essentially, Statement 11-S, the direct testimony
3 of Thomas C. Stathos, sets forth Mr. Stathos' education,
4 background and qualifications, and then he simply adopts the
5 testimony of Mr. Bujnowski as his own.

6 JUDGE CHRISTIANSON: That's fine with me. As a
7 matter of fact, I just had a major telephone case. In that
8 industry, they must jump around all over the place. I had
9 about three witness that did that. The witness was no
10 longer available in one case. But go ahead with your
11 witness.

12 MR. MacGREGOR: I would like to mark as Statement No.
13 11 the document captioned "Direct Testimony of Bernard J.
14 Bujnowski" and as Statement 11-S the "Direct Testimony of
15 Thomas C. Stathos."

16 JUDGE CHRISTIANSON: Yes. I think that is proper.
17 So the two statements are identified at this point.

18 (Whereupon, the documents were marked
19 as PP&L Statements Nos. 11 and 11-S
20 for identification.)

21 DIRECT EXAMINATION

22 BY MR. MacGREGOR:

23 Q. Mr. Stathos, do you have before you a copy of
24 the document that has been marked for identification
25 purposes as PP&L Statement No. 11-S?

1 A. Yes.

2 Q. Is that a copy of your direct testimony in this
3 case?

4 A. Yes, it is.

5 Q. Was it prepared either by you or under your
6 direct supervision?

7 A. Yes, it was.

8 Q. And if I were to ask you the questions contained
9 in Statement No. 11-S, would your answers be the same as
10 those contained therein?

11 A. Yes, they would.

12 Q. And would those answers be true and correct to
13 the best of your knowledge?

14 A. Yes, they would.

15 Q. Mr. Stathos, do you adopt as your testimony in
16 this proceeding in addition Statement No. 11 captioned,
17 "Direct Testimony of Bernard J. Bujnowski"?

18 A. Yes, I do.

19 Q. Have you reviewed that document?

20 A. Yes, I have.

21 Q. Is the information contained therein true and
22 correct to the best of your knowledge?

23 A. Yes, it is.

24 MR. MacGREGOR: Your Honor, at this time I would like
25 to move the admission of Statement 11 and Statement 11-S

1 subject to cross and motions.

2 JUDGE CHRISTIANSON: Yes. Under the standard
3 conditions, the two statements are now accepted into the
4 record.

5 (Whereupon, the documents marked as
6 PP&L Statements Nos. 11 and 11-S
7 were received in evidence.)

8 MR. MacGREGOR: Mr. Stathos is available for cross-
9 examination.

10 JUDGE CHRISTIANSON: We might as well start with
11 Staff.

12 MR. SIMMS: Thank you, Your Honor.

13 CROSS-EXAMINATION

14 BY MR. SIMMS:

15 Q. Good afternoon, Mr. Stathos.

16 A. Good afternoon.

17 Q. My name is Johnnie Simms. I'm with the Office
18 of Trial Staff in this proceeding.

19 Mr. Stathos, I assume that in preparing for your
20 testimony and your cross-examination and appearance here
21 today that you also reviewed the interrogatory responses
22 that have been sponsored by the previous witness, did you
23 not?

24 A. Yes, I did.

25 MR. SIMMS: I'd like to, Your Honor, at this time

1 have the company's response to OTS-RE-51D be marked for
2 identification as OTS Cross-Examination Exhibit No. 14.

3 JUDGE CHRISTIANSON: Off the record just a minute.
4 (Discussion off the record.)

5 JUDGE CHRISTIANSON: Back on the record.

6 All right. This is identified as your No. 14.

7 (Whereupon, the document was marked
8 as OTS Cross-Examination Exhibit No.
9 14 for identification.)

10 MR. SIMMS: Also, Your Honor, I'd like to have a
11 multi-page document, which includes the company's responses
12 to OTS-RE-85 and OTS-RE-86, be marked for identification as
13 OTS Cross-Examination Exhibit No. 15. May it be so
14 identified?

15 JUDGE CHRISTIANSON: Yes, No. 15.

16 (Whereupon, the document was marked
17 as OTS Cross-Examination Exhibit No.
18 15 for identification.)

19 BY MR. SIMMS:

20 Q. Do you have those before you, sir?

21 A. Yes, I do.

22 Q. I would like to refer you to the company's
23 response to OTS-51D. Am I not correct that this provides a
24 copy of the company's OnTrack Payment Program?

25 A. Yes. It's a detailed description of the OnTrack

1 Payment plan.

2 Q. Now, the company is claiming \$942,625 in total
3 OnTrack Payment Program expenses; correct?

4 A. Yes.

5 Q. And the way in which that is derived is that you
6 have a claim of \$232,625 in annual operating expenses and
7 \$710,000 in uncollectible accounts expense; is that
8 correct?

9 A. That is correct.

10 Q. Now, if you look at Part B of your response to
11 OTS-51D, you have provided a breakdown of the \$232,625,
12 which includes \$81,000 for enrollment, \$81,000 for
13 recertification, \$30,625 for follow-up, and \$40,000 for
14 outside evaluation; correct?

15 A. That is correct.

16 Q. Now, if I could refer you to your response to
17 OTS-RE-85, which has been marked for identification as OTS
18 Cross-Examination Exhibit No. 15, you have in this response
19 itemized the development of the expense costs for
20 enrollment, recertification and follow-up; correct?

21 A. Yes, we have.

22 Q. Now, the enrollment occurs when a customer is
23 recruited and brought into that program; correct?

24 A. That's correct. There is an intake taken.

25 Q. There's an intake. Could you explain for the

1 record the purpose for the recertification?

2 A. On an annual basis, we will recertify the
3 participants in the OnTrack Program to assure that they
4 continue to be eligible and review any changes in their
5 circumstances.

6 Q. Okay. The enrollment is not annual, is it?

7 A. The enrollment is the original enrollment.

8 Q. So that's a one-time expense or one-time action;
9 correct?

10 A. For an individual.

11 Q. For an individual?

12 A. Yes.

13 Q. And that same individual is then recertified in
14 the same year or is it after one year in the program?

15 A. It could be in the same year. More than likely,
16 it would be in an ensuing year, but it could be in the same
17 year.

18 Q. Regarding the costs for follow-up evaluation,
19 when does this take place; annually or after the two-year
20 program?

21 A. That's an ongoing function that is conducted to
22 the extent that there are some problems or issues that arise
23 with the customer. There are certain terms and conditions
24 that the customer agrees to to be involved in the OnTrack
25 Program, and to the extent that they perhaps miss a payment,

1 their energy usage goes up, somehow we've been denied access
2 to a meter, we would make contact with the customer to see
3 if we can determine what the problem is and work through
4 that problem so that they can remain enrolled in the
5 program.

6 Q. So that's an ongoing action by the company?

7 A. That's correct.

8 Q. Let me go back again to the recertification.
9 The recertification is to determine whether or not the
10 individual is still eligible after one year?

11 A. Yes.

12 Q. And if an individual is determined not to be
13 eligible, he is then removed from the program?

14 A. That would be correct.

15 Q. And then you would then add another individual
16 to take his place or customer to take his place?

17 A. In our pilot program, we're trying to get 2,000
18 customers to participate in that. Yes, we would for the
19 pilot.

20 Q. If I could refer you now to the company's
21 response to OTS-RE-86, which would be the last couple of
22 pages at the end of OTS Cross-Examination Exhibit 15, the
23 last three pages. Do you have that before you?

24 A. Yes, I do.

25 Q. According to this response, for the future test

1 year, the company used \$223 as the projected LIHEAP grant;
2 is that correct?

3 A. That is correct.

4 Q. Now, just keep that in front of you if you can.
5 If you look at Part C of your response to OTS-51D, you
6 demonstrate that the \$710,000 was based on an average
7 deficiency of \$164 and average arrearage forgiveness of \$191
8 times 2,000 customers; correct?

9 A. Yes.

10 Q. In reviewing your response to Part B of
11 OTS-RE-85, you compute, I believe, the average billing
12 deficiency and average arrearage forgiveness; correct?

13 A. That was for Question 51 you said?

14 Q. Yes.

15 A. Yes.

16 Q. Well, no, if you look at your response to
17 OTS-RE-85 at Part B, page 2 of 2.

18 A. Page 2 of 2?

19 Q. Yes.

20 A. I'm looking at the wrong one.

21 (Pause.)

22 Q. It would be the second page in the OTS Cross-
23 Examination Exhibit No. 15.

24 A. I'm sorry. I was looking at 14. Gottcha.

25 Q. If you look at Part B, am I not correct that you

1 compute the average billing deficiency and average arrearage
2 forgiveness? Correct?

3 A. Yes.

4 Q. Now, it's not in the record, but do you have
5 your response which you made to OTS-RE-108?

6 A. Does that reference the OnTrack Program?

7 Q. Pardon?

8 A. Does that reference the OnTrack Program? It
9 will make it easier for me to find it.

10 Q. Yes, it does.

11 A. Okay. Thank you.

12 (Pause.)

13 A. That was No. 108?

14 Q. That's correct.

15 A. I don't have it.

16 MR. MacGREGOR: We've got it.

17 (Document handed to witness.)

18 THE WITNESS: Okay. I have it before me now.

19 MR. SIMMS: May I have a brief moment, Your Honor?

20 JUDGE CHRISTIANSON: Yes.

21 (Pause.)

22 BY MR. SIMMS:

23 Q. If I can ask you just to look at the last page
24 of OTS Cross-Examination Exhibit No. 15, the very last page.
25 Do you have that before you?

1 A. Yes, I do.

2 Q. In the Interrogatory OTS-RE-108, we asked you to
3 reference Attachment B to OTS-RE-85. Now, the amount listed
4 as OnTrack budget amounts represent the amount of customer
5 payments received during the month; correct?

6 A. I'm sorry. Would you repeat that question?

7 Q. The amounts listed as OnTrack budget amount
8 represent the amount of customer payments received during
9 the month; correct?

