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PENNSYLVANIA POWER & LIGHT COMPANY

Statement 2-R

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5-24-95

Rebuttal Testimony of Michael J. Berish

ltkf

Docket No. R-00943271

DOCKETED
MAY 26 1995

1 Q. Please state your name and place of employment.

2 A. My name is Michael J. Berish, and I am employed as Manager-Financial
3 Planning by the Pennsylvania Power & Light Company ("PP&L" or the
4 "Company"), Two North Ninth Street, Allentown, Pennsylvania 18101.

5

6 Q. Have you provided direct testimony in this rate proceeding?

7 A. Yes. My direct testimony in this rate proceeding was admitted as PP&L
8 Statement 2.

9

10 Q. What issues will you be addressing in your rebuttal testimony?

11 A. I will be responding to the following issues raised by the witness indicated
12 for each:

13	<u>Issue</u>	<u>Witness</u>
14	Environmental Remediation Expense	Mr. Weakley
15		Mr. Catlin
16	Uncollectible Accounts Expense	Mr. Weakley
17	Susquehanna Refueling Costs	Mr. Catlin
18		
19	Pension Costs	Mr. Weakley
20		Mr. Catlin
21	SFAS 112 Costs	Mr. Catlin
22	Voluntary Early Retirement Costs	Mr. Kollen
23		Mr. Prisco

24 In addition, I will discuss the financial impact on the Company if the OCA's
25 proposed \$73.1 million rate reduction were to be adopted.

1 **ENVIRONMENTAL REMEDIATION EXPENSE**

2 Q. Please describe the adjustments for environmental remediation expense
3 proposed by Mr. Weakley and Mr. Catlin.

4 A. Mr. Weakley proposes an annual environmental remediation expense
5 allowance, on a total-Company basis, of \$3,800,000, which equates to a
6 \$1,304,000 reduction to PP&L's jurisdictional ratemaking claim. He
7 derived this amount by annualizing the highest monthly expense amount
8 incurred during the historic test year (\$316,000). Mr. Catlin, on the other
9 hand, would provide the Company an annual allowance equal to the
10 actual level of expenditures experienced during the twelve months ended
11 February 1995 and, on that basis, would reduce PP&L's jurisdictional
12 claim by \$3,017,000.

13
14 Q. What is the basis for their proposed adjustments?

15 A. The basis for their adjustments appears to be the view that actual
16 expenditures during both the historic test year and, where available, the
17 future test year, do not support the Company's claimed annual expense
18 level of \$5,400,000.

19
20 Q. Do you believe that the actual expenditure level in the recent past is a
21 good indicator of future expenditure levels?

22 A. No, I do not. During the past year, the Company has been engaged in
23 extensive discussions with the Pennsylvania Department of
24 Environmental Resources (the "DER") concerning the establishment of a

1 comprehensive, managed approach to investigate and clean-up sites that
2 may have been contaminated by past operations of PP&L or its
3 predecessor companies. The claimed amount of \$5,400,000 assumed
4 that those discussions would result in the implementation of such a
5 program during the future test year. Indeed, one of the reasons why
6 PP&L had not made more significant expenditures for environmental
7 remediation to date was that the Company was awaiting execution of the
8 agreement with the DER.

9
10 Q. Have PP&L and the DER reached an agreement regarding the
11 Company's ongoing environmental remediation efforts?

12 A. Yes. On April 27, 1995, PP&L signed an agreement with the DER which
13 calls for PP&L to investigate and, if necessary, clean up 134 sites that
14 may have been contaminated in the past. DER Secretary James M. Seif
15 characterized the agreement as "a true partnership between government
16 and industry to find mutually acceptable solutions to clean up the
17 environment and promote economic development." A news release
18 issued by the DER setting forth details of the agreement has been
19 attached to my rebuttal testimony as Exhibit MJB-9.

20
21 Q. Why was this program undertaken with the DER?

22 A. The site remediation strategy with the DER was undertaken in response
23 to a Pennsylvania Public Utility Commission (PUC) management audit
24 finding which recommended that "appropriate and effective actions are

1 taken to prevent or minimize future Superfund liabilities.” The audit, which
2 was performed by Schumaker & Company, was completed in June 1994,
3 and I have attached, as Exhibit MJB-10, a relevant excerpt from that audit.
4

5 Q. Were there any other reasons why significant environmental remediation
6 expenditures had not been made through March 1995?

7 A. Yes. Much of the remediation effort consists of sampling or removing soil
8 from various sites. It is much easier to remove soil after the ground
9 thaws. Thus, as a practical matter, it is more effective to undertake the
10 remediation efforts beginning in the spring.
11

12 Q. Have additional expenditures been made on environmental remediation
13 sites in the past several months?

14 A. Yes. In response to first an OCA interrogatory (OCA Cross Examination
15 Exhibit No. 10; OCA Interrogatory Set IV, No. 99) and later an OCA On-
16 The-Record Date Request (Hearing of March 27, 1995, No. 4), the
17 Company provided actual monthly environmental remediation expenditure
18 levels through February 1995, and has updated this data monthly as
19 actual expenditures became available. In Exhibit MJB-11, I have updated
20 those responses to include data through April 1995.
21

22 Q. What is your conclusion regarding the adjustments proposed by Messrs.
23 Weakley and Catlin?

1 A. They should be rejected. Under the circumstances that I discussed,
2 particularly the execution of PP&L's innovative agreement with the DER,
3 historic levels of expenditures for environmental remediation simply are
4 irrelevant and provide no basis for the proposed adjustments.

5

6 **UNCOLLECTIBLE ACCOUNTS EXPENSE**

7 Q. Have you reviewed the adjustments to uncollectible account expenses
8 proposed by Mr. Weakley?

9 A. Yes, I have. Mr. Weakley is proposing downward adjustments of
10 1) \$1,234,000, on a total Company basis, for normal uncollectible
11 accounts expense and 2) \$140,000, on a total Company basis, for the On
12 Track Payment Program (OTPP).

13

14 Q. What is the basis for Mr. Weakley's adjustments?

15 A. Mr. Weakley's adjustment of \$1,234,000 for normal uncollectibles is
16 based on his contention that, for ratemaking purposes, the write-off
17 amount should be used rather than the provision for building up a fund
18 from which uncollectibles will be written off.

19

20 Q. Please explain the difference between a provision and an actual write-off.

21 A. Under well-established accounting practices, revenue from electric sales
22 is recorded for book purposes when the customer uses the energy and
23 bills are rendered. In other words, utilities do not record the revenue
24 when the cash is actually collected from customers and, indeed, the bill

1 may actually be paid months, or even years, after the revenue is
2 recorded. However, to reflect the fact that some of the recorded revenue
3 will never be collected, utilities book to expense an amount, referred to as
4 a provision for uncollectibles, which attempts to identify how much of the
5 recorded revenue eventually will be written off. The reason for doing this
6 is to avoid overstating or understating earnings. In essence, this charge
7 to expense provides a "matching" with the recorded revenues.

8

9 Q. Mr. Berish, in your opinion, is it more appropriate to use the provision or
10 the write-off for ratemaking purposes?

11 A. In my opinion, the more appropriate number is the provision of
12 \$16,932,000, which was utilized by the Company in developing its
13 uncollectible accounts expense claim. I say this because the provision is
14 consistent with the same future test year sales levels employed by PP&L
15 to derive pro forma present rate revenues. In contrast, the lower write-off
16 figure proposed by Mr. Weakley relates to sales levels, and recorded
17 revenues, experienced in prior periods.

18

19 Q. Assuming that Mr. Weakley's actual write-off approach were accepted, is
20 his adjustment appropriate?

21 A. No, it is not. As shown on page 27 of Mr. Weakley's testimony, the
22 budgeted write-off for the future of \$15,566,499 is abnormally low when
23 compared to historic experience. Had Mr. Weakley used a three year

1 average, his allowance would have been \$17.1 million, as compared to
2 the Company's claim \$16.9 million claim.

3

4 Q. Mr. Berish, are there any other reasons why Mr. Weakley's proposed
5 adjustment should be rejected?

6 A. Yes. In its filing, the Company did not reflect the incremental uncollectible
7 accounts expense associated with its requested rate increase. If it had,
8 the additional amount would have been approximately \$1.6 million and
9 *would more than offset Mr. Weakley's recommended disallowance.*

10

11 Q. What is the basis for Mr. Weakley's adjustment of \$140,000?

12 A. Mr. Weakley claims that the Company has overstated the uncollectible
13 accounts expense component of the OTPP by failing to recognize
14 potential support from the Low Income Home Energy Assistance Program
15 (LIHEAP).

16

17 Q. Do you agree with this adjustment?

18 A. No, I do not. While OTPP applicants are required to seek LIHEAP
19 funding, Mr. Stathos' response to an OTS On-The-Record Data Request
20 (Hearing of March 29, 1995, No. 9), which I have attached to this
21 testimony as Exhibit MJB-12, makes it clear that the level of LIHEAP
22 funding available to PP&L customers in general, and OTPP participants in
23 particular, will be far less than the amount Mr. Weakley has assumed.
24 Mr. Stathos addresses this issue in more detail in his rebuttal testimony..

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SUSQUEHANNA REFUELING COSTS

Q. Have you reviewed the adjustment to the Susquehanna refueling outage costs proposed by Mr. Catlin?

A. Yes. Mr. Catlin is recommending a downward adjustment of \$1,111,000 on a PUC jurisdictional basis.

Q. What accounts for the difference between the Company's claim and Mr. Catlin's proposed allowance?

A. PP&L defers refueling outage costs when incurred and amortizes those costs over the next operating cycle of each Susquehanna unit. This procedure is based on the "matching" concept under generally accepted accounting principles, in that the expenses incurred during the outages are recognized during the subsequent operating periods which benefit from such expenses. The Company's claim includes those portions of refueling outage costs being amortized during the twelve months ended September 30, 1995. As set forth in the Company's response to OCA Interrogatory Set IX, No. 14, a copy of which has been attached to this testimony as Exhibit MJB-13, the claimed future test year amounts include, on a total-Company basis, the following: 1) amortization of Unit 1, Reload 7 costs from October 1, 1994 to May 19, 1995 of \$6,500,000; 2) amortization of Unit 1, Reload 8 costs from May 22, 1995 to September 30, 1995 of \$4,798,000; and 3) amortization of Unit 2, Reload 6 costs from October 1, 1994 to September 30, 1995 of

1 \$11,104,000. On a Pennsylvania jurisdictional basis, these amounts total
2 \$17,581,000.

3 In contrast, Mr. Catlin proposes that PP&L be granted a full twelve-
4 month amortized amount based on the costs of the most recent refueling
5 outage at each plant. As such, he would: 1) disallow the claimed costs
6 for Unit 1, Reload 7 (since it is not the most recent outage at that Unit); 2)
7 recognize \$11,322,000 of Unit 1, Reload 8 costs (based on a full twelve
8 months amortization); and 3) recognize \$9,664,000 of Unit 2, Reload 7
9 costs (since Reload 7 will be the then-most-recent refueling outage).
10 When reduced to Pennsylvania jurisdictional figures, Mr. Catlin's
11 proposed adjustments result in an annual refueling outage allowance of
12 \$16,470,000, or \$1,111,000 less than the level claimed by PP&L.

13 Despite the differences in philosophy and approach, Mr. Catlin's
14 recommended disallowance may be traced, for all practical purposes, to
15 his substitution in item (3) above of the refueling costs of Unit 2, Reload 7
16 for Unit 2, Reload 6.

17

18 Q. What justification does Mr. Catlin offer for substituting Unit 2, Reload 7 for
19 Unit 2, Reload 6?

20 A. Apart from observing that Unit 2, Reload 7 is the most recent, Mr. Catlin
21 asserts that Unit 2, Reload 6 was abnormal in terms of cost, duration and
22 length of amortization period. While Mr. Catlin is correct that Unit 2,
23 Reload 6 lasted longer than originally anticipated (by 18 days and not the
24 one-month period suggested by Mr. Catlin), neither its cost nor its

1 amortization period can be viewed as atypical. As shown on Exhibit MJB-
2 13, the cost of Unit 2, Reload 6 is virtually identical to the projected cost of
3 Unit 1, Reload 8, which Mr. Catlin apparently views as reasonable since
4 he uses the cost of this outage in his recommended allowance.
5 Furthermore, the amortization period for Unit 2, Reload 6 costs is 524
6 days, which is only slightly less than the estimated amortization period for
7 Unit 1, Reload 8 (532 days).

8
9 Q. Are there any other reasons why you believe that Mr. Catlin's proposed
10 adjustment should be rejected?

11 A. Yes. As noted at the bottom of Exhibit MJB-13, the amounts claimed by
12 the Company for Unit 1, Reload 7 and Unit 2, Reload 6 are understated
13 because the actual amounts to be deferred were not known when the
14 1994 Budget was prepared. If those actual amounts had been reflected,
15 PP&L's claim would have been \$1,224,000 higher on a total-Company
16 basis, thereby eliminating most of Mr. Catlin's recommended
17 disallowance.

18

19

PENSION COSTS

20 Q. Please summarize the various adjustments that have been proposed to
21 PP&L's claim for pension costs?

22 A. Both Mr. Weakley and Mr. Catlin would eliminate the Company's pension
23 expense claim in its entirety, albeit for different reasons. Mr. Weakley
24 contends that pension expense for ratemaking purposes should be based

1 on actual cash contributions to pension funds during the future test year
2 which, in the case of PP&L, are expected to be zero. On this basis, he
3 would reduce jurisdictional operating expenses by \$10,224,000 and the
4 Company's claimed rate base by \$5,273,000. I will be responding to
5 these proposals.

6 Mr. Catlin also recommends the elimination of PP&L's requested
7 pension expense allowance based on his view that the Company has
8 overstated the amount to be accrued under Statement of Financial
9 Accounting Standards No. 87 ("SFAS 87") by utilizing an unreasonably
10 conservative discount rate. He further contends that PP&L's claimed rate
11 base should be reduced by approximately \$74,000,000 to reflect accrued
12 pension costs. Mr. Catlin's proposed pension expense disallowance will
13 be addressed by Mr. Beers and I will respond to his recommended rate
14 base offset.

15

16 Q. Do you agree with Mr. Weakley's proposal to base the Company's
17 expense and rate base allowances on future test year cash contribution
18 levels?

19 A. No, I do not. From 1950 to the mid 1980s, pension funds were generally
20 immature and unfunded. Contribution patterns could be developed that
21 were extremely stable from year to year. However, since that time, the
22 Internal Revenue Code has been amended to restrict contributions to
23 well-funded plans and to accelerate minimum contributions to under-

1 funded plans. As a result, contribution requirements for the future will
2 likely fluctuate dramatically from year to year.

3 Conversely, generally accepted accounting practices, as embodied in
4 SFAS 87 and SFAS 88, provide a rational basis for reasonably stable
5 pension expense from year to year. Prior to the development of SFAS 87,
6 there was real concern that expense would be volatile from year to year.
7 However, with SFAS 87, asset values tend to rise when interest (discount)
8 rates decline, and asset values tend to fall when interest (discount) rates
9 increase. The effect is to maintain a reasonable balance between assets
10 and obligations, resulting in relatively stable pension expense from year to
11 year.

12 Therefore, for the foreseeable future, pension cost can best be
13 "normalized" for ratemaking purposes by recognizing pension expense
14 under SFAS 87 rather than contributions under the now volatile standards
15 of the Internal Revenue Code.

16
17 Q. Mr. Berish, how has PP&L's SFAS 87 pension cost compared to its
18 pension plan contribution in recent years?

19 A. Shown on Exhibit MJB-14 is the actual amount of pension costs booked
20 since 1987 under SFAS 87 and the amount of cash contributions to the
21 Company's pension fund during the same period. Also shown are the
22 projected amounts for the next four years. As can be seen, SFAS 87 cost
23 levels are not only more stable, but will produce substantially lower
24 ratemaking allowances and, hence, lower rates in the near-term.

1

2 Q. Do you have any additional comments regarding Mr. Weakley's
3 recommended adjustments?

4 A. Yes, I have two. First, Mr. Weakley's rejection of SFAS 87 in favor of a
5 cash contribution approach cannot, in my view, be reconciled with this
6 Commission's adoption of SFAS 106 for purposes of calculating a
7 ratemaking allowance for other forms of post-retirement benefits. Second,
8 PP&L presently intends to reinstate cash contributions to its pension fund
9 as early as the third quarter of 1996, which falls within the first year that
10 the rates established as the result of this proceeding will be in effect. As
11 indicated in Exhibit MJB-14, the Company projects that annual
12 contributions will be necessary in each year thereafter. If rate case
13 expense is to be "normalized" based on a four-year period, as Mr.
14 Weakley has proposed, then appropriate consideration should be given to
15 the fact that PP&L will incur substantial pension costs, on both an SFAS
16 87 and cash contribution basis, over the next four years. The same
17 argument applies to Mr. Weakley's rate base adjustment in that, in my
18 opinion, the appropriate pension cost charged to capital accounts should
19 be based on SFAS 87, not cash contributions.

20

21 Q. Mr. Catlin proposes a \$74 million rate base reduction to reflect the level of
22 accrued pensions on the Company's balance sheet at September 30,
23 1995. Is this adjustment appropriate in your view?

1 A. No. Mr. Catlin's adjustment is clearly inappropriate. Mr. Catlin asserts that
2 the accrued pension liability on the Company's books reflects the
3 difference between the amount of pension expense recorded on the
4 Company's books and the Company's contributions to its pension fund
5 since the implementation of SFAS 87 in 1987. He further asserts that the
6 pension expense recorded on the Company's books since 1987 has been
7 fully recovered from customers and, therefore, should be deducted from
8 rate base.

9 Mr. Catlin's analysis is flawed for several reasons. First, the accrued
10 pension liability recorded on the Company's books reflects the extent to
11 which the Company's pension plan is underfunded, not overfunded. Mr.
12 Catlin appears to propose a rate base deduction because the Company's
13 pension plan is underfunded. This makes no sense.

14 Second, Mr. Catlin's assertion that the amount of pension expense
15 recorded on the Company's books, pursuant to SFAS 87, has been fully
16 recovered from customer is incorrect. As Mr. Catlin notes, the Company
17 adopted SFAS 87 in 1987, two years after the Company's last rate case.
18 Mr. Catlin does not explain how the Company's current rates, which were
19 established in 1985, can reflect pension expense based on SFAS 87,
20 when SFAS 87 did not exist at the time those rates were established.

21

22 Q. How was pension expense developed in the Company's last rate case?

1 A. The Company's claim was based on the cash contribution to the pension
2 plan for the future test year in that case, which was \$19.1 million on a
3 PUC jurisdictional basis.

4
5 Q. Hasn't the Company's pension expense declined since the last rate case?

6 A. Yes, it has, principally due to the strong earnings achieved on pension
7 fund assets.

8
9 Q. Does this provide any support for Mr. Catlin's adjustment?

10 A. No, it does not. I do not believe it would be appropriate to examine
11 changes in one item of benefits expense without also considering other
12 components of the Company's benefits. While pension expense has
13 declined, medical expenses and the cost of other benefits have increased
14 dramatically since the Company's last rate case. Specifically, as shown
15 on Exhibit MJB-15, medical costs have increased from \$14 million to \$49
16 million, and total benefits have increased from \$52 million to \$93 million.
17 It is unfair for Mr. Catlin to focus on pensions without considering changes
18 in other benefits.

19 In addition, as explained in Mr. Hoch's rebuttal testimony, the
20 Company's depreciation expense in existing rates for the Susquehanna
21 plant is approximately \$35 million. Under the modified sinking fund
22 depreciation method utilized for Susquehanna, the depreciation expense
23 on the Company's books has increased in each year since the Company's
24 last rate case. In total, the Company has underrecovered Susquehanna

1 depreciation expense by \$324 million since the Company's last rate case.
2 If Mr. Catlin's \$74 million rate base deduction for pension expense is
3 adopted, then the Company's rate base should be increased by \$324
4 million to reflect the underrecovery of Susquehanna depreciation
5 expense.

7 SFAS 112 COSTS

- 8 Q. Have you reviewed the adjustment proposed by Mr. Catlin to the
9 Company's claim for SFAS 112 costs?
- 10 A. Yes. Mr. Catlin is proposing that the Company's claim be eliminated,
11 resulting in a downward adjustment to operating expenses of \$684,000 on
12 a total Company basis and \$592,000 on a PUC jurisdictional basis. In
13 support of his proposal, Mr. Catlin claims that since the SFAS 112
14 amounts will not be funded with cash, they should be disallowed for rate
15 purposes.
- 16
- 17 Q. Do you agree with Mr. Catlin's contention?
- 18 A. No, I do not. From a ratemaking standpoint, the same factors (e.g.,
19 intergenerational equity, rate stability) that support the use of SFAS 87 for
20 pension expense and SFAS 106 for other post-retirement benefits also
21 apply to similar benefit costs for disabled and deceased employees (i.e.,
22 long-term disability, survivor income protection) which must now be
23 accrued under SFAS 112. In my opinion, the fact that the Company does
24 not plan to establish a separate funding vehicle for this liability provides no

1 basis for disallowing its claim, particularly in light of the magnitude of the
2 dollars in question and the potential costs of establishing and operating a
3 fund ear-marked for that purpose.

