

APPEARANCES (Continued):

CHRISTOPHER J. BARR, Esquire
Morgan, Lewis & Bockius
1800 "M" Street N.W.
Washington, D.C. 20036
(For Pennsylvania Power & Light Company)

TANYA J. McCLOSKEY, Esquire
MARY C. KENNEY, Esquire
GICINE P. BRIGNOLA, Esquire
1425 Strawberry Square
Harrisburg, Pennsylvania 17102
(For Office of Consumer Advocate)

KAREN OILL MOURY, Esquire
300 North Second Street, Suite 1102
Harrisburg, Pennsylvania 17101
(For Office of Small Business Advocate)

DAVID A. McCORMICK, Esquire
U.S. Department of the Army
DAJA-RL 3848
Room 713
901 North Stuart Street
Arlington, Virginia 22203-1837
(For Department of Defense and Federal Executive
Agencies)

DAVID M. KLEPPINGER, Esquire
McNees, Wallace & Nurick
P.O. Box 1166
100 North Pine Street
Harrisburg, Pennsylvania 17108
(For PP&L Industrial Customer Alliance)

ROBERT M. FRANKHOUSER, JR., Esquire
221 East Chestnut Street
Lancaster, Pennsylvania 17602
(Lancaster Chamber of Commerce and Industry)

JAMES P. MELIA, Esquire
Kirkpatrick & Lockhart
240 North Third Street
Harrisburg, Pennsylvania 17101-1507
(For University/College Coalition)

Commonwealth Reporting Company, Inc.

700 Lisburn Road
Camp Hill, Pennsylvania 17011

APPEARANCES (Continued):

ROBERT P. HAYNES, Esquire
Mette, Evans & Woodside
3401 North Front Street
P. O. Box 5950
Harrisburg, Pennsylvania 17110-0950
(For Central Eastern Pennsylvania Fuel Oil
Dealers)

KENNETH L. ZIELONIS, Esquire
208 North Third Street
Suite 310
Harrisburg, Pennsylvania 17101
(For Crown American Corporation)

JOAN O. BRANDEIS, Esquire
Schnader, Harrison, Segal & Lewis
Suite 3600
1600 Market Street
Philadelphia, Pennsylvania 19103
(For Bethlehem Steel Corporation)

-0-

Commonwealth Reporting Company, Inc.

700 Lisburn Road
Camp Hill, Pennsylvania 17011

(717) 761-7150

1-800-334-1063

C O N T E N T S

<u>WITNESS</u>	<u>DIRECT</u>	<u>CROSS</u>	<u>REDIRECT</u>	<u>RECROSS</u>
Daniel C. Witmer	1074	----	----	----
By Mr. MacGregor	----	1077	----	----
Paul M. Yarolin				
By Mr. Mickens	1090	----	----	----
By Mr. MacGregor	----	1093	----	----
By Ms. McCloskey	----	1101	----	----
By Mr. Haynes	----	1102	----	----
By Ms. Moury	----	1104	----	----
By Mr. Kleppinger	----	1107	----	----
Kenneth Eisdorfer				
By Mr. Melia	1112	----	----	----
By Mr. Barr	----	1115	----	----
By Ms. Moury	----	1128	----	----

E X H I B I T S

<u>NUMBER</u>	<u>FOR IDENTIFICATION . IN EVIDENCE</u>	
<u>Lancaster Chamber of Commerce and Industry</u>		
✓ Statement 1-A (Supplemental Direct)	1087	1087
<u>Office of Trial Staff</u>		
✓ Statement 3 (Yarolin Direct)	1092	1092
✓ Exhibit 3 (Yarolin)	1092	1092
<u>Office of Small Business Advocate</u>		
✓ Statement 1 (Knecht Direct)	1109	1109
<u>University/College Coalition</u>		
✓ Statement 1 (Eisdorfer Direct)	1112	1114
✓ Exhibit KE-1 (Eisdorfer)	1112	1114

Any reproduction of this transcript
is prohibited without authorization
by the certifying reporter.

P R O C E E D I N G S

ADMINISTRATIVE LAW JUDGE ROBERT A. CHRISTIANSON:

1
2
3 Let's go ahead and be on the record. I am Administrative
4 Law Judge Robert Christianson. We're here this morning for
5 the second series of hearings, or perhaps the third series
6 of hearings, concerning this PP&L general rate increase
7 filing. We had one series to cross-examine PP&L witnesses,
8 we had several public input hearings, some of which I just
9 reviewed over the weekend, and then we have the testimony
10 from the other parties in this series. We'll start that
11 with the testimony of one of the public input parties, who I
12 believe is also a party to the proceeding, although not
13 really active in the sense of a Harrisburg hearing party.
14 But there has been some follow-up, and partly I guess
15 because Commissioner Hanger found the testimony rather
16 interesting, Mr. Russell thought he might have to have some
17 follow-up on the whole matter. There was a lot of factual
18 content in the testimony. And again, I just re-read that
19 transcript over the weekend. I was involved in that as well
20 because there was a question of counsel being present, and I
21 think the witness went last for a couple of reasons, because
22 he was a little lengthy and because his lawyer didn't get
23 there early. There was some conflict the lawyer had, as I
24 recall.

25 In any case, we might as well take that, and then

1 we'll perhaps talk about where the case goes. I mentioned
2 off the record, we've got those couple of memos from the
3 company lawyer about witness lists and scheduling, and we
4 seem to have pretty well spread the witnesses in a
5 reasonable manner.

6 We've missed the standard tradition lately of doing
7 rate of return first, but that's acceptable, I suppose. I
8 always joke about it because rate of return is the one that
9 gets updated the most, so you litigate that first so you
10 have more time to update it, I suppose.

11 But in any case, we might as well go ahead. Well,
12 let me check with counsel for the company at least. Do you
13 have anything preliminary at this point?

14 MR. MacGREGOR: I don't think so, Your Honor, no.

15 JUDGE CHRISTIANSON: We can get into some things
16 further then. Let's call Mr. Witmer -- anything else from
17 counsel?

18 MR. KLEPPINGER: Yes, Your Honor. As a preliminary
19 matter I wanted to notify Your Honor and the parties that
20 PP&L Industrial Customer Alliance does plan on submitting an
21 oral motion to strike substantial portions of the testimony
22 submitted by Mr. Bruce Biewald on behalf of the Sierra Club
23 on the basis that many of the issues that he discusses are
24 already determined by the Commission in the demand-side
25 management generic investigation at Docket I-900005, also by

1 the Commonwealth Court decision related to an appeal on that
2 Commission order at Docket No. 3104 C.D. 1993, and the
3 subsequent appeal by the Commission or petition for
4 allowance of appeal filed by the Commission itself to the
5 Pennsylvania Supreme Court from that Commonwealth Court
6 decision. I thought in fairness to counsel for the Sierra
7 Club, I would notify him and the other parties today that we
8 plan to make that oral motion prior to Mr. Biewald's
9 appearance on Thursday.

10 JUDGE CHRISTIANSON: Okay. I remember that
11 testimony, and I wondered if there might be some controversy
12 there. Now, Sierra Club I believe is not here physically at
13 the moment, but that's the party I just spoke to and perhaps
14 you could follow-up by telephone with them to alert them to
15 the fact that you're coming or you're interested in their
16 material.

17 I think on that general topic I have a general memo
18 that we're supposed to deal with those topics in electric
19 cases, but I'll get to that eventually as I go through my
20 file here.

21 Have you called counsel yet about it, Mr. Kleppinger?

22 MR. KLEPPINGER: I have not, Your Honor. I wasn't
23 sure if he would be here today. I was hoping to notify him
24 here today.

25 JUDGE CHRISTIANSON: I gathered from the call from

1 the secretary that they're only going to be there for the
2 witness on that particular day, but perhaps give him a quick
3 phone call and let him know that you will have something on
4 that topic.

5 MR. MacGREGOR: Your Honor, just so the record is
6 complete, I guess I didn't see a need to state it for the
7 record, but I did plan to call Mr. Barak this afternoon or
8 tomorrow to tell him that the company will likely be joining
9 in that motion, would have made its own motion separately.

10 JUDGE CHRISTIANSON: Okay. Again, we know about the
11 controversy and we might as well make him aware so we don't
12 blindside him and take extra time at the hearing.

13 MR. MacGREGOR: In addition, we also plan to offer a
14 similar, although somewhat different, motion related to the
15 Commission on Economic Opportunity testimony.

16 JUDGE CHRISTIANSON: Okay.

17 MR. MacGREGOR: I did plan to contact their counsel,
18 and will do so.

19 JUDGE CHRISTIANSON: Okay. Again, just to let them
20 know where you're coming from, basically, which again, is
21 just a matter of time.

22 I'm looking at the memo I have from our staff. In
23 fact, the ALJ Office is directed to address demand-side
24 management and integrated resource planning in electric
25 cases. That memo came out about a year ago. It goes to

1 I-900005. My eyes aren't too good at zeroes these days.
2 The lighting is not too good in here either. But that's a
3 topic I think is amply covered in this case, so I've met my
4 mandate to consider it. But how far we have to consider it
5 we'll worry about as we go along.