10 A. That's correct.

11 Q. And the amounts reflected under customer payment
12 represent the actual payments received by customers and are
13 year-to-date amounts; correct? That is the last page of OTS
14 Cross-Examination Exhibit 15, that column --

15 MR. SIMMS: May I have a brief moment, Your Honor?

16 THE WITNESS: Are you trying to reference back to 85?

17 BY MR. SIMMS:

18 Q. I'm sorry. The last page to your response to
19 OTS-85.

20 A. Okay. I was looking at 86. That is page 2 of
21 2?

22 Q. That's correct. Let me go back and ask the
23 question again.

24 A. Thank you.

25 Q. The amounts listed as OnTrack budget amount

1 represent the amount of customer payments received during
2 the month; correct?

3 A. That's correct.

4 Q. The amounts reflected under customer payment
5 represent the actual payments received by customers and are
6 year-to-date amounts; correct?

7 A. You're talking on No. 86?

8 Q. No. That would be 85.

9 A. I mean 85. I'm sorry.

10 MR. MacGREGOR: Can we go off the record for a
11 minute, Your Honor?

12 JUDGE CHRISTIANSON: Yes. Let's be off.

13 (Discussion off the record.)

14 JUDGE CHRISTIANSON: Let's be back on.

15 We have gotten all on the same page, I guess. Go
16 ahead, counsel.

17 BY MR. SIMMS:

18 Q. The column titled, "Actual CAS Bills" represent
19 the four tariff bills; correct?

20 A. Yes, they do.

21 Q. Now, the OnTrack revenue shortfall of \$165,140
22 is the amount used to compute the average revenue shortfall
23 of \$161; correct?

24 A. Let me just confirm that.

25 (Witness perusing document.)

1 A. Yes. The dollar amount was divided by the
2 number of customers.

3 Q. Okay. Thank you. And the OnTrack arrearage
4 forgiveness of \$198,664 is the amount that was used to
5 compute the average arrearage forgiveness of \$194 per
6 customer; correct?

7 A. Yes.

8 Q. Now, look at the column labeled, "LIHEAP
9 Received." Do you see that?

10 A. Yes.

11 Q. Now, that column reflects \$19,227; correct?

12 A. Yes.

13 Q. Now, in your response to OTS-RE-108, I believe
14 you explained why the LIHEAP receipts were small; correct?
15 And that was due to the fact that most of the OnTrack
16 Payment Program customers entered the program after the time
17 period for applying had expired for LIHEAP; correct?

18 A. It was timing, yes.

19 Q. Now, would I not be correct that on a
20 prospective basis, you would expect these customers to
21 timely file their LIHEAP applications? Correct?

22 A. One of the conditions for the OnTrack Program is
23 that they apply for energy assistance, yes, including
24 LIHEAP.

25 Q. So as going forward, they should be filing their

1 LIHEAP application in a timely fashion?

2 A. Yes, sir.

3 Q. Now, as we previously established, you are
4 projecting average LIHEAP payments of \$223; correct?

5 A. Yes.

6 Q. And would you accept subject to check that if
7 you add the \$161 average revenue shortfall and the average
8 arrearage forgiveness of \$194, that equals a total OnTrack
9 Payment Program cost of \$355 per customer; correct?

10 A. Would you repeat those numbers for me?

11 Q. If you add \$161 average revenue shortfall and
12 the average arrearage forgiveness of \$194, that equals a
13 total OnTrack Payment Program cost of \$355 per customer.

14 A. Yes.

15 Q. Would you also accept subject to check that \$355
16 per customer times 2,000 customers equals \$710,000?
17 Correct?

18 A. Yes.

19 Q. Now, this \$710,000 has been included in the
20 company's claim for uncollectible accounts expense; correct?

21 A. Yes.

22 Q. This \$710,000 is not net of LIHEAP payments,
23 receipts; would you agree?

24 A. Not net of LIHEAP receipts?

25 Q. That's correct.

1 (No response.)

2 Q. Well, would you accept subject to check that the
3 average LIHEAP receipt of \$233 times 2,000 OnTrack Payment
4 Program customers is \$466,000?

5 A. Yes.

6 Q. Therefore, isn't it true that the net cost of
7 the OnTrack Payment Program for billing deficiency and
8 arrearage forgiveness, what you do is you have \$710,000
9 minus the \$466,000, which equals \$244,000; correct?

10 A. That math is correct. I'm not certain I agree
11 with your assessment.

12 Q. Well, have you included the LIHEAP receipts in
13 the \$710,000?

14 A. The \$19,000.

15 Q. I think we established that the only reason you
16 have a \$19,000 shortfall is that some of the customers
17 presently in the OnTrack Payment Program did not file their
18 application in a timely fashion; correct?

19 A. That's what we think happened, yes.

20 Q. Now, we also established, did we not, that as
21 going forward, those customers should be in a position to
22 file their LIHEAP applications in a timely fashion?

23 Correct?

24 A. We would expect them to, yes.

25 Q. In fact, that is a requirement of the program,

1 is it not?

2 A. Yes.

3 Q. My question to you is: did you get recognition
4 of that fact in the \$710,000 claim that you made in this
5 case?

6 JUDGE CHRISTIANSON: You're saying they should
7 project more LIHEAP contribution in the future than they
8 have?

9 MR. SIMMS: That's correct.

10 THE WITNESS: I'm not certain.

11 BY MR. SIMMS:

12 Q. You're not certain?

13 A. No.

14 MR. SIMMS: I'd like to make an on-the-record data
15 request to have the company give a definitive answer as to
16 whether that \$710,000 includes the total LIHEAP receipts
17 from the customers in the OnTrack Payment Program.

18 MR. MacGREGOR: Fine.

19 JUDGE CHRISTIANSON: Either agree with Mr. Simms or
20 say why you don't agree.

21 MR. MacGREGOR: Yes.

22 MR. SIMMS: Your Honor, at this time I'm going to ask
23 to be marked for identification as OTS Cross-Examination
24 Exhibit No. 16 the company's response to OTS-RE-55D. May it
25 be so identified?

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JUDGE CHRISTIANSON: So identified, your No. 16.
(Whereupon, the document was marked
as OTS Cross-Examination Exhibit No.
16 for identification.)

(Pause.)

FORM 2

1 BY MR. SIMMS:

2 Q. Mr. Stathos, I show you what has been marked for
3 identification as OTS Cross-Examination Exhibit No. 16. Are
4 you familiar with this particular document?

5 A. Yes.

6 Q. This document, does it not go into a great
7 detail regarding the company's new proposal for social
8 programs? Does it not?

9 A. Yes, it does.

10 Q. Now, just so the record is clear, at present,
11 the company has a number of programs that they characterized
12 as social programs, correct, in existence today?

13 A. Yes.

14 Q. Now, would it be a fair characterization of the
15 present programs to label them as programs designed to
16 assist customers who are unable to pay their bills in a
17 timely fashion? Would that be a correct characterization?

18 A. To help them pay their bills in a timely
19 fashion, to help them conserve energy. A lot of them
20 involve the reduction of energy usage, to help them lower
21 their bills.

22 Q. You say a lot of them --

23 A. WRAP would be one, for example. Are you talking
24 about our existing programs?

25 Q. Existing programs.

1 A. Yes.

2 Q. Now, in this proceeding here, the company has
3 proposed several new programs; has it not?

4 A. Yes.

5 Q. Now, in reviewing the company's response to
6 OTS-RE-55D, the individuals involved in this document were
7 all PP&L employees; were they not?

8 A. You're talking about the study group that put
9 the paper together?

10 Q. That's correct.

11 A. Yes, they were.

12 Q. Now, one of the statements that the group made I
13 believe was that even if the Commission does not give rate
14 recognition to these programs, that PP&L should proceed with
15 the program anyway, these programs anyway, correct? Do you
16 recall that statement?

17 A. Yes. I think what we said, though, was that
18 depending on the rate treatment, that might determine the
19 level that we would be able to implement the programs.

20 Q. Let me understand this. Depending on what rate
21 treatment the Commission gives to the programs is the level
22 upon which the company will go forward with the programs; is
23 that your testimony?

24 A. That might have an impact on what we're able to
25 do to implement the programs.

1 Q. Now, in evaluating the programs, did the study
2 group contact community organizations?

3 A. Yes, they did.

4 Q. Were they contacted in each of your service
5 territories?

6 A. Throughout the company's service territory, we
7 attempted to work with community based agencies, yes.

8 Q. Now, you indicated I believe in response to an
9 interrogatory that the implementation of this program would
10 be coordinated by the company's consumer affairs director
11 and the coordinator of consumer programs, correct?

12 A. Yes, consumer affairs directors.

13 Q. Directors, okay.

14 A. Yes.

15 Q. At the end of your testimony on page 31, you
16 have identified a cost of \$1 million. Does that fund
17 include the value of the salaries and benefits of these
18 individuals?

19 A. No, it does not.

20 Q. So the \$1 million figure that we see here for
21 the implementation of these programs would actually exceed
22 that for ratepayers; would it not?

23 A. I'm sorry?

24 Q. The \$1 million figure that we see on page 31, if
25 we include the salaries and benefits, that \$1 million figure

1 would be exceeded for rate treatment; would it not?

2 A. Can I just clarify something?

3 Q. Yes.

4 A. What \$1 million are you talking about?

5 Q. Well, on page 31 of your testimony, you look at
6 the program, Build-A-Neighborhood.

7 A. Oh, okay. You're looking at individual
8 programs.

9 Q. Yes, total cost of \$2 million for that program.

10 A. Yes.

11 Q. You have a cost of \$1 million in each of the two
12 columns; is that correct?

13 A. Yes.

14 Q. Now, you have indicated, I assumed, that the
15 person who would implement this program would be the
16 consumer affairs director and the coordinator, correct?