4
5 **VOLUNTARY EARLY RETIREMENT PROGRAM**

6 Q. Mr. Berish, have you reviewed the adjustments recommended by Messrs.
7 Kollen and Prisco concerning the Company's claimed Voluntary Early
8 Retirement Program (VERP) costs?

9 A. Yes. Mr. Prisco's adjustment was attributable to PP&L's initial use of
10 forecast data to calculate projected payroll savings to be realized as a
11 result of the implementation of the VERP. Subsequent to the filing, actual
12 cost and savings data became available and an updated calculation was
13 provided in response to OCA Interrogatory, Set IV, No. 75. Since the
14 Company has revised this claim to reflect actual costs and savings in its
15 final accounting exhibit, Mr. Prisco's proposed adjustment should no
16 longer be an issue.

17
18 Q. Please describe Mr. Kollen's recommended adjustments.

19 A. Mr. Kollen first proposes that the wage savings realized from the effective
20 date of the VERP (December 31, 1994) to the date that rates are effective
21 (October 1, 1995) be used to offset the costs of the program. This would
22 result in a reduction to claimed operating expenses of \$5,799,000 on a
23 total Company basis and \$5,019,000 on a PUC jurisdictional basis. Mr.
24 Kollen further proposes to amortize the cost of the VERP over ten years,

1 the effect this proposal would have, if adopted, on PP&L's financial
2 condition?

3

4 A. Yes, I have. Calendar year 1996 would be the first year in which the full
5 effect of the Commission's final order in this case could be seen. If the
6 Company were required to implement a \$73.1 million rate reduction, I
7 estimate that 1996 earnings per share would drop to approximately \$1.20
8 per share. This figure compares to 1994 earnings per share, exclusive of
9 non-recurring items, of \$1.97 and would represent the lowest level of per
10 share earnings since the early 1970s. This level of earnings would
11 produce a return on common equity of approximately 7.5%. In addition,
12 pre-tax coverage of interest charges would fall to 2.7x, or only slightly
13 above the 2.5x threshold for a "BBB" rating by Standard & Poor's.

14

15 Q. Mr. Berish, does this conclude your rebuttal testimony?

16 A. Yes, it does.

N E W S R E L E A S E

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FOR IMMEDIATE RELEASE

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DER, PP&L SIGN INNOVATIVE ENVIRONMENTAL AGREEMENT

HARRISBURG (April 27) - State Environmental Resources Secretary James M. Seif today announced a voluntary agreement with Pennsylvania Power and Light Co. (PP&L) which he called a clear example of the Ridge administration's environmental approach of seeking cooperation, rather than confrontation.

The agreement calls for PP&L to investigate and clean up, if necessary, 134 sites that may have been contaminated by past operations of PP&L or its predecessor companies.

Seif and Frank Long, PP&L's executive vice president and chief operating officer, signed the agreement, the first of its kind in the state.

The agreement provides for a comprehensive, flexible and system-wide approach to dealing with the sites, rather than working on a site-by-site basis. It calls for measuring cleanup progress through a "point system" and gives PP&L some flexibility in determining the activities it will undertake in a given year to earn the required points.

The point system, in turn, is based on addressing the highest risks earlier in the process.

"This approach upholds all applicable environmental and public health standards, but still saves money for taxpayers and ratepayers by allowing sensible prioritizing of investigative and clean-up efforts," Seif said. "We hope it becomes a model for future multi-site agreements."

Seif said the agreement was developed by using a problem-solving approach that is very different from the traditional command-and-control relationship between government and industry.

"This agreement is a true partnership between government and industry to find mutually acceptable solutions to clean up the environment and promote economic development -- a partnership that uses common sense and cooperation in place of confrontation," Self said.

Long said the agreement represents "another example of PP&L's commitment to conduct its business in a cooperative and environmentally responsible manner."

"PP&L is pleased to be able to strike this partnership with the Department of Environmental Resources (DER) to work proactively and cooperatively with the agency to ensure a cleaner environment and to create the potential for economic development," Long said.

During the next 10 years, PP&L will investigate all 134 sites. Sites found to be contaminated will be cleaned up by PP&L on a schedule based on the environmental risk, if any, posed by the site. PP&L will spend up to \$5 million a year on investigation and clean-up operations.

Sites in the agreement include 79 utility poles, 24 active substations, 21 decommissioned substations, eight decommissioned power plants, a manufactured-gas plant and a coal processing plant at locations throughout PP&L's 29-county service area in eastern and central Pennsylvania.

Self and Long said the sites pose no apparent imminent risk to human health or the environment. In most cases, the sites previously were cleaned up to environmental standards that existed at the time. Since environmental standards have changed, PP&L will assess the sites to ensure they meet today's standards.

"This agreement will not only provide for a cleaner environment, but there is a good chance some of these properties can be made available again for economic development use," Self said. "It's often the fear of the unknown that results in former industrial sites being unused. By agreeing to investigate these areas to see if there is a problem, PP&L is helping to spur economic growth in the communities it serves."

Under the terms of the agreement, all sites will be assessed to determine if contamination is present. Sites which are most likely to present a potential risk if a spill or release of a hazardous substance occurs will be examined first.

Based on industry-wide data and past experience, PP&L and DER expect that about half of the sites already meet environmental standards and an investigation will show that no remediation is needed.

Other provisions of the agreement include:

- * Establishing a point system to measure progress and establish minimum "points" for PP&L to earn each year. Points are awarded to sites based on the type of work done, site complexity and potential contaminants present.
- * Calling for DER to approve the company's annual plans and monitor field activities to ensure that the work is conducted in accordance with all approved plans.
- * Providing for PP&L to reimburse DER for oversight costs.
- * Allowing DER to take emergency action or require PP&L to take emergency action to address any site that may present an imminent threat.
- * Specifying that all clean-ups meet DER standards.

#

Recommendation II-R11: System Power & Engineering, Page II-38

Ensure that appropriate and effective actions are taken to prevent or minimize future Superfund liabilities.

Response: Accept

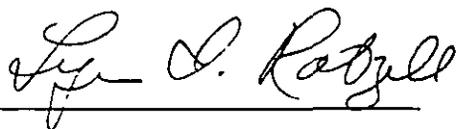
PP&L is aggressively moving to minimize its future Superfund liabilities. Of greatest importance is an agreement the Company is presently negotiating with PA DER for addressing all of the Company's contaminated and potentially contaminated sites. With such an agreement it is highly unlikely that EPA would list any of the sites under Superfund. Also, to minimize the creation of new contaminated sites, PP&L limits the number of facilities it uses for disposal and evaluates new facilities prior to use, requires certificates of destruction for wastes sent to disposal sites, and tracks its waste through a sophisticated, state-of-the-art computerized waste tracking system. PP&L has also had a comprehensive program in place since 1985 for minimizing the amount of hazardous waste it produces and continues to look for ways to achieve ever greater minimization, such as through the Company's Employee Incentive Award program.

Implementation Plan and Implementation Date

PP&L will continue its negotiations with DER to reach a comprehensive site remediation strategy by the end of 1994.

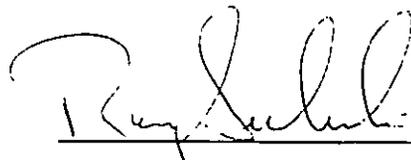
Manager Responsible:

Responsible Manager:



Name: Lynn I. Ratzell
Title: Mgr.-Environmental Mgmt.

Approved By:



Name: Raymond F. Suhocki
Title: Vice Pres.-System Power

M. J. Berish
(Supplemented 5/12/95)

**Pennsylvania Power & Light Company
Response to On The Record
Data Requests of the
Office of Consumer Advocate
Hearing Date March 27, 1995**

Docket No. R-00943271

Q. 4. Please provide the amount of environmental remediation expense actually incurred by PP&L during the months of January and February 1995. Please update that information as additional monthly data becomes available. (OCA Tr. 490)

A. 4. Attachment 1 updates the requested data.

**PENNSYLVANIA POWER & LIGHT COMPANY
ENVIRONMENTAL REMEDIATION EXPENDITURES
BY MONTH
FOR THE 12 MONTHS ENDED SEPTEMBER 30, 1995**
(Most recent data available)

	1994 October	November	December	1995 January	February	March	April	May	June	July	August	September	Location Totals
Broadhead Creek	\$63,978.35	\$7,003.53	\$130,380.36	\$55,850.79	\$2,667.11	\$68,782.24	\$721.57						\$329,383.95
Columbia Manufactured Gas Plant	26,464.70	17,348.70	10,204.40	9,817.92	58,059.44	117,115.33	85,619.91						324,630.40
Corriganville (Manufactured Gas Plant)	2,463.60	15,214.50	4,587.79	3,842.25	8,149.90	2,814.35	4,136.71						41,229.30
Novak Landfill Superfund Site	159.95		582.41	(10,515.16)	840.85	(3,369.82)	839.49						(11,462.28)
Shamokin Gas Plant	13,742.63			36.02		2,518.72	2,265.58						18,560.93
Lehighton Gas Plant		3,787.04	7,880.29	72.08		7,633.69	5,655.98						25,938.08
Hauto (former Plant Site)	9,976.13	1,713.48	5,305.35	2,262.64	1,684.25	5,291.26	1,763.40						27,996.51
Industrial Solvent NPL Site		9,324.33											9,324.33
Strenandoah Gas Plant	3,486.00	35,556.52	24,040.64	113.88									63,197.04
Remediation Strategy	12,087.19	14,306.35	34,976.54	30,397.37	27,377.52	25,326.50	25,761.51						170,232.98
Hazleton Dump		37.62		72.08	144.14	3,090.57							3,344.41
Hempstead Gas Plant				195.62		529.05							724.67
Millersburg Power Plant					1,568.49	6,008.13	424.55						8,001.17
Heleva Land Fill				53.99	16.20		750,027.80						750,097.99
Huth Oil Superfund Site						5,000.00							5,000.00
Harwood Power Plant						29.00							29.00
Milton Power Plant						29.00							29.00
Pennsburg Power Plant						29.00							29.00
M W Manufacturing Superfund Site							55.61						55.61
Siegfried Substation								432.88					432.88
Minooka Substation								865.74					865.74
Totals	\$ 132,378.75	\$ 104,292.07	\$ 217,957.78	\$ 92,199.48	\$ 100,507.90	\$ 240,825.02	\$ 878,570.71						\$1,766,731.71

T. C. Stathos
Page 1 of 2

Pennsylvania Power & Light Company
Response to Data Request of
Office of Trial Staff
March 29, 1995 Hearing (Tr. 881)
Docket No. R-00943271

Q.DR-OTS-9. Regarding PP&L's claim for OnTrack Payment Program expenses, does the uncollectible accounts expense component of \$710,000 include all LIHEAP receipts from customers in that program?

A.DR-OTS-9. The \$710,000 revenue shortfall explained in PP&L's response to Interrogatory No. OTS-RE-51D does not reflect any LIHEAP or Crises dollars received by PP&L on behalf of PP&L customers. When the \$710,000 calculation was performed, PP&L had little or no information as to what level of LIHEAP or Crises dollars would be received on behalf of OnTrack Payment Plan (OTPP) participants or how many OTPP participants would actually receive LIHEAP or Crises grants.

The number of participants that actually receive LIHEAP funding is adversely affected by several factors, even though all participants are required to apply for such funds as a condition of eligibility to the program. First, LIHEAP and Crises grants are available only to customers at or below 135% of the federal poverty level, but customers are eligible for OTPP at 150% of the Federal poverty level. Thus, a substantial number of OTPP participants may not be eligible for LIHEAP funds, even though they may apply. Second, the Pennsylvania Department of Public Welfare has determined that no one participating in a regulated utility's customer assistance program is eligible for any Crises grants. Thus, this source of funds is not available to OTPP participants. Third, PP&L's OTPP is open to heating and non-heating customers of PP&L. Non-heating customers who are participating in PP&L's OTPP, receive LIHEAP grants which are paid to gas utilities and oil suppliers who are the primary energy suppliers for these customers, rather than being paid to PP&L, the secondary energy supplier.

T. C. Stathos
Page 2 of 2

PP&L's actual experience with its OTPP during the first winter season indicates that although all participants must apply for LIHEAP grants, PP&L actually receives grants on behalf of far fewer participants. As of March 31, 1995, the close of the winter season and the LIHEAP program, PP&L had enrolled 1,348 persons in its OTPP. However, PP&L received LIHEAP grants on behalf of only 348 participants during the twelve months ended March 31, 1995. PP&L received only \$87,898 in LIHEAP grants during the twelve months ended March 31, 1995. PP&L received no CRISES grants on behalf of its OTPP participants. This actual experience clearly demonstrates that PP&L will receive LIHEAP funds on behalf of substantially fewer than all OTPP participants. Moreover, the real possibility of future federal funding cuts in the LIHEAP program casts significant doubt on repeating even this modest level of LIHEAP receipts for OTPP participants in future years.

M. J. Berish

Pennsylvania Power & Light Company
Response to Interrogatories
of the Office of Consumer Advocate, Set IX
Dated March 8, 1995
Docket No. R-00943271

Q. 14. With regard to the response to OCA IV-48, please show the calculation of the HTY and FTY amounts for deferral and amortization. Also, identify the PA PUC jurisdictional amounts.

A. 14. Attachment 1 provides the reconciliation of total refueling outage costs and the refueling outage costs deferred in the Historic Test Year and the Future Test Year.

Deferred refueling outage costs are amortized over a period of time beginning with the date the unit is restarted with the refueled core and ending with the date the subsequent refueling outage is completed. Attachment 1 also provides details of amortized refueling outage costs for the Historic Test Year and the Future Test Year.

Attachment 1

Pennsylvania Power & Light Co.
Calculation of HTY & FTY Refueling Outage Deferrals & Amortizations
(Thousands of Dollars)

Deferral of Refueling Outage Costs:

	<u>Historic Test Year</u>			<u>Future Test Year</u>		
	Unit 1	Unit 2	<u>Total</u>	Unit 1	Unit 2	<u>Total</u>
	<u>Reload 7</u>	<u>Reload 6</u>		<u>Reload 8</u>	<u>Reload 7</u>	
Total Refueling Outage Costs	\$14,487	\$18,222	\$32,709	\$17,991	\$3,460	\$21,451
Less refueling outage costs not subject to deferral:						
BG&E	956	1,203	2,159	1,187	228	1,415
UGI	241	305	546	302	56	358
Deferral - HTY and FTY	<u>\$13,290</u>	<u>\$16,714</u>	<u>\$30,004</u>	<u>\$16,502</u>	<u>\$3,176</u>	<u>\$19,678</u>
Deferral - Total	<u>1,561</u>	(Pre-HTY)		<u>11,466</u>	(Post-FTY)	
	<u>\$14,851</u>			<u>\$14,642</u>		
PUC Jurisdictional Portion						<u>\$15,444</u>

Amortization of Refueling Outage Costs:

	<u>Amortization Period</u>	Pre-	HTY	FTY	Post-	1)	Total
		HTY			FTY	Diff	
Unit 1 Reload 6	5/17/92 - 11/19/93	\$11,503	\$1,146	\$ -	\$ -	\$ -	\$12,649
Unit 1 Reload 7	1/22/94 - 5/19/95	-	7,718	6,500	-	633	14,851
Unit 1 Reload 8	5/22/95 - 11/4/96	-	-	4,798	11,704	-	16,502
Unit 2 Reload 5	11/14/92 - 5/20/94	6,226	4,592	-	-	-	10,818
Unit 2 Reload 6	6/11/94 - 11/17/95	-	3,492	11,104	1,527	591	16,714
		<u>\$17,729</u>	<u>\$16,948</u>	<u>\$22,402</u>	<u>\$13,231</u>	<u>\$1,224</u>	<u>\$71,534</u>
PUC Jurisdictional Portion				<u>\$17,581</u>			

1) Amortization totals for U1 R7 and U2 R6 differ from the actual total deferrals noted above. This is due to the use of the 1994 Budget for the October 1994 through December 1994 portion of the Future Test Year, when the actual deferrals were not known. Had the actual amounts been known at that time, the Future Test Year amortization of \$22,402 would have been \$23,626.

Pension Amounts

(Million \$)

	Cash Contributions	Amounts Booked Under SFAS 87
1987	\$16.6	\$17.2
1988	18.5	17.1
1989	0	17.0
1990	0	18.1
1991	0	19.8
1992	0	18.1
1993	0	17.0
1994	0	16.8
1995	0 ^{1/}	11.9 ^{2/}
1996	26.0 ^{1/}	13.9 ^{2/}
1997	26.4 ^{1/}	15.0 ^{2/}
1998	24.1 ^{1/}	16.2 ^{2/}

^{1/} **Source** – Question 105 of Interrogatories of the Office of Consumer Advocate, Set IV, Dated February 1, 1995.

^{2/} **Source** – Actuarial Report for Calendar Year Ending December 31, 1995 contained in the supplemental responses to Question 101 of Interrogatories of the Office of Consumer Advocate, Set IV, Dated February 1, 1995 plus an estimated \$2.7 million for the nonqualified plan.

M. J. Berish
J. M. Kleha
Page 1 of 2

Pennsylvania Power & Light Company
Response to Interrogatories
of the Office of Trial Staff
Dated January 13, 1995

Docket No. R-00943271

- Q. OTS-RE-3D. Reference PP&L Exhibit II-D-10 and provide a breakdown of benefits showing the amount and percentage of total payroll for the historic and future test years. Also, provide the PPUC jurisdictional allocation percentage for benefits.
- A. OTS-RE-3D. The following is a breakdown of benefits and the percentage of total payroll for the Future Test Year. Also shown is the PPUC jurisdictional allocation percentage for benefits.

	Future Test Year		
	Total Benefits (M\$)	% of Total Payroll	PUC Jurisdictional %
Pensions	\$17,898	4.33 %	
Group Life	8,587	2.08	
Med Care-Active	26,852	6.50	
Med Care-Retirees	22,113	5.35	
Dental Plan	3,033	0.73	
Long Term Disab	3,033	0.73	
Longevity	1,316	0.32	
AD&D ^{1/}	296	0.07	
SIP ^{2/}	597	0.14	
Def Svgs Plan	2,275	0.55	
ESOP Cash Div	7,103	1.72	
Total	\$93,103	22.52 %	86.5518%

^{1/} Accidental Death & Dismemberment

^{2/} Survivor Income Protection

The following is a breakdown of benefits and the percentage of total payroll for the Historic Test Year. Also shown is the PPUC jurisdictional allocation percentage for benefits.

	Historic Test Year		
	Total Benefits (M\$)	% of Total Payroll	PUC Jurisdictional %
Pensions	\$16,804	4.04 %	
Group Life	11,459	2.75	
Med Care-Active	26,809	6.44	
Med Care-Retirees	29,069	6.98	
Flex Benefits	21	0.01	
Dental Plan	3,010	0.72	
Long Term Disab	2,239	0.54	
Longevity	1,408	0.34	
AD&D	287	0.06	
SIP	2,849	0.68	
Def Svgs Plan	1,539	0.37	
ESOP Cash Div	6,808	1.64	
Total	\$102,282	24.57 %	86.4849%

The PUC jurisdictional amount of employee benefits for the 12 months ended September 30, 1995 is provided in Exhibit JMK 2, page 71, line 11. The PUC jurisdictional amount of employee benefits for the 12 months ended September 30, 1994 is provided in Exhibit JMK 1, page 73, line 11.

D-6
R. J. Bernini

PENNSYLVANIA POWER & LIGHT COMPANY

Adjustment to Employee Benefits Expense
Year Ended March 31, 1985
(Thousands of Dollars)

This adjustment was made to reflect the level of benefit costs at the end of the test year.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Pensions	\$29,347
2	Group life insurance	3,576
3	Hospitalization	13,382
4	Major medical	1,100
5	Disability	1,157
6	Dental	1,791
7	Longevity	763
8	Deferred Savings Plan	517
9	Accidental death or dismemberment	<u>433</u>
10	Total	<u>\$52,066</u>
11	Total employee benefits - electric (99.4%)	\$51,754
12	Less: Employee benefits per budget - electric	<u>49,585</u>
13	Increase in employee benefits-electric (line 11 - line 12)	<u>\$ 2,169</u>
14	Increase in employee benefits to expense (line 13 x 73.4%)	\$ 1,592
15	Additional adjustments to expense (100%): Medical benefits - retirees	612
16	Supplemental pension costs	<u>12</u>
17	Increase in employee benefits to expense	<u>\$ 2,216</u>

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PENNSYLVANIA POWER & LIGHT COMPANY

Statement 11-R

SR
5-24-95
HBJ

Rebuttal Testimony Of Thomas C. Stathos

Docket No. R-00943271

DOCUMENT
FOLDER

1 Q. Please state your name and business address?

2 A. My name is Thomas C. Stathos. My business address is Pennsylvania Power
3 & Light Company, Two North Ninth Street, Allentown, Pennsylvania, 18101.

4 Q. Are you the same Thomas C. Stathos who previously testified in this
5 proceeding on behalf of the Pennsylvania Power & Light Company?

6 A. Yes, I am. I have submitted my direct testimony (Statement 11-S) and was
7 cross-examined on March 29, 1995.

8 Q. What is the purpose of your rebuttal testimony?

9 A. My rebuttal responds to the assertions of witnesses on behalf of the various
10 intervenors on PP&L's proposed and existing customer and community needs
11 programs.