6 Let's get the witness on the stand. Could you come
7 up, Mr. Witmer? Just up here is the easiest.

8 Are you sponsoring counsel?

9 MR. FRANKHOUSER: Yes. Your Honor, in the course of
10 Mr. Witmer's original direct testimony the Chamber was in
11 the process of conducting a survey of its members, and Mr.
12 Witmer had asked for the opportunity to supplement that
13 testimony. He has submitted a supplemental written
14 testimony for the record. I believe the Court has it.

15 JUDGE CHRISTIANSON: Yes, I have my copy.

16 MR. FRANKHOUSER: I believe Mr. Witmer, before cross-
17 examination, would like to provide some oral summary of
18 that.

19 JUDGE CHRISTIANSON: Are you Underhill?

20 MR. FRANKHOUSER: No. I'm Bob Frankhouser. I'm here
21 for Mr. Underhill.

22 JUDGE CHRISTIANSON: Okay; fine. You're from the
23 same firm.

24 MR. FRANKHOUSER: Yes, sir.'

25 JUDGE CHRISTIANSON: Good. Well, then I remind the

1 witness he continues to be under oath, the oath that was
2 administered in Lancaster, and go ahead with your statement.

3 Get yourself comfortable first, if you want.

4 Whereupon,

5 DANIEL C. WITMER

6 having previously been duly sworn, testified further as
7 follows:

8 THE WITNESS: Would you prefer that I sit or stand?
9 I think I would prefer to stand.

10 JUDGE CHRISTIANSON: It's your preference. Go ahead.

11 DIRECT TESTIMONY

12 THE WITNESS: We did a survey in which we asked -- we
13 were asked at the last hearing whether we knew whether they
14 were GS-1, GS-3 or LP-4, and at that stage we did not. We
15 surveyed the respondents to our first questionnaire. We
16 received 55 responses. Of those, three were GS-1, 31 were
17 GS-3, two were GH-1, 13 were LP-4, and three were LP-5. So
18 primarily we're representing, I think, the interests of
19 customers who are either identified as GS-3 or LP-4.

20 We also asked a question about service. Of the
21 response, one person of the 55 said it was poor, eight said
22 it was fair, 14 said good, 28 said very good and four said
23 excellent. That would break out to be 58 percent saying
24 very good or excellent, 84 percent saying good to excellent,
25 and again, only 16 percent fair or below. I think the last

1 time I responded I said I felt that most of our customers
2 would say that they were getting very good service.

3 JUDGE CHRISTIANSON: Your fundamental problem is not
4 service, it's rates.

5 THE WITNESS: That's correct.

6 JUDGE CHRISTIANSON: All right.

7 THE WITNESS: The second exhibit that I submitted is
8 a -- I think I referred to this article, which was "Getting
9 the 'Jobs' Done" by Clarke M. Thomas. It was a monograph
10 from the University of Pittsburgh. On page 2 of that is one
11 of the points I was trying to make, is for manufacturers the
12 cost of labor represents about 40 percent of a company's
13 decision, about 30 percent utilities -- excuse me -- about
14 30 percent transportation, utilities, about 15 percent, and
15 occupancy, which means is a building there and available,
16 about 10 percent, and taxes about 5 percent.

17 Then on page 10 of that same monograph it refers to
18 an Allen Wood of Westinghouse who participated in choosing
19 sites for 65 Westinghouse facilities all over the world, and
20 Wood said that "four important cost variables are labor,
21 transportation, taxes and utilities." He said while there
22 is no special order, utilities and taxes are lower than are
23 cost of labor and transportation."

24 I think that, again, just supports what I had said at
25 the first point and what our basic premise is, that this is

1 a site selection economic development issue.

2 To further embellish that point there is another
3 article included from Site Selection magazine, which is
4 Exhibit No. D, "Utilities Helping Businesses Meet Global
5 Challenges." Sort of an executive summary which is listed
6 on page 774 says that, "Utilities worldwide are upping the
7 economic development ante, adding more personnel and
8 increasing budgets to better serve commercial and industrial
9 customers." The point being that utilities are an important
10 part in economic development, and that's what -- we are
11 trying to make that premise. In fact, right across, to the
12 left of that page, is an advertisement from AMP of Ohio
13 saying, "Your Competitive Edge Is In Ohio," and they make
14 the point of how important utility costs are in locating
15 your business in Ohio, which I think last year was selected
16 by Site Selection magazine as having the most success in
17 locating businesses in their state.

18 So that that is the point of our testimony, that
19 utilities are an extremely important decision in site
20 selection, and not so much from our perspective that we're
21 looking to people to locate in our area, but we are
22 concerned that businesses in our area will start looking
23 elsewhere in terms of making these judgments about where
24 they should locate their business.

25 That basically concludes what I have to say today.

1 JUDGE CHRISTIANSON: Fine. Thank you. Then the
2 company might have some questions. This is one reason
3 you're here.

4 Anything?

5 MR. MacGREGOR: I do have a few questions.

6 JUDGE CHRISTIANSON: Go ahead.

7 I was reading your one chart. Don't move to Germany
8 if you want low utility rates.

9 THE WITNESS: Yes.

10 JUDGE CHRISTIANSON: They were high on one chart.

11 Go ahead.

12 CROSS-EXAMINATION

13 BY MR. MacGREGOR:

14 Q. Good morning, Mr. Witmer. How are you?

15 A. Good morning.

16 Q. Beginning on your testimony on page 1, your
17 initial testimony, you start by saying that, "Under the law
18 any rate increase requested by a public utility must be just
19 and reasonable and shall not unreasonably discriminate among
20 different classes of customers." Am I correct that you are
21 not a lawyer?

22 A. You're correct.

23 Q. And you're not offering a legal opinion about --

24 A. No, I'm not offering a legal opinion.

25 Q. You currently are President of the Lancaster

1 Chamber of Commerce; is that correct?

2 A. That's correct.

3 Q. How long have you held that position?

4 A. Just about five years.

5 Q. Where were you employed prior to that?

6 A. Prior to that I was a school superintendent at
7 Conestoga Valley School District.

8 Q. Just one clarification. You referenced the
9 article by Mr. Thomas, I think, in your remarks before, and
10 at page 2 you reference some statistics concerning the cost
11 of labor, transportation and utilities for manufacturers,
12 and I don't know if you misspoke or if I misunderstood you,
13 those figures represent the manufacturers' percentage cost
14 of operation, is that correct, and not the weighting they
15 attach to those factors in relocating?

16 A. No. As I read that, that was -- Robert Addy,
17 who is credited with saying that, who is I guess president
18 of PHH Fantas, the world's leading consultant company, is
19 saying that what companies do, if you read, I think, ahead
20 of that, is look for reasons not to locate. They basically
21 look for reasons why they should not locate in a particular
22 area. And he's saying that they basically weight that, and
23 this is his estimation. I can't say that's a scientific
24 statement.

25 Q. I guess that's my point.

1 A. Okay.

2 Q. You didn't write this article, did you?

3 A. No, I did not.

4 Q. Did you speak to Mr. Thomas about the article?

5 A. No, I didn't.

6 Q. And how he developed his material for it?

7 A. No. I was just simply reading on what Robert
8 Addy, who is certainly a world famous consultant on site
9 selection --

10 Q. Looking at your testimony as opposed to someone
11 else's article, at page 2, at the bottom of your testimony,
12 you note that the Commission is undoubtedly aware that
13 Pennsylvania has a generally unfavorable business climate,
14 and you list various factors to support that, including
15 workers' compensation laws, business taxes, lack of
16 transportation infrastructure and complicated political
17 structure.

18 A. That's true.

19 Q. I take it none of those have anything to do with
20 electric utility rates and none of those are PP&L's fault in
21 and of themselves?

22 A. That is correct.

23 Q. Now, on page 3 of your testimony, at the top,
24 you quote from a portion of the Pennsylvania Chamber of
25 Business and Industry 1995 Business Agenda.

1 A. Okay.

2 Q. And you reference various problems and
3 disincentives for doing business in Pennsylvania, including
4 business tax policies, overregulation, needlessly
5 adversarial government relationships and a problem with the
6 educational system; is that correct?

7 A. That's correct.

8 Q. Am I correct that that business agenda does not
9 reference electric utility rates as a matter of concern?

10 A. That is correct.

11 Q. Also on page 3 of your testimony you reference
12 page 6 of the company's statement of reasons in this case,
13 and in particular a chart that shows PP&L's rates in the
14 lower end of the spectrum of utility rates in Pennsylvania,
15 Delaware, Maryland, New Jersey and New York; is that
16 correct?

17 A. You have me lost there -- oh, okay, I see.

18 Q. Is that a fair summary?

19 A. Yes.

20 Q. When you reviewed the statement of reasons, did
21 you also review page 4 and the chart on that page, which
22 shows that on average PP&L's average rates today are
23 virtually the same as they were in 1985?

24 A. That is correct; yes.

25 Q. Did you also review the material on page 5 of

1 the statement of reasons which referenced a 31 percent
2 increase in the Consumer Price Index since 1985?

3 A. I remember doing that. I don't have the numbers
4 in front of me. But, yes, I remember that we saw those
5 numbers.

6 Q. Given that PP&L has not had a base rate increase
7 since 1985 and that the Consumer Price Index has increased
8 over 30 percent since that time, when, in your opinion,
9 might PP&L be entitled to a rate increase of some type?