17 A. Yes, company personnel.

18 Q. Now, of that \$1 million that you see there, does
19 it include the benefits and salaries of those individuals?

20 A. No, it does not.

21 Q. So in essence, the \$1 million, there would be in
22 addition to the \$1 million to include the benefits and
23 salaries, would there not?

24 A. Those benefits and salaries are being paid now.
25 Those people work for the company now and they are involved

1 with the implementation of a broad range of our customer
2 programs, customer assistance programs, investigating PUC
3 complaints and the like. So we're not going to add staff to
4 implement these programs, if that's what you're asking.

5 JUDGE CHRISTIANSON: And you're not making any
6 allocation, like 10 percent or anything like that?

7 THE WITNESS: No. The dollars that we reported here
8 are dollars that are going to go into the programs
9 themselves in working with the community based agencies to
10 implement the programs.

11 BY MR. SIMMS:

12 Q. Now, the Build-A-Neighborhood Program that you
13 have listed here on page 31 of your testimony, you have
14 identified several items that would equal, for all the
15 programs, really, that would equal to the ratepayers' share
16 of \$3.5 million; have you not?

17 A. Yes.

18 Q. Now, in your testimony, you indicated that the
19 company has looked at this new competitive environment; is
20 that correct?

21 A. Yes.

22 Q. And along with looking at the new competitive
23 environment, it also has looked at what new social programs
24 need to be instituted; has it not?

25 A. Yes.

1 Q. And one of the programs you have looked at is
2 the Build-A-Neighborhood Program, correct?

3 A. Yes, sir.

4 Q. Now, let's take the City of Harrisburg, for
5 example. The Build-A-Neighborhood Program, are you talking
6 about the city itself or are you talking about the
7 surrounding areas to Harrisburg?

8 A. We're looking at primarily urban areas, so I
9 don't know that -- not knowing specifically very much about
10 the Harrisburg area, I don't know that it would be confined
11 to the City of Harrisburg. We may have urban areas nearby.
12 Steelton, is that an urban area?

13 (No response.)

14 A. But it's urban areas that we're talking about.

15 Q. So it's confined to urban areas?

16 A. Yes.

17 JUDGE CHRISTIANSON: Probably areas with older
18 housing?

19 THE WITNESS: Yes, in many cases.

20 BY MR. SIMMS:

21 Q. Now, when you indicate that you intend to
22 upgrade streetlighting or a heating system or code
23 inspection, those are in addition to the present programs
24 you now have; is that correct?

25 A. That's correct.

1 Q. Now, when I see "code inspection," exactly what
2 is the program going to do with respect to code inspection?

3 A. I'm not exactly sure what it's going to do in
4 terms of code inspection. Part of it would be to make sure
5 that the wiring would be proper and up to code for a safe
6 occupation of those facilities, but I'm not sure what the
7 other codes would be.

8 JUDGE CHRISTIANSON: Basically building and safety
9 type codes?

10 THE WITNESS: Uh-huh.

11 BY MR. SIMMS:

12 Q. Let's assume hypothetically there's an
13 inspection of a particular home and a determination is made
14 that its wiring is not up to standard.

15 Is it the intent of this program to then replace the
16 wiring in a particular home?

17 A. I'm not certain that it would do that. I think
18 it would identify that as something that needed to be done.
19 What we would be more geared toward doing, I think, would be
20 trying to improve the thermal efficiency and integrity of
21 the structures; to the extent that they had heating systems
22 that were inefficient, to try to upgrade those heating
23 systems to improve their efficiency.

24 If there was associated need, you know, with the code
25 inspections, to make some corrections in the wiring, we

1 might do some of that, but I wouldn't see it coming out of
2 that side, necessarily.

3 JUDGE CHRISTIANSON: You wouldn't rewire a whole
4 house?

5 THE WITNESS: No, I don't think so.

6 BY MR. SIMMS:

7 Q. You don't think so or you don't know? Do you
8 know?

9 A. I don't know.

10 Q. You said it would not come out of that side.
11 What are we speaking about?

12 A. Well, we would do repairs out of share owner
13 money. If you looked at the other column, under the Build-
14 A-Neighborhood Program, we would make repairs.

15 I guess what I'm thinking is that when you're talking
16 about wiring, that's a home repair.

17 Q. So the other column, "Other Costs," are
18 shareholders' money?

19 A. Yes.

20 Q. Did you have an opportunity to speak to Mr.
21 Bernini?

22 A. Did I? No.

23 Q. Are you aware that Mr. Bernini indicated that if
24 in fact certain programs classified for a tax credit, that
25 the company would in fact utilize that tax credit?

1 A. I'm not aware of that.

2 Q. You're not aware of that?

3 A. No.

4 MR. SIMMS: I'd like to make an on-the-record data
5 request, Your Honor. I'd like to know, for the \$3.1 million
6 that the company has indicated will be paid by shareholders,
7 how much of that money, if spent in total, how much of that
8 money will classify for a tax credit under the Pennsylvania
9 corporate tax, neighborhood assistance tax credit program.

10 JUDGE CHRISTIANSON: How many dollars might be --

11 MR. MacGREGOR: Tax credit under the Pennsylvania
12 state tax system?

13 MR. SIMMS: That's correct.

14 MR. MacGREGOR: Okay.

15 JUDGE CHRISTIANSON: You're talking about state
16 taxes, not federal taxes?

17 MR. SIMMS: State.

18 JUDGE CHRISTIANSON: Okay.

19 MR. MacGREGOR: We'll do that.

20 MR. SIMMS: Okay, thank you.

21 BY MR. SIMMS:

22 Q. Now, if we look at the company response to
23 OTS-55-D, "F" --

24 JUDGE CHRISTIANSON: Just for the record, this is
25 your Exhibit 16?

1 MR. SIMMS: That's correct.

2 BY MR. SIMMS:

3 Q. The company indicated that the company projects
4 reduced energy bills and lower accounts receivable
5 write-offs; is that a correct statement?

6 A. I'm sorry, say that again?

7 Q. The projects the company is proposing, does the
8 company believe that these proposals would reduce energy
9 bills and lower accounts receivable write-offs?

10 A. One of the things that we're going to try to do
11 is find ways to help people conserve energy, so that would
12 lower their bills, and that might have the effect of
13 reducing the accounts receivable, yes.

14 Q. Has the company conducted a cost/benefit
15 analysis of these programs?

16 A. Have we conducted a cost/benefit analysis?

17 Q. Yes.

18 A. No, because we haven't implemented them yet.

19 Q. Has the company conducted a cost/benefit
20 analysis of its present programs?

21 A. We're always evaluating our programs. For
22 example, with the WRAP Program, we file an annual report
23 with the Utility Commission which in essence is an
24 evaluation of our program and its effectiveness.

25 And I think most recently, they've identified energy

1 savings in the range of 14 percent in homes that have been
2 fully wrapped. That would have been for I think 1992.

3 Q. Well, let me refer you to page 7 of your
4 response to OTS-RE-55D.

5 A. Page 7?

6 Q. Yes, 7 and 8.

7 A. Are you referring to the paper?

8 Q. Yes.

9 A. Yes, okay.

10 Q. Under the column "benefits," you identify the
11 benefits as high visibility, demonstrating PP&L's social
12 commitment, improved relations with community organizations
13 and local government, support of urban revitalization
14 efforts, reduced energy bills and lower accounts receivable
15 write-offs, and improved customer loyalty, do you not?

16 A. Yes. It says that those benefits could include
17 the following.

18 Q. What benefit would that have for the customers
19 of PP&L who do not participate in this program?

20 A. To the extent I think that we're able to reduce
21 the use of energy and control our load growth and do some
22 load management, I think that does benefit a lot of
23 customers.

24 Q. When it comes to high visibility and
25 demonstration of PP&L's social commitment, that's to the

1 company's benefit; is it not?

2 A. Well, it's to the community's benefit, too, I
3 think. What we've found is that our success is linked to
4 the success of the communities that we serve, all the
5 communities that we serve, large and small.

6 And if those communities are healthy, then we're
7 going to be healthy as a company. It will foster and create
8 the kind of service area that would attract and enhance the
9 kinds of efforts that we're making to attract business to
10 the area, to retain businesses in the area.

11 JUDGE CHRISTIANSON: I guess Mr. Simms is focusing
12 more narrowly on ratepayers as ratepayers.

13 MR. SIMMS: Right. I'm talking about ratepayers.

14 BY MR. SIMMS:

15 Q. Ratepayers who are not going to be able to
16 participate in this program, the Build-A-Neighborhood
17 Program, how does this program benefit them?

18 JUDGE CHRISTIANSON: I'll agree, for the company,
19 that it might attract good industrial load and this would
20 help generally, but this is very indirect, and Mr. Simms is
21 looking for something more direct.

22 THE WITNESS: There would be I think a direct benefit
23 to the communities that it serves and the people that live
24 in those communities and the people that work in those
25 communities, the people that might be commuting into that

1 area to work there.

2 BY MR. SIMMS:

3 Q. Now, you indicate, improved relations with
4 community organizations and local government.

5 A. Uh-huh.

6 Q. What purpose is that serving for the company's
7 ratepayers who are not participating in this program?

8 A. I'm not certain. I mean, to the extent that
9 those organizations, the community based organizations are
10 working in partnership with PP&L to improve the quality of
11 life in the community, there's a direct impact obviously on
12 the ratepayers that are participating in that.

13 But there is a benefit I think that accrues to the
14 community based organizations that are ratepayers that are
15 participating with us, that we are working in partnership
16 with them to perhaps provide them with the kinds of
17 resources they need to do their work.

18 Q. Now, let me just go to the Affordable Housing
19 Program on page 8 of OTS Cross-Examination Exhibit No. 16.

20 A. Okay.

21 Q. You indicate that the Public Utility
22 Commission's Bureau of Consumer Services considers high
23 housing costs as one of the biggest impediments in
24 preventing low-income households from paying the full amount
25 of their utility bills; do you not?