12 Q. Do you agree with Mr. Weakley's description of PP&L's OnTrack Payment
13 Program (OTPP) found at pages 28-31 of Mr. Weakley's testimony?

14 A. Mr. Weakley has accurately summarized the scope and general guidelines of
15 the OTPP. Further, Mr. Weakley has confirmed that the Company is claiming
16 \$942,625 in OTPP related expenses. PP&L's OTPP claim is broken down as
17 follows:

18	\$232,625	Administrative Expense
19	<u>710,000</u>	Uncollectible Account Expense
20	\$942,625	Total

1 Q. Mr. Stathos, do you agree with Mr. Weakley's proposed adjustment to
2 eliminate \$140,000 of PP&L's claim of \$710,000 in uncollectible account
3 expense related to OTPP?

4 A. No, I do not. As explained in response to an Office of Trial Staff On The
5 Record Data Request, Mr. Weakley is correct in observing that the \$710,000
6 uncollectible accounts expense component does not reflect Low Income
7 Home Energy Assistance Program (LIHEAP) Cash benefits or Crisis benefits.
8 When the \$710,000 calculation was performed, PP&L had little or no
9 information as to what level of LIHEAP or Crisis dollars would be received on
10 behalf of OnTrack Payment Plan (OTPP) participants or how many OTPP
11 participants would actually receive LIHEAP or Crisis grants.

12 Q. Why is Mr. Weakley's adjustment inaccurate?

13 A. The number of participants that actually receive LIHEAP funding is adversely
14 affected by several factors, even though all participants are required to apply
15 for such funds as a condition of eligibility to the program. First, because of
16 Federal budget cuts for LIHEAP, the Pennsylvania Department of Public
17 Welfare reduced its income guidelines for eligibility in the 1994-95 program
18 year. LIHEAP grants are now available only to customers at or below 135%
19 of the federal poverty level, but customers are eligible for OTPP at 150% of
20 the Federal poverty level. Thus, a substantial number of OTPP participants
21 may not be eligible for LIHEAP funds, even though they may apply. Second,
22 the Pennsylvania Department of Public Welfare has determined that no one

1 participating in a regulated utility's customer assistance program is eligible for
2 any Crisis grants. Thus, this source of funds is not available to OTPP
3 participants. PP&L's OTPP is open to heating and non-heating customers of
4 PP&L. Non-heating customers who are participating in PP&L's OTPP receive
5 LIHEAP grants which are paid to gas utilities and oil suppliers who are the
6 primary energy suppliers for these customers, rather than being paid to
7 PP&L, the secondary energy supplier.

8 Q. Does Mr. Weakley's adjustment attempt to take into account the fact that not
9 all OTPP customers receive LIHEAP funds?

10 A. Yes, but Mr. Weakley's methodology is flawed. Mr. Weakley has merely taken
11 the average amount received by a PP&L customer actually receiving LIHEAP
12 grant, namely \$233, and multiplies this number by 2,000 customers to arrive
13 at an amount of \$466,000 in "additional revenues". Mr. Weakley then
14 arbitrarily reduces this amount of \$466,000 by 70% "to reflect that a portion of
15 these customers will be non-heating", thereby arriving at his \$140,000
16 adjustment.

17 However, PP&L had supplied OTS with information on actual
18 experience of LIHEAP receipts in its OTPP for the twelve months ended
19 March 31, 1995. This actual information is somewhat different than the result
20 of Mr. Weakley's proposed adjustment. Use of this actual information would
21 represent a better methodology than that proposed by Mr. Weakley.

1 Q. Please explain PP&L's actual experience with LIHEAP receipts in the OTPP
2 during OTPP's first complete winter season.

3 A. PP&L's actual experience with its OTPP during the first winter season
4 indicates that although all participants must apply for LIHEAP grants, PP&L
5 actually receives grants on behalf of far fewer participants. As of March 31,
6 1995, the close of the winter season and the LIHEAP program, PP&L had
7 enrolled 1,348 persons in its OTPP. However, PP&L received LIHEAP grants
8 on behalf of only 348 participants during the twelve months ended March 31,
9 1995. PP&L received only \$87,898 in LIHEAP grants during the twelve
10 months ended March 31, 1995. PP&L received no Crisis grants on behalf of
11 its OTPP participants. This actual experience clearly demonstrates that PP&L
12 will receive LIHEAP funds on behalf of substantially fewer than all OTPP
13 participants.

14 Use of this actual information rather than the methodology employed by
15 Mr. Weakley would result in the following computation of the projected amount
16 of LIHEAP dollars to be received by a fully operational OTPP with 2,000
17 customers:

18	\$ 87,898	LIHEAP Dollars Received TME 3/31/95
19	÷ <u>1,348</u>	Number of Participants 3/31/95
20	\$ 65.2	LIHEAP Dollars/Participants
21	x <u>2,000</u>	Projected Number of Participants
22	\$130,400	Projected LIHEAP Dollars Received

1 Q. Even with this more accurate calculation, is any adjustment to decrease
2 PP&L's proposed level of uncollectible accounts expense associated with
3 OTPP appropriate?

4 A. No. No adjustment at all is appropriate. As a program, LIHEAP and its
5 associated Federal funding is under siege due to Federal budget tightening.
6 As a result, LIHEAP may cease to exist or LIHEAP funding may be
7 substantially reduced. Federal funding for LIHEAP has dropped from \$2.1
8 billion in fiscal year 1986 to \$1.3 billion in fiscal year 1995 -- a decrease of 38
9 percent. Pennsylvania's LIHEAP allocation for this same period of time has
10 fallen from \$141 million to \$100 million -- a decline of 29 percent. Specifically,
11 the U.S. House of Representatives, in House Bill 1558, approved on March
12 16, 1995, voted to eliminate completely LIHEAP funding in fiscal year 1996.
13 While the U.S. Senate is considering this issue and may attempt to restore
14 some level of LIHEAP funding, it is very possible that LIHEAP funding will be
15 reduced significantly. A total elimination of Federal funding is still possible.
16 While PP&L has supported and continues to support Federal LIHEAP funding,
17 a sharp decrease in or elimination of LIHEAP funding is possible, given the
18 current concerns over the Federal deficit. Therefore, in PP&L's view, no
19 adjustment is appropriate. If any adjustment were to be made, it should
20 reflect both the actual experience of OTPP LIHEAP receipts for the twelve
21 months ended March 31, 1995 and the very real possibility of substantial

1 LIHEAP Federal funding cuts or even the elimination of Federal funding for
2 LIHEAP.

3 Q. Do you agree with Mr. Weakley's proposed adjustment to remove amounts
4 associated with some of PP&L's proposed customer and community needs
5 programs?

6 A. No. While Mr. Weakley's summary of the new programs and their level of
7 funding is accurate, his adjustment is inappropriate and should be rejected.

8 Q. In Mr. Weakley's direct testimony, he asserts that the new programs include
9 hidden costs in the form of payroll and benefit costs. In addition, he states
10 that these programs are ambitious and may require considerable amounts of
11 human resources. Do you agree with Mr. Weakley's statements?

12 A. No. Mr. Weakley's statements about hidden costs are incorrect in several
13 ways. First, PP&L had not hired, and does not plan to hire, any new
14 employees to implement the new customer and community programs. In fact,
15 the Company has been undergoing a significant restructuring that has to
16 some extent reduced the number of employees, streamlined processes, and
17 expanded decision making at all levels. In other words, there will be no
18 additional costs of implementing these programs in terms of payroll and
19 benefit costs. Second, the Company will rely on existing employees who
20 already administering similar programs (e.g., WRAP, Operation HELP,
21 CARES, OnTrack) to implement the new social initiatives. Finally, PP&L will
22 work extensively with existing community organizations and coalitions to

1 administer the programs. The Company will not create new administrative
2 structures for these programs; rather, it will use existing mechanisms in the
3 community. It is PP&L's intent to add value to community organizations and
4 coalitions and not to build a cumbersome bureaucracy. One of the
5 Company's real strengths is its long-term working relationship with community
6 groups and its history of effective partnership efforts.

7 Q. Mr. Weakley agrees that these programs are well-intentioned; however, he
8 recommends total disallowance of the costs related to Build-A-Neighborhood,
9 Affordable Housing, and Small Business Programs. Do you support Mr.
10 Weakley's adjustment?

11 A. No, I do not. Mr. Weakley's stated that these programs are not driven by
12 Commission-approved regulatory goals. However, Commission actions--both
13 formal and informal--have clearly stated its intent to urge jurisdictional electric
14 and gas utilities to provide innovative programs and services for residential
15 customers. In 1984, the Commission's Bureau of Consumer Services (BCS)
16 conducted statewide hearings and issued a comprehensive report entitled
17 "Recommendations for Dealing with Payment-Troubled Customers." The
18 Commission adopted a number of the report's recommendations and issued
19 13 Secretarial Letters in 1985 urging electric and gas utilities to implement a
20 variety of program. In 1986, the Commission accepted the guidelines
21 developed by BCS for companies to use in the tracking and referral of low-
22 income customers. The Commission subsequently issued another Secretarial

1 letter encouraging utilities to implement these guidelines. PP&L's CARES
2 program (Customer Assistance Referral and Evaluation Service) exists to
3 assist and refer low income customers.

4 In 1987, the Commission promulgated extensive regulations (Docket
5 No. M-840403) for low-income weatherization programs. Known as the Low
6 Income Usage Reduction Programs (LIURP), these regulations required
7 electric and gas utilities to provide free weatherization services to customers
8 whose annual incomes are at or below 150 percent of the federal poverty
9 level. In PP&L's last rate increase in 1985 (Docket No. R-842651), the
10 Company was awarded two million dollars in annual funding for a
11 weatherization program called the Winter Relief Assistance Program (WRAP).
12 When the LIURP regulations later were approved by the Commission, PP&L's
13 WRAP became PP&L's LIURP program.

14 The Commission also has issued a series of Secretarial Letters and
15 policy statements encouraging utilities to implement special outreach and
16 referral services (such as PP&L's CARES Program), fuel funds (such as
17 PP&L's Operation HELP) and customers assistance programs (CAPs) such
18 as PP&L's OTHP.

19 In addition, in 1990, the Commission issued an Order (Docket No. I-
20 900002) requiring electric and gas utilities to participate in an exhaustive
21 state-wide study known as the Investigation of Uncollectible Balances. As a
22 result of this study, the Commission prepared a lengthy report in 1991 that

1 included 82 recommendations for utilities to help payment-troubled customers.

2 The Commission has a decade-long history of activism in the area of special
3 programs for low income and payment-troubled customers. Such policy
4 directives are in addition to the PUC's encouragement and approval of
5 economic development initiatives within the service territories of utilities in the
6 Commonwealth. Both the Commission specifically and the Commonwealth
7 generally have strongly encouraged economic development activities as well.

8 Q. Mr. Weakley asserts that these three programs provide no discernible benefit
9 to customers. Do you agree with this conclusion?

10 A. No, I disagree with Mr. Weakley's statement about the lack of customer
11 benefits. The total annual cost of the Build-A-Neighborhood, Affordable
12 Housing, and Small Business Programs is \$5.25 million, and PP&L is
13 requesting rate relief for \$2.5 million; the remaining \$2.75 million would be
14 paid by shareholders. The \$2.5 million annual cost from ratepayers would be
15 used for services such as:

- 16 • Weatherization
- 17 • Energy conservation education
- 18 • Heating system replacement or repair
- 19 • Energy efficient equipment improvements

20 In light of the LIURP regulations, the Commission has clearly
21 recognized the benefits of promoting weatherization, energy conservation
22 education, and energy efficiency. These activities reduce energy usage and

1 have a positive impact on customer's ability to pay their electric bills. Utilities
2 are required by regulation to evaluate the effectiveness of their LIURP
3 programs. PP&L's WRAP program has demonstrated that 67 percent of
4 electric-heat participants have average energy savings between 15-18
5 percent annually. In dollar terms, the WRAP evaluation is weather-adjusted
6 and reflects both savings from weatherization measures and energy
7 conservation education activities.

8 Non-electric heat customers may also have large electric bills. Low-
9 income customers who have difficulty in paying for the deliverable fuels (e.g.,
10 oil, kerosene, coal, bottled gas) may use other means such as electric space
11 heaters to heat their homes. PP&L's experience with its fuel fund program
12 (Operation HELP) has demonstrated that about 90 percent of HELP funds are
13 used to pay electric bills, even though only one-third of recipients have electric
14 heat. In addition, a comparison of annual energy usage between all
15 residential customers and Operation HELP recipients reveals that their kwh
16 usage profiles are nearly identical. In other words, low-income customers can
17 be low users or high users of electricity.

18 With regard to bill-payment habits, a preliminary 1994 evaluation of
19 WRAP has shown that payment-troubled customers who had electric heat
20 paid 51 percent of their bills in the year prior to receiving WRAP services. In
21 the 12 months after receiving WRAP services, these same customers paid 95
22 percent of their electric bills.

1 PP&L would be providing conservation services, as well as other
2 energy efficient measures and equipment, to customers involved in the Build-
3 A-Neighborhood, Affordable Housing, and Small Business Programs. These
4 programs are targeted specifically at urban areas where there exist a
5 *substantially higher population of lower income customers*. Clearly, reducing
6 energy usage for low-income customers and improving bill-payment habits
7 has benefits for all customers.

8 Q. Do you agree with Mr. Weakley's observation that ratepayer funding of these
9 programs would be tantamount to "forced contributions".

10 A. I disagree with Mr. Weakley's statement about forced contributions. PP&L is
11 seeking rate relief to pay for weatherization services, energy efficiency and
12 rate incentive measures. All other non-energy related services for these
13 programs would be funded by the Company's shareowners. As noted earlier,
14 these types of services will reduce energy bills and improve customers' ability
15 to pay their electric bills. These results have been empirically demonstrated
16 and documented in PP&L's WRAP program. These innovative programs are
17 not a zero-sum game in which there are winners and losers. Reducing energy
18 bills, avoiding collection costs, improving participants' ability to pay their
19 energy and bills the resulting benefits in urban areas in PP&L's service territory
20 is a win/win situation for PP&L and its customers.

21 Further, Mr. Weakley refuses to recognize the differences in the types
22 of program expenditures for which PP&L is seeking rate recovery and the

1 types of program expenditures for which PP&L will provide shareholder
2 dollars. As shown on the chart on page 31 of PP&L Statement No. 11, PP&L
3 is attempting to recover from ratepayers only the conservative, efficiency, load
4 management and rate incentive costs associated with these programs. These
5 expenditures are shown on the middle column of page 31 of PP&L statement
6 No. 11. PP&L is not attempting to recover other expenditures for the
7 programs such as charitable contributions, other property or neighborhood
8 improvements, closing and real estate costs, grants for small businesses and
9 so on. These types of expenditures are to be borne by PP&L's stockholders
10 and are shown on the last column of page 31 of PP&L Statement No. 11. Mr.
11 Weakley's refusal to recognize the differences in these two types of program
12 expenditures contributes to Mr. Weakley's incorrect allegation that PP&L's
13 proposal results in "forced contributions".

14 Q. At pages 36 and 40 of his testimony, Mr. Weakley claims that the "expansion
15 of social costs" is inappropriate and not compatible with the competitive
16 environment evolving in the electric utility industry. Do you agree with Mr.
17 Weakley's assertion?

18 A. No. I do not. In fact, PP&L believes exactly the opposite. As the electric utility
19 industry becomes more competitive, PP&L considers an expanded customer
20 and community needs agenda to be a vital part of PP&L's strategic and
21 tactical agenda. In a more competitive environment, PP&L must take care to
22 take the necessary steps to ensure that all of PP&L's constituencies, including
23 lower income customers and urban communities in PP&L's service territory,

1 thrive, prosper and grow. PP&L's proposed customer and community needs
2 programs are designed to benefit PP&L and its customers by at least
3 attempting to address, in an admittedly modest way, the substantial first-tier
4 issues explained at page 17 of my direct testimony. These programs will
5 position PP&L favorably with all segments of PP&L's customers, including
6 lower income customers located in urban communities. PP&L believes this
7 concrete demonstration of PP&L's commitment to customer and community
8 needs will assist, not hinder, PP&L in a more competitive electric industry.

9 Q. At page 39 of his testimony, the Office of Consumer Advocate's witness Mr.
10 Catlin has expressed concerns about the lack of an implementation plan for
11 PP&L's new customer and community needs programs. Has the Company
12 developed an implementation plan for these programs?

13 A. The Company has developed a preliminary implementation plan and timeline.
14 The details of the implementation plan are included in Attachment 1. In
15 addition, PP&L has established an internal task force of individuals who are
16 responsible for developing, implementing, and monitoring the new programs.
17 These employees work in the Customer Programs & Support section of the
18 Customer Services Department, and they are responsible for the
19 implementation of special programs for customers. These individuals, who
20 have strong working relationships with numerous community groups, will work
21 closely with representatives from these organizations in all phases of
22 implementation.

23 Q. Does this plan have all of the precise details of how the customer and
24 community programs will be implemented?

25 A. The implementation plan does not include all of exact details, but it does

1 include the most critical activities that must be accomplished to successfully
2 launch the new programs. Feedback from community organizations will be
3 used, if appropriate, to modify and refine the plan.

4 Q. When will the customer and community programs be implemented?

5 A. The plan indicates that the programs will all be implemented by September
6 30, 1995.

7 Q. What will be the funding level for the customer and community programs in
8 1995 and 1996?

9 A. Assuming that PP&L receives favorable rate relief (i.e., \$3.53 million) for the
10 customer and community programs, the Company intends to spend the full
11 \$6.7 million between July 1, 1995 and September 30, 1996. PP&L has made
12 a three-year commitment to the implementation and operation of the new
13 programs. If adequate rate relief is received, PP&L will continue to spend
14 \$6.7 million annually in 1997 and 1998. PP&L reserves the right to reexamine
15 the funding level for these programs in the event that adequate rate relief is
16 not obtained. At the end of three-year time period, the Company will assess
17 the effectiveness of the programs and make a determination as to their
18 continuation, modification, or elimination.

19 Q. Will PP&L provide periodic reports to the Commission on the status and
20 results of the new customer and community programs?

21 A. Yes, PP&L recognizes that in cases of new programs such as these, the
22 Commission and bodies such as the Office of Consumer Advocate will
23 sometimes wish to closely monitor utility activities and expense. Therefore,
24 PP&L volunteers to submit quarterly reports to the Commission and the OCA
25 on the implementation status and expenditures of these programs. The first

1 report will cover the last quarter of 1995 and will be prepared and submitted to
2 the Commission and the OCA on or before, March 31, 1996.

3 Q. Is the Company planning to meet with social service agencies and community
4 organizations to discuss the implementation of the new customer and
5 community program.

6 A. Yes, these groups will play a critical role in developing and implementing the
7 new programs. PP&L will be conducting meetings with community
8 organizations to review the programs and the preliminary implementation plan.
9 Based on the advice and recommendations of these organizations, the details
10 of the programs and the implementation plan will be more fully developed.
11 *The Company has used this approach successfully to implement all of its*
12 *special needs programs such as CARES, Operation HELP, WRAP, and the*
13 *OnTrack Payment Program. This type of flexibility is critical in order to design*
14 *programs that match customer, community, and Company needs.*

15 Q. Mr. Brady from the Commission on Economic Opportunity has expressed
16 concern about the distribution of funding throughout PP&L's regions for the
17 new programs. Do you share his concerns about funding for the programs?

18 A. No. PP&L appreciates Mr. Brady's concern about funding for the programs,
19 but it should be noted at the outset that customer and community needs
20 simply cannot be adequately addressed by the Company alone, despite its
21 size and presence in the community. However, PP&L has attempted to
22 determine the cost of providing meaningful programs that can make at least a
23 modest difference, even if such amounts cannot adequately address the
24 entire need. Given the significant need and the inability of PP&L to address
25 the need, the Company would prefer to initially fund the programs uniformly in
26 each of its regions. However, as with other programs, PP&L reserves the

1 right to allocate funding for the programs in a more flexible way in the future,
2 once the programs are up and running.

3 As noted earlier, PP&L has committed to operating the customer and
4 community programs for at least three years. During this evaluation period
5 the Company believes it is critical to maintain funding flexibility for the
6 programs. *The Company needs the flexibility to shift funds among divisions to*
7 *respond to customer and community needs. This approach has been used*
8 *effectively with two existing programs: WRAP and Operation HELP.*

9 For instance, funding for PP&L's WRAP and Operation HELP programs
10 is based in part on the percentage of low-income households (at or below 150
11 percent of the federal poverty level) in the various regions. However, the
12 funding levels are not calculated to reflect the full percentage of low-income
13 customers in each region because the funding is limited and the need is
14 significant. The following tables show actual direct spending (1993 and 1994)
15 and estimated spending (1995), less general administrative expenses, for
16 both WRAP and Operation HELP. The tables illustrate that PP&L's Northeast
17 region generally has received a larger percentage of funding for these
18 programs than most other PP&L regions.