10 A. I really don't -- I'm not a financial expert
11 either, just as I am not an attorney. I don't know that I
12 would know when that number should be determined.

13 Q. Would you agree with me as a general matter that
14 the prices of other goods and services have generally
15 increased, at least to some extent, since 1985 in Lancaster
16 County?

17 A. I would agree with that, yes.

18 Q. Have the Chamber's dues increased since 1985?

19 A. Yes, they have.

20 Q. Do you believe as a general matter, I take it,
21 that it is appropriate to consider economic development in
22 setting utility rates?

23 A. I think it's very crucial.

24 Q. Are you familiar with PP&L's economic
25 development efforts?

1 A. Yes. I think I stated in my original testimony
2 that PP&L has been among the most pro-active businesses in
3 our community on economic development.

4 JUDGE CHRISTIANSON: Yes, I think you used that
5 language. I remember.

6 THE WITNESS: Yes.

7 BY MR. MacGREGOR:

8 Q. Now, on page 4 of your testimony, on the second
9 full paragraph, you reference a letter from the company's
10 president dated December 30, 1994, stating that a typical
11 industrial customer would experience an increase of about
12 9.1 percent; is that correct?

13 A. That's correct.

14 Q. Then you state, based upon a survey which you've
15 attached to your testimony, that the increase to a majority
16 of businesses who responded to your survey will be well in
17 excess of 9.1 percent; is that correct?

18 A. On that initial survey, yes, that is correct.

19 Q. Can we look at that survey just for a minute,
20 which is Exhibit B --

21 A. No, that is not the survey I'm referencing
22 there. That was a survey when I just made telephone calls,
23 quite frankly, to some of our larger users.

24 Q. I see.

25 A. Many who would be represented by the Alliance --

1 was where we took our initial discussion, and quite frankly,
2 found out, when we were talking to those people, that the
3 numbers were significantly higher.

4 Q. Well, you did report results of a PP&L
5 questionnaire in Exhibit B of your testimony, did you not?

6 JUDGE CHRISTIANSON: This is that more formal survey
7 they took about quality of service and such?

8 MR. MacGREGOR: Well, it's an earlier study,
9 actually, Your Honor, that asked various questions --

10 BY MR. MacGREGOR:

11 Q. Am I correct, Mr. Witmer, product services,
12 employee number --

13 A. Yes, right.

14 Q. -- kilowatt-hours usage, cost per thousand, et
15 cetera?

16 A. That's correct. That's, I think, Exhibit B or
17 something.

18 Q. Yes, it is. If you could look at that, please.

19 A. Okay.

20 Q. Some of the customers provided information
21 regarding the effect of the increase on them and some
22 didn't; is that correct?

23 A. That's correct.

24 Q. Just going through the information that was
25 supplied with Exhibit B, I calculate that there are 48

1 customers who provided information as to the effect of the
2 increase on their rates. I have further calculated that 27
3 of those customers, or 56 percent, showed increases of 9.1
4 percent or less.

5 A. I didn't break it out that way, but that's --

6 Q. Accepting those figures subject to check, then
7 the majority of customers at least shown on Exhibit B will
8 in fact receive an increase of 9.1 percent or less; is that
9 correct?

10 A. If you look at number of customers, yes.

11 JUDGE CHRISTIANSON: As opposed to volume, you're
12 saying?

13 THE WITNESS: Yes, as opposed to volume or the number
14 of employees impacted, which is kind of what economic
15 development means to me, is jobs, not how many businesses
16 you have, but how many jobs you have in your community.

17 BY MR. MacGREGOR:

18 Q. Now, you originally testified at a public input
19 hearing in early April; is that correct?

20 A. Yes.

21 Q. And you were requested to appear here today by
22 PP&L so that your testimony could be cross-examined more
23 formally; is that correct?

24 A. I was requested by someone. I'm not sure it was
25 specifically PP&L, though I know that PP&L had said they

1 would question me at this time, yes.

2 JUDGE CHRISTIANSON: I think Mr. Russell indicated a
3 possible need to question, --

4 THE WITNESS: Yes.

5 JUDGE CHRISTIANSON: -- and the presiding Judge sort
6 of encouraged you to show up here, I guess.

7 THE WITNESS: That's correct. That's how I remember
8 it.

9 BY MR. MacGREGOR:

10 Q. Now, in your supplemental testimony you included
11 a copy of a memorandum, which I guess you sent to
12 manufacturers, where you requested additional information
13 about the quality of service and the rate schedule under
14 which those customers took service?

15 A. Yes.

16 Q. Am I correct that that memo states in paragraph
17 two that, "In fact, our testimony" -- meaning the testimony
18 of the Chamber -- "was so well received that we have been
19 invited to give additional testimony at a technical hearing
20 sometime around April 25, 1995"?

21 A. That's correct.

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

23 JUDGE CHRISTIANSON: Then stand there for a moment.

24 Any other counsel have questions directly or follow-
25 up?

1 (No response.)

2 JUDGE CHRISTIANSON: I hear no volunteers
3 immediately. We have such a large crew here I thought I
4 would check to make sure.

5 Then any further follow-up by counsel? Any follow-up
6 you might have?

7 MR. FRANKHOUSER: No, Your Honor. Thank you.

8 JUDGE CHRISTIANSON: Then the witness is again
9 excused --

10 THE WITNESS: Thank you very much.

11 JUDGE CHRISTIANSON: -- for the final time, I hope,
12 in this proceeding. Perhaps not. We'll see.

13 THE WITNESS: It's an important issue with us.

14 JUDGE CHRISTIANSON: Yes. I realize that. I think
15 Commissioner Hanger, who was there, realized that as well.

16 THE WITNESS: Yes.

17 JUDGE CHRISTIANSON: Thank you for your contribution.

18 THE WITNESS: I appreciate the opportunity to come
19 back again. Thank you.

20 JUDGE CHRISTIANSON: Thank you. Mr. Kleppinger may
21 thank you, too. I don't know.

22 (Witness excused.)

23 JUDGE CHRISTIANSON: In the formal sense, any
24 objection to accepting this supplemental testimony into the
25 record?

1 MR. MacGREGOR: No, Your Honor.

2 JUDGE CHRISTIANSON: Then it's accepted into the
3 record.

4 (Whereupon, the document was marked
5 as Lancaster Chamber of Commerce and
6 Industry Statement No. 1-A for
7 identification, and was received in
8 evidence.)

9 JUDGE CHRISTIANSON: Do we have copies? Let's be off
10 the record for a minute.

11 (Discussion off the record.)

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

13 I guess we're going next with the Trial Staff
14 witness, and we'll get him a little comfortable. Maybe he
15 can come up, and it will just be a couple of minutes.

16 The Lancaster Chamber of Commerce supplemental
17 testimony is accepted into the record. And we've now gotten
18 two copies scared up for the court reporter.

19 While the witness is getting comfortable, I'll just
20 mention a couple of things I have, and we can get to them a
21 little later, perhaps, in more detail if we need to.

22 Just today I think I got Mr. Russell's request for
23 transcript corrections. I'll just mention, my normal
24 practice with these is to ignore them as much as I can, but
25 if anybody has objections to them, speak within a reasonable

1 time. I'm not sure the Rule of Practice calls for
2 responses, but generally we assume that they're allowed
3 unless there is some objection to them. I try to at least
4 mention them in my final decision in the case. But again,
5 we can presume he's making corrections to speak the truth,
6 but I haven't read them in detail yet, so we don't know if
7 he lies or not. I'm assuming that they're reasonable
8 changes, glancing at them.

9 I'll mention maybe in more detail when we get to the
10 witness, I have some remarks about the discovery problem
11 between PP&L and the University/College Coalition. Largely
12 it's moot. Mr. Delaney did not volunteer to withdraw his
13 motion, so we'll deal with that. I dealt with that with
14 counsel for the two parties involved, and I didn't follow up
15 in writing for various reasons, including my own schedule at
16 the moment. But we'll get to that.

17 I'll just mention that we have objections on
18 discovery of the Fuel Oil Dealers to PP&L interrogatories.
19 We can talk about that a little later perhaps. I'm not sure
20 if PP&L is going to press all the details they're asking
21 for. But again, I'm not sure if this relates specifically
22 to testimony or goes beyond that. I just haven't dovetailed
23 the testimony yet with the interrogatory requests. We can
24 get to that a little later, perhaps, today or another day.

25 I got a couple of letters I'll talk to PP&L about a

1 little later, just consumer letters. I've gotten a lot of
2 consumer letters, particularly out of Williamsport area. I
3 haven't seen them all, all the postcards that came in, they
4 go down to the file, but I try to see what I can. And I
5 don't have copies for everybody. I've made copies only if
6 they seem pertinent. But I've got a couple of examples,
7 basically, on the RTS rate, which, again, I will share with
8 counsel a little bit later.

9 One happened to come to the scheduler and she brought
10 it to me, so I thought I would have a copy made available.
11 Again, we don't have to worry about that right now. This
12 one was about a three-page letter, which, again, was fairly
13 articulate about RTS, but we've gone over that ground quite
14 a bit in the public input hearings, so there's nothing
15 really new on that. I will share that with counsel later.
16 And another copy of a one-page letter on the same subject
17 matter.