1 A. Yes.

2 Q. Now, when I look at, on page 31, your testimony,
3 you indicate that the cost of \$1 million is for including
4 customers in the OnTrack Payment Program where appropriate;
5 is that correct?

6 A. Yes.

7 Q. Now, would I not be correct that this program is
8 intended to provide affordable housing to these customers,
9 and that you would expect them to pay their full bill at
10 that time?

11 A. One of our goals is to provide affordable
12 housing for people that is not consuming large parts of
13 their disposal income so that, yes, they could pay their
14 utility bills, coupled with the fact that we would be
15 improving thermal efficiency and integrity of the homes that
16 would tend to lower their energy costs and then sort of have
17 a multiplier effect in that sense.

18 Q. Now, look on the other side of this affordable
19 housing, and you indicate that it is the company's intent
20 through shareholder money to supply closing costs to new
21 homeowners and arrange for advice to new first-time
22 homeowners; is that correct?

23 A. Yes.

24 Q. Would it be safe to say that this program is
25 targeted toward individuals who have had difficulty in the

1 past paying their bills in full?

2 A. It will definitely help customers like that, but
3 I don't know that it's necessarily targeted at customers
4 like that.

5 There are low-income customers that are paying their
6 bills in a timely fashion, and I think that what we're
7 trying to do is reach out to all of those customers so that
8 they can afford housing, afford sound housing that's, again,
9 energy efficient in its operation so that, to the extent
10 that they're using energy, it's not energy that's being
11 wasted and their bills would be more manageable.

12 That would be an audience, though, that we would try
13 to assist, certainly.

14 Q. What criteria has been set up for participation
15 in the Affordable Housing Program?

16 A. We have not really set up any criteria yet on
17 this, Mr. Simms. These are programs that we're looking to
18 implement now, and the way we've tended to work with our
19 community based agencies and the way that we expect to
20 continue with them is on a cooperative and collaborative
21 basis.

22 And we would be looking for them to work with us to
23 develop some of the criteria for these programs.

24 JUDGE CHRISTIANSON: You're saying you're looking to
25 them for ideas, basically?

1 THE WITNESS: To work with us to develop plans.

2 BY MR. SIMMS:

3 Q. Now, my question to you, for both the Build-A-
4 Neighborhood Program and the Affordable Housing Program, is
5 the intent of the company to seek new customers through
6 these programs, or are you seeking to provide an opportunity
7 to your present customers?

8 A. I think what we're looking to do is to make home
9 ownership more of a reality for people. That may be new
10 customers. That may be existing customers.

11 Q. So, to the extent that there would be new
12 customers, that would not be a reduction to energy bills and
13 uncollectible accounts, would it?

14 A. It would not be reductions in energy bills and
15 uncollectible accounts?

16 Q. That's correct.

17 JUDGE CHRISTIANSON: Because you didn't have the
18 customer --

19 THE WITNESS: Because they weren't here in the first
20 place?

21 BY MR. SIMMS:

22 Q. Yes.

23 A. You might be able to say that, I don't know.
24 That's sort of speculative.

25 Q. Well, I don't know if it's speculative. On page

1 8 of your response to OTS-RE-55, one of the benefits you
2 identify, "Reduced energy bills and lower accounts
3 receivable write-offs;" do you not?

4 A. Yes.

5 Q. So, to the extent that new customers will
6 participate in this program means that that benefit may not
7 be 100 percent realized; isn't that correct?

8 A. If they're all new customers, you may be right.
9 If there are no new customers, if they are all existing
10 customers, it's 100 percent right.

11 JUDGE CHRISTIANSON: I suppose you have to
12 distinguish a rental customer becoming an ownership
13 customer, or a rental customer --

14 THE WITNESS: Rental customers are customers. I
15 think what you're talking about are people that live in New
16 York that are moving here.

17 BY MR. SIMMS:

18 Q. No. A rental customer, if in fact included in
19 their rent is in fact the payment of the utility, that means
20 that the landlord is responsible for paying the utility, not
21 the renter; isn't that correct?

22 JUDGE CHRISTIANSON: If it's a tenant --

23 THE WITNESS: I guess there are some instances where
24 that happens. I don't really know.

25 JUDGE CHRISTIANSON: A tenant may or may not be a

1 PP&L customer directly.

2 BY MR. SIMMS:

3 Q. As far as you know, the only person on that bill
4 is the landlord --

5 JUDGE CHRISTIANSON: If the tenant is not paying --

6 BY MR. SIMMS:

7 Q. -- if the tenant is not responsible for his own
8 utilities; isn't that correct?

9 A. In all honesty, I couldn't tell you how many
10 tenant-landlord units --

11 Q. I'm not asking you that. That's not my
12 question.

13 A. Yes.

14 Q. If hypothetically, you own an apartment building
15 and you have ten tenants, and the rent is included for the
16 payment of utilities, but you are responsible, the only
17 customer that the company knows about is the landlord; isn't
18 that correct?

19 A. You're saying in that hypothetical situation, if
20 the tenants are paying rent to the landlord and the landlord
21 is including utilities in the rent?

22 Q. In the rent.

23 A. I don't know of a situation like that that
24 exists. I mean, hypothetically, it might exist, but I've
25 never come across in my personal experience a landlord that

1 was willing to eat the utility costs and have that included
2 in the rent.

3 Q. Well, I can assure you that when I first moved
4 to Harrisburg, that's how my arrangement was set up.

5 JUDGE CHRISTIANSON: I'll agree with you, it happens,
6 but I guess the witness is hard-pressed for an answer to a
7 lot of the questions.

8 BY MR. SIMMS:

9 Q. Now, to participate in the Build-A-Neighborhood
10 Program and the Affordable Housing Program, does it matter
11 whether or not the individual used fuel oil or gas heat for
12 their homes?

13 A. Could you repeat that question?

14 Q. To participate in the Build-A-Neighborhood
15 Program and the Affordable Housing Program, does it matter
16 whether or not the participant utilized, for their heating
17 purposes, fuel oil or gas?

18 A. I don't know that we've determined that yet.

19 Q. Let me understand this. You're asking that the
20 Commission give rate treatment to a program that the
21 company, by your own testimony, has not fully developed yet;
22 isn't that correct?

23 A. That we've not fully developed implementation
24 plans for, that's correct.

25 Q. And the only thing we're talking about here is

1 that the company has requested that the Commission give rate
2 treatment to programs in concept only; isn't that correct?

3 A. What we're talking about here are programs that
4 we've developed in consultation with community leaders and
5 discussions with customers.

6 And we think that they're sound and they serve a
7 number of needs. It's not something that we've dreamed up,
8 you know, on our own.

9 Q. No, I'm not suggesting that.

10 JUDGE CHRISTIANSON: But they're not implemented yet?

11 BY MR. SIMMS:

12 Q. You're not implementing them yet?

13 A. No.

14 Q. You have not presented any rules or regulations
15 for the programs yet, you haven't developed them yet; have
16 you?

17 A. No. I mean, we've got certain models that we
18 can follow. Certainly the WRAP Program has been a good
19 model for us. And to the extent that, again, part of our
20 social initiatives include the Keep Warm plan, which now
21 expands the availability of WRAP type services to customers
22 that are 150 to 200 percent of the policy level and they're
23 not covered under WRAP now, I think that that's -- you know,
24 obviously that's going to be something that's a little more
25 fleshed out in expanding those kinds of services.

1 Some of these things are newer, but we've got
2 patterns and models that we've developed that we can draw
3 on, and we've got the relationships with the community based
4 agencies to build on those programs.

5 Q. But you have not developed the criteria for any
6 of these programs that you're proposing yet?

7 A. Strictly speaking, have not developed the finite
8 criteria for all these programs. We've developed them in a
9 broad outline.

10 Q. Now, the Small Business Program, clearly the
11 Small Business Program is intended for new customers; isn't
12 it?

13 A. It's for existing and new small businesses. I
14 refer you to page 10 of that response to your question.

15 JUDGE CHRISTIANSON: This is page 10 of the back of
16 Cross No. 16?

17 THE WITNESS: Yes.

18 BY MR. SIMMS:

19 Q. Have you done a survey to determine how many
20 small businesses are presently in the PP&L service territory
21 in urban areas?

22 A. I'm not aware of that, no.

23 Q. So it wouldn't surprise you if you have a very
24 small percentage of existing programs, would it?

25 MR. MacGREGOR: Objection, Your Honor. He said he

1 didn't know. How could it surprise him one way or the
2 other?

3 MR. SIMMS: I'm asking hypothetically whether or not
4 it would surprise him, whether or not it was a small
5 percentage.

6 JUDGE CHRISTIANSON: I can understand the question.
7 The witness probably has some idea of what numbers we're
8 talking about.

9 Try to respond if you can. Would you be surprised if
10 it's a very small number in urban areas?

11 THE WITNESS: Would I be surprised? I would be
12 surprised if it was a small number, I think.

13 JUDGE CHRISTIANSON: Let me try a question which may
14 or may not help --

15 THE WITNESS: I'm basing it on anecdotal, I mean my
16 experience and what I've seen in small communities, and
17 that's what you tend to see, a lot of these small
18 businesses, and the ones that are in trouble, the ones that
19 are the victims of the malls going up in different areas and
20 the like.

21 JUDGE CHRISTIANSON: Can you reliably project these
22 dollars being expended?

23 THE WITNESS: Can I reliably project?

24 JUDGE CHRISTIANSON: Yes.

25 THE WITNESS: This is all based on, you know, our

1 thoughts and our putting our heads together with the
2 agencies and the community leaders that we've discussed this
3 with.