19

1 **Winter Relief Assistance Program (WRAP)**

2	3	4	5	6
7	8	9	10	11
12	13	14	15	16
17	18	19	20	21
Region	1993 (Act.)	1994 (Act.)	1995 (Est.)	
Lehigh	\$620,609 (23.7%)	\$675,090 (24.1%)	\$600,000 (23.0%)	
Northeast	540,021 (20.7%)	651,730 (23.3%)	600,000 (23.0%)	
Susq.	506,943 (19.4%)	500,553 (17.9%)	495,000 (19.0%)	
Harrisburg	483,497 (18.5%)	479,354 (17.1%)	470,000 (18.0%)	
Lancaster	462,230 (17.7%)	492,928 (17.6%)	445,000 (17.0%)	
Total	\$2,613,300	\$2,799,655	\$2,610,000	

22 **Operation HELP**

23	24	25	26	27
28	29	30	31	32
33	34	35	36	37
38	39	40	41	42
Region	1993 (Act.)	1994 (Act.)	1995 (EST.)	
Lehigh	\$124,043 (20.3%)	\$128,843 (20.4%)	\$132,000 (20.1%)	
Northeast	148,361 (24.3%)	137,965 (21.8%)	150,000 (22.8%)	
Susq.	131,230 (21.5%)	125,220 (19.8%)	135,000 (20.5%)	
Harrisburg	105,768 (17.3%)	121,012 (19.2%)	120,000 (18.3%)	
Lancaster	101,337 (16.6%)	118,879 (18.8%)	120,000 (18.3%)	
Total	\$610,739	\$631,919	\$657,000	

1 Q. Mr. Brady criticizes the distribution of funds for WRAP and Operation HELP.
2 Is the distribution of funds for WRAP and Operation HELP based solely on the
3 different poverty levels throughout the Company's five regions?

4 A. No, because PP&L recognizes that funding for these programs, albeit
5 important, cannot begin to serve the full needs of customers. The Company
6 attempts to balance several concerns: the number of residential customers in
7 each region; the percentage of low-income customers; the needs of local
8 communities; and the ability of social service agencies to deliver WRAP and
9 Operation HELP services. In other words, PP&L must take a broader, public-
10 interest view of funding for customer and community needs programs.

11 One of the key strengths of both program is that PP&L has the flexibility
12 to shift funds among the regions to meet needs. The Company closely
13 monitors expenditures each month for WRAP and Operation HELP. If it is
14 determined that a social service agency cannot spend all of its WRAP
15 allocation, those additional funds could be shifted to agencies in other regions.
16 PP&L uses this same approach to reallocate Operation HELP funds to other
17 regions. This process has twin goals: 1) to ensure that all funding is used
18 effectively; and 2) to ensure that the maximum number of customers is
19 assisted.

20 Another important point to remember about Operation HELP is that
21 customer donations do not remain in the region from where they originated.
22 All donations from customers are pooled and distributed among the
23 Company's five regions. This is another attempt by PP&L to recognize
24 customer need by region. For 1993 and 1994, the levels of customer

1 contributions for each region were as follows:

2	<u>Region</u>	<u>1993</u>	<u>1994</u>
3	Lehigh	\$49,789	\$54,543
4		(22.0%)	(22.7%)
5	Northeast	40,609	38,961
6		(17.9%)	(16.2%)
7	Susquehanna	27,072	32,404
8		(12.0%)	(13.5%)
9	Harrisburg	62,335	65,257
10		(27.6%)	(27.2%)
11	Lancaster	46,376	48,798
12		(20.5%)	(20.4%)
13	Total	\$226,181	\$239,963

14 This information demonstrates that the Northeast region has a lower than
15 average contribution rate for Operation HELP than other divisions, despite the
16 greater than average benefits provided to the Northeast region.

17 Q. Do you agree with Mr. Brady's recommendation that PP&L should expand
18 conservation efforts for "baseload" customers.

19 A. No, I do not. Offering conservation services to customers who have neither
20 electric heat or electric water heating provides little benefit to PP&L and its
21 customers. Providing conservation services to customers who heat their
22 homes and/or water with electricity helps to lower electric bills, reduce
23 accounts receivable, and control the growth of peak demand.

24 Nevertheless, the Company does provide limited conservation services to low-
25 use customers through WRAP. PP&L offers energy conservation education
26 and compact florescent lights to baseload customers. In addition, PP&L

1 PP&L anticipates installing "GreenPlugs" as part of the WRAP conservation
2 package for baseload customers. A GreenPlug is an electronic device that is
3 plugged into an electrical outlet in the home. By controlling voltage levels, it
4 allows appliances to operate more efficiently and reduces energy usage.
5 PP&L believes that this level of conservation services is appropriate for
6 baseload customers.

7 PP&L agrees there may be a societal benefit in lowering baseload
8 customers' energy consumption (e.g., oil, coal, natural gas), but providing
9 conservation services to them is not the most effective use of the Company's
10 resources. PP&L has the highest saturation of electric heat (almost 31
11 percent) among all electric utilities in Pennsylvania. Even though WRAP has
12 been operating for 10 years and has assisted over 28,000 customers, a
13 significant need for cost-effective weatherization services still exists for low-
14 income customer who have electric heat or electric water heating. For
15 example, the 1990 Census reveals that nearly 20 percent of PP&L's
16 customers have incomes at or below 150 percent of the federal poverty level,
17 which are the income qualifying guidelines for WRAP. Assuming that 20
18 percent of electric heat customers would qualify for WRAP, approximately
19 66,000 customers (331,369 electric heat customers X 20 percent) would be
20 eligible. From 1985 through 1994, the Company has completed 18,900
21 WRAP weatherization jobs for electric heat customers.

22 It is also important to note that low income does not necessarily equate
23 with low kwh usage. PP&L compared the monthly kwh usage of all residential
24 customers with the monthly kwh usage of Operation HELP recipients. The
25 comparison (Attachment 2) shows that the kwh usage profiles for the two
26 groups are almost identical. In other words, some low-income customers use

1 relatively small amounts of electricity while others use large amounts of
2 electricity.

3 Q. Mr. Brady implies that PP&L's commitment to the customer and community
4 programs is merely window dressing and is being done for primarily public
5 relations benefits. Do you agree with his assessment?

6 A. No, I do not. PP&L takes strong exception to any implication that the
7 proposed customer and community programs are being done for only public
8 relations purposes. PP&L has a strong and long-standing track record in
9 addressing the special needs of customers and communities. PP&L has been
10 among the industry leaders in implementing special programs for customers.
11 Most of the Company's programs (e.g., CARES, Operation HELP, WRAP)
12 have been in existence between 10 to 15 years. PP&L has expended over
13 \$30 million on these programs to help more than 60,000 low-income
14 customers. All of these programs were implemented voluntarily by the
15 Company, and have been continued, expanded, and strengthened by PP&L
16 over the years.

17 In addition, the Company has been very active in promoting the
18 availability of the Low Income Home Energy Assistance Program (LIHEAP)
19 and in lobbying for additional federal funding. PP&L has used bill inserts,
20 news releases, radio spots, brochures and fact sheets, and special mailings to
21 inform customers about LIHEAP. To support LIHEAP funding, the Company
22 has sent letters to key members of Pennsylvania's Congressional delegation;
23 met with lawmakers to discuss LIHEAP presented testimony to a
24 Congressional subcommittee; and participated in activities of federal and state
25 LIHEAP coalitions.

1 PP&L believes that its existing programs and the proposed new
2 programs are the outgrowth of a well-established and effective overall
3 approach that has existed at PP&L for almost two decades. As customer and
4 community needs change, so must the programs offered by the Company.
5 These new programs have been reviewed and approved by the Company's
6 senior management and the Board of Directors. The movement toward a
7 more competitive electric utility environment requires that PP&L re-evaluate its
8 strategic direction and objectives. At the same time, an important strategic
9 issue for the Company to consider is the value of an expanded programs that
10 address the needs of customers and communities. Providing new and
11 innovative programs to address these needs is the next logical step for PP&L.
12 Implementation of these programs is in the long-term interest of PP&L and all
13 its constituencies as such programs will help to ensure that communities will
14 grow and prosper.

15 Q. Mr. Brady states that PP&L plans to spend \$33.5 million on the customer and
16 community programs over the next five years. Is this an accurate statement?

17 A. No. As indicated in an interrogatory response (Responses to Interrogatories
18 of the Office of Trial Staff, Dated February 15, 1995, OTS-RE-90), PP&L
19 intends to implement the proposed customer and community needs programs,
20 regardless of the outcome the base rate case. However, as noted in the
21 interrogatory response, the scope and extensiveness of the programs may
22 have to be scaled back if the Company receives inadequate recovery of

1 implementation costs. In addition, the interrogatory response indicates that
2 PP&L has made a three-year commitment--not a five-year commitment--to the
3 implementation and operation of the programs. Contingent upon adequate
4 rate relief, the Company's funding commitment to these new programs is
5 \$20.1 million and not \$33.5 million.

6 Q. Do you agree with Mr. Brady's recommendation to increase funding for the
7 customer and community programs to \$49.4 million over a five-year period.

8 A. No, I do not. PP&L appreciates Mr. Brady's recommendation, but the
9 Company has already formally committed to a specific funding level as part of
10 its base rate filing. Further, the Company believes that it would be
11 inappropriate to increase the funding for the new programs until such time that
12 evaluation studies could be completed. As noted earlier, at the end of three-
13 year commitment to the implementation of the programs, PP&L will assess
14 their effectiveness and decide whether or not to modify, expand, or
15 discontinue some or all of the programs.

16 In the future, the Company may indeed decide to increase the funding
17 level for the customer and community programs, but it would be premature to
18 commit to such action at this time. A thorough evaluation of the programs'
19 results and customer and community needs must be completed before
20 funding could be increased.

- 1 Q. Mr. Brady has suggested that the funding for the Build-A-Neighborhood and
2 Affordable Housing Programs be distributed in the form of block grants to
3 community organizations. Mr. Stathos, do you support his recommendation?
- 4 A. Until meetings are conducted with community organizations that are likely to
5 be involved in these two programs, PP&L believes that it is premature to
6 suggest a funding mechanism. The Company is not opposed to the block
7 grant approach, but it needs more information on how to effectively implement
8 a block grant program that has the appropriate oversight features. It is not
9 PP&L's intent to create a new administrative bureaucracy with the customer
10 and community programs; rather, the Company wants to add value to existing
11 organizations that have established track records in implementing programs
12 like Build-A-Neighborhood and Affordable Housing.
- 13 Q. Does this complete your rebuttal testimony?
- 14 A. Yes, it does.

**Pennsylvania Power & Light Company
Customer and Community Programs:
Implementation Plan and Timeline**

Build-A-Neighborhood

Tasks	May	June	July	Aug.	Sept.
1. Identify community organizations that have the capability of administering the program.	X				
2. Prepare program proposal to review with community organizations.		X			
3. Meet with leaders from these groups to review purpose and objectives of program.		X			
4. Conduct periodic meetings with representatives from the organizations.	X	X	X	X	X
5. Establish a PP&L liaison with the community organizations in each region.		X			
6. Develop evaluation criteria to select organizations for participation in program			X		
7. Select organizations and projects to fund for the program.			X		
8. Identify what services are needed and who would supply them.			X		
9. Prepare inventory of existing programs and resources.			X		
10. Prepare a budget for each PP&L region.			X		
11. Execute a contract between PP&L and the participating community groups.				X	
12. Identify internal computer support needs for the program.				X	

Tasks	May	June	July	Aug.	Sept.
13. Prepare internal and external communication materials				X	
14. Establish internal procedures to track all costs associated with the program.				X	
15. Identify opportunities for leveraging federal and state funding.					X
16. Begin implementation of program activities.					X
17. Arrange for appropriate services to be supplied by PP&L.					X
18. Begin monitoring progress and results of the program.					X

Pennsylvania Power & Light Company
Customer and Community Programs:
Implementation Plan and Timeline

Affordable Housing

Tasks	May	June	July	Aug.	Sept.
1. Identify agencies and housing coalitions that have capabilities to administer the program.	X				
2. Prepare program proposal to review with social agencies and coalitions.		X			
3. Meet with leaders from these groups to review purpose and objectives of program.		X			
4. Conduct periodic meetings with local groups to develop implementation steps.	X	X	X	X	X
5. Establish a PP&L liaison with the agencies and housing coalitions.		X			
6. Develop evaluation criteria to select organizations for participation.			X		
7. Select organizations and activities to fund for the program.			X		
8. Identify what services are needed and who would supply them.			X		
9. Prepare a program budget for each PP&L region.			X		
10. Execute a contract between PP&L and the participating organizations.				X	
11. Prepare internal and external communication materials.				X	
12. Establish internal procedures to track all program costs.				X	

Tasks	May	June	July	Aug.	Sept.
13. Identify opportunities for leveraging federal and state funding.					X
14. Implement program activities.					X
15. Begin monitoring progress and results of the program.					X

**Pennsylvania Power & Light Company
Customer and Community Programs:
Implementation Plan and Timeline**

Small Business

Tasks	May	June	July	Aug.	Sept.
1. Identify local organizations involved in advocating for small businesses.	X				
2. Prepare program proposal to review with small business advocates. ¹		X			
3. Meet with small business advocates to discuss purpose and objectives of the program.		X			
4. Conduct ongoing meetings to review program implementation.	X	X	X	X	X
5. Develop an inventory of small business programs and resources.		X			
6. Establish a PP&L liaison with small business organizations and advocates.		X			
7. Develop criteria to select organizations for participation in the program.			X		
8. Establish internal procedures to forgive demand charges for qualified businesses.			X		
9. Identify internal computer support needs for the program.			X		
10. Establish procedures to track all costs associated with the program.			X		
11. Select organizations and activities to fund for the program.			X		

¹ Includes organizations committed to helping minority-owned businesses.

Tasks	May	June	July	Aug.	Sept.
12. Prepare a budget for each PP&L region.			X		
13. Execute a contract between PP&L and the participating organizations.				X	
14. Prepare internal and external communications materials.				X	
15. Identify opportunities for leveraging federal and state funding.				X	
16. Implement program activities.					X
17. Begin monitoring progress and the results of the program.					X

**Pennsylvania Power & Light Company
Customer and Community Programs:
Implementation Plan and Timeline**

Keep Warm Plan

Tasks	May	June	July	Aug.	Sept.
1. Develop communications plan to identify eligible customers.		X			
2. Meet with social services agencies to discuss the objectives of the program.		X			
3. Establish PP&L liaison with social service organizations.		X			
4. Select social service agencies to administer the program. ¹			X		
5. Identify computer support needs for the program.			X		
6. Develop procedures to track all costs associated with the program.			X		
7. Prepare a program budget for each region.			X		
8. Recruit and train installers for the heat pump water heaters.			X		
9. Purchase special equipment (e.g., heat pump water heaters, GreenPlugs, infra-red cameras).			X		
10. Provide training to PP&L WRAP personnel and customer contact employees.			X		
11. Prepare internal an external communication materials.			X		

¹ Private contractors may be used if social service agencies indicate they cannot handle the entire workload of the program.

Tasks	May	June	July	Aug.	Sept.
12. Execute a contract between PP&L and the social services agencies.				X	
13. Start recruitment of customers for the program.				X	
14. Implement program activities.				X	
15. Begin monitoring progress and results of the program.				X	

**Pennsylvania Power & Light Company
Customer and Community Programs:
Implementation Plan and Timeline**

Winter Emergency Plan

Tasks	Dec.	Jan.	Feb.	Mar.	Apr.
1. Monitor severity of winter weather and associated bill-payment problems.	X	X	X		
2. Make recommendation to issue release of \$250,000 in charitable donation.				X	
3. Identify social service agencies that have the capability to provide emergency services.				X	
4. Contact appropriate social service agencies to inform them about disbursing the emergency funds.				X	
5. Disburse funds across PP&L's service area to participating agencies.				X	
6. Monitor use of funds.					X

**Pennsylvania Power & Light Company
Customer and Community Programs:
Implementation Plan and Timeline**

Payment Protection Plan

Tasks	May	June	July	Aug.	Sept.
1. Identify insurance companies that have the capability and willingness to provide the insurance coverage for customers.		X			
2. Issue a Request for Proposal (RFP) to insurance companies.			X		
3. Evaluate RFPs and select an insurance carrier to provide the coverage.			X		
4. Prepare internal and external communication materials.				X	
5. Provide training to PP&L's customer contact employees.				X	
6. Identify computer support needs for the program.				X	
7. Establish a system to track customer participation in the program.				X	
8. Issue a system-wide bill insert informing customers about the insurance coverage.					X
9. Monitor progress and results of the program.					X

Pennsylvania Power & Light Company
Customer and Community Programs:
Implementation Plan and Timeline

Operation HELP

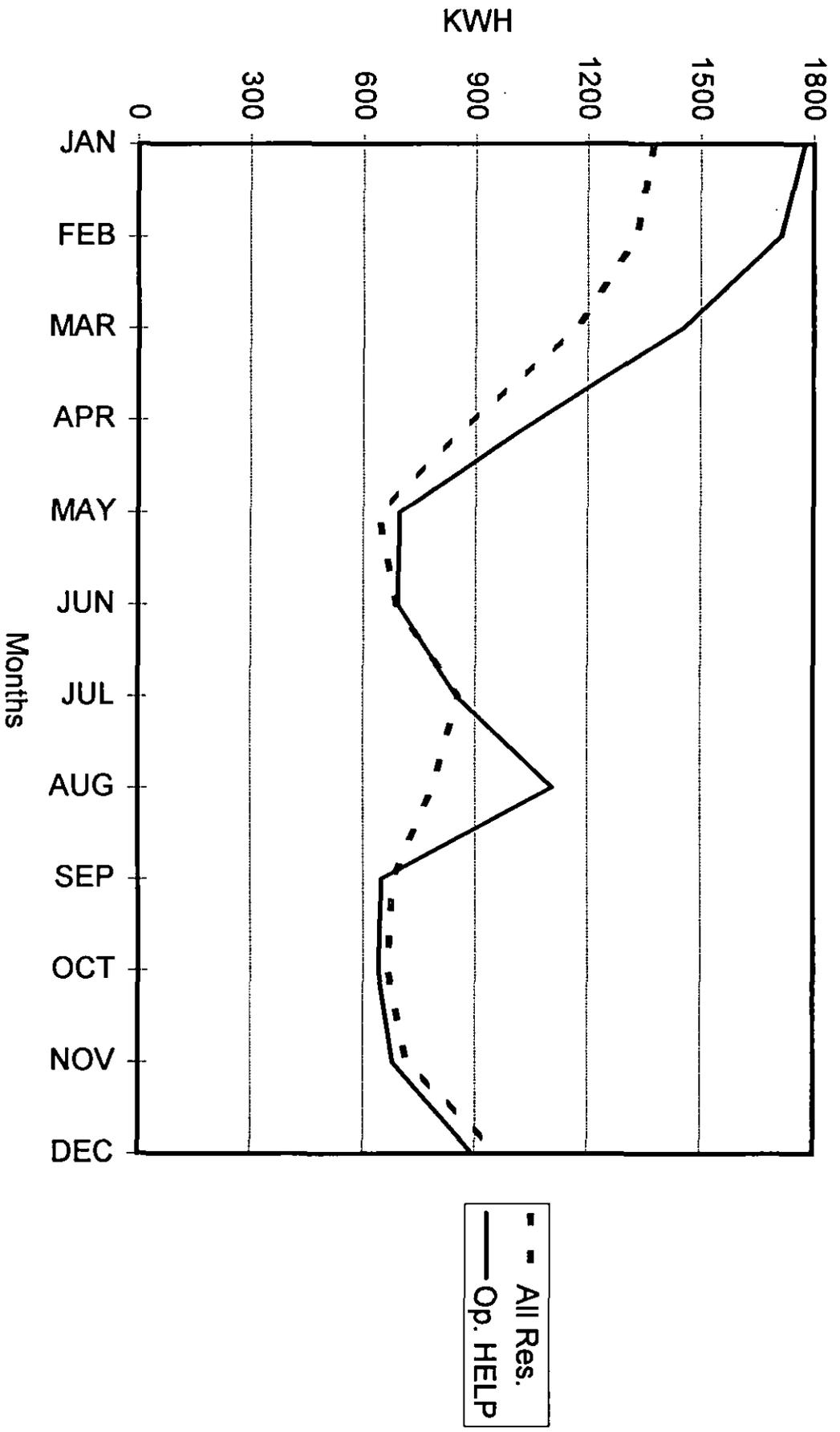
Tasks	May	June	July	Aug.	Sept.
1. Identify consultants who have expertise and experience in fund raising.		X			
2. Develop a Request for Proposal (RFP) and distribute to appropriate consultants.		X			
3. Evaluate RFPs and select a consultant.			X		
4. Conduct meetings with internal and external audiences involved in Operation HELP.				X	
5. Prepare strategic fund-raising plan for Operation HELP.				X	
6. Begin implementation of fund-raising recommendations.					X
7. Monitor progress and results of implementing the recommendations.					X

Pennsylvania Power & Light Company
Customer and Community Programs:
Implementation Plan and Timeline

CARES Extension Pilot

Tasks	May	June	July	Aug.	Sept.
1. Identify social service agencies that have the capability and willingness to administer the pilot.			X		
2. Meet with agencies to review the purpose and objectives of the pilot.			X		
3. Identify customers who may be eligible for participating in the pilot.			X		
4. Develop internal and external procedures for the pilot.			X		
5. Execute a contract between PP&L and the social service agencies who will administer the pilot.				X	
6. Provide training on pilot procedures for internal and external audiences.				X	
7. Begin referring customers to the participating social service agencies.					X
8. Monitor progress and results of the pilot.					X

1994 KWH Usage



DOCUMENT
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PP: L
EXHIBIT MJB-16
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5-24-95
Hkj
R-943271

SUSQUEHANNA STEAM ELECTRIC STATION
OUTAGE HISTORY
(\$000)

<u>Outage</u>	<u>Unit 1</u>	<u>Unit 2</u>
# 1	\$20,824	\$ 9,858
# 2	\$10,527	\$17,468
# 3	\$20,902	\$ 9,168
# 4	\$12,418	\$14,658
# 5	\$21,521	\$13,430
# 6	\$15,704	\$18,222
# 7	\$16,189	\$15,960 *
# 8	\$17,991 *	

* Estimated

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PENNSYLVANIA POWER & LIGHT COMPANY

Exhibit Future 1 - Revised

Summary of Measures of Value &
Rate of Return

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S-24-95
Hkg

Witness: Various

Docket No. R-00943271

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PENNSYLVANIA POWER & LIGHT COMPANY

**Exhibit Future 1
Docket No. R-00943271
Summary of Measures of Value and Rates of Return
Year Ended September 30, 1995**

follows: This book contains a series of schedules (see Table of Contents) which are grouped as

- A - Statement of Reasons
- B - Financial Statements, Cost of Capital and Capital Structure
- C - Measures of Value
- D - Operating Income and Adjustments

PENNSYLVANIA POWER & LIGHT COMPANY

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PENNSYLVANIA POWER & LIGHT COMPANY

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PENNSYLVANIA POWER & LIGHT COMPANY

**A--Reasons for Proposed Increase
Index**

A-1 Statement of Reasons

PENNSYLVANIA POWER & LIGHT COMPANY

**Statement of Reasons
for the Proposed Increase
Docket No. R-00943271**

STATEMENT OF REASONS FOR THE PROPOSED INCREASE

1. Introduction

The purpose of this filing is to bring Pennsylvania Power & Light Company's ("PP&L" or the "Company") rates for retail electric service in line with the cost of providing that service. PP&L is requesting an overall annual net increase of approximately \$261 million, based on a future test year ending September 30, 1995. This level of additional annual revenue will produce an increase in overall rates of about 11.7%.