18 I haven't made copies for everybody, but I'll just
19 mention to everybody that the cards and letters are coming,
20 particularly on the RTS matter. People seem concerned about
21 that, and a lot just are opposed to the rate increase
22 generally. We've been sending them to the main file. If
23 they seem like they're formal at all, we make copies, and I
24 might be even responding to some of them.

25 We do have a witness here, and we'll talk about these

1 subjects further on, but let's try to get through the one
2 more witness. Then maybe at the break I can see if counsel
3 want to discuss some of these matters.

4 I'll go ahead and swear in the witness, and we can
5 proceed with him.

6 Could you stand and raise your right hand?

7 Whereupon,

8 PAUL M. YAROLIN

9 having been duly sworn, testified as follows:

10 JUDGE CHRISTIANSON: I should mention, counsel, I
11 guess there's biases and lack of biases here. This witness
12 is one of my neighbors up the hill, so I just mention that
13 fact.

14 (Laughter.)

15 JUDGE CHRISTIANSON: I wave to him occasionally in
16 the neighborhood.

17 Go ahead, counsel

18 MR. MICKENS: Thank you, Your Honor. Mr. Paul M.
19 Yarolin has taken the stand and been sworn.

20 DIRECT EXAMINATION

21 BY MR. MICKENS:

22 Q. Mr. Yarolin, would you please provide your name,
23 title and business address for the record?

24 A. Yes. My name is Paul M. Yarolin. My business
25 address is the North Office Building, Post Office Box 3265,

1 Harrisburg, Pennsylvania. I am a Fixed Utility Valuation
2 Engineer in the Office of Trial Staff.

3 Q. Mr. Yarolin, I have before me a copy of OTS
4 Statement No. 3, which includes OTS Exhibit No. 3. Were
5 these documents prepared by you or under your direction and
6 control?

7 A. Yes, they were.

8 Q. Are there any additions or corrections that you
9 would like to make to your testimony at this time?

10 A. Yes, there are.

11 Q. Would you proceed with them slowly so that the
12 court reporter can clearly hear what you have to say?

13 A. Yes. On page 5, line 8, it should be \$1,066,365
14 instead of the \$1,066,000. On line 9 it should be
15 \$14,076,018, in the parens, ($\$1,066,365 \times \1.10×12).

16 On page 10, line 10, it should be \$14,076,018.

17 On page 15, line 3 should read, after the last
18 sentence, "The total revenue percentage change for Rate
19 Schedule SE after the proposed ECR and Base Rate Credit
20 Adjustment have been included would be 20.49 percent."

21 Q. Could you read that again, slowly, please?

22 A. Yes. "The total revenue percentage change for
23 Rate Schedule SE after the proposed ECR and Base Rate Credit
24 Adjustment have been included would be 20.49 percent."

25 Q. Period?

1 A. Period.

2 Q. Mr. Yarolin, with those changes and additions
3 that you have made to OTS Statement No. 3, if I were to ask
4 you the questions that are contained therein today, would
5 your answers be the same?

6 A. Yes, they would be.

7 MR. MICKENS: Your Honor, I have given two copies of
8 OTS Statement No. 3, which includes OTS Exhibit No. 3, to
9 the court reporter, and I would ask that this document be
10 admitted at this time, subject to cross-examination.

11 JUDGE CHRISTIANSON: Yes, under the standard
12 conditions the document is now accepted, your Statement No.
13 3, is now accepted into the record.

14 (Whereupon, the documents were marked
15 as OTS Statement No. 3 and OTS
16 Exhibit No. 3 for identification,
17 and were received in evidence.)

18 MR. MICKENS: Thank you, Your Honor. With that the
19 witness is available for cross-examination.

20 JUDGE CHRISTIANSON: Thank you, counsel. Again, we
21 most logically in this phase would start with the company on
22 everything, unless we have some reason to the contrary, and
23 probably just go around the table.

24

25

CROSS-EXAMINATION

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

BY MR. MacGREGOR:

Q. Good morning, Mr. Yarolin.

A. Good morning.

Q. Turning to page 2 of your testimony, am I correct that you have been employed by the Commission since 1974?

A. That is correct.

Q. In Appendix A of your testimony you list a number of rate cases in which you have appeared as a witness. Am I correct that this is the first time that you've testified in an electric case, at least based on the list appearing here in Appendix A?

A. That's correct. I've worked on other cases, but this would be the first testifying case.

Q. On Exhibit 3, Schedule 1, you list a customer charge or minimum charge comparison for a number of electric utilities in this state. Would you agree with me that based upon PP&L's current monthly customer charge of \$4.80, that the company has the lowest customer charge of any of the major electric utilities in the state?

A. It's one of the lowest.

Q. Would you agree with me that it's lower than Duquesne Light's charge?

A. Yes.

1 Q. It's lower than PECO Energy's charge?

2 A. Yes.

3 Q. It's lower than Penelec's charge?

4 A. Yes.

5 Q. It's lower than Pennsylvania Power Company's
6 charge?

7 A. Yes.

8 Q. It's lower than West Penn's charge?

9 A. Yes.

10 Q. And it's lower than Met-Ed's charge?

11 A. Yes.

12 Q. Your exhibit here compares customer charges for
13 these utilities. Did you conduct any comparison of the rate
14 blocks, the energy blocks, for the residential rates of
15 these utilities?

16 A. No, I did not.

17 Q. Would you agree with me as a general matter that
18 there could be an interrelationship between the level of an
19 electric company's customer charge and the energy block
20 prices?

21 A. In the absence of covering the full cost, I
22 could see where those costs could be put onto the energy
23 part of it.

24 Q. So, for example, if we had a company with a
25 relatively low customer charge, it might recover additional

1 customer charges through a higher first energy block of the
2 rate, while a company with a relatively higher customer
3 charge might have a somewhat flatter energy block rate
4 structure?

5 A. That's possible.

6 Q. In your opinion, Mr. Yarolin, if customer costs
7 are not fully recovered in the customer charge, should they
8 be recovered in the initial energy blocks of a rate
9 structure?

10 A. Not necessarily. Depending about social
11 effects, they would have to be considered.

12 Q. So in your opinion it could be appropriate to
13 recover a substantial portion of customer cost in the tail
14 block of a rate?

15 A. In the tail -- would you repeat that again?

16 Q. In the tail energy block of a residential rate.

17 A. I think it would be probably taken care of more
18 in the first block.

19 Q. How about demand costs, is it appropriate to
20 attempt to recover at least a substantial portion of demand
21 costs in the early blocks of a rate?

22 A. Yes, I would say.

23 Q. Could I refer to page 4 of your testimony just
24 for a minute, particularly your answer that appears on line
25 8 on page 4 where you conclude that the increase of \$2.40

1 per month in the minimum monthly charge for Rate RS would be
2 excessive? Are you basing that conclusion on the 50 percent
3 figure or the \$2.40 figure, or both?

4 A. Fifty percent figure.

5 Q. So I take it, all else equal, that an increase
6 of \$2.40 a month would not be considered burdensome or as
7 violative of the principles of gradualism?

8 A. Well, looking at the 50 percent, in addition to
9 looking at the other customers, other electric utility
10 customers, I think it would be.

11 JUDGE CHRISTIANSON: You mean if PP&L were uniquely
12 low in the field, you might even --

13 THE WITNESS: I would consider looking at it.

14 JUDGE CHRISTIANSON: Fifty percent is still big, but
15 it wouldn't be so big.

16 THE WITNESS: Right.

17 JUDGE CHRISTIANSON: Okay.

18 BY MR. MacGREGOR:

19 Q. Now, if we look over on page 6 of your
20 testimony, under Rate Schedule RTS the current monthly
21 minimum charge is \$10.95 a month, and is proposed by PP&L to
22 increase to \$15.00 a month; is that correct?

23 A. That's correct.

24 Q. And you have not opposed that increase?

25 A. No, I haven't. Do you want me to explain why

1 not?

2 Q. Sure. But if you could agree with me first that
3 that proposed increase is about 37 percent?

4 A. Okay.

5 Q. Okay. Then proceed.

6 A. Based on the company's cost of service study
7 showing a rate of return for this RTS rate schedule, it has
8 a negative rate of return, and that is shown on my Schedule
9 No. 2, where under present rates it's a negative 2.36
10 percent, and under the proposed rate it still would be a
11 negative 0.43 percent. Based on those figures, that's why I
12 have recommended an increase in the RTS schedule as
13 proposed.

14 Q. Which includes a 37 percent increase in the
15 customer charge?

16 A. That's correct.

17 Q. Then at least based on the figures you have on
18 line 11 of your testimony, the increase to the energy usage
19 block from 2.84 cents to 4.5 cents I calculate to be
20 approximately 58 percent; is that correct?

21 A. Yes. Again, going back to the rate of return,
22 that is the basis.

23 Q. I understand.

24 Now, you referenced a negative return as shown in the
25 cost of service study for the RTS class. Did you make any

1 examination to determine why the return from that class is
2 negative at this time?

3 A. You say at this time. My understanding is prior
4 to this service it was bundled with the RS service and you
5 could not distinguish that it was a negative return. Since
6 the breakout it stood on its own, and the negative figure
7 became apparent.

8 Q. Then I guess my question is the same, and I'll
9 accept that clarification. Did you make any examination as
10 to why the return from that class is negative?

11 A. No, I did not.

12 (Pause.)