4 Our intent would be that if we can use the dollars
5 that we're allocating wisely, they're going to all get
6 spent.

7 JUDGE CHRISTIANSON: But that's not saying you'll put
8 it in escrow or anything?

9 THE WITNESS: I hadn't even given that any thought,
10 Your Honor.

11 JUDGE CHRISTIANSON: That's more an editorial comment
12 than anything else.

13 Go ahead, Mr. Simms.

14 BY MR. SIMMS:

15 Q. Now, one of the items you have listed under
16 small businesses is to forgive demand charges; is that
17 correct?

18 A. Yes.

19 Q. Have you had discussions with your rate design
20 personnel at the company to see what effect if any that
21 recommendation would have on the company?

22 A. I have not had discussions with them on that.

23 Q. Have there been any discussions with them on
24 that?

25 A. I don't know.

1 Q. Now, I would be correct that, like the other
2 programs, the company has not conducted a cost/benefit
3 analysis of this program, the Small Business Program?

4 A. No, not yet.

5 Q. Now, the \$500,000 expense that you have
6 identified here, that does not include the salary and
7 benefits for the company personnel to administer this
8 program; does it?

9 A. No. I think I had indicated earlier that no
10 salary and benefits for company personnel are included in
11 this.

12 Q. Now, for all of the programs, particularly the
13 Small Business and Affordable Housing Program, to the extent
14 that we're talking about existing customers, would I be
15 correct that the company presently on a monthly basis
16 submits to credit reporting agencies, for all customers, the
17 timely fashion in which they pay their monthly bills?

18 A. I believe we do that.

19 Q. Now, to the extent that none of the \$3.5 million
20 is allocated, has the company made a determination as to how
21 they're going to deal with this money that is not allocated?
22 Is there going to be an escrow account, trust fund?

23 A. We have not decided anything like that.

24 Q. Now, in the Keep Warm Program, I believe you
25 indicated that \$200,000 would be spent on five infrared

1 cameras; isn't that correct?

2 A. Yes.

3 Q. That's \$200,000 out of the \$1 million; is that
4 correct?

5 A. Yes.

6 Q. And that's a one-time expense; is it not?

7 JUDGE CHRISTIANSON: I guess the cameras are good for
8 more than a year by quite a bit.

9 MR. SIMMS: I mean, you're going to take \$200,000 --

10 THE WITNESS: I hope they are, at that kind of cost.

11 BY MR. SIMMS:

12 Q. You're going to take \$200,000, purchase the five
13 infrared cameras, and that will be the end of that expense;
14 would it not?

15 A. I would anticipate, depending on what the life
16 of the camera is.

17 MR. SIMMS: Can I have a brief moment, Your Honor?

18 JUDGE CHRISTIANSON: Yes. We can pause.

19 (Pause.)

20 MR. SIMMS: Your Honor, that concludes my cross-
21 examination. At this time, I would like to have admitted
22 into the record OTS Cross-Examination Exhibits 14, 15 and
23 16.

24 JUDGE CHRISTIANSON: Any objection by the company?

25 MR. MacGREGOR: No objection.

1 JUDGE CHRISTIANSON: Those three cross-examination
2 exhibits are now accepted into the record.

3 (Whereupon, the documents marked as OTS Cross-
4 Examination Exhibits Nos. 14, 15 and 16 were
5 received in evidence.)

6 JUDGE CHRISTIANSON: Let's be off just briefly.

7 (Discussion off the record.)
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FORM 2

1 JUDGE CHRISTIANSON: Let's be back on the record.

2 We can proceed with cross by Small Business, and then
3 we'll get other counsel later.

4 Go ahead.

5 MS. MOURY: Thank you, Your Honor.

6 First, Your Honor, I would like to note for the
7 record that on Monday, I believe, I had submitted or
8 proffered OSBA Cross-Examination Exhibit No. 1, which was an
9 excerpt from the company's response to OTS-RE-55D. Since I
10 was missing a page that I wanted as part of that, I held it
11 until today to introduce through Mr. Stathos. That partial
12 response is now contained fully in OTS Cross-Examination
13 Exhibit No. 16, so I will formally withdraw OSBA Cross-
14 Examination Exhibit No. 1.

15 JUDGE CHRISTIANSON: That's fine. You discussed that
16 with me off the record. I would ask the court reporter just
17 to show "withdrawn" under your entry column or accepted.

18 So the number will stay, you've used your No. 2 --

19 MS. MOURY: Right.

20 JUDGE CHRISTIANSON: -- and we just won't use No. 1.
21 Fine. Then you can go ahead with your cross.

22 MS. MOURY: Thank you, Your Honor.

23 CROSS-EXAMINATION

24 BY MS. MOURY:

25 Q. Good afternoon, Mr. Stathos.

1 A. Good afternoon.

2 Q. If you would refer, please, to OTS Cross-
3 Examination Exhibit No. 16, to page 10 of that task force
4 report, and specifically to the part where the report
5 describes the Small Business program and identifies the
6 small business customer as the forgotten customer of PP&L.

7 That identifies nearly 120,000 small general service
8 customers, and I notice that that number seems to equate to
9 the number of customers in the GS-1 rate class. Do you know
10 if the Small Business program is designed primarily for the
11 GS-1 rate class?

12 A. I don't know that for a fact, no.

13 Q. So that it might be available also to GS-3?

14 A. I don't know that.

15 Q. All right. Fair enough.

16 Do you know how the company will target small
17 businesses for participation in this program?

18 A. Not exactly because as I had indicated earlier,
19 these are plans that we're trying to develop with the
20 communities. We really do work collaboratively with these
21 agencies, we've got relationships with them, and it's a
22 matter of working with them to try to do more.

23 Q. When you would get to the point of targeting
24 small businesses, do you think that you would be looking at
25 the number of employees that your customers might have or

1 the rate schedules that they're taking service under?

2 A. Perhaps. I couldn't tell you for sure.

3 Q. One other question on this. And I understand
4 the limitations of this. Do you have anyone in particular
5 who you're planning to work with in targeting small
6 businesses? Do you have any particular community
7 organizations in mind?

8 JUDGE CHRISTIANSON: Like a chamber of commerce or
9 something local?

10 THE WITNESS: More than likely it won't be a chamber
11 of commerce, although we may work with chambers of commerce.
12 It would be more of the types of agencies that we worked
13 with to develop the papers that I think if you look on the
14 back of the paper, we've listed some of the types of
15 agencies and the specific agencies that we talked to, and we
16 would be looking to work with some of those.

17 BY MS. MOURY:

18 Q. I think Mr. Simms covered this somewhat so I'll
19 try to expedite this, but where you list on page 21 of your
20 testimony the major activities of the Small Business
21 program, of those four activities that you mentioned there,
22 would I be correct that the only one that's available to
23 existing small businesses would be the one called providing
24 free weatherization and energy efficiency services, and that
25 all of the others are for new businesses?

1 A. Yes, I think that would be correct, although I
2 would see the possibility, perhaps, with that making funding
3 available for start-up minority-owned businesses. There may
4 be a business that has failed and is starting up again, so
5 it had been existing in a sense, but it failed. But
6 technically I think you're probably correct.

7 Q. Now, at page 31 where you show the total costs
8 for the Small Business program being \$1.25 million, the way
9 I understand your testimony, \$500,000 of those costs are
10 specifically for the free weatherization and energy
11 efficiency services and for the forgiving of demand charges.

12 A. Yes.

13 Q. And that's the amount that you're seeking
14 recovery of in this case; correct?

15 A. Yes.

16 Q. Now, the forgiving demand charges, I believe
17 that has been capped at using \$250,000 of that \$500,000?

18 A. That's correct.

19 Q. So of this program, basically you're talking
20 about \$250,000 being available for the existing small
21 businesses, subject to the caveat that you mentioned about
22 minority-owned businesses.

23 A. Uh-huh. I think the minority-owned businesses
24 wouldn't be coming out of the rate base though. That's on
25 the other side.

1 Q. I understand.

2 The task force, I notice, recommended that PP&L
3 representatives be assigned to be advocates for small
4 businesses. I didn't notice that in your testimony. Do you
5 know if that is going to be done?

6 A. We'll be looking at that. I don't know that
7 that's going to be done.

8 Q. Are you at all familiar with the small general
9 service rate schedule that is called GS-1?

10 A. No, I'm not.

11 MS. MOURY: That's all I have, Your Honor.

12 Thank you, Mr. Stathos.

13 JUDGE CHRISTIANSON: Then let's try next with the
14 Consumer Advocate.

15 MS. McCLOSKEY: Thank you, Your Honor.

16 CROSS-EXAMINATION

17 BY MS. McCLOSKEY:

18 Q. Good afternoon, Mr. Stathos.

19 A. Good afternoon.

20 Q. I would just like to follow up briefly on some
21 of Mr. Simms' cross. I believe you mentioned a number of
22 times that the implementation details or plans for these
23 programs have not yet been developed. Do you recall that
24 testimony?

25 A. Yes.

1 Q. When do you expect to have the implementation
2 details for these program developed? What is the time line
3 that you are working with?

4 A. We're looking at -- in our customer services
5 group, the group that I'm responsible for, we've gone
6 through a reorganization and a restructuring, which is
7 really how I ended up in this position. Beginning on Monday
8 we're going to be staffed as a new organization, and one of
9 the first things that my staff is going to be working on
10 will be the development of implementation plans for these
11 programs and how we would phase them in. We would, of
12 course, be looking to phase in some of the programs before
13 we would be phasing in the other programs right away because
14 some of them are right in front of us. For example, with
15 the winter coming up we would want to make sure that we had
16 plans in place to take care of the Keep Warm program and how
17 we would be able to expand that. That should be fairly
18 easily done. The other ones will evolve based on the
19 existing and ongoing relationships we have with community-
20 based agencies.

21 Q. So in terms of the time frame for implementing
22 these programs, you're looking at perhaps the first programs
23 implementing sometime in the fall of 1995 in anticipation of
24 the following winter season?

25 A. I would think the summer of 1995.

1 Q. And that would be for the Keep Warm plan?

2 A. When I say implementing I would mean working
3 with the agencies. Obviously, you're going to have to do
4 some work up front to do some of these things.