This increase in rates is necessary to cover the Company's cost of service including a fair return on its capital investment. In addition, an increase in rates is necessary to address future known changes in several aspects of the Company's business and to avoid future financial deterioration.

2. PP&L's Rate Philosophy

The Company's overall approach to ratemaking over the past ten years has been based on two objectives. The first has been to maintain rate stability. Since the Susquehanna Unit 2 case was concluded in April 1985, the Company has undertaken extensive efforts to avoid filing a base rate increase. For example, during this period, PP&L undertook a \$3.46 billion refinancing program to replace high cost securities at a lower cost. The Company has implemented a series of cost

reduction measures, including reductions in staff levels, elimination of unnecessary functions, a fundamental restructuring at the corporate level and a re-engineering of critical processes. In addition, the Company has pursued revenue growth opportunities in both the retail market and the bulk power market.

The Company has been successful in these efforts. PP&L's last retail base rate increase request was filed with the Commission on July 27, 1984, more than a decade ago. During that ten-year time period, every major electric utility in Pennsylvania has filed at least one base rate increase request; some have filed a number of requests.

The Company's second ratemaking objective has been to pass through to customers the rate impacts of certain non-recurring cost savings. Under traditional ratemaking practice, changes that occur outside of a base rate proceeding are not generally reflected in customer rates until the utility's next base rate proceeding. PP&L generally follows this traditional approach because the various changes in costs and revenue that occur between rate cases can offset one another and, thereby, eliminate or moderate the need for interim rate changes.

However, PP&L has adopted a different approach if the change is non-recurring and, in a number of instances, has developed innovative mechanisms to flow through to customers specific non-recurring cost savings. For example, in 1986, the Company passed through the impact of reductions in its Federal income tax liability. PP&L returned this credit to customers by creating a special rate clause -- the Income Tax Adjustment ("ITA"). In 1991, the Company began to pass through

(over a five year period) the cost savings associated with a change in the method of accounting for spare parts inventory at its power plants. A year later, PP&L began another five-year pass through of the proceeds from a settlement of potential litigation with the General Electric Company. These two credits currently are reflected on customer bills through another unique clause -- the Special Base Rate Credit Adjustment ("SBRCA").

The decision to file the present case was a difficult one and was made only after all other alternatives for maintaining the Company's financial health had been explored. Both the revenue requirements component and the rate design component of the filing are designed to maintain, to the extent possible, the stability of the Company's retail rates. Moreover, as discussed in more detail below, the present filing reflects a number of cost savings that substantially reduce PP&L's overall revenue requirement.

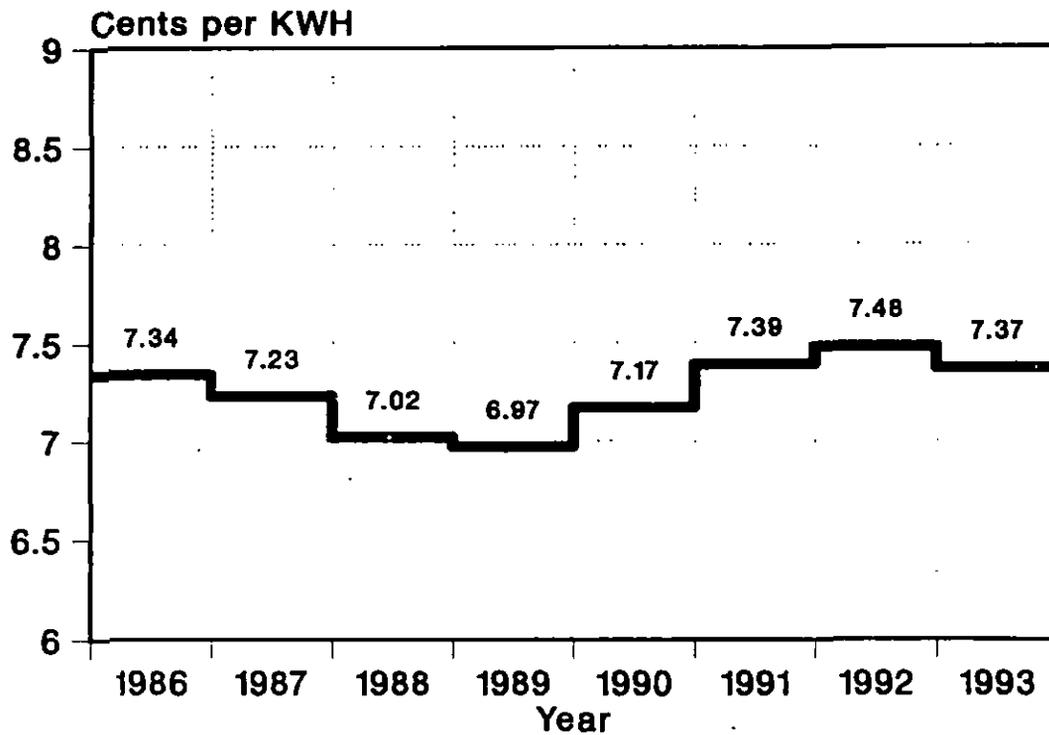
3. Comparisons of PP&L's Rates

An analysis of PP&L's retail rates demonstrates that its ratemaking philosophy has been successful. The Company's rates have remained relatively stable over the last decade; its rates over this time period have not tracked the general rate of inflation; and PP&L's rates compare favorably to the rates of other electric utilities in the region.

As shown in the chart below, after the Susquehanna Unit 2 base rate case concluded in 1985, PP&L's average price (based upon customer use in that

year) was 7.34¢ per KWH. In 1993, the Company's average price for electricity was only 7.37¢ per KWH.

PP&L Total Price

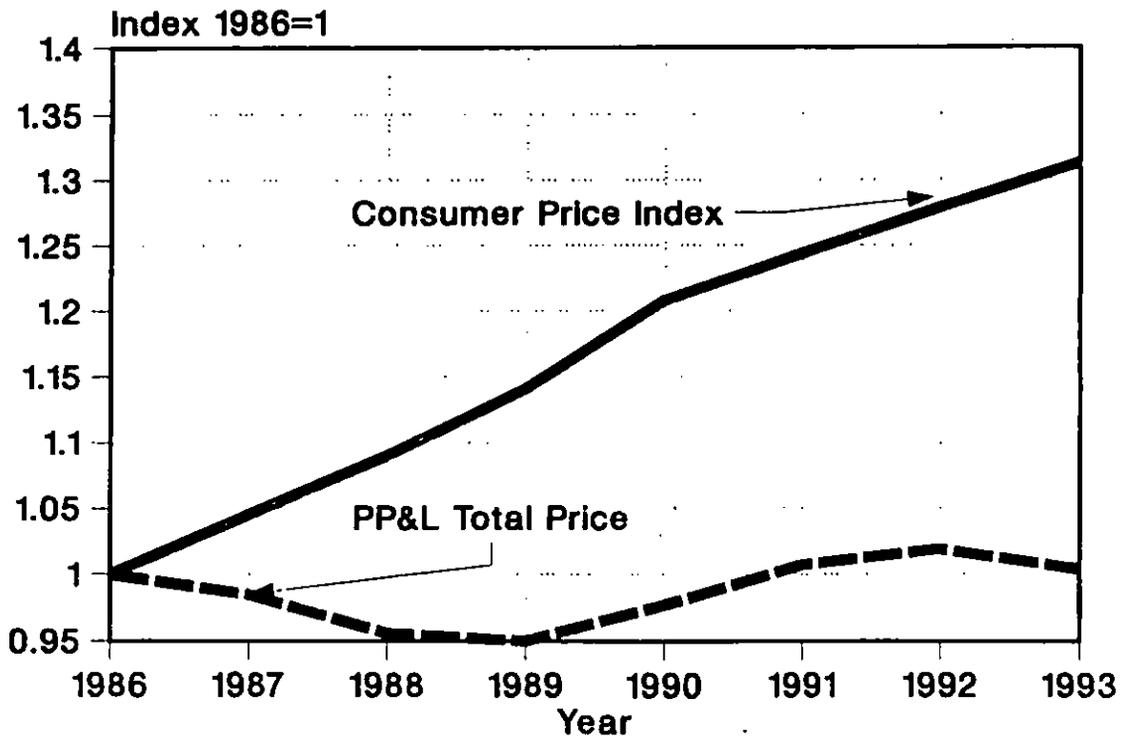


Thus, since the Company's last base rate case, its average price has remained essentially unchanged.

PP&L's average price also compares favorably with increases in the Consumer Price Index ("CPI"). As previously discussed, during the period from 1986 through 1993, the Company's average price remained essentially unchanged.

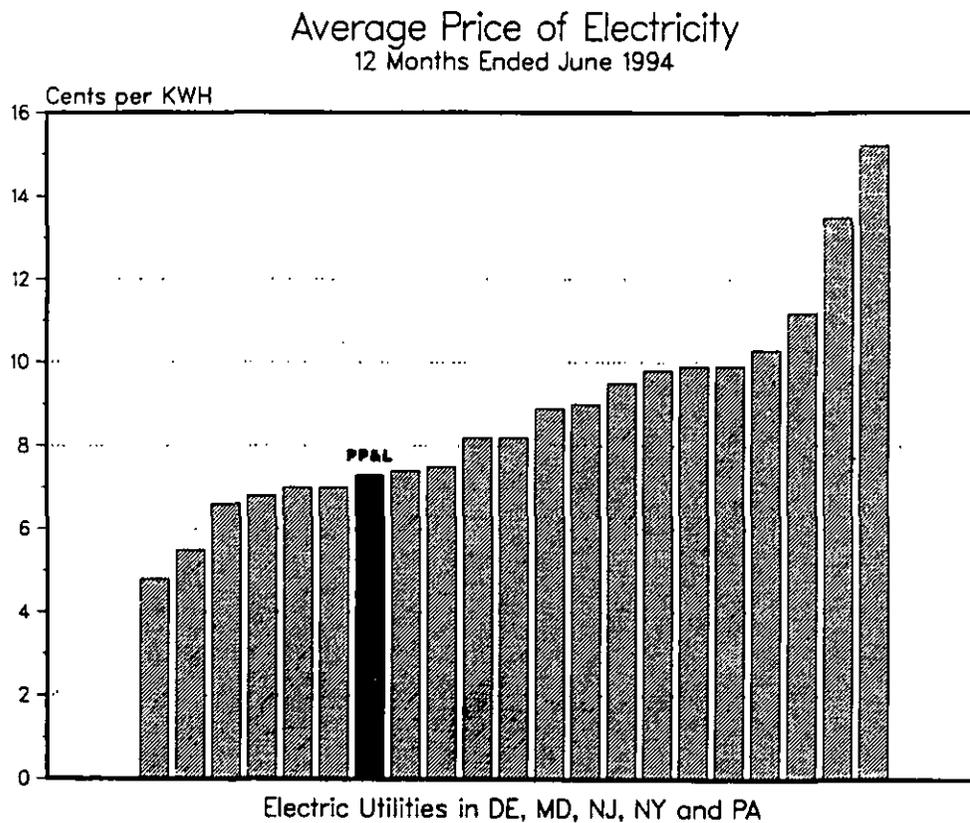
However, as shown on the chart below, over the same time period, the CPI increased by 31%.

Total Price Changes Relative to CPI 1986 Price = 1



Thus, while the overall rate of inflation, as measured by the CPI, increased more than 30%, PP&L's average price for electricity remained virtually the same.

In addition, the Company's total price for electricity compares favorably with the average prices of other electric utilities in the region. The chart below shows a comparison for the 12-month period ended June 30, 1994.



In summary, these three comparisons demonstrate the success of PP&L's ratemaking philosophy.

4. PP&L's Commitment to Communities

For decades, PP&L has been firmly committed to the communities it serves in central-eastern Pennsylvania. This commitment is demonstrated in at least three ways.

First, the Company continues to support and enhance economic development within its service area. Over the past ten years, the Company has proposed, and the Commission has approved, a series of economic development initiatives. Examples of these initiatives include interruptible service options; demand-free day options; and rate credits for incremental electricity use.

Recently, the Commission approved two innovative rates proposed by PP&L to respond to competitive pressures and to promote economic development in its service area. The first is a competitive rate rider. Under this program, PP&L can offer flexible rates to customers that have a credible alternative to the purchase of electricity from the Company. The second program is real time pricing which provides qualifying customers with an opportunity to purchase incremental energy at the cost PP&L actually incurs to provide that electricity. Because costs generally are lower during off-peak periods, the rates that customers will pay under this program will be lower during those periods. Customers who can add load during off-peak periods and/or shift load to those periods will experience cost savings under this rate option.

Second, PP&L supports efficient and effective use of energy by its customers. To this end, the Company has developed a portfolio of demand-side

management (DSM) programs and high-efficiency energy use programs. The Company's DSM plan has been submitted to the Commission and currently is under review. In addition, the Company continues to develop new initiatives in this area.

Third, PP&L has a long history of developing and supporting programs that assist the communities and individuals that it serves. Examples of successful existing programs in this area include Operation HELP, CARES, WRAP and "On Track" -- the Company's pilot customer assistance program. In addition to these programs, most of which have been in place for over ten years, PP&L has developed an extensive family of new programs. With this combination of existing and new initiatives, PP&L can continue to assist its customers who truly are in need.

5. Specific Claims in the Filing

This base rate increase is being requested to cover the Company's cost of service including a fair return on capital investment. In addition, an increase in rates is needed to address future known changes in several aspects of the Company's business and to avoid future financial deterioration. Attachment A to this Statement of Reasons and the following discussion summarize the major components in the filing.

Environmental costs. As one of its principal corporate objectives, PP&L is committed to fully meeting all of its environmental responsibilities. With passage of the 1990 amendments to the Clean Air Act, these responsibilities have increased dramatically. The Company expects to incur significant additional costs to comply

with these amendments and other legal requirements regarding the emission of air pollutants such as sulfur dioxide and nitrogen oxide. The future test year data in this filing reflect the costs that PP&L will incur as of September 30, 1995, for these items.

Susquehanna depreciation. Currently, the Company depreciates the cost of Susquehanna nuclear plant facilities placed in service prior to January 1, 1989, using a sinking fund method. That method was proposed by PP&L and approved by the Commission in the Susquehanna Unit 1 case (Docket No. R-822169) and the Susquehanna Unit 2 case (Docket No. R-842651). Under the sinking fund method, the annual depreciation expense for Susquehanna increases every year until 1999. In this filing, the Company is requesting permission to set Susquehanna's depreciation expense for facilities placed in service prior to January 1, 1989, at a level amount of approximately \$173 million per year through 1998. When the plant's depreciation switches to straight-line in 1999, this expense will fall to about \$102 million per year. In this filing, PP&L is proposing to reduce its rates in 1999 by approximately \$70 million to recognize this change.

Fossil plant depreciation. This filing reflects a proposal to decrease, for depreciation purposes, the lives of certain fossil-fueled plants on the Company's system. This change is based on studies of the economic lives of these plants that considered, among other things, the cost of complying with new environmental requirements. The studies conclude that the depreciation lives of Holtwood Unit 17, Martins Creek Units 1 & 2 and the Sunbury station should be reduced by amounts that range from six to twelve years to reflect the uncertainties introduced by these

new requirements. The Company is proposing a deactivation date of 2003 for these units.

Susquehanna decommissioning. This filing includes a claim to recover the estimated cost of decommissioning the Susquehanna nuclear plant. This claim is based upon a site-specific study of the cost of decommissioning the plant that was conducted in late 1993 by TLG Services, Inc. That study estimated that the Company's 90% share of the total cost of decommissioning will be approximately \$724 million (in 1993 dollars), including both the radioactive and non-radioactive portions of the plant. The Company is proposing to use an annuity to collect this cost over the remaining life of Susquehanna.

Fossil plant decommissioning. This filing also includes a claim to recover the cost of decommissioning the Company's fossil-fueled power plants. The claim is based upon a study of the cost of decommissioning those plants that was conducted by TLG Services, Inc. earlier this year. The total cost of decommissioning is estimated to be \$614 million. If this request is granted, the Company proposes to use an annuity to collect this cost over the remaining lives of the affected plants.

SFAS 106. This filing reflects an estimate of the costs that PP&L will incur to comply with Statement of Financial Accounting Standards No. 106 (SFAS 106). Under SFAS 106, most major corporations, including PP&L, must accrue for the cost of certain post-retirement benefits rather than reflect those costs on a "pay-as-you-go" basis. In PP&L's case, this accrual is approximately \$17 million more than its annual cash payments for these benefits.

6. Issues Related to JCP&L Agreement

This filing addresses the upcoming termination of PP&L's capacity and energy sales agreement with Jersey Central Power & Light Company (JCP&L). That contract phases out in five steps, beginning on January 1, 1996. As the capacity and energy formerly sold to JCP&L is used to serve retail customers, PP&L should begin to recover the associated costs from those customers. The Company has not reflected any of those costs in the filing. Rather, PP&L is proposing that it be permitted to recover the costs through its Energy Cost Rate ("ECR") beginning on January 1, 1996.

An issue related to the JCP&L agreement is the Company's ratemaking treatment of revenue from its off-system sales of (1) installed capacity credits, (2) output reservations, and (3) transmission entitlements. Pursuant to a Commission-approved settlement agreement (Docket No. M-00930406), a portion of the revenue from installed capacity credit sales now is flowed through the ECR. If its proposal regarding the JCP&L agreement is approved, the Company proposes to flow through the ECR all current and future revenue from these capacity-related off-system sales.

7. Credits in the Filing

The discussion above summarizes the major specific items reflected in this filing. An equally important issue is the number of credits that PP&L has

included in the filing that reduce, to the extent possible, the amount of its rate increase request. Following is a discussion of four principal credits reflected in the filing.

Refinancings. Over the past several years, PP&L has vigorously pursued refinancing opportunities to replace high cost securities at a lower cost. The Company was in a unique position to benefit from these opportunities because during construction of the Susquehanna plant it was forced to borrow funds at rates exceeding 16%. Through its refinancing efforts, the Company was able to reduce its average embedded cost of long-term debt from 11.24% at December 31, 1985, to 7.97% in the future test year in this filing. Similarly, PP&L was able to reduce its average embedded cost of preferred and preference stock from 10.02% at December 31, 1985, to 7.31% in the future test year in this filing. The cumulative reduction in the Company's annual revenue requirement attributable to these reductions in embedded cost rates is approximately \$133 million.

Voluntary Early Retirement Program. Another revenue requirement credit arises from the Company's Voluntary Early Retirement Program ("VERP"). The VERP was offered to all employees 55 and older; approximately 850 employees were eligible. As of December 15, 1994, the cut-off date for participation, over 600 employees have elected to take early retirement under this program. The estimated impact of the VERP is reflected in the Company's filing as the annual savings less the total cost amortized over five years. The result is a net credit which will reduce the Company's rate increase request by \$12 million.