13 A. I should say though, and I should make a
14 clarification, that it would be a result of the lesser
15 revenue from that service, and the costs associated with
16 that service would cause a negative return.

17 JUDGE CHRISTIANSON: That's what produces the
18 negative number?

19 THE WITNESS: Right. That's correct.

20 BY MR. MacGREGOR:

21 Q. If you could look on page 11 of your testimony,
22 line 17, you state that "some customers have a concern with
23 the period of time they would experience lower charges when
24 compared with Rate Schedule RS." Do you see that reference?

25 A. Yes.

1 Q. Am I correct that even with the relative
2 increases proposed by the company in this case, that Rate
3 RTS customers will still experience significantly lower
4 charges on that rate than they would on Rate RS?

5 A. That's true.

6 Q. And your recommendation here at this part of the
7 testimony is that the Commission institute an investigation
8 of Rate RTS?

9 A. Yes, that's also correct.

10 Q. Are you aware of any recent review by the
11 Commission of the RTS rate?

12 A. No, I'm not.

13 Q. I would like to ask you a couple of questions
14 about the street lighting rate proposal. Am I correct that
15 you propose an off-peak street lighting rate in this
16 proceeding?

17 A. That's also correct.

18 Q. As I read your testimony, you do not propose a
19 specific rate, but you state that the company should develop
20 a rate?

21 A. That's also correct.

22 Q. We're a little uncertain as to how we're to
23 develop that I guess. Can you explain what you mean by an
24 off-peak rate and how you envision it might be calculated?

25 A. Yes. I could envision a dual rate. I could see

1 a winter rate, and I could see a rate for spring, summer and
2 fall. Based on a response to an OTS data request, and it
3 has been labeled as Schedule No. 3 --

4 Q. This is to your testimony?

5 A. Yes. Yes, it is.

6 This was the basis for my position. It shows the
7 months of April, May, June, July, August, September and
8 October where the peak periods occurred during daylight
9 hours. That's approximately seven months of light period
10 versus the five during the winter. That would be the basis
11 for a dual rate.

12 Q. So the rate would be perhaps somewhat higher
13 during the winter months when there was usage at the time of
14 the peak, and a somewhat lower off-peak rate for the other
15 months in the year; is that what you have in mind?

16 A. Yes. The winter rate would be higher than the
17 summer rate, of course.

18 Q. On page 15 of your testimony, at the top, you
19 reference the energy charge increase of 70 percent, which
20 can place a financial strain on a given community, and you
21 clarified that earlier today to reflect the roll-in of the
22 ECR and the SBRCA to show a total increase, I think, of
23 20.49 percent.

24 A. That's right.

25 Q. Have you conducted any study or analysis as to

1 demonstrate that the level of increase proposed in this case
2 would, in fact, impose financial strain on any specific
3 community?

4 A. Not knowing the size of the communities involved
5 who have the SE, so it would be very hard for me to do that.

6 Q. And you have not done that?

7 A. I have not done that.

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

9 Thank you, Mr. Yarolin.

10 THE WITNESS: Thank you.

11 JUDGE CHRISTIANSON: Then we'll check around, and
12 again, just to follow at the table is the easiest way for
13 me.

14 Anything from Consumer Advocate?

15 MS. McCLOSKEY: Yes, Your Honor. I just have one
16 question.

17 JUDGE CHRISTIANSON: Go ahead.

18 CROSS-EXAMINATION

19 BY MS. McCLOSKEY:

20 Q. Mr. Yarolin, in response to Mr. MacGregor you
21 indicated that your recommendation regarding Rate RTS was
22 based on the company's cost of service study. Was your
23 recommendation regarding the Rate RS customer charge also
24 based on the company's cost of service study?

25 A. Yes.

1 MS. McCLOSKEY: Thank you.

2 That's all I have, Your Honor.

3 JUDGE CHRISTIANSON: Bethlehem?

4 MS. BRANDEIS: I have nothing, Your Honor.

5 MR. MELIA: No questions, Your Honor.

6 MR. HAYNES: I have a few questions.

7 JUDGE CHRISTIANSON: Go ahead, Mr. Haynes.

8 CROSS-EXAMINATION

9 BY MR. HAYNES:

10 Q. Good morning, Mr. Yarolin.

11 A. Good morning.

12 Q. I'm Bob Haynes, representing the Central Eastern
13 Pennsylvania Fuel Oil Dealers.

14 Would you agree that Rate Schedule RTS is offered by
15 PP&L for purposes of serving heating customers?

16 A. Yes.

17 Q. Would you agree that Rate Schedule RTS would be
18 an alternative to customers to fossil fuels?

19 A. Yes.

20 Q. In terms of your concerns with the marketing of
21 Rate Schedule RTS, is there any information in this record
22 that you have reviewed to raise that concern?

23 A. The source of my information has been the public
24 input hearings. There appears to be a lot of concern from
25 the customers of RTS as far as promises made or maybe

1 understandings of what was expected. Based on that, that's
2 where I came to the conclusion that some investigation would
3 be needed.

4 Q. Have you reviewed the testimony and exhibits
5 offered by the Central Eastern Pennsylvania Fuel Oil
6 Dealers?

7 A. I did not.

8 MR. HAYNES: That's all the questions I have. Thank
9 you.

10 JUDGE CHRISTIANSON: I was just thinking about
11 whether I should tell an old story.

12 (Laughter.)

13 JUDGE CHRISTIANSON: Let's be off the record for a
14 minute. I feel like telling a story.

15 (Discussion off the record.)
16
17
18
19
20
21
22
23
24
25

1 JUDGE CHRISTIANSON: Back on the record.

2 We were off the record just to tell an old story that
3 doesn't have to be repeated for the record and get into this
4 question of competition a little bit. Obviously, this
5 question of competition is going to be deviling us over the
6 next few years, not just of fuel oil, but the whole question
7 about competition; electric as well. Electric may go the
8 way of gas, competition within the utility type as well as
9 external competition.

10 But I might have interrupted Mr. Haynes. Were you
11 done with your cross?

12 MR. HAYNES: No. I was finished, Your Honor.

13 JUDGE CHRISTIANSON: Anything from the federal
14 government?

15 MR. McCORMICK: No questions, Your Honor.

16 MS. MOURY: I do, Your Honor.

17 JUDGE CHRISTIANSON: Yes. I thought you might.

18 CROSS-EXAMINATION

19 BY MS. MOURY:

20 Q. Good morning, Mr. Yarolin.

21 A. Good morning.

22 Q. I just really have a couple of questions to make
23 sure I understand your recommendation for distributing a
24 revenue award that would be less than the company requested.
25 The way I understand it, your testimony at page 10, the

1 bottom of page 10, is that essentially the first \$17.44
2 million increase granted to PP&L would be distributed
3 between the RS and RTS classes only.

4 A. That's correct.

5 Q. And that would be through an increase of the
6 customer charge?

7 A. That's right.

8 Q. Now, anything above the \$17.44 million would
9 then be shared proportionately among all the other classes
10 except RTS?

11 A. Except the SE rate, which would not be
12 increased.

13 Q. All right. So with the exception of SE and RTS,
14 all the other classes then would share proportionately in
15 that amount?

16 A. That's correct.

17 Q. So would you agree that what you are proposing
18 is a little different than a traditional proportionate
19 scale-back?

20 A. Slightly.

21 MS. MOURY: That's all I have, Your Honor. Thank
22 you.

23 JUDGE CHRISTIANSON: I'll just remark. You called me
24 about your witness and we touched on this question with your
25 witness. You asked if I had questions for the witness.

1 Obviously, this case may require more rate design thinking
2 than many cases do because of some significant changes
3 involved; and I guess Consumer Advocate opens up the
4 possibility of even negative numbers in the case.

5 I guess we could ask the rate design people what
6 happens if a negative number comes out as a result. I'm
7 sure PP&L would rather not think about negative numbers, but
8 it's in the case now.

9 I do appreciate if counsel would give some thought to
10 the possibility of some of these rate design problems at a
11 lesser increase, particularly the interruptible industrial
12 and the residential heating. Again, this is only a
13 possibility. I don't know where the numbers are going to
14 come in this case. When I write it up, I don't even know
15 where the numbers come until after my people have done the
16 charts, so I like to think that I do each issue as the issue
17 comes and don't look at the bottom line, but the bottom line
18 is going to be there eventually when the Commission is done
19 with the whole thing.

20 In any case, we can worry about that more when your
21 witness comes -- when your witness doesn't come, and you may
22 point out the passage you referred to on the telephone.

23 Anything, Mr. Kleppinger?

24 MR. KLEPPINGER: Yes, Your Honor, just briefly.

25

CROSS-EXAMINATION

1
2 BY MR. KLEPPINGER:

3 Q. Mr. Yarolin, I just want to clarify that within
4 the four corners of your testimony, you have not made a
5 recommendation regarding how any increase to a given rate
6 schedule is handled within a schedule, namely between firm
7 and interruptible service, as referenced by the Judge.

8 A. That's correct.

9 Q. You have not taken a position on that; correct?

10 A. To the extent that as the company proposes
11 interruptible versus the firm, following their same format,
12 allocating that revenue requirement, if it's in excess of
13 the 17 million, it would be spread as the company proposed,
14 the same percentage.