5 JUDGE CHRISTIANSON: Some office type work before you
6 actually get into the houses.

7 THE WITNESS: Absolutely, some planning.

8 BY MS. McCLOSKEY:

9 Q. But in terms of actually delivering service to
10 the customers --

11 A. That would be this coming heating season, yes.

12 Q. And when you say this coming, since we're sort
13 of in the cusp, you mean the '95-'96 winter?

14 A. Yes.

15 JUDGE CHRISTIANSON: You would hope to start to do
16 the work before the heating season I guess.

17 THE WITNESS: Oh, absolutely. Absolutely.

18 BY MS. McCLOSKEY:

19 Q. Now, in your chart on page 31 of your testimony
20 you provided a breakdown, and as I understand it the column
21 that is marked "Conservation, Efficiency, Load Management
22 and Rate Incentive Costs," the total of that column is the
23 amount that you are seeking ratepayer funding for in this
24 rate case; correct?

25 A. Yes.

1 Q. How did you determine, let's take Build-A-
2 Neighborhood as an example, that \$1 million of the total \$2
3 million cost would be associated with weatherization, energy
4 usage education, upgraded street lighting, heating system
5 replacements, referrals to other social services and code
6 inspections?

7 A. How did we determine that breakdown?

8 Q. Yes.

9 A. The task force itself deliberated and had
10 discussions with the community-based agencies, some of their
11 representatives, to determine some of the way that that
12 would break down.

13 Q. Can you provide any detail as to how that was
14 broken down? For example, did you determine that there
15 would be 100 homes weatherized at a cost of so much per
16 home?

17 A. I don't believe we have any more detail than
18 what is included in that paper.

19 Q. Which is OTS Cross-Examination Exhibit 16?

20 A. Yes.

21 Q. This paper?

22 (Document shown to witness.)

23 A. Yes.

24 Q. Is the company committed to spending \$1
25 million -- if they receive their requested claim in this

1 case, would the company commit to spending \$1 million in the
2 Build-A-Neighborhood program for the conservation,
3 efficiency, load management and rate incentive part of that
4 program?

5 A. We're committed to implementing these programs
6 because we really think that they're the right thing to do.

7 Q. I think you might have misunderstood my
8 question. Not to implementing the total program, but if you
9 receive funding and implement the program, are you committed
10 to spending the \$1 million --

11 A. Yes.

12 Q. -- on weatherization, efficiency, conservation,
13 load management type activities?

14 A. Yes.

15 Q. Would the company be willing to provide an
16 evaluation or verification that it spent the \$1 million in
17 that manner?

18 A. Yes.

19 Q. Would the same be true for the Affordable
20 Housing program where you've isolated \$1 million in the
21 category of conservation, efficiency, load management and
22 rate incentive costs?

23 A. Yes.

24 Q. And the same for the Small Business program and
25 the Keep Warm program and the CARES Extension Pilot?

1 A. Yes.

2 Q. Just to return briefly to Build-A-Neighborhood,
3 I believe Mr. Simms had asked you about code inspections,
4 and I would like to ask you some questions about referrals
5 to other social services. Could you tell me how that bullet
6 point relates to conservation, efficiency, load management
7 or rate incentive costs?

8 A. There may be funding available from other
9 sources, either state or federal sources, for some of these
10 homeowners to make the kinds of improvements that would be
11 necessary that would contribute to the neighborhood being
12 improved, the heating system being upgraded and the like.

13 Q. So what you're attempting to identify with that
14 bullet is referrals to agencies that might provide
15 weatherization assistance through funding or perhaps even
16 LIHEAP funding?

17 A. Those types of things. Expanding on the
18 existing networks we have with the social service agencies.

19 Q. You're talking about expanding on existing
20 networks with a broad range of social service agencies or
21 with those directed towards -- I'm trying to relate this to
22 the conservation, efficiency and load management cost.

23 A. I understand. I guess when you're dealing with
24 a lot of these types of customers, I mean we try to take a
25 case management approach with them in that, obviously, there

1 are things that you can do to improve the thermal integrity
2 of the home, the energy efficiency of the home. There are
3 probably other services that would make sense for a
4 particular customer that would contribute to, again, that
5 neighborhood being improved and the quality of life
6 improving.

7 I guess what I'm trying to say is if you go into a
8 home and you recognize that you need to do weatherization in
9 the home, but then you also recognize that there are other
10 services that might be available to them to help improve
11 their quality of life, you try to work those kinds of
12 connections with the social service agencies. Similar in
13 many ways to the way our CARES representatives operate now.

14 JUDGE CHRISTIANSON: You're talking, for instance, if
15 there's an elderly person who might benefit from the Meals-
16 On-Wheels program, --

17 THE WITNESS: Correct.

18 JUDGE CHRISTIANSON: -- you might refer it over.

19 THE WITNESS: Sure.

20 JUDGE CHRISTIANSON: Okay.

21 BY MS. McCLOSKEY:

22 Q. Now, I assume that since the implementation
23 plans are not developed yet, the evaluation plans for these
24 programs are also not developed yet; is that a fair
25 assumption?

1 A. That's correct. The evaluation has to be based
2 on the program parameters and the setup.

3 Q. Has the company committed to providing regular
4 evaluations of these programs which it would make available
5 to the Commission or other interested parties?

6 A. We would make those evaluations available to the
7 Commission, certainly.

8 Q. Do you intend to work with the Commission or
9 other interested parties in developing evaluation plans for
10 these programs if you receive ratepayer funding for the
11 conservation, efficiency and load management portion of
12 those costs?

13 A. Yes.

14 JUDGE CHRISTIANSON: Just one follow-up. What is
15 your contact point with the Commission, CEEP?

16 THE WITNESS: CEEP?

17 JUDGE CHRISTIANSON: Oh, you don't know what that
18 means.

19 THE WITNESS: Sorry.

20 JUDGE CHRISTIANSON: Sorry about that.

21 THE WITNESS: I don't speak those acronyms.

22 JUDGE CHRISTIANSON: Would you be working with the --
23 I don't even know what CEEP stands for right now.

24 MS. McCLOSKEY: Maybe I can ask.

25

1 BY MS. McCLOSKEY:

2 Q. Would you be working with the Commission's
3 Bureau of Conservation, Energy and Economic Planning?

4 A. We would work with the -- let me put it to you
5 this way. We would work with the appropriate bureaus that
6 would have jurisdiction over those areas, similar to the way
7 we work with WRAP in terms of doing evaluations of that
8 program, the evaluations and the input that we provide back
9 to BCS on the OnTrack program.

10 JUDGE CHRISTIANSON: So whoever you have to work
11 with, you work with.

12 THE WITNESS: Right. We're as interested in seeing
13 how effectively these programs work as the Commission might
14 be. In fact, we're probably more interested in seeing how
15 effectively they work than the Commission.

16 BY MS. McCLOSKEY:

17 Q. In terms of the conservation, efficiency and
18 load management piece of these programs, has the company
19 reflected these in its DSM program?

20 A. I don't know the answer to that.

21 Q. I believe I just have one last question. I
22 think you responded to Mr. Simms, and I may have missed it,
23 that at this time there has been no determination as to
24 whether, for example, in Build-A-Neighborhood,
25 weatherization services would be provided regardless of the

1 fuel used in the home, that that detail has not been
2 determined?

3 A. It hasn't been. It hasn't been finalized, no.

4 Q. Is there a proposal at this time?

5 A. No. I can tell you that in the WRAP program,
6 for example, we provide weatherization services at a certain
7 level if a home has electric water heating but a different
8 fuel source, and we provide that at one level versus the
9 level that we would provide it for a home that is
10 electrically heated.

11 Q. In your determination to implement these
12 programs have you made any determination as to whether it
13 would be possible to spend, for example, on Build-A-
14 Neighborhood, \$1 million on the conservation, efficiency and
15 load management aspect of the program if it is limited to
16 electrically heated homes?

17 A. Have we determined if it would be possible to
18 spend that much?

19 Q. Yes. If it's limited to electrically heated
20 homes.

21 A. I don't know the answer to that.

22 MS. McCLOSKEY: Thank you, Your Honor. I don't have
23 any further questions.

24 JUDGE CHRISTIANSON: Let me just ask one follow-up
25 question. Are you convinced that the money you're

1 earmarking can be spent and can be spent efficiently?

2 THE WITNESS: Absolutely.

3 JUDGE CHRISTIANSON: That's enough. You don't have
4 to follow up on it.

5 Now some questions from the Commission on Economic
6 Opportunity. Just mention who you are and go ahead.

7 MR. PYROS: Jeff Pyros. I just have a handful of
8 quick questions to keep us moving.

9 CROSS-EXAMINATION

10 BY MR. PYROS:

11 Q. I'm looking at the response to the
12 interrogatories of the Office of Consumer Advocate, Set No.
13 IV, Question No. 92.

14 MR. MacGREGOR: Set IV-92?

15 MR. PYROS: Set IV-92.

16 BY MR. PYROS:

17 Q. The question has to do --

18 A. If you could tell me what the topic is. I
19 didn't organize my stuff -- I organized by what you're
20 asking about not by who's asking it. What are you asking
21 about?

22 Q. The question is the expenses incurred in the
23 historic test year for the social programs, in CARES,
24 Operation Help, WRAP.

25 MR. MacGREGOR: Here we go.

1 (Document handed to witness.)

2 JUDGE CHRISTIANSON: Counsel has it for you at least.

3 I could mention, at the break I had mentioned experts
4 in infrared cameras, and they volunteered they had an expert
5 on the subject, but we didn't need him.

6 Go ahead.

7 BY MR. PYROS:

8 Q. My question is: am I to read this to understand
9 that in the historic test year the only spending by PP&L on
10 these programs was the \$3,023,300 in WRAP?

11 A. I think that's the only spending in rates that
12 year, not the only spending, because obviously we spent
13 money on Operation Help.