Depreciation of T&D facilities. The Company has determined that the depreciation lives of some of its transmission and distribution ("T&D") facilities are too short. In this filing, the Company is proposing to increase the lives of those facilities. This change will reduce the Company's revenue requirement by \$31 million.

Off-System Sales. As a part of its effort to avoid retail base rate increases and maintain rate stability, PP&L vigorously pursued capacity-related off-system sales. These sales can take many different forms. As indicated above, they have included: (1) sales of installed capacity credits, (2) output reservations, and (3) sales of transmission entitlements. In the future test year, revenue from these sales will reduce the Company's revenue requirement by about \$21 million.

8. Rate of Return

In line with the Company's rate philosophy described earlier, the requested rate increase will produce a conservative return on rate base. PP&L's rate of return expert is recommending, and his studies support, a minimum rate of return on common equity of 13%. In light of the ongoing changes in the electric utility industry and recent trends in financial markets, this claim clearly is at the low end of the range of reasonableness. Moreover, the requested rate levels are designed to produce a rate of return on common equity slightly less than the claimed 13%.

9. Rate Design

As in previous cases, PP&L has prepared cost allocation studies designed to establish the rate of return for each rate class and the relationship of those rates of return to that of the system under both present and proposed conditions. Upon careful review of this material, it was concluded that the findings of these studies would form a principal basis for the assignment of increases to each rate group. Following this method produces varying percentage increases for each major customer class.

The Company is not proposing any major changes in the design of residential rates. The Residential Thermal Storage rate will continue to provide significant savings for qualifying customers. However, the Company is proposing to restrict the size of farms taking service under residential rate schedules.

PP&L also is proposing to re-price a credit that customers receive for taking interruptible service. This re-pricing will more closely approximate the current value of interruptible load to the Company. The credit now reflected in PP&L's tariff, which was established several years ago, is much higher than the current value of interruptible load.

The Company is proposing to offer a new rate to large high load factor industrial customers. This rate is designated Rate Schedule LP-6. In addition, PP&L will continue several economic development initiatives currently reflected in its tariff. Under one of these programs, qualifying industrial and commercial customers can receive credits for expanded electric use. Under the other program, the Company

can declare demand-free days so that qualifying customers will not incur any demand charges when they use electricity.

10. Conclusion

As discussed above, the Company's overall approach to ratemaking has been based on two objectives. The first is to maintain rate stability. The second is to pass through to customers the rate impacts of specific non-recurring cost savings. This two-part philosophy has been successful. The decision to file the present case was made only after extensive analysis and deliberation. Both the revenue requirement component and the rate design component of the filing are designed to maintain, to the extent possible, the stability of the Company's retail rates.

PENNSYLVANIA POWER AND LIGHT COMPANY
MAJOR COMPONENTS OF THE 1994 BASE RATE INCREASE

<u>Component</u>	<u>Amount</u> <u>(\$-Millions)</u>
Traditional Rate Items	\$150
(Includes, among other things: increases in rate base, depreciation and operating and maintenance expenses, a return on the common equity invested in Susquehanna Unit No. 2 and SFAS 106 costs, offset by sales growth and savings from the Company's refinancing program.)	
Decommissioning	
Nuclear	18
Fossil	43
Depreciation	
Levelize Susquehanna Sinking Fund Depreciation	33
Shorten Fossil Plant and General Lives	28
Lengthen T&D Lives	(31)
Voluntary Early Retirement Program	
Savings	(23)
Amortize Costs	11
Miscellaneous Items	20
(Includes, among other things: amortization of deferred SFAS 106 costs, the recovery of deferred operating and maintenance costs for the Susquehanna station, social programs, annualizing depreciation and environmental remediation.)	
Gross Receipts Tax	<u>12</u>
Total	<u>\$261</u>

PENNSYLVANIA POWER & LIGHT COMPANY

B--Book Statements Index

- B-1 Balance Sheet at September 30, 1995
- B-2 Electric Service--Statement of Net Utility Operating Income
--Year Ended September 30, 1995
- B-3 Electric Service--Operating Revenues--Year Ended September 30, 1995
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- B-5 Electric Service--Detail of Taxes--Year Ended September 30, 1995
- B-6 Historical (Embedded) Cost of Debt Capital at September 30, 1995
- B-7 Historical (Embedded) Cost of Preferred and Preference Stock Capital at
September 30, 1995
- B-8 Capital Structures--Years Ended 1989-1993 and September 30, 1994 and 1995
- B-9 Rate of Return at September 30, 1995

PENNSYLVANIA POWER & LIGHT COMPANY

**Balance Sheet at
September 30, 1995
Assets and Other Debits
(Thousands of Dollars)**

<u>Acct. No.</u>	<u>Title of Account</u>	<u>Amount</u>
	Utility Plant	
101	Plant in service	\$9,607,472
101.1	Property under capital leases	98,801
105	Plant held for future use	30,340
107	Construction work in progress	113,214
	Gross utility plant	9,849,827
108	Accumulated provision for depreciation	(2,845,830)
111	Accumulated provision for amortization	(15,715)
	Net utility plant, less nuclear fuel	6,988,282
120.1	Nuclear fuel in process	-
120.6	Nuclear fuel under capital leases	175,612
	Net Utility Plant	7,163,894
	Other Property and Investments	
121	Nonutility property	3,697
122	Accumulated provision for depreciation of nonutility property	(434)
	Net nonutility property	3,263
123.1	Investment in subsidiary companies	98,381
124	Other investments	9,156
128	Other special funds	126,026
	Total Other Property and Investments	236,826
	Current and Accrued Assets	
131	Cash	574
132	Interest special deposits	289
134	Other special deposits	1
135	Working funds	1,510
	Notes and accounts receivable	
141	Notes receivable	10
142	Customer accounts receivable	209,330
143	Other accounts receivable	18,931
144	Accumulated provision for uncollectible accounts--credit	(27,466)
	Total notes and accounts receivable	200,805
145	Notes receivable from associated companies	70,238
146	Accounts receivable from associated companies	1,003

PENNSYLVANIA POWER & LIGHT COMPANY

**Balance Sheet at
September 30, 1995
Assets and Other Debits (Continued)
(Thousands of Dollars)**

<u>Acct. No.</u>	<u>Title of Account</u>	<u>Amount</u>
	Current and Accrued Assets (Continued)	
	Materials and supplies	
151	Fuel stock	\$93,953
152	Fuel stock expenses undistributed	288
154	Plant materials and operating supplies	115,634
163	Stores expense undistributed	1,173
	Total materials and supplies	<u>211,048</u>
165	Prepayments	31,521
	Other current and accrued assets	
171	Interest and dividends receivable	1
172	Rents receivable	2,918
173	Accrued utility revenues	66,805
174	Miscellaneous current and accrued assets	12,519
190	Accumulated deferred income taxes (current)	34,966
	Total other current and accrued assets	<u>117,209</u>
	Total Current and Accrued Assets	<u>634,198</u>
	Deferred Debits	
181	Unamortized debt expense	5,002
182.3	Other regulatory assets	1,364,017
183	Preliminary survey and investigation charges	529
184	Clearing accounts	(905)
185	Temporary facilities	(14)
186	Miscellaneous deferred debits	15,637
189	Unamortized loss on reacquired debt	115,887
190	Accumulated deferred income taxes (noncurrent)	
	Susquehanna SES test power	16,852
	SFAS 109	149,275
	Other	128,497
	Total accumulated deferred income taxes (noncurrent)	<u>294,624</u>
	Total Deferred Debits	<u>1,794,777</u>
	Total Assets and Other Debits	<u>\$9,829,695</u>

PENNSYLVANIA POWER & LIGHT COMPANY

**Balance Sheet at
September 30, 1995
Liabilities and Other Credits
(Thousands of Dollars)**

<u>Acct. No.</u>	<u>Title of Account</u>	<u>Amount</u>
	Proprietary Capital	
201	Common stock issued	\$1,598,327
204	Preferred stock issued	466,375
207	Premium on capital stock	87
211	Miscellaneous paid-in capital- unrealized holding gains and (losses)	1,014
214	Capital stock expense	(14,085)
215.1	Appropriated retained earnings-- amortization reserve--Federal	3,063
216	Unappropriated retained earnings	1,084,586
216.1	Unappropriated undistributed subsidiary earnings	15,877
	Total Proprietary Capital	<u>3,155,244</u>
	Long-Term Debt	
221	Bonds	2,873,250
225	Unamortized premium on long-term debt	60
226	Unamortized discount on long-term debt--debit	(21,779)
	Total Long-Term Debt	<u>2,851,531</u>
	Other Noncurrent Liabilities	
227	Obligations under capital leases (noncurrent)	<u>109,306</u>
	Current and Accrued Liabilities	
231	Notes payable	111,703
232	Accounts payable	32,730
234	Accounts payable to associated companies	1,867
235	Customer deposits	1,106
236	Taxes accrued	27,741
237	Interest accrued	58,777
238	Dividends declared	75,108
240	Matured interest	2
241	Tax collections payable	4,891
242	Miscellaneous current and accrued liabilities	78,374
243	Obligations under capital leases--current	77,773
283	Accumulated deferred income taxes-other (current)	7,048
	Total Current and Accrued Liabilities	<u>477,120</u>

PENNSYLVANIA POWER & LIGHT COMPANY

**Balance Sheet at
September 30, 1995
Liabilities and Other Credits (Continued)
(Thousands of Dollars)**

<u>Acct. No.</u>	<u>Title of Account</u>	<u>Amount</u>
	Deferred Credits	
228.4	Accumulated miscellaneous operating provisions	\$32,962
252	Customer advances for construction	40
253	Other deferred credits	319,819
254	Other regulatory liabilities	273,664
255	Accumulated deferred investment tax credits	219,815
281	Accumulated deferred income taxes-- accelerated amortization property	456
282	Accumulated deferred income taxes--other property	
	Class life depreciation system	39,195
	Accelerated cost recovery system	
	Nuclear	845,227
	Non-nuclear	231,646
	Removal of retired depreciable property	4,931
	Fuel costs-test generation	2,909
	SFAS 109	677,238
	Other	40,005
	Total accumulated deferred income taxes--other property	<u>1,841,151</u>
283	Accumulated deferred income taxes--other (noncurrent)	<u>548,587</u>
	Total Deferred Credits	<u>3,236,494</u>
	Total Liabilities and Other Credits	<u>\$9,829,695</u>

PENNSYLVANIA POWER & LIGHT COMPANY

**Electric Service
Statement of Net Utility Operating Income
Year Ended September 30, 1995
(Thousands of Dollars)**

<u>Acct. No.</u>	<u>Title of Account</u>	<u>Amount</u>
400	Operating Revenues (B-3)	<u>\$2,757,934</u>
	Operating Expenses:	
401)	Operation and maintenance expense (B-4)	
402)	Power production	1,156,372
	Transmission	12,819
	Distribution	93,799
	Customer accounts	51,984
	Customer service and informational expenses	18,067
	Sales	4,959
	Administrative and general	<u>173,326</u>
	Total Operation and Maintenance Expense	<u>1,511,326</u>
403)	Depreciation expense and amortization of electric plant	
406)	acquisition adjustments	339,837
407.3	Regulatory debits	22,402
407.4	Regulatory credits	(58,750)
	Taxes (B-5)	
408.1	Taxes other than income taxes	204,772
409.1	Income taxes	263,422
	Deferred income taxes	
410.1	Provision	49,128
411.1	Provision - credit	(73,224)
	Investment tax credits adjustment	
411.4	Amortization of deferments--credits	<u>(11,037)</u>
	Total Taxes	<u>433,061</u>
411.8	Gains from disposition of emission allowances	<u>(486)</u>
	Total Operating Expenses	<u>2,247,390</u>
	Net Utility Operating Income	<u><u>\$510,544</u></u>

PENNSYLVANIA POWER & LIGHT COMPANY

Electric Service
Statement of Operating Revenue
Year Ended September 30, 1995
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
	<u>Sales of Electricity</u>	
1	Residential	\$919,237
2	Commercial	760,197
3	Industrial	526,157
4	Public authorities	17,014
5	Railroads	8,459
6	Sales for resale	484,414
7	Interdepartmental sales	<u>0</u>
8	Sales revenue	<u>2,715,478</u>
	<u>Other Operating Revenue</u>	
9	Forfeited discounts	7,074
10	Miscellaneous service revenue	203
11	Rental of electric property	12,692
	Other electric revenues	
12	Unbilled revenues	(11,023)
13	Other	<u>33,510</u>
14	Other Operating Revenue	<u>42,456</u>
15	Total Electric Operating Revenue	<u><u>\$2,757,934</u></u>

PENNSYLVANIA POWER & LIGHT COMPANY

**Electric Service
Statement of Operation and Maintenance Expenses
Year Ended September 30, 1995
(Thousands of Dollars)**

Acct. No.	<u>Title of Account</u>	<u>Amount</u>
	<u>Power Production Expenses</u>	
	<u>Steam Power Generation</u>	
	Operation	
500	Operation supervision and engineering	\$10,034
501	Fuel	
	Average Costs- Boiler	445,954
	Waste Heat Utilization- Credit	(95)
	Differential Fuel Cost- Oil Terminaling	6,718
	Retired Miners' Health Care Costs	3,858
	Other--fuel unloading, handling, etc.	<u>17,415</u>
		473,850
502	Steam expenses	15,384
505	Electric expenses	7,666
506	Miscellaneous steam power expenses	29,461
507	Rents	335
	Total Operation	<u>536,730</u>
	Maintenance	
510	Maintenance supervision and engineering	5,528
511	Maintenance of structures	5,251
512	Maintenance of boiler plant	60,752
513	Maintenance of electric plant	14,269
514	Maintenance of miscellaneous steam plant	7,417
	Total Maintenance	<u>93,217</u>
	Total Power Production Expense--Steam Power	<u>629,947</u>
	<u>Nuclear Power Generation</u>	
	Operation	
517	Operation supervision and engineering	17,876
518	Nuclear fuel expense	
	Nuclear fuel consumed--leased	58,073
	Financing costs	6,366
	Spent fuel disposal	13,248
	Decontamination and decommissioning fund assessment	2,889
	Other	<u>475</u>
		81,051
519	Coolants and water	3,595
520	Steam expenses	25,698
523	Electric expenses	2,989
524	Miscellaneous nuclear power expenses	49,092
525	Rents	568
	Total Operation	<u>\$180,869</u>

PENNSYLVANIA POWER & LIGHT COMPANY

**Electric Service
Statement of Operation and Maintenance Expenses
Year Ended September 30, 1995
(Thousands of Dollars)**

<u>Acct.</u> <u>No.</u>	<u>Title of Account</u>	<u>Amount</u>
<u>Nuclear Power Generation (Continued)</u>		
Maintenance		
528	Maintenance supervision and engineering	\$22,073
529	Maintenance of structures	6,657
530	Maintenance of reactor plant equipment	18,066
531	Maintenance of electric plant	8,909
532	Maintenance of miscellaneous nuclear plant	4,493
	Total Maintenance	<u>60,198</u>
	Total Power Production Expenses-- Nuclear Power	<u>241,067</u>
<u>Hydraulic Power Generation</u>		
Operation		
535	Operation supervision and engineering	541
536	Water for power	348
537	Hydraulic expenses	844
538	Electric expenses	997
539	Miscellaneous hydraulic power generation expenses	1,085
540	Rents	27
	Total Operation	<u>3,842</u>
Maintenance		
541	Maintenance supervision and engineering	159
542	Maintenance of structures	160
543	Maintenance of reservoirs, dams and waterways	843
544	Maintenance of electric plant	518
545	Maintenance of miscellaneous hydraulic plant	508
	Total Maintenance	<u>2,188</u>
	Total Power Production Expense-- Hydraulic Power	<u>\$6,030</u>

PENNSYLVANIA POWER & LIGHT COMPANY

Electric Service
Statement of Operation and Maintenance Expenses
Year Ended September 30, 1995
(Thousands of Dollars)

Acct. <u>No.</u>	<u>Title of Account</u>	<u>Amount</u>
<u>Other Power Generation</u>		
Operation		
546	Operation supervision and engineering	\$165
547	Fuel	
	Cost of oil	1,867
	Other--Fuel unloading, handling, etc.	<u>24</u>
548	Generation expenses	99
549	Miscellaneous other power generation expenses	153
550	Rents	1,655
	Total Operation	<u>3,963</u>
Maintenance		
551	Maintenance supervision and engineering	165
552	Maintenance of structures	215
553	Maintenance of generating and electric plant	1,788
	Total Maintenance	<u>2,168</u>
	Total Power Production Expense--Other Power	<u>6,131</u>
<u>Other Power Supply Expenses</u>		
555	Purchased power	
	Interchange-receipts	3,989
	Purchased power-firm	10,505
	-surplus	<u>248,803</u>
556	System control and load dispatching	9,398
557	Other expenses	502
	Total Other Power Supply Expenses	<u>273,197</u>
	Total Power Production Expenses	<u>\$1,156,372</u>

PENNSYLVANIA POWER & LIGHT COMPANY

Electric Service
Statement of Operation and Maintenance Expenses
Year Ended September 30, 1995
(Thousands of Dollars)

<u>Acct.</u> <u>No.</u>	<u>Title of Account</u>	<u>Amount</u>
<u>Transmission Expenses</u>		
Operation		
560	Operation supervision and engineering	\$1,522
561	Load dispatching	2,683
562	Station expenses	691
563	Overhead line expenses	117
565	Transmission of electricity by others	502
566	Miscellaneous transmission expenses	511
567	Rents	24
	Total Operation	<u>6,050</u>
Maintenance		
568	Maintenance supervision and engineering	1,058
569	Maintenance of structures	63
570	Maintenance of station equipment	3,052
571	Maintenance of overhead lines	2,596
573	Maintenance of miscellaneous transmission plant	0
	Total Maintenance	<u>6,769</u>
	Total Transmission Expenses	<u>12,819</u>
<u>Distribution Expenses</u>		
Operation		
580	Operation supervision and engineering	5,529
581	Load dispatching	3,847
582	Station expenses	3,733
583	Overhead line expenses	2,801
584	Underground line expenses	1,225
585	Street lighting and signal system expenses	162
586	Meter expenses	5,260
587	Customer installations expenses	3,170
588	Miscellaneous distribution expenses	5,930
589	Rents	5,386
	Total Operation	<u>\$37,043</u>

PENNSYLVANIA POWER & LIGHT COMPANY

Electric Service
Statement of Operation and Maintenance Expenses
Year Ended September 30, 1995
(Thousands of Dollars)

<u>Acct.</u> <u>No.</u>	<u>Title of Account</u>	<u>Amount</u>
Distribution Expenses (Continued)		
Maintenance		
590	Maintenance supervision and engineering	\$5,803
591	Maintenance of structures	214
592	Maintenance of station equipment	5,989
593	Maintenance of overhead lines	32,642
594	Maintenance of underground lines	2,747
595	Maintenance of line transformers	4,235
596	Maintenance of street lighting and signal systems	1,665
597	Maintenance of meters	3,026
598	Maintenance of miscellaneous distribution plant	435
	Total Maintenance	<u>56,756</u>
	Total Distribution Expenses	<u>93,799</u>
<u>Customer Accounts Expenses</u>		
Operation		
901	Supervision	1,636
902	Meter reading expenses	9,378
903	Customer records and collection expenses	22,222
904	Uncollectible accounts	16,932
905	Miscellaneous customer accounts expenses	1,816
	Total Customer Accounts Expenses	<u>51,984</u>
<u>Customer Service and Informational Expenses</u>		
Operation		
907	Supervision	0
908	Customer assistance expenses	15,852
909	Informational and instructional expenses	1,147
910	Miscellaneous customer service and information expenses	1,068
	Total Customer Service and Informational Expenses	<u>18,067</u>
<u>Sales Expenses</u>		
Operation		
911	Supervision	0
912	Demonstrating and selling expenses	2,105
913	Advertising expenses	204
916	Miscellaneous sales expenses	2,650
	Total Sales Expenses	<u>\$4,959</u>

PENNSYLVANIA POWER & LIGHT COMPANY

Electric Service
Statement of Operation and Maintenance Expenses
Year Ended September 30, 1995
(Thousands of Dollars)

Acct.