15 Q. Okay. But in terms of whether or not there
16 should be a rate design change to the way an interruptible
17 rate is charged, you have not analyzed that?

18 A. I have not given a position on that.

19 MR. KLEPPINGER: Thank you. That's all I have.

20 JUDGE CHRISTIANSON: Then we can perhaps pause. We
21 seem to be done with cross for the witness.

22 MR. MICKENS: No redirect, Your Honor.

23 JUDGE CHRISTIANSON: That decision was made quickly.
24 Then we can be done with the witness, and the witness is
25 excused.

(Witness excused.)

1
2 JUDGE CHRISTIANSON: I think we can take a little
3 time. Let's be off the record briefly.

4 (Discussion off the record.)

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

6 We'll let the next live witness get settled in the
7 witness box. Maybe we can hear briefly from the Small
8 Business Advocate about your witness. Your witness is not
9 here?

10 MS. MOURY: That's right, Your Honor, but I do have
11 his testimony.

12 JUDGE CHRISTIANSON: Do you want to move it in at
13 this point?

14 MS. MOURY: I might as well.

15 JUDGE CHRISTIANSON: Go ahead.

16 MS. MOURY: Your Honor, I would move into the record
17 OSBA Statement No. 1, which consists of the direct testimony
18 and exhibit of Robert D. Knecht. I understand that the
19 parties are willing to stipulate to the admission of this
20 document without the need for cross-examination.

21 JUDGE CHRISTIANSON: Yes; and I hear no opposition to
22 that statement. At this point, assuming there is no need
23 for cross, I now accept OSBA Statement No. 1 into the
24 record, subject, let's say, to motions made today if anybody
25 has trouble with it.

1 (Whereupon, the document was marked
2 as OSBA Statement No. 1 for
3 identification, and was received in
4 evidence.)

5 MS. MOURY: That's fine, Your Honor. One thing I
6 should mention is that when I spoke with Mr. Zielonis
7 yesterday about this, he wasn't certain whether he did have
8 any cross-examination for Mr. Knecht. He didn't believe
9 that he would, but the way that we left it is that if he
10 would have a question or two on his direct testimony, that
11 perhaps he could delay it until the final phase of hearings
12 for cross of rebuttal and surrebuttal and could be permitted
13 to ask those questions at that time.

14 JUDGE CHRISTIANSON: Or if we have a question or two,
15 we might work it out by telephone without having him in.

16 MS. MOURY: That's the other option, Your Honor.

17 JUDGE CHRISTIANSON: Okay. When you called me about
18 this, you thought I might have questions, because your
19 witness deals with a rate design on a low increase
20 possibility.

21 MS. MOURY: Right, Your Honor. Someone had suggested
22 that Your Honor might have questions, and I specifically
23 wanted to alert you to his testimony and the portion of it
24 that does recommend an alternative way of allocating a
25 revenue award that is lower than the company has requested.

1 JUDGE CHRISTIANSON: Right. I just thought I'd have
2 you mention that fact.

3 MS. MOURY: Again, if there would be any questions on
4 that at a subsequent hearing, I'm sure Mr. Knecht would not
5 have a problem with explaining any of that at that time.

6 JUDGE CHRISTIANSON: And maybe by rebuttal time we're
7 more firm on just what might happen with the whole
8 proceeding.

9 Well, then I'll mention briefly my discovery problem.
10 I've been trying to do things informally because I have been
11 a little busy lately for various reasons; and I'm trying to
12 read my notes. I also have this handwriting problem. Oh.
13 Basically, I ended up not allowing the discovery or not
14 demanding, requiring the discovery. Basically, the company
15 had provided a 1-CP analysis, which counsel had indicated is
16 similar to the 3-CP analysis sought. I guess the witness
17 had wanted the 3-CP run; and based on a preliminary
18 discussion with counsel, I decided that, weighing the burden
19 against the virtues of it and weighing the timing of it, I
20 was not going to compel.

21 If we need more discussion, we can have it. I
22 announced this to the two parties immediately concerned or
23 the two counsel and said I'd follow up at hearing, and I did
24 not memorialize it with a written order; but by the time we
25 got to that point, it was largely mooted out.

1 Specifically, Mr. Delaney indicated that he was not
2 withdrawing his motion. But based on sort of a balancing, I
3 will say for Mr. Delaney that under the proper
4 circumstances, I will compel a utility to respond to these
5 sorts of things. I think that was one point he was making.
6 We went back and forth as to timing, he should have done it
7 earlier, and a whole bunch of things like that, but we cut
8 through most of that. But I am willing to compel on this,
9 and in several gas cases over the years, I've compelled in
10 some detail. But considering the availability of
11 alternative methods and the general situation we had, I did
12 not compel on this one; and I don't think I have to go into
13 further detail unless counsel have problems.

14 We do have the witness here, and I guess Mr. Melia
15 can proceed. If you want to talk about the discovery, go
16 ahead.

17 MR. MELIA: Your Honor, I have nothing further to add
18 on that.

19 JUDGE CHRISTIANSON: Okay. As I said, I talked to
20 Mr. Delaney in some detail. I'm sure you're aware of the
21 conversation.

22 MR. MELIA: Yes.

23 JUDGE CHRISTIANSON: Go ahead.

24 MR. MELIA: Thank you, Your Honor. Mr. Eisdorfer has
25 taken the stand and should be sworn.

1 JUDGE CHRISTIANSON: Yes. That's one thing I should
2 do.

3 Whereupon,

4 KENNETH EISDORFER

5 having been duly sworn, testified as follows:

6 MR. MELIA: Your Honor, I've previously distributed
7 to the court reporter and the parties copies of the
8 University/College Coalition Statement No. 1, and I would
9 ask that it be marked at this time.

10 JUDGE CHRISTIANSON: Yes, so marked, your No. 1.

11 (Whereupon, the document was marked
12 as UCC Statement No. 1 for
13 identification.)

14 MR. MELIA: And also attached to it are the exhibits
15 of Mr. Eisdorfer. That has been designated KE-1, and if it
16 could be marked as such.

17 JUDGE CHRISTIANSON: Yes. We can separately mark it,
18 but it is physically one document stapled together. That's
19 correct. So identified.

20 (Whereupon, the document was marked
21 as UCC Exhibit No. KE-1 for
22 identification.)

23 DIRECT EXAMINATION

24 BY MR. MELIA:

25 Q. Mr. Eisdorfer, could you state your full name

1 and business address for the record?

2 A. Kenneth Eisdorfer, 2258 Schuetz Road, St. Louis,
3 Missouri.

4 Q. And by whom are you employed and in what
5 capacity?

6 A. Cook, Eisdorfer & Associates. I am a consultant
7 in the field of public utility regulation.

8 Q. Do you have before you what has been marked for
9 the record as University/College Coalition Statement No. 1?

10 A. Yes.

11 Q. Which is captioned the testimony of Kenneth
12 Eisdorfer?

13 A. Yes.

14 Q. And was this statement prepared by you?

15 A. Yes.

16 Q. Do you have any changes or corrections to make
17 to the statement at this time?

18 A. No.

19 Q. Is the information contained in UCC Statement 1
20 true and correct to the best of your knowledge?

21 A. Yes.

22 Q. Moving to your Exhibit KE-1 consisting of eight
23 schedules, was this exhibit prepared by you or under your
24 direction?

25 A. It was.

1 Q. Do you have any changes or corrections to make
2 to that exhibit?

3 A. No.

4 Q. And is all the information contained in that
5 Exhibit UCC KE-1 true and correct?

6 A. Yes.

7 MR. MELIA: Your Honor, at this time I would move for
8 the admission of both UCC Statement 1 and Exhibit KE-1
9 subject to any cross-examination or motions, and I would
10 tender the witness for cross.

11 JUDGE CHRISTIANSON: Subject to the standard
12 conditions, the statement and the accompanying exhibit are
13 accepted into the record.

14 (Whereupon, the documents marked as
15 UCC Statement No. 1 and UCC Exhibit
16 No. KE-1 were received in evidence.)

17 JUDGE CHRISTIANSON: Let me start with one question
18 just because I have a marginal note I made here. On page 9,
19 at the middle of the page, you have an answer. As I sit
20 here, it seems fairly clear, but I made the note, "Based on
21 what study?" The 12-CP study, I guess.

22 THE WITNESS: Table 2?

23 JUDGE CHRISTIANSON: Yes, this table.

24 THE WITNESS: No. Table 2 is based upon the results
25 of the single CP study.

1 JUDGE CHRISTIANSON: Okay. Then it's good I asked.
2 Then we can go with cross-examination that the
3 company has.

4 MR. MacGREGOR: Yes, Your Honor. Mr. Barr from my
5 office will cross-examine Mr. Eisdorfer.

6 JUDGE CHRISTIANSON: Okay. Go ahead.

7 MR. BARR: Thank you, Your Honor.

8 CROSS-EXAMINATION

9 BY MR. BARR:

10 Q. Mr. Eisdorfer, my name is Christopher Barr. I'm
11 here for the company. Good morning.

12 A. Good morning, sir.

13 Q. You represent several colleges in the company's
14 service territory?

15 A. Yes.

16 Q. I'd like you to turn to page 3 of your testimony
17 at lines 4 to 14. Do you have that?

18 A. Yes.

19 Q. There you state your opinion that under current
20 rates, businesses and institutions served by the company are
21 placed at an unfair and unnecessary disadvantage in offering
22 their goods and services in the competitive marketplace.