14 JUDGE CHRISTIANSON: Well, maybe it's just a question
15 of accounting.

16 THE WITNESS: Uh-huh.

17 JUDGE CHRISTIANSON: This is the only money that
18 would have been attributed to ratepayer expense?

19 (No response.)

20 JUDGE CHRISTIANSON: I'm just not clear on your
21 answer. You're suggesting that some ownership money might
22 have been spent?

23 BY MR. PYROS:

24 Q. Maybe I can help you. If you look at Small
25 Business Advocate Set I, No. 30, there is a breakdown there

1 of indirect costs, direct costs, total costs.

2 A. Yes.

3 Q. That's for the future test year.

4 A. That's Q-30?

5 MR. MacGREGOR: Yes.

6 BY MR. PYROS:

7 Q. Yes. That's for the future test year.

8 A. Okay.

9 Q. Are you telling us that there are indirect costs
10 associated with CARES, Help and WRAP in the historic test
11 year that aren't listed on Question 92?

12 A. Are there indirect costs?

13 Q. Is that what you're saying?

14 A. Yes, there are indirect costs.

15 Q. Is that what you mean when you say there are
16 still other costs that aren't accounted for?

17 A. There are staff costs associated with CARES, for
18 example, and Operation Help.

19 Q. Which would be classified as an indirect cost?

20 A. Yes.

21 JUDGE CHRISTIANSON: Let me clarify one point. Are
22 those the only programs that you spend money on that are
23 relevant?

24 THE WITNESS: Well, we have OnTrack as well, which is
25 a pilot program that has been operating since 1993.

1 MR. MacGREGOR: I don't know if you have the
2 interrogatory in front of you, Your Honor.

3 JUDGE CHRISTIANSON: No.

4 MR. MacGREGOR: It only asks about the three specific
5 programs.

6 JUDGE CHRISTIANSON: Okay. That's what you're
7 zeroing in on, is those three. Okay; go ahead.

8 BY MR. PYROS:

9 Q. In PP&L's most recent rate case or most recent
10 rate filing, do you know how much PP&L projected they would
11 be spending on social programs?

12 JUDGE CHRISTIANSON: Part of the problem with that is
13 their last general filing was ten years ago. I don't know,
14 back then we did a little bit of this stuff, but I don't
15 recall if there's much in it. The company could check, but
16 it wouldn't be too relevant.

17 MR. PYROS: Yes, if it's ten years ago.

18 JUDGE CHRISTIANSON: Yes. Their last time in was
19 Susquehanna 2, which was ten years ago, basically.

20 MR. PYROS: So there wouldn't be a way to say that
21 the money that is being allocated into the rates now is
22 actually being spent, or apparently there is no money
23 allocated into the rates now for social programs?

24 JUDGE CHRISTIANSON: I'm not even sure if the --

25 MR. MacGREGOR: Precious little, if there is -- I'm

1 sorry, Your Honor.

2 JUDGE CHRISTIANSON: You could check, maybe, in the
3 filing, or in the Commission order. I sat on that case and
4 I don't exactly remember, but it is ten years ago. But I
5 guess that's sort of a thought. If there are ongoing
6 expenses -- if there are some expenses, they wouldn't be
7 claimed in the last rate case because so much time has gone
8 by since that.

9 MR. MacGREGOR: We would have to go back and check.
10 Certainly any of these specific programs here, I can't
11 believe there's anything in rates from ten years ago in the
12 last rate case, and to the extent they've been carried on
13 since then, they've been carried on at shareholder expense.

14 JUDGE CHRISTIANSON: Even the various programs for
15 payment-troubled customers, I think even the phrase
16 "payment-troubled customers" was invented in the last ten
17 years. But go ahead.

18 BY MR. PYROS:

19 Q. With regard to the Social Initiatives Task Force
20 -- again I'm looking at Office of Trial Staff Question OTS-
21 RE-91 about details on the task force. Am I correct that
22 there were seven members on this task force: Timothy Dahl,
23 Kathleen Wildauer, Luis --

24 A. I'll tell you who they were. I don't know if
25 there were seven.

1 Q. -- Ramos, Costello, Billy, Warner and Wilson?

2 A. Karin Costello, Gerry Wilson. I can't get my
3 hands on the thing. Someone from -- which one is that, so I
4 could refer to it?

5 Q. Timothy Dahl --

6 JUDGE CHRISTIANSON: Let's go off the record for a
7 second.

8 (Discussion off the record.)

9 JUDGE CHRISTIANSON: Let's be back on the record.

10 The witness has before him the interrogatory
11 response, and I understand there are a number of names and
12 seven people were mentioned.

13 THE WITNESS: Yes, I have it. Can you repeat your
14 question then?

15 BY MR. PYROS:

16 Q. Am I correct in saying there were seven people
17 from PP&L on this task force?

18 A. Yes. Those seven people work for PP&L, or
19 worked for PP&L. Mr. Wilson retired.

20 Q. Can you tell us what the qualifications of these
21 people were and why they were chosen for the task force?

22 A. They all had experience in the, many cases, the
23 design and implementation of the social programs that we
24 have in place now. Kathy Wildauer and Lu Ramos are consumer
25 affairs directors and have been working with community-based

1 agencies in the Lancaster and Lehigh Valley area for a
2 number of years. Tim Dahl has been working in the area of
3 consumer programs for PP&L for approximately 15 or 16 years
4 and has worked very closely with community-based agencies
5 both here and across the country. Karin Costello is
6 familiar with many of the federal initiatives and
7 governmental initiatives that have been developed in the
8 area of providing assistance to customers, low income
9 customers. Lisa Warner and Gerry Wilson were from the rates
10 and market research group, so they were in a position I
11 think to do some of the number crunching that might be
12 associated with this. And Kathleen Billy from our marketing
13 department has familiarity with our various marketing
14 programs and conservation and energy management programs.

15 Q. In the back of the task force report there is an
16 exhibit titled Exhibit 1. I think that is part of OTS
17 Cross-Examination Exhibit 16. The second-to-the-last page
18 there is an exhibit titled Exhibit 1, "Feedback From
19 Community Service Organizations."

20 A. Yes.

21 Q. How were these 12 representatives of community
22 organizations chosen?

23 A. How were they chosen?

24 Q. Right. I look at this and I see eight of them,
25 eight out of 12, from Lancaster/Harrisburg. I see one from

1 northeastern Pennsylvania and Williamsport and Pottsville,
2 kind of in the middle there, and Bethlehem down in the
3 southeast. I'm just wondering if there was a method to the
4 madness of choosing these people or whether it was just
5 those were names that you knew.

6 JUDGE CHRISTIANSON: And nobody from Allentown, which
7 is your home city.

8 THE WITNESS: Well, I think that when you look at the
9 Community Action Committee of the Lehigh Valley, that is the
10 Community Action or the CAP program for the entire Lehigh
11 Valley and that serves the Allentown and Bethlehem area.
12 They're a very, very large group. So while their offices
13 are physically located in Bethlehem, Pennsylvania, they
14 serve all of Lehigh and Northampton County. They're a very
15 large organization.

16 I believe what we tried to do was get a
17 representation across the service territory, and I think
18 we've gotten this. In some cases it may be that we had some
19 familiarity by members of the task force with certain of
20 these groups, but I think we tried to cover the entire
21 service territory as much as possible.

22 BY MR. PYROS:

23 Q. Does PP&L service Scranton?

24 A. Yes.

25 Q. There's nobody from Scranton, right?

1 A. Yes.

2 Q. How much interaction did the task force have
3 with the representatives of these agencies, if you know?

4 A. I don't know.

5 Q. Is that data available, I mean their responses
6 to questions that PP&L put forth?

7 A. I don't know.

8 MR. PYROS: Can we request that if that is available,
9 we can get an idea of what is was?

10 JUDGE CHRISTIANSON: Yes. I'm sure the company is
11 willing to get back to you. I guess one point, on Lancaster
12 it looks like they might not have had sort of a dominant
13 agency like yours is for Wilkes-Barre/Scranton area.
14 They've got a Spanish group and various other groups. But
15 they can certainly get back to you on their interaction.
16 I'm speaking for them but I'm sure counsel would be willing.

17 MR. MacGREGOR: Yes, we can do that.

18 JUDGE CHRISTIANSON: Now, maybe some of it might be
19 oral so you wouldn't get back to all the parties, but at
20 least get back to this organization.

21 BY MR. PYROS:

22 Q. The costs of the recommendations are included in
23 your future test year expenses, as I understand it, so can
24 we expect that these recommendations will be put into effect
25 within the year?

1 JUDGE CHRISTIANSON: Assuming the Commission gives
2 you the rate relief you're looking for, would you be
3 putting --

4 THE WITNESS: We're beginning implementation now of
5 the programs in terms of trying to make some contacts with
6 community agencies and start developing the plans. Like I
7 indicated, it was very difficult with us restaffing our
8 organization and identifying new people in the organization.
9 To the extent that that process is being completed yesterday
10 and starting Monday there will be a staff in place in the
11 customer programs and support area, our first order of
12 business is to begin putting together the implementation
13 plans.

14 BY MR. PYROS:

15 Q. So you expect to implement these plans whether
16 or not you get rate relief, the question is, just how much
17 you implement depends on how much rate relief you get?

18 A. How extensively we're going to do that. We're
19 committed to the programs because the programs are needed.
20 It's just that we don't know to what extent we'll be able to
21 fully implement them.

22 Q. Have you yet or are you going to prioritize the
23 list of programs and try to implement them in a, you know,
24 first this one, then this one, then this one, or are you
25 going to try and implement all of them simultaneously?

1 A. I work on a team in a collaborative basis with
2 my staff, and that's something that I would have to do with
3 the staff. It would be premature for me to tell you what
4 was going to happen.

5 Q. Who is going to be responsible for designing and
6 implementing the programs, PP&L personnel or the community
7 service organizations?