No. Title of Account

Administrative and General Expenses

Operation

920	Administrative and general salaries	\$37,564
921	Office supplies and expenses	19,364
923	Outside services employed	7,876
924	Property insurance	8,868
925	Injuries and damages	8,327
926	Employee pensions and benefits	66,373
928	Regulatory commission expenses	4,919
929	Duplicate charges--credit	0
930	Miscellaneous general expenses	16,309
931	Rents--office buildings	49
	Total Operation	<u>169,649</u>
935	Maintenance of General Plant	3,677
	Total Administrative & General Expenses	<u>173,326</u>
	Total Electric Operation & Maintenance Expenses	<u>\$1,511,326</u>

PENNSYLVANIA POWER & LIGHT COMPANY

**Electric Service
Statement of Detail of Taxes
Year Ended September 30, 1995
(Thousands of Dollars)**

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
	Taxes Other Than Income Taxes	
	State and Local	
1	Capital Stock	\$36,525
2	Gross Receipts	100,619
3	Local Property and Other	771
4	Public Utility Realty	46,000
5	Regulatory Commission Assessment	813
6	State Unemployment Compensation	625
7	Sales and Use	0
8	Total State and Local	<u>185,353</u>
	Federal	
9	Unemployment Tax Act	139
10	Social Security and Hospital Insurance	18,497
11	Environmental Tax	783
12	Total Federal	<u>19,419</u>
13	Total Taxes Other Than Income	<u>204,772</u>
	Income Taxes	
14	State	70,411
15	Federal	<u>193,011</u>
16	Total Income Taxes	<u>263,422</u>
	Investment Tax Credit	
17	Deferred	0
18	Amortization of Deferral	<u>(11,037)</u>
19	Net Investment Tax Credit	<u>(11,037)</u>

PENNSYLVANIA POWER & LIGHT COMPANY

**Electric Service
Statement of Detail of Taxes
Year Ended September 30, 1995
(Thousands of Dollars)**

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>		
		<u>Federal</u>	<u>State</u>	<u>Total</u>
	Deferred Income Taxes			
	Provision for Deferred Taxes			
20	Contributions in Aid of Construction	286	104	390
21	A&G Costs Capitalized	132	48	180
22	Interest Capitalized	5	1	6
23	Susquehanna SES Test Power	577	211	788
24	M&S Inventory Adjustment	1,554	567	2,121
25	ACRS & MACRS	27,941	0	27,941
26	Pension Costs Capitalized	1,890	686	2,576
27	Unfunded Future Tax Liability-FERC	2,304	837	3,141
28	SSES Deferred Refueling Outage Costs	6,130	2,163	8,293
29	Energy Trust Financing Costs	67	24	91
30	Loss on Reaquired Debt	2,462	869	3,331
31	Environmental Cleanup Costs	200	70	270
32	Total Provision	<u>43,548</u>	<u>5,580</u>	<u>49,128</u>
	Provision for Deferred Taxes - Credit			
33	Bad Debts	(617)	(198)	(815)
34	Vacation Pay	(604)	(221)	(825)
35	Contributions in Aid of Construction	(1,494)	(540)	(2,034)
36	PURTA Capitalized	(164)	(58)	(222)
37	A&G Costs Capitalized	(764)	(279)	(1,043)
38	Gross Receipts Tax-Late Payment Char	(74)	(26)	(100)
39	Gross Pension Costs	(5,557)	(2,024)	(7,581)
40	Retired Miners' Health Care Costs	(865)	(305)	(1,170)
41	Post Employment Benefits	(146)	(52)	(198)
42	Decommissioning Costs	(340)	(123)	(463)
43	Post Retirement Benefits	(2,544)	(898)	(3,442)
44	Restricted Stock Award	(14)	(7)	(21)
45	Supplemental Executive Retirement Pla	(371)	(136)	(507)
46	Pollution Control Facilities	(95)	0	(95)
47	Class Life System	(1,327)	0	(1,327)
48	Removal Costs	(779)	0	(779)
49	Martins Creek Test Power	(197)	0	(197)
50	ACRS & MACRS	(29,596)	0	(29,596)
51	Pension Costs Capitalized	(44)	(16)	(60)
52	Full Normalization of Taxes-FERC	(2,969)	0	(2,969)
53	SSES Deferred Refueling Outage Costs	(6,961)	(2,519)	(9,480)
54	ECR/FAC Over/Under Collection	(2,991)	(1,146)	(4,137)
55	DOE Assessment-D&D Fund	(896)	(325)	(1,221)
56	Loss on Reaquired Debt	(2,263)	(825)	(3,088)
57	Disposal of Low Level Radwaste	(1,371)	(483)	(1,854)
58	Total Credits	<u>(63,043)</u>	<u>(10,181)</u>	<u>(73,224)</u>
59	Total Taxes			<u>\$433,061</u>

PENNSYLVANIA POWER & LIGHT COMPANY

Calculation of Composite Cost Rate of Long-Term Debt
At September 30, 1995
(Thousands of Dollars)

<u>First Mortgage Bonds</u>	<u>Amount Outstanding</u>	<u>Percent to Total</u>	<u>Effective Interest Rate (a)</u>	<u>Average Weighted Cost Rate</u>	
5-5/8 % Series Due 1996	\$ 30,000	1.17 %	5.53 %	0.06 %	
6-3/4 % Series Due 1997	30,000	1.17	6.67	0.08	
5-1/2 % Series Due 1998	150,000	5.86	5.72	0.34	
7 % Series Due 1999	40,000	1.56	7.02	0.11	
8-1/8 % Series Due 1999	40,000	1.56	8.16	0.13	
6 % Series Due 2000	125,000	4.88	6.16	0.30	
7-1/4 % Series Due 2001	60,000	2.35	7.26	0.17	
7-5/8 % Series Due 2002	75,000	2.93	7.64	0.22	
7-3/4 % Series Due 2002	150,000	5.86	7.88	0.46	
7-1/2 % Series Due 2003	80,000	3.13	7.50	0.23	
6-7/8 % Series Due 2003	100,000	3.91	7.09	0.28	
6-7/8 % Series Due 2004	150,000	5.86	7.07	0.41	
6-1/2 % Series Due 2005	125,000	4.88	6.71	0.33	
6.55 % Series Due 2006	150,000	5.86	6.67	0.39	
7.70 % Series Due 2009 (b)	200,000	7.82	7.85	0.61	
7-3/8 % Series Due 2014	100,000	3.91	7.55	0.30	
9-1/4 % Series Due 2019 (c)	154,500	6.04	9.37	0.57	
9-3/8 % Series Due 2021	150,000	5.86	9.52	0.56	
8-1/2 % Series Due 2022	150,000	5.86	8.61	0.50	
7-7/8 % Series Due 2023	200,000	7.81	8.03	0.63	
6-3/4 % Series Due 2023	150,000	5.86	6.91	0.40	
7.30 % Series Due 2024	150,000	5.86	7.42	0.44	
Total	\$ 2,559,500	100.00 %		7.52 %	
<u>Pollution Control Series H</u>					
6.40 % Series Due 2021	\$ 90,000	28.69	6.56	1.88	
<u>Pollution Control Series I</u>					
5.50 % Series Due 2027	53,250	16.97	5.67	0.96	
<u>Pollution Control Series J</u>					
6.40 % Series Due 2029	115,500	36.81	6.52	2.40	
<u>Pollution Control Series K</u>					
6.50 % Series Due 2025 (b)	55,000	17.53	6.58	1.16	
Total	\$ 313,750	100.00 %		6.40 %	
Total First Mortgage Bonds	\$ 2,559,500	89.08	7.52	6.70	
Total Pollution Control Bonds	313,750	10.92	6.40	0.70	
	2,873,250	100.00 %		7.40 %	
Long-Term Debt	2,873,250			7.40 %	\$ 212,621 (d)
Loss on Reacquired Debt	(115,887)				7,289 (e)
Gain of Reacquired Debt					(82) (f)
Adjusted Long-Term Debt	\$ 2,757,363			7.97 % (g)	\$ 219,828

- (a) Effective cost rate from Schedule B-6, page 2.
(b) Bonds issued subsequent to September 30, 1994.
(c) \$95,500 of bonds redeemed subsequent to September 30, 1994.
(d) 7.40% x \$2,873,250
(e) Annualized amortization of loss on reacquired debt.
(f) Annualized amortization of gain on reacquired debt.
(g) \$219,828 / \$2,757,363

PENNSYLVANIA POWER & LIGHT COMPANY

Schedule of Long-Term Debt and Calculation
of Average Weighted Cost Rate at September 30, 1995

Description of Issue	Nominal Date of Issue	Date of Maturity	Amount Issued	Amount Outstanding	Amount Retired	Coupon Rate - %	Premium or (Discount) at Issuance	Issuance Expense	Net Proceeds	Annual Sinking Fund Requirement(1)	Average Term in Years	Net Proceeds Ratio	Effective Interest Rate
5-5/8 % Series Due 1996	6/1/66	6/1/96	\$ 30,000,000	\$ 30,000,000		5-5/8%	\$ 470,970	\$ 54,725	\$ 30,416,245	\$ 300,000	30	101.39	5.53 %
6-3/4 % Series Due 1997	11/1/67	11/1/97	30,000,000	30,000,000		6-3/4	378,300	54,843	30,323,457	300,000	30	101.08	6.67
5-1/2 % Series Due 1998	4/1/93	4/1/98	150,000,000	150,000,000		5-1/2	(1,264,500)	168,141	148,567,359		5	99.04	5.72
7 % Series Due 1999	1/1/69	1/1/99	40,000,000	40,000,000		7	(36,400)	65,884	39,897,716	400,000	30	99.74	7.02
8-1/8 % Series Due June 1, 1999	6/1/69	6/1/99	40,000,000	40,000,000		8-1/8	(80,000)	65,906	39,854,094	400,000	30	99.64	8.16
6 % Series Due 2000	6/1/93	6/1/00	125,000,000	125,000,000		6	(993,750)	137,817	123,868,433		7	99.09	6.16
7-1/4 % Series Due 2001	2/1/71	2/1/01	60,000,000	60,000,000		7-1/4	30,000	96,892	59,933,108	600,000	30	99.89	7.26
7-5/8 % Series Due 2002	2/1/72	2/1/02	75,000,000	75,000,000		7-5/8	(35,250)	110,041	74,854,709	750,000	30	99.81	7.64
7-3/4 % Series Due 2002	5/1/92	5/1/02	150,000,000	150,000,000		7-3/4	(1,182,000)	190,078	148,627,922		10	99.09	7.88
7-1/2 % Series Due 2003	1/1/73	1/1/03	80,000,000	80,000,000		7-1/2	79,200	115,987	79,963,213		30	99.95	7.50
6-7/8 % Series Due 2003	2/1/93	2/1/03	100,000,000	100,000,000		6-7/8	(1,185,000)	315,508	98,499,492		10	98.50	7.09
6-7/8 % Series Due 2004	3/1/94	3/1/04	150,000,000	150,000,000		6-7/8	(1,888,500)	180,604	147,930,896		10	98.62	7.07
6-1/2 % Series Due 2005	4/1/93	4/1/05	125,000,000	125,000,000		6-1/2	(2,045,000)	109,199	122,845,801		12	98.28	6.71
6.55 % Series Due 2006	3/1/94	3/1/06	150,000,000	150,000,000		6.55	(1,345,500)	183,693	148,470,807		12	98.98	6.67
7.70 % Series Due 2009	(2) 10/1/94	10/1/09	200,000,000	200,000,000		7.70	-	1,250,000	198,750,000		5 (3)	99.38	7.85
7-3/8 % Series Due 2014	3/1/94	3/1/14	100,000,000	100,000,000		7-3/8	(1,655,000)	122,873	98,222,127		20	98.22	7.55
9-1/4 % Series Due 2019	(4) 10/1/89	10/1/19	250,000,000	154,500,000	\$95,500,000	9-1/4	(1,660,875)	197,679	152,641,446		30	98.80	9.37
9-3/8 % Series Due 2021	7/1/91	7/1/21	150,000,000	150,000,000		9-3/8	(2,001,000)	161,507	147,837,493		30	98.56	9.52
8-1/2 % Series Due 2022	5/1/92	5/1/22	150,000,000	150,000,000		8-1/2	(1,636,500)	189,347	148,174,153		30	98.78	8.61
7-7/8 % Series Due 2023	2/1/93	2/1/23	200,000,000	200,000,000		7-7/8	(3,230,000)	187,187	196,582,813		30	98.29	8.03
6-3/4 % Series Due 2023	10/1/93	10/1/23	150,000,000	150,000,000		6-3/4	(2,844,000)	174,957	146,981,043		30	97.99	6.91
7.30 % Series Due 2024	3/1/94	3/1/24	150,000,000	150,000,000		7.30	(2,037,000)	151,193	147,811,807		30	98.54	7.42
<u>Pollution Control Series G</u>													
9-3/8 % Series Due 2015	(5) 6/15/85	7/1/15	55,000,000	-	55,000,000	9-3/8	-	-	-		30	-	-
<u>Pollution Control Series H</u>													
6.40 % Series Due 2021	11/1/92	11/1/21	90,000,000	90,000,000		6.40	(787,500)	1,047,512	88,164,988		29	97.96	6.56
<u>Pollution Control Series I</u>													
5.50 % Series Due 2027	2/15/94	2/15/27	53,250,000	53,250,000		5.50	(998,438)	310,584	51,940,978		33	97.54	5.67
<u>Pollution Control Series J</u>													
6.40 % Series Due 2029	9/1/94	9/1/29	115,500,000	115,500,000		6.40	(990,990)	915,000 (6)	113,594,010		35	98.35	6.52
<u>Pollution Control Series K</u>													
6.50 % Series Due 2025	(2) 6/1/95	6/1/25	55,000,000	55,000,000		6.50	-	550,000	54,450,000		30	99.00	6.58

- (1) The sinking fund requirements may be met with property additions or bonds.
 (2) Bonds were issued subsequent to September 30, 1994, all information provided is budgeted information.
 (3) The bondholders have the right to require the Company to redeem the bonds on October 1, 1999 at 100% of the principal amount.
 (4) \$95,500,000 redeemed subsequent to September 30, 1994.
 (5) Pollution Control series G redeemed subsequent to September 30, 1994
 (6) Estimate

NOTE: No bonds under any series outstanding have been reacquired by the Company.

PENNSYLVANIA POWER & LIGHT COMPANY

Composite Cost Rate of Preferred Stock
At September 30, 1995
(Thousands of Dollars)

	<u>Amount Outstanding</u>	<u>Percent to Total</u>	<u>Effective Cost Rate (1)</u>	<u>Weighted Cost Rate</u>	<u>Annual Cost</u>
4-1/2 % Preferred Series Preferred	\$ 53,019	11.37 %	5.03 %	0.57 %	\$ 2,667
3.35%	4,178	0.89	3.37	0.03	141
4.60%	6,300	1.35	4.79	0.07	302
4.40%	22,878	4.91	4.46	0.22	1,020
6.33%	100,000	21.44	6.44	1.38	6,440
6.125%	115,000	24.66	6.23	1.54	7,165
6.75%	85,000	18.23	6.82	1.24	5,797
5.95%	30,000	6.43	6.11	0.39	1,833
6.05%	25,000	5.36	6.19	0.33	1,547
6.15%	<u>25,000</u>	<u>5.36</u>	<u>6.28</u>	<u>0.34</u>	<u>1,570</u>
Total Preferred Stock	466,375	100.00 %		6.11 %	28,482
Unamortized Premiums and Unrecovered Original Issue Costs on Redeemed Stock (2)	<u>(16,840)</u>				<u>4,359</u>
	<u>\$ 449,535</u>			7.31 % (3)	<u>\$ 32,841</u>

(1) Effective cost rate from Schedule B-7, Page 2.

(2) See Schedule B-7, Page 3 for determination of this amount.

(3) \$32,841 / \$449,535

PENNSYLVANIA POWER & LIGHT COMPANY

Computation of Preferred Stock Effective Cost Rate by Series
At September 30, 1995

Description of Issue	Date of Issue	Date of Maturity(1)	Amount Issued	Amount Outstanding	Amount Retired	Gain on Reacquisition	Issuance Expenses Net of Premium	Net Proceeds(2)	Sinking Fund Requirements		Nominal Dividend Rate	Average Term in Years(1)	Net Proceeds Ratio	Effective Cost Rate (3)
									Annual Requirements (Shares)	Redemption Period				
<u>Cumulative Preferred Stock</u>														
3.35 % Series	5/2/46	*	\$ 4,178,300	\$ 4,178,300			\$ 21,029	\$ 4,157,271	-	-	3.35 %	*	99.50 %	3.37 %
4.60 % Series	10/21/48	*	6,300,000	6,300,000			248,899	6,051,101	-	-	4.60	*	96.05	4.79
4.40 % Series	8/5/52	*	22,877,300	22,877,300			316,821	22,560,479	-	-	4.40	*	98.62	4.46
4-1/2 % Series	12/10/45	*	53,018,900	53,018,900			154,373 (4)	47,435,627 (5)	-	-	4.50	*	89.47	5.03
	12/22/54	*												
6.33 % Series	6/10/93	7/1/08	100,000,000	100,000,000			1,056,645	98,943,355	50,000	2003-2007	6.33	14.25	98.94	6.44
									750,000	2008				
6.125 % Series	8/17/93	10/1/08	115,000,000	115,000,000			1,114,078	113,885,922	57,500	2003-2007	6.125	14.25	99.03	6.23
									862,500	2008				
6.75 % Series	10/5/93	*	85,000,000	85,000,000			851,022	84,148,978	-	-	6.75	*	99.00	6.82
5.95 % Series	3/23/94	4/1/01	30,000,000	30,000,000			264,883	29,735,117	-	-	5.95	6.00	99.12	6.11
6.05 % Series	3/23/94	4/1/02	25,000,000	25,000,000			224,926	24,775,074	-	-	6.05	7.00	99.10	6.19
6.15 % Series	3/23/94	4/1/03	25,000,000	25,000,000			224,926	24,775,074	-	-	6.15	8.00	99.10	6.28

(1) Date of Maturity and Average Term in Years are listed for issues with sinking fund requirements. Issues marked with an * do not have sinking fund requirements and therefore these fields are not applicable to these issues.

(2) Amount outstanding less issuance expenses net of premium.

(3) For issues without sinking fund requirements the effective cost rate is computed by dividing the nominal dividend rate by the net proceeds ratio.

(4) Includes \$87,000 premium.

(5) Net proceeds after deducting \$5,428,900 attributable to cost of Company refinanced issues carried forward.

PENNSYLVANIA POWER & LIGHT COMPANY
 DETERMINATION OF UNAMORTIZED PREMIUMS AND
 ORIGINAL ISSUE COSTS ON REACQUIRED PREFERRED AND PREFERENCE STOCK
 AS OF SEPTEMBER 30, 1995

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	Oct. 1, 1995- Sept. 30, 1996 Amortization(e)	
Date Redeemed	Premium	Unrecovered Original Issue Costs	Average Remaining Life-Mos.	Monthly Amortization(a)	Amortization through 9/30/95-Mos.	Amortization(b)	Unamortized Premium/OIC 9/30/95(c)		
Preferred Stock(d)									
9.24% Series	2/1/92	\$258,900	\$371,446	101	\$6,241	44.00	\$274,604	\$355,742	\$74,892
9.00% Series	2/1/92	77,630	152,830	171	1,348	44.00	59,312	171,148	16,176
7.40% Series	7/1/93	236,800	84,230	120	2,675	27.00	72,225	248,805	32,100
8.75% Series	7/1/93	1,074,000	134,765	111	10,890	27.00	294,030	914,735	130,680
8.00% Series	7/1/93	500,000	116,531	111	5,554	27.00	149,958	466,573	66,648
8.60% Series	7/15/93	297,976	393,860	171	4,046	26.50	107,219	584,617	48,552
7.375% Series	11/1/93	2,106,823	492,810	221	11,763	23.00	270,549	2,329,084	141,156
7.82% Series	11/1/93	590,500	329,639	32	28,754	23.00	661,342	258,797	258,797
6.875% Series	5/1/94	0	202,499	23	8,804	17.00	149,668	52,831	52,831
7.00% Series	5/1/94	0	611,359	32	19,105	17.00	324,785	286,574	229,260
Preference Stock									
\$15.00 Series	2/19/86	10,000,000	1,549,988	136	84,926	115.32	9,793,666	1,756,322	1,019,112
\$13.68 Series	4/1/86	7,000,000	1,755,915	163	53,717	114.00	6,123,738	2,632,177	644,604
\$13.00 Second Series	6/13/86	7,000,000	1,553,360	144	59,398	111.57	6,627,035	1,926,325	712,776
\$11.60 Series	2/18/87	7,000,000	1,443,951	141	59,886	103.36	6,189,817	2,254,134	718,632
\$ 8.00 Series	9/15/93	351,944	582,445	171	5,464	24.50	133,868	800,521	65,568
\$ 8.40 Series	9/15/93	401,333	678,905	171	6,317	24.50	154,767	925,471	75,804
\$ 8.70 Series	9/15/93	400,667	621,621	171	5,978	24.50	146,461	875,827	71,736
		<u>\$37,296,573</u>	<u>\$11,076,154</u>		<u>\$374,866</u>		<u>\$31,533,044</u>	<u>\$16,839,683</u>	<u>\$4,359,324</u>

(a) $((1) + (2)) / (3) = (4)$

(b) $(5) \times (4) = (6)$

(c) $(1) + (2) - (6) = (7)$

(d) Unrecovered Original Issue Costs include litigation fees and settlements with former holders pro-rated based on principal amount at time of redemption.