23 A. Yes.

24 Q. Is this simply a broad generalization or are you
25 making that statement specifically with regard to your

1 sponsoring colleges in this case?

2 A. Well, it is a broad statement that is intended
3 to include the colleges that I am representing in this case.

4 Q. So your contention is that they are placed at an
5 unfair and unnecessary disadvantage in offering their
6 services?

7 A. Yes. Generally, in the current structure of
8 higher education in this country, colleges must compete for
9 students just like a business must compete in selling its
10 goods and services.

11 In competing for students, colleges must set tuition
12 rates, and tuition rates are partially a function of power
13 costs that the colleges must pay.

14 Q. You anticipated my next question, Mr. Eisdorfer.
15 Do you know what the percentage of these colleges' total
16 costs are that arise from the electricity charges from the
17 company?

18 A. I do not. Obviously, the colleges believe that
19 it is significant by the mere fact that I am here today.

20 Q. But you do not know at all what that percentage
21 is?

22 A. No, I do not.

23 JUDGE CHRISTIANSON: Perhaps I can mention for other
24 counsel present -- I am sure the company is aware -- the
25 colleges sent a witness, the president of one of the

1 colleges, to the public input hearing at Harrisburg. I
2 understand from counsel that he came there to have the
3 Commissioners present, but they were dealing with a
4 management study over at the North Office Building and were
5 not present there, though they were present at other public
6 input hearings.

7 Go ahead.

8 MR. BARR: Thank you, Your Honor.

9 BY MR. BARR:

10 Q. Now, as I read your testimony on this page, you
11 are criticizing the competitive impact of the company's
12 existing rates, not just the proposed rates.

13 A. That is correct.

14 Q. Are you aware of what percentage the company's
15 base rates have increased since 1985 before the pending
16 proposal would become effective?

17 A. Well, there has not been a base rate case since
18 1985, so there has been no change other than possibly some
19 minor changes due to a change in tax rates.

20 Q. Mr. Eisdorfer, are you aware of how much since
21 1985 the tuition charges of your sponsoring colleges have
22 increased?

23 A. No.

24 Q. Do you know whether it is greater or less than
25 the general rate of inflation, CPI?

1 A. I don't know with respect to the specific
2 colleges that I am representing. I am aware that in
3 general, the cost of higher education has increased greater
4 than the CPI throughout the country.

5 Q. Thank you. Under which rate schedules do your
6 sponsoring colleges primarily receive service from the
7 company?

8 A. Rates LP-4, GS-3, GS-1 and GH.

9 Q. Now, you've made certain rate design and cost of
10 service recommendations for the Commission to consider.
11 Which among the rate classes that you've proposed -- which
12 among the increases and so forth you've proposed involve the
13 smallest increase to a rate class?

14 A. As shown on Schedule 6 of my exhibit, the
15 smallest increase is proposed for Rate GS-1. It is actually
16 a rate decrease.

17 Q. Right. Then after GS-1, the smallest increases
18 are for?

19 A. Well, standby would also get a decrease.

20 Q. Right. Among the other classes?

21 A. Rate GS-3 and Rate -- I'm sorry. Rate LP-4 and
22 ISA.

23 Q. So the colleges' rate schedules would receive
24 the lowest increase among these given the others that you
25 have mentioned?

1 A. The fourth rate schedule that I mentioned, Rate
2 GH, would receive one of the greatest increases, 19.2
3 percent. So three out of the four rate schedules that I
4 mentioned would have relatively small increases or, in the
5 case of GS-1, a decrease according to proper cost of service
6 principles.

7 Q. Under your proposal, which rate class suffers
8 the largest increase?

9 A. Rate RTS.

10 Q. And after that, would RS be the highest?

11 A. Actually, lighting. Then RS.

12 Q. Within the class of the residential customers,
13 the RS, individual residential consumers could end up paying
14 quite a bit more than this average percentage; is that
15 correct?

16 A. Well, obviously, that is a function of the rate
17 design that is implemented. It is possible that if the
18 residential rate is increased by a uniform percentage with
19 respect to the customer charges and the energy charges, then
20 all classes in the RS rate could receive the increase that
21 I've recommended of 25.5 percent at the company's requested
22 revenue relief level. So it is a function of how the RS
23 rate is designed.

24 Q. It could be higher, though?

25 A. It could be higher.

1 Q. In your testimony, you reject the company's
2 proposal of having a general policy of capping rate class
3 increases at 1.5 times the system average; is that right?

4 A. Yes.

5 Q. You instead have a proposal that it be capped at
6 three times the system average?

7 A. That is correct, which still would have a
8 customer incur a maximum increase which is below the
9 aggregate change in the Consumer Price Index since 1985, the
10 time of the company's last rate case.

11 Q. Right, right. Now, would you also reject a
12 proposal, if the company were to advance it, to increase the
13 cap for class increases at 1.65 times the system average?

14 A. Yes.

15 Q. Mr. Eisdorfer, have you previously testified in
16 a PP&L base rate case?

17 A. Yes. I testified in the 1983 case.

18 Q. Do you happen to have that testimony with you?

19 A. No.

20 Q. Fortunately, I happen to have a couple extra
21 copies. I have a copy for counsel, too.

22 JUDGE CHRISTIANSON: It's getting close to being an
23 ancient document.

24 THE WITNESS: I commend whoever maintains your filing
25 system.

1 MR. BARR: No cobwebs even.

2 (Document handed to witness.)

3 BY MR. BARR:

4 Q. Now, perhaps with the aid of this copy, do you
5 recall what cap you advised in that rate case for maximum
6 class increases?

7 A. Well, I see it right here. On page 21, the cap
8 was 1.66 times the average increase to the system. If I can
9 just have a moment to look at another portion of my
10 testimony.

11 (Witness perusing document.)

12 A. I believe I recommended that cap for a very good
13 reason. The circumstances in that case were a lot different
14 than this case. Susquehanna Unit No. 1 was coming on line.
15 The company was requesting a tremendous increase in base
16 rates. Exclusive of fuel, that increase was 62.7 percent, a
17 much, much higher increase than what the company is
18 proposing in this case.

19 So the 1.66 recommendation in the 1983 case gave
20 recognition to the overall size of PP&L's request, which was
21 much greater than what is being requested in this case. So
22 I therefore believe that my recommendation of three times
23 the system average in this case provides recognition that
24 the overall requested increase in this case is significantly
25 below that in the 1983 case.

1 Q. Looking at the relative size of the two rate
2 cases, what was the company's proposed dollar increase in
3 that case, Mr. Eisdorfer?

4 A. The overall dollar increase in base rates was
5 \$483.3 million as compared to \$257.9 million in this case.

6 Q. Where are you reading that figure from?

7 A. Schedule 10.

8 Q. Your Schedule 10 in that case?

9 A. Yes.

10 Q. So it's your testimony this was the amount the
11 company was requesting in that case?

12 A. In base rates, the increase in base rates.

13 Q. That is your testimony?

14 A. Yes, based upon my very quick review of
15 testimony that was filed 12 years ago.

16 Q. I understand. Thank you.

17 I'd like you to turn to -- excuse me for a moment --
18 that prior testimony at page 2. On lines 11 to 13 and 14,
19 you state that, "I've remained cognizant of the large
20 magnitude of PP&L's request and have structured my proposals
21 in a manner which seeks to avoid overly abrupt rate
22 increases to customers."

23 Do you agree with the policy of avoiding overly
24 abrupt rate increases to customers for current ratemaking
25 purposes as well?

1 A. I do.

2 Q. Mr. Eisdorfer, I'd like you to turn now to page
3 5 of your current testimony -- you can lay aside the ancient
4 tome -- at lines 9 to 11. There you state that "The annual
5 system peak dictates the amount of production and
6 transmission capacity that a utility must have available."
7 You go on and express similar thoughts elsewhere in your
8 testimony.

9 Does the level of the company's annual system peak
10 dictate the type of production capacity the company uses to
11 meet that peak?

12 A. Not necessarily. I mean, the growth in the
13 annual system peak is the driving force behind the need to
14 add additional capacity. The type of capacity is influenced
15 by other factors in addition to the annual system peak.
16 Those can include minimization of total cost, siting
17 considerations, political considerations, environmental
18 considerations, fuel availability issues. There are all
19 sorts of questions that must be looked at and answered
20 before a utility decides what type of generation should be
21 installed on its system.

22 JUDGE CHRISTIANSON: Or what mix, actually, total?

23 THE WITNESS: Yes.

24 JUDGE CHRISTIANSON: By type, you mean what you have
25 to add on would be a decision?

1 THE WITNESS: Yes. I'm talking about additions to
2 the existing mix.

3 JUDGE CHRISTIANSON: Okay, fine.

4 BY MR. BARR:

5 Q. I guess in line with the Judge's comment, by
6 type, we've been discussing the question of different types
7 of production like nuclear, coal-fired, oil-fired, and
8 combustion turbine and so forth?

9 A. Hydro.

10 Q. Right. I'd like to turn to your Schedule 1
11 right now. There you describe the relative sizes of the
12 monthly peaks during the years 1990 through 1994; is that
13 right?