8 A. We do it in partnership with community agencies.

9 Q. Have you tried to do any sort of an analysis to
10 see who could be most effective and efficient in
11 implementing and designing these programs?

12 A. We have a track record with a number of
13 community-based agencies, so we know the kinds of work that
14 they do. I think the WRAP program is a good example of
15 that. We've worked with certain agencies, and we can tell
16 which ones are maybe more effective than others. And to the
17 extent that we can help them improve their performance in
18 the implementation of these programs, we try to do that.

19 The same with Operation Help. We work with a number
20 of community-based agencies.

21 Q. I guess I'm saying: do you think that PP&L has
22 the expertise to design and implement these programs as
23 opposed to an organization such as the Commission on
24 Economic Opportunity?

25 A. I think PP&L works on an inclusive basis with

1 our community-based agencies, and I can tell you that there
2 is no reason for us to deviate from what we've done in the
3 past in terms of working in partnership with our communities
4 and the community-based agencies to implement programs.

5 Q. You stated that you work very closely with these
6 12 organizations. Are you aware that many of these
7 organizations possess the experience, the equipment required
8 already to implement these programs? I'm calling into
9 account specifically the infrared cameras which are 20
10 percent of the cost of the Keep Warm plan.

11 A. Uh-huh.

12 Q. Those cameras already exist out there, and for
13 the company to buy them, unless it is inventorying them for
14 itself, would seem to me to be a duplication of effort.
15 Does it seem so to you?

16 A. I guess I can't say that because I don't know
17 what the community-based agencies have or don't have, and
18 that's something that we would look at as we're developing
19 our plans. To the extent that I don't have to spend money
20 on infrared cameras, I can spend them on program, I'll do
21 that. I mean the way we operate our WRAP program, and I'm
22 not sure if you understand how it works, but it's not the
23 PP&L people that are going out and wrapping homes, it's
24 community-based agencies that are doing it for us. They
25 have the equipment, they have the manpower to do the stuff.

1 And that's how we're planning to do these programs. If
2 they've got infrared cameras and we can use them, and
3 they're effective and we don't have to spend the money on
4 that, that's fine; that's more money that we can spend on
5 our programs.

6 JUDGE CHRISTIANSON: Let me follow up on one question
7 you had. Do you have any plans to make sure that money gets
8 spent equally over your service territory?

9 THE WITNESS: We try to allocate the dollars evenly
10 across the service territory. I think we've even alluded to
11 it in our paper here. We would be looking to do it fairly
12 evenly over the service territory, 20 percent, for example.
13 We have five regions, we generally consider our company five
14 regions, and we would spend 20 percent of the funds in each
15 one of the regions, give or take.

16 JUDGE CHRISTIANSON: Yes, within reason. So it
17 wouldn't be the squeaky wheel getting the oil on the whole
18 thing.

19 THE WITNESS: Pardon?

20 JUDGE CHRISTIANSON: It wouldn't be just the squeaky
21 wheel in some particular town getting all the money.

22 THE WITNESS: No. It would really be a matter of
23 spending the dollars effectively. There may be situations
24 where in one area there isn't a need to spend as much money
25 as there is in another area, and then we would allocate and

1 divert the dollars in those areas where the need exists.

2 JUDGE CHRISTIANSON: This list that was mentioned,
3 are you wedded to that list or would you reach out further?

4 THE WITNESS: The list of?

5 JUDGE CHRISTIANSON: Of 12 organizations you've
6 worked with.

7 THE WITNESS: We're not wedded to that list. That
8 list of 12 organizations happened to be organizations that
9 were consulted on the development of the community
10 partnerships program. We work with more agencies than that.

11 JUDGE CHRISTIANSON: Go ahead.

12 BY MR. PYROS:

13 Q. You say that the monies to be spent by PP&L are
14 going to be divided essentially equally over the five
15 service areas?

16 A. Depending, yes. We try to do that equally.

17 Q. So that each division is going to receive
18 approximately one-fifth of the total monies in each
19 category?

20 A. We don't have divisions any longer. They are
21 regions of the company. We try to do that, but I can tell
22 you that in certain cases we might have diverted money in
23 the past from one region to another region where there was a
24 greater need and there wasn't a need in one region. But for
25 the most part it's divided fairly equally across the service

1 territory.

2 Q. Did PP&L have six divisions or regions in 1993?

3 A. We had six divisions in 1992. In 1992 the
4 Northern Division and the Central Division were combined
5 into the Northeast Division.

6 Q. What was the reason for that combination?

7 A. That was an attempt to effect economies of scale
8 and reduce layers of management.

9 Q. How exactly are the boundaries of the divisions
10 determined?

11 Q. There are no more divisions.

12 JUDGE CHRISTIANSON: Regions.

13 BY MR. PYROS:

14 Q. How are the boundaries of the regions
15 determined? Did the breakdown take into account the number
16 of households within the resultant region or did they take
17 into account the number of households within a poverty
18 level --

19 A. It's done by operating areas, and the operating
20 areas are roughly equivalent in terms of size.

21 Q. So that if, for example, the Scranton/Wilkes-
22 Barre area had a poverty level of 50 percent and Lancaster
23 had a poverty level of 1 percent, they would still get
24 essentially the same breakdown of dollars?

25 JUDGE CHRISTIANSON: That may be where your diversion

1 might take place.

2 THE WITNESS: It's not as simple to say as that
3 because I don't think that that's true.

4 JUDGE CHRISTIANSON: You think Scranton/Wilkes-Barre
5 might get more?

6 THE WITNESS: No. I don't think it's 50 percent and
7 1 percent.

8 JUDGE CHRISTIANSON: Oh. I didn't hear your numbers.

9 BY MR. PYROS:

10 Q. It's a hypothetical situation.

11 A. It's very hypothetical, and Lancaster is not
12 that low.

13 Q. A concern that we have up in Scranton/Wilkes-
14 Barre is that Scranton got merged into Wilkes-Barre, so in
15 Wilkes-Barre we had one-sixth of the pie in '92 and now
16 essentially we have one-half of one-fifth of the pie in '94.

17 JUDGE CHRISTIANSON: Well, the witness has been
18 speaking approximately. I'm not sure if --

19 MR. PYROS: I'm just trying to speak in an
20 approximation. I don't have an actual dollar breakout.

21 BY MR. PYROS:

22 Q. Perhaps PP&L can provide us with a dollar
23 breakout by region of spending on social programs.

24 A. What do you mean by that?

25 JUDGE CHRISTIANSON: I guess he's trying to be the

1 squeaky wheel, actually; he wants to make sure he gets his
2 share.

3 THE WITNESS: We don't respond to squeaky wheels, we
4 respond to need within the community.

5 BY MR. PYROS:

6 Q. You said you had no basis -- you didn't look at
7 the poverty level to determine need.

8 MR. MacGREGOR: Objection. He said nothing of the
9 kind, Your Honor. He said we try to roughly divide the
10 dollars equally, but we don't always do that; where there is
11 a particular need in a particular area, we will divert more
12 money to that area. He said that three times now.

13 JUDGE CHRISTIANSON: Let me try one question to try
14 that out. Would you suspect -- you talk about diversion and
15 meeting needs as they come to you. Would you suspect that
16 more would go to an area with a higher poverty level?

17 THE WITNESS: I would think that would be a
18 possibility.

19 JUDGE CHRISTIANSON: Go ahead if you want to follow
20 up.

21 BY MR. PYROS:

22 Q. Can you give us or do you have a breakdown of
23 households within 150 percent of the poverty level in each
24 of your regions?

25 A. No. I believe we look at census data for that

1 kind of information and we can extrapolate over an area, but
2 we don't have a breakdown by area.

3 Q. Do you consider the census data in your
4 distributions?

5 A. It is something that we would consider. It
6 would be a factor.

7 MR. PYROS: That's all we've got. Thank you, Your
8 Honor.

9 JUDGE CHRISTIANSON: Okay; fine. We can check, any
10 further cross? Anything that might have been brought up in
11 the minds of counsel, what counsel we have left at this
12 point?

13 MR. KLEPPINGER: Let the record note we're hanging in
14 there.

15 (Laughter.)

16 JUDGE CHRISTIANSON: Yes. The large industrials know
17 what the proceeding is all about.

18 Then let's be off the record briefly.

19 (Discussion off the record.)

20 JUDGE CHRISTIANSON: Let's be back on the record.

21 Then we seem to be done for the day.

22 MR. MacGREGOR: I have one housekeeping matter, Your
23 Honor, but that can wait until you're finished.

24 JUDGE CHRISTIANSON: You don't need it for the
25 record?

1 MR. MacGREGOR: It needs to be on the record, yes.

2 JUDGE CHRISTIANSON: I have nothing further, so go
3 ahead.

4 MR. MacGREGOR: I would note that this completes the
5 presentation of our witnesses on direct, and -- except for
6 LaGuardia. I was going to go ahead and try to move in
7 Exhibit I and Future 1 and Historic 1, but I guess I'll let
8 Mr. Gadsden do that tomorrow after we finish with Mr.
9 LaGuardia. I forgot about that.

10 JUDGE CHRISTIANSON: LaGuardia may have contributed;
11 I'm not sure.

12 MR. MacGREGOR: Yes. Future 1. We'll just move them
13 in tomorrow. That will be fine.

14 JUDGE CHRISTIANSON: Fine.

15 Mr. Kleppinger?

16 MR. KLEPPINGER: Your Honor, one other item for the
17 record. As I mentioned earlier, I will not be able to
18 attend tomorrow's hearing. I will have a colleague here.
19 We will have limited, if any, cross for Mr. LaGuardia. If
20 the other parties ask him our questions, there will be none.
21 I just wanted to make sure that tomorrow would not be the
22 day that the company would come back and explain the \$240
23 million issue that we were talking about in my absence. I
24 would rather not try to explain that to my colleague who is
25 going to be here tomorrow.

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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.

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