14 A. Yes.

15 Q. Now, as I read the schedule, it is completely
16 independent of the company's available capacity for these
17 years; isn't that right?

18 A. Yes. This schedule looks strictly at the system
19 peaks.

20 Q. Right, right. Now, for example, the schedule
21 shows the 77 percent figure for October, 1990 down on
22 line 10.

23 A. Yes.

24 Q. And that means that the highest usage in October
25 of 1990 was 77 percent of the highest usage for that year?

1 A. The monthly system peak was 77 percent of the
2 annual system peak which occurred in February.

3 Q. This schedule, however, does not in any way
4 address the amount of installed and available capacity for
5 each of these months, does it?

6 A. No.

7 Q. Have you attempted to determine in preparing
8 your testimony what the available capacity is at present or
9 in the past for each of the months that you've set out here?

10 A. No. I frankly don't believe it is relevant in
11 determining what type of capacity allocation methodology
12 should be selected for a given utility.

13 Q. Mr. Eisdorfer, in your 1983 testimony, you
14 recommended a cost-based approach to allocating PP&L's rate
15 increase. Again, without calling in too much detail from
16 that, is that a fair statement?

17 A. Yes.

18 Q. You presented a cost-based proposal in fact to
19 the Commission for allocating the increase?

20 A. Yes.

21 Q. Do you recall what method you incorporated in
22 your approach for allocating fixed costs among rate classes?

23 A. I believe I recommended the winter coincident
24 peak, if I can --

25 Q. Please.

1 JUDGE CHRISTIANSON: If we need, we'll take a break
2 soon. We can take a break now. Do you think he needs time
3 with the testimony?

4 MR. BARR: I'm sorry?

5 JUDGE CHRISTIANSON: Do you think he needs time with
6 the testimony?

7 MR. BARR: I think it will only take a couple
8 minutes.

9 JUDGE CHRISTIANSON: Okay. Let's do that, and we'll
10 break in a couple minutes, but we'll go through this.

11 (Pause.)

12 JUDGE CHRISTIANSON: That's another rule I have, the
13 Bernie Ryan rule. We try to break after 11:30, because the
14 coffee shop is open then or the snack bar, I should say.

15 (Laughter.)

16 MR. BARR: Your Honor, I think I'll be finished
17 fairly soon.

18 JUDGE CHRISTIANSON: Okay. We'll get done with what
19 you have then before the break.

20 THE WITNESS: My revenue distribution proposal was
21 predicated upon the testimony of my partner, Mr. Harold
22 Cook. Mr. Cook presented the recommended cost of service
23 study in that case. I believe it was a winter coincident
24 peak method.

25 JUDGE CHRISTIANSON: Just for interest, who was your

1 client in that case?

2 THE WITNESS: St. Regis Paper Company.

3 BY MR. BARR:

4 Q. An LP-4 customer?

5 A. Yes.

6 Q. Did the Commission accept Mr. Cook's
7 recommendation?

8 A. I don't believe so.

9 Q. As I understand it, you have not in your
10 testimony proposed an energy-based allocation of cost?

11 A. I never would, not of capacity cost.

12 Q. You wouldn't support that approach?

13 A. No.

14 MR. BARR: Your Honor, that's all my questions.

15 JUDGE CHRISTIANSON: Okay. I take it we're at a
16 logical point to break. We'll take a good ten minutes. Try
17 to be going again about quarter of. It's just about half
18 past now.

19 Before we break, I'll mention these letters. I'll
20 copy them. A copy of this main letter from Robert G. Waldon
21 was sent to the President of PP&L. It is sort of an
22 interesting letter. I reread it now, and I think I should
23 share copies of it with people here, so I'll have copies of
24 that after the break. Let's take about 10, 15 minutes at
25 this point. We're off the record.

1 (Discussion off the record.)

2 JUDGE CHRISTIANSON: Let's go ahead and be back on
3 the record.

4 We left off with examination by the company, and I
5 think the company is done.

6 Any follow-up at this point?

7 MR. BARR: No.

8 JUDGE CHRISTIANSON: Then anything from Trial Staff?

9 MR. MICKENS: No questions.

10 JUDGE CHRISTIANSON: Consumer Advocate?

11 MS. McCLOSKEY: No questions.

12 JUDGE CHRISTIANSON: Ms. Brandeis?

13 MS. BRANDEIS: No questions, Your Honor.

14 JUDGE CHRISTIANSON: Mr. Haynes, anything?

15 MR. HAYNES: No questions.

16 JUDGE CHRISTIANSON: Then we didn't come back for
17 much. I thought there would be more examination.

18 Small Business?

19 MS. MOURY: I just have a couple, Your Honor.

20 JUDGE CHRISTIANSON: Okay, fine. Go ahead.

21 CROSS-EXAMINATION

22 BY MS. MOURY:

23 Q. Good morning, Mr. Eisdorfer.

24 A. Good morning.

25 Q. The only questions I have, Mr. Eisdorfer, relate

1 to the specific members in the coalition, and they would be
2 listed on page 1 of your testimony.

3 A. Yes.

4 Q. I think that you discussed this to some extent
5 with Mr. Barr. You mentioned that generally, those colleges
6 and universities take service under Rate Schedules LP-4,
7 GS-3, GS-1, and GH.

8 If I recall, the President of Muhlenberg College did
9 testify at the public input hearing that they are primarily
10 taking service under GS-3 and LP-4.

11 I wondered if you have any specific information about
12 rate schedules pertaining to each individual member in this
13 group or do you just have general information?

14 A. I just have the general knowledge that I
15 mentioned earlier.

16 Q. Do you know whether the majority of the
17 consumption is on a particular schedule of those you've
18 listed?

19 A. I know that the largest block is on Rate LP-4,
20 and the second largest, I believe, is Rate GS-3, then Rate
21 GS-1, and the smallest is Rate GH.

22 MS. MOURY: That's all I have, Your Honor.

23 JUDGE CHRISTIANSON: Okay. Anything from Mr.
24 Kleppinger?

25 MR. KLEPPINGER: No questions, Your Honor.

1 JUDGE CHRISTIANSON: Then we seem to be done with
2 cross, and we can take a moment. Let's be off the record
3 briefly.

4 (Discussion off the record.)

5 JUDGE CHRISTIANSON: Let's go on the record.

6 I understand there is no redirect for the witness,
7 and then the witness is excused. We have his testimony then
8 of record.

9 (Witness excused.)

10 JUDGE CHRISTIANSON: This seems to bring us to the
11 end of the day's adventure. I think it might be good to
12 start tomorrow at 9:30 just to get a little quicker start
13 than we might otherwise get.

14 Tomorrow then it is going to start off presumably --
15 well, we might start off with the individual witnesses from
16 the industrials to get them here and out.

17 MR. KLEPPINGER: That would be fine, Your Honor.

18 JUDGE CHRISTIANSON: And then I think Mr. Andersen
19 has some time constraints.

20 MR. HAYNES: If they have a lot of cross. That is
21 the kind of wild card. He's going to have the most cross of
22 anybody, I think.

23 JUDGE CHRISTIANSON: I guess so. We can talk about
24 that maybe after we break for today, after we're off the
25 record.

1 Anything we need further from anybody for the record
2 for today?

3 MR. KLEPPINGER: I don't know which PPLICA witnesses
4 you are referring to, Your Honor. We have six individual
5 company witnesses plus Mr. Baron tomorrow. I'd like, if we
6 can, to keep them together instead of splitting it up,
7 because there may be technical questions to the individual
8 company witnesses that they would defer to Baron as the rate
9 expert.

10 JUDGE CHRISTIANSON: That's a thought. Does anybody
11 have a lot for Baron? Maybe we can take Baron first as
12 well.

13 MR. BARR: We don't have a large amount.

14 JUDGE CHRISTIANSON: Let's try to do that. If we get
15 into trouble about people having to leave, problems like
16 that, we'll just worry about it when the time comes. We'll
17 figure starting off with Mr. Kleppinger's people at the
18 beginning, and then we'll worry about Mr. Andersen.

19 How about Johnson; does he have any time constraints?

20 MS. McCLOSKEY: He is more flexible since he will be
21 driving in from Washington and driving back.

22 JUDGE CHRISTIANSON: So if he leaves at 6:00 at
23 night, it's not so vital.

24 MS. McCLOSKEY: Excuse me?

25 JUDGE CHRISTIANSON: If he leaves at 6:00 at night,

1 if we happen to run real long, he'll just curse us under his
2 breath as he drives back to D.C.

3 MS. McCLOSKEY: Yes. I think that probably would be
4 correct.

5 JUDGE CHRISTIANSON: Okay. Then we'll worry a little
6 bit more about tomorrow maybe off the record. I have these
7 letters, if people want copies.

8 Then we seem to be done with today's business on the
9 record, and we'll be off the record for today's hearing to
10 reconvene at 9:30 tomorrow.

11 (Whereupon, at 11:53 a.m., the hearing was adjourned,
12 to be reconvened at 9:30 a.m., Wednesday, April 26, 1995, in
13 Harrisburg, Pennsylvania.)

14 ***
15
16
17
18
19
20
21
22
23
24
25

C E R T I F I C A T E

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

COMMONWEALTH REPORTING COMPANY, INC.

By: John A. Kelly
John A. Kelly

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

FORM 2