(e) $(4) \times 12$ months

PENNSYLVANIA POWER & LIGHT COMPANY

Capital Structure
(Millions of Dollars)

<u>Line No.</u>		<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>Sept. 30 1994</u>	<u>Sept. 30 1995</u>
	Capitalization							
1	Long-Term Debt (a)	\$2,572.2	\$2,389.3	\$2,513.0	\$2,550.0	\$2,572.0	\$2,653.5	\$2,757.4
2	Preferred & Preference Stock	613.9	591.3	575.5	532.0	482.6	445.1	449.5
3	Common Equity (b)	<u>2,179.4</u>	<u>2,257.9</u>	<u>2,330.6</u>	<u>2,396.1</u>	<u>2,460.5</u>	<u>2,531.3</u>	<u>2,718.7</u>
4	Total	<u>\$5,365.5</u>	<u>\$5,238.5</u>	<u>\$5,419.1</u>	<u>\$5,478.1</u>	<u>\$5,515.1</u>	<u>\$5,629.9</u>	<u>\$5,925.6</u>
	Capitalization Ratios							
5	Long-Term Debt (a)	47.94%	45.61%	46.37%	46.55%	46.64%	47.13%	46.53%
6	Preferred & Preference Stock	11.44%	11.29%	10.62%	9.71%	8.75%	7.91%	7.59%
7	Common Equity (b)	<u>40.62%</u>	<u>43.10%</u>	<u>43.01%</u>	<u>43.74%</u>	<u>44.61%</u>	<u>44.96%</u>	<u>45.88%</u>
8	Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

(a) Long-term debt includes amount due within one year and the unamortized loss on reacquired debt.

(b) Common equity includes an adjustment for the unamortized premiums and unrecovered original issue costs on reacquired preferred and preference stock.

PENNSYLVANIA POWER & LIGHT COMPANY

Capital Structure
(Millions of Dollars)

COMPUTATION OF COMMON EQUITY:	1989	1990	1991	1992	1993	SEPT 30 1994	SEPT 30 1995
COMMON EQUITY PER BOOKS							
COMMON STOCK ISSUED	\$1,340.2	\$1,349.6	\$1,358.0	\$1,364.1	\$1,370.8	\$1,413.9	\$1,598.3
COMMON STOCK SUBSCRIBED - ESOP		1.5	0.1				
EARNINGS REINVESTED	811.7	883.2	952.1	1,014.8	1,066.0	1,096.1	1,103.5
	<u>2,151.9</u>	<u>2,234.2</u>	<u>2,310.2</u>	<u>2,378.9</u>	<u>2,436.7</u>	<u>2,510.0</u>	<u>2,701.9</u>
ADJUSTMENT FOR UNAMORTIZED PREMIUMS AND UNRECOVERED ORIGINAL ISSUE COSTS ON REACQUIRED PREFERRED AND PREFERENCE STOCK	27.4	23.7	20.4	17.2	23.8	21.3	16.8
ADJUSTED COMMON EQUITY	<u>\$2,179.4</u>	<u>\$2,257.9</u>	<u>\$2,330.6</u>	<u>\$2,396.1</u>	<u>\$2,460.5</u>	<u>\$2,531.3</u>	<u>\$2,718.7</u>
 COMPUTATION OF LONG-TERM DEBT:							
LONG-TERM DEBT - PP&L	\$2,633.6	\$2,460.0	\$2,578.9	\$2,628.9	\$2,673.8	\$2,768.8	\$2,873.3
UNAMORTIZED LOSS ON REACQUIRED DEBT	(61.4)	(70.7)	(65.9)	(78.9)	(101.8)	(115.3)	(115.9)
ADJUSTED LONG-TERM DEBT	<u>\$2,572.2</u>	<u>\$2,389.3</u>	<u>\$2,513.0</u>	<u>\$2,550.0</u>	<u>\$2,572.0</u>	<u>\$2,653.5</u>	<u>\$2,757.4</u>

PENNSYLVANIA POWER & LIGHT COMPANY

Rate of Return at
September 30, 1995

<u>Line</u> <u>No.</u>		<u>Capitalization</u> <u>Ratio (B-8)</u>	<u>Embedded</u> <u>Cost</u>		<u>Return</u>
1	Long-Term Debt	46.53%	7.97%	(B-6)	3.71%
2	Preferred Stock	7.59	7.31	(B-7)	0.56
3	Common Equity	<u>45.88</u>	13.00		<u>5.96</u>
4	Total	<u>100.00%</u>			<u>10.23%</u>

PENNSYLVANIA POWER & LIGHT COMPANY

**C--Measures of Value
Index**

- C-1 Measures of Value and Rates of Return
- C-2 Electric Plant in Service
- C-3 Construction Work in Progress--Pollution Control Projects
- C-4 Working Capital
- C-5 Fuel Stock and Materials and Operating Supplies
- C-6 Accumulated Deferred Taxes on Income

PENNSYLVANIA POWER & LIGHT COMPANY

Measures of Value and Rates of Return
As of September 30, 1995
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Original Cost</u>	
		<u>Total Company</u>	<u>PPUC Jurisdictional (Exhibit JMK 2)</u>
	Electric Plant		
1	Electric plant in service (C-2)	\$9,607,472	\$8,196,706
2	Reserve for depreciation (C-2)	2,860,571	2,477,122
3	Net Electric Plant in Service	<u>6,746,901</u>	<u>5,719,584</u>
	Additions and Deductions		
4	Pollution control projects (C-3)	15,274	12,723
5	Retirements associated with pollution control projects (C-3)	(414)	(345)
6	Net Additions and Deductions	<u>14,860</u>	<u>12,378</u>
7	Total Electric Plant (net)	<u>6,761,761</u>	<u>5,731,962</u>
	Working Capital		
8	Cash working capital (C-4)	-	-
9	Fuel stock and materials and operating supplies (C-5)	226,697	188,808
10	Total Working Capital	<u>226,697</u>	<u>188,808</u>
	Deductions		
11	Accumulated deferred taxes on income (C-6)	1,107,512	901,916
12	Customer advances for construction (B-1)	40	40
13	Customer deposits (B-1)	1,106	1,106
14	Total Deductions	<u>1,108,658</u>	<u>903,062</u>
15	Measures of Value (net)	<u>\$5,879,800</u>	<u>\$5,017,708</u>
	Pro forma return at present rates		
16	Amount (D-1, col. 4)		\$ 365,276
17	Percent		7.28%
	Pro forma return at proposed rates		
18	Amount (D-1, col. 6)		\$ 508,929
19	Percent		10.14%

PENNSYLVANIA POWER & LIGHT COMPANY

Electric Plant in Service—Original Cost
As of September 30, 1995
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Steam production	\$2,072,976
2	Nuclear production	4,068,284
3	Hydraulic production	106,790
4	Other production	<u>36,395</u>
5	Total Production	6,284,445
6	Transmission	446,993
7	Distribution	2,556,014
8	General	298,117
9	Intangible	<u>21,903</u>
10	Total Electric Plant In Service	<u><u>\$ 9,607,472</u></u>

PENNSYLVANIA POWER & LIGHT COMPANY

Reserve for Depreciation—Original Cost
As of September 30, 1995
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Steam production	\$ 859,272
2	Nuclear	820,122
3	Hydraulic production	23,076
4	Other production	<u>29,172</u>
5	Total Production	1,731,642
6	Transmission	142,010
7	Distribution	874,813
8	General	103,256
9	Intangible	<u>8,850</u>
10	Total Reserve for Depreciation	<u>\$ 2,860,571</u>

PENNSYLVANIA POWER & LIGHT COMPANY
Pollution Control Projects
As of September 30, 1995
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
<u>Martins Creek</u>		
1	Install a new bottom ash handling system due to the closure of basin No.1 in compliance with Residual Waste Regulations of the Pennsylvania Department of Environmental Resources.	\$ 500
2	Close the low volume waste basin to comply with Residual Waste Regulations of the Pennsylvania Department of Environmental Resources.	500
3	Install waste sluice channels due to closure of the low volume waste basin to comply with Residual Waste Regulations of the Pennsylvania Department of Environmental Resources.	<u>500</u>
	Total Martins Creek	<u>\$ 1,500</u>
<u>Sunbury SES</u>		
4	Close ash basin No. 1 to comply with Residual Waste Regulations of the Pennsylvania Department of Environmental Resources.	\$ 408
5	Close ash basin No. 2 to comply with Residual Waste Regulations of the Pennsylvania Department of Environmental Resources.	<u>503</u>
	Total Sunbury	<u>\$ 911</u>
<u>Holtwood SES</u>		
6	Close ash basin No. 1 to comply with Residual Waste Regulations of the Pennsylvania Department of Environmental Resources.	\$ 150
7	Add a dry fly ash system due to the closure of basin No. 1 to comply with Residual Waste Regulations of the Pennsylvania Department of Environmental Resources.	<u>260</u>
	Total Holtwood	<u>\$ 410</u>

PENNSYLVANIA POWER & LIGHT COMPANY
Pollution Control Projects
As of September 30, 1995
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
<u>Brunner Island SES</u>		
1	Construct new pyrites facilities due to basin closures to comply with Residual Waste Regulations of the Pennsylvania Department of Environmental Resources.	\$ 43
2	Install a coal pile liner under the coal pile to comply with Residual Waste Regulations of the Pennsylvania Department of Environmental Resources.	570
3	Close ash basin No. 6 to comply with Residual Waste Regulations of the Pennsylvania Department of Environmental Resources.	361
4	Close ash basin No. 7 to comply with Residual Waste Regulations of the Pennsylvania Department of Environmental Resources.	465
5	Add land improvements to wetlands to replace wetlands lost when basin No. 7 was constructed. The new wetlands are to comply with the Dam Safety and Waterway Management regulations of Pennsylvania Department of Environmental Resources.	84
6	Close south portion of ash basin No. 4 to comply with Residual Waste Regulations of the Pennsylvania Department of Environmental Resources and to provide space for new waste water treatment facilities.	86
7	Install waste water treatment facilities to treat water that was previously discharged through the ash basins now being closed to comply with Residual Waste Regulations of the Pennsylvania Department of Environmental Resources.	<u>145</u>
	Total Brunner Island	<u>\$ 1,754</u>

PENNSYLVANIA POWER & LIGHT COMPANY
Pollution Control Projects
As of September 30, 1995
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
	<u>Montour SES</u>	
1	Close ash area No. 1, Section A to comply with Residual Waste Regulations of the Pennsylvania Department of Environmental Resources.	\$ 1,100
2	Install new bottom ash facilities due to basin closures required by Residual Waste Regulations of the Pennsylvania Department of Environmental Resources.	400
3	Install new pyrites facilities due to basin closures to comply with Residual Waste Regulations of the Pennsylvania Department of Environmental Resources.	374
4	Replace sulfur burning gas conditioning system controls on Unit 2 due to obsolescence. The controls on Unit 2 gas conditioning system is needed to comply with particulate emissions limits according to Pennsylvania Department of Environmental Resources regulations.	75
5	Install coal yard sewage pump station to replace an existing sewage drain field being removed from service to avoid ground water contamination in violation of the National Pollution Discharge Elimination System permit.	<u>150</u>
	Total Montour	<u>\$ 2,099</u>
	<u>Conemaugh SES</u>	
6	Install flue gas desulfurization on Unit 2 to comply with the 1990 Clean Air Act Amendments to reduce sulfur dioxide emissions.	<u>\$ 8,600</u>
7	Total Conemaugh	<u>\$ 8,600</u>
8	Total pollution control projects	<u><u>\$ 15,274</u></u>

PENNSYLVANIA POWER & LIGHT COMPANY
Retirements Associated with Pollution Control Projects
As of September 30, 1995
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
	Steam Production	
1	Montour SES	\$ 150
2	Conemaugh SES	<u>457</u>
3	Total	<u>\$ 607</u>
	Less: Reserve for Depreciation	
4	Montour SES	\$ 79
5	Conemaugh SES	<u>144</u>
6	Total	<u>\$ 193</u>
7	Net retirements associated with pollution control projects	<u><u>\$ 414</u></u>

PENNSYLVANIA POWER & LIGHT COMPANY

Cash Working Capital
As of September 30, 1995
(Thousands of Dollars)

Line No.	<u>Description</u>	<u>Amount</u>
1	Operation and maintenance expense (C-4, pg. 2)	\$ 17,683
2	Average prepayments (C-4, pg. 3)	14,416
3	Accrued taxes (C-4, pg. 4)	(190)
4	Interest payments (C-4, pg. 5)	(31,072) (a)
5	Preferred dividend payments (C-4, pg. 6)	<u>(837)</u>
6	Total cash working capital requirement	<u>\$ -</u>

(a) Interest offset adjusted to get working capital to zero.

PENNSYLVANIA POWER & LIGHT COMPANY

Working Capital Required for Operation and Maintenance Expenses
As of September 30, 1995
(Thousands of Dollars)

The Company bills its customers every month. On this basis, there is a considerable span of days between the time electricity is furnished to a customer and the time the customer pays for such electricity.

In many instances the Company must pay its bills for payroll, fuel and other operating expenses prior to the time it is able to collect the amount due for the service producing such expenses. Thus, the Company has examined its records to determine, as to the major categories of expense, the average span of days which exists between the time an expense is incurred and the time it must be paid. Schedule C-4, page 2, of Exhibit Historic 1 sets forth the individual components which result in the days lag between payment of expenses and receipt of the related revenues employed in the determination of the working capital required for pro forma operating and maintenance expense for the test year ended September 30, 1995.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Pro forma operation and maintenance expense (a)	\$ 1,574,289
2	Operating expense per day (line 1 - 365 days)	\$4,313
3	Average lag in days between payment of operating expenses and receipt of revenue (b)	4.1
4	Working capital requirement (line 2 x line 3)	<u>\$ 17,683</u>
(a)	Pro forma operation and maintenance expense (D-1)	\$ 1,591,221
	Less: Non-cash items	
	Uncollectible accounts expense per budget (B-4)	<u>16,932</u>
	Total pro forma O&M expense	<u>\$ 1,574,289</u>

(b) See Exhibit Historic 1, Schedule C-4, page 2.

PENNSYLVANIA POWER & LIGHT COMPANY

Average Prepayments
As of September 30, 1995
(Thousands of Dollars)

Line No.	Month	Insurance		NRC Annual Fee	PUC Annual Assessment	Postage	Other	Total
		Nuclear	Other					
1	September 1994	\$2,245	\$1,641	\$0	\$2,321	\$242	\$2,043	\$8,492
2	October	1,937	1,244	0	2,063	184	2,756	\$8,184
3	November	2,889	802	462	1,805	87	1,829	\$7,874
4	December	2,306	2,753	0	1,547	191	1,518	\$8,315
5	January 1995	3,297	5,697	0	1,290	112	2,231	\$12,627
6	February	2,714	5,266	444	1,032	74	1,292	\$10,822
7	March	2,693	4,857	0	774	156	68,114	\$76,594
8	April	2,391	4,476	907	516	163	2,034	\$10,487
9	May	2,089	4,033	426	258	185	1,121	\$8,112
10	June	1,827	3,633	0	3,309	173	209	\$9,151
11	July	1,519	3,194	0	3,033	132	1,135	\$9,013
12	August	1,210	2,748	0	2,758	157	2,143	\$9,016
13	September	2,321	2,338	0	2,461	178	1,428	\$8,726
14	Total Prepayments	\$29,438	\$42,682	\$2,239	\$23,167	\$2,034	\$87,853	\$187,413
15	Monthly Average	\$2,264	\$3,283	\$172	\$1,782	\$156	\$6,758	\$14,416

PENNSYLVANIA POWER & LIGHT COMPANY

Accrued Taxes
As of September 30, 1995
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	<u>12-Month Accrued Factor (c)</u>	<u>Accrued Taxes</u>
1	Federal income tax (D-1, line 6, col. 3 + col. 5)	\$256,992	-6.72%	\$(17,270)
2	PA income tax (D-1, line 7, col. 3 + col. 5)	90,588	-11.72%	(10,617)
3	PA gross receipts tax (a)	111,452	22.87%	25,489
4	PA capital stock tax (b)	37,873	-11.72%	(4,439)
5	PA public utility realty tax (D-18, pg. 4)	45,750	14.53%	<u>6,647</u>
6	Total Accrued Taxes			<u><u>\$(190)</u></u>
	(a) PA gross receipts tax			
	Amount per D-18, pg. 3	\$99,940		
	Amount due to proposed increase (D-19, pg. 5)	<u>11,512</u>		
	TOTAL	<u><u>\$111,452</u></u>		
	(b) PA capital stock tax			
	Amount applicable to electric operations (D-18, pg. 2)	\$36,041		
	Amount applicable to proposed increase (D-19, pg. 5)	<u>1,832</u>		
	TOTAL	<u><u>\$37,873</u></u>		

- (c) The 12 month average factor represents, in the case of Federal and State income tax and public utility realty tax, the portion of the tax liability which is available to the Company for the payment of other costs. This situation exists since revenue is available from customers prior to payment dates of the tax. The factors for the other Pennsylvania taxes represent the portions of those tax liabilities which must be provided by the Company due to payment of the taxes before the revenue is available from customers. Exhibit Historic 1, Schedule C-4, pages 7 through 12 reflect the computation of such factors.

PENNSYLVANIA POWER & LIGHT COMPANY

Interest Payments
As of September 30, 1995
(Thousands of Dollars)

Line No.	<u>Description</u>	<u>Amount</u>
1	Measures of value at September 30, 1995 (C-1)	\$ 5,879,800
2	Long-term debt ratio (B-9)	46.53%
3	Embedded cost of long-term debt (B-9)	7.97%
4	Pro forma interest (line 1 x line 2 x line 3)	<u>\$ 218,049</u>
5	Daily amount (line 4 : 365)	<u>\$ 597</u>
6	Days to mid-point of interest payments	90
7	Less: Revenue lag days	<u>35.6</u>
8	Interest payments lag days (line 6 - line 7)	<u>54.4</u>
9	Total interest payments (line 5 x line 8)	<u>\$ 32,477</u>

PENNSYLVANIA POWER & LIGHT COMPANY

Preferred Dividend Payments
As of September 30, 1995
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>		<u>Amount</u>
1	Measures of value at September 30, 1995 (C-1)		\$ 5,879,800
2	Preferred stock ratio (B-9)		7.59%
3	Embedded cost of preferred stock (B-9)		7.31%
4	Pro forma dividends (line 1 x line 2 x line 3)		<u>\$32,623</u>
5	Daily amount (line 4 : 365)		<u>\$89</u>
6	Days to midpoint of dividend payments	45	
7	Less: Revenue lag days	<u>35.6</u>	
8	Dividend payments lag days (line 6 - line 7)		<u>9.4</u>
9	Total preferred dividend payments (line 5 x line 8)		<u>\$837</u>

PENNSYLVANIA POWER & LIGHT COMPANY

Fuel Stock and Materials and Operating Supplies
As of September 30, 1995
(Thousands of Dollars)

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>
	Fuel Stock	
1	Coal stock for steam electric stations (C-5, pg 2)	\$ 81,068
2	Oil stock for all stations (C-5, pg 3)	25,697
3	Fuel stock expense undistributed (C-5, pg 4)	<u>313</u>
4	Total Fuel Stock	107,078
5	Plant materials and operating supplies (C-5, pg 5)	118,417
6	Stores expense undistributed (C-5, pg 6)	<u>1,202</u>
7	Total fuel stock and materials and operating supplies	<u><u>\$ 226,697</u></u>

PENNSYLVANIA POWER & LIGHT COMPANY

Coal Stock
As of September 30, 1995
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Coal Stock in Tons</u>	<u>Average Inventory Price per Ton at 9/30/95</u>	<u>Total Inventory Value</u>
	Bituminous			
1	Montour	500,000 (a)	\$36.86	\$ 18,430
2	Brunner Island	500,000 (a)	39.50	19,750
3	Sunbury	88,000 (a)	34.68	3,052
4	Martins Creek	96,000 (a)	40.81	3,918
5	Keystone	60,740	36.08	2,191
6	Conemaugh	88,609	30.30	2,685
7	Off Site	21,701	32.72	710
	Anthracite			
7	Sunbury	558,961	12.72	7,110
8	Holtwood	62,657	17.31	1,085
	Petro Coke			
9	Sunbury	10,098	12.14	123
10	Holtwood	968	11.18	11
11	System Reserve	4,183,124	5.26	<u>22,003</u>
12	Total			<u>\$ 81,068</u>

(a) Represents a 40-day supply of bituminous. All other stations are based on a 13-month average of coal stock.

PENNSYLVANIA POWER & LIGHT COMPANY

Oil Stock
As of September 30, 1995
(Thousands of Dollars)

Line No.	Description	Oil Stock (a)	Average Price at 9/30/95	Amount
Steam Electric Stations				
1	Martins Creek No. 3 and 4 (Residual)	1,155,232 (b)	18.43	\$ 21,291
2	Martins Creek No. 3 and 4 (Light Dist.)	138,223	23.83	3,294
3	Sunbury	39,309	0.59	23
4	Martins Creek No. 1 and 2	53,146	0.60	32
5	Keystone	47,583	0.59	28
6	Conemaugh	30,323	0.56	17
7	Holtwood	14,204	0.59	8
8	Montour	301,989	0.59	178
9	Brunner Island	75,074	0.60	45
Combustion Turbines				
10	Allentown	191,574	0.59	113
11	Martins Creek	219,914	0.59	130
12	Harwood	94,688	0.59	56
13	Jenkins	96,050	0.59	57
14	Fishbach	95,603	0.59	56
15	Williamsport	94,583	0.59	56
16	Lock Haven	87,453	0.59	52
17	Sunbury	175,501	0.59	104
18	Harrisburg	180,568	0.59	107
19	West Shore	85,256	0.59	50
20	Total Inventory Value			<u>\$ 25,697</u>

- (a) Oil stock stated in gallons except for Martins Creek No. 3 and 4 which is stated in barrels.
 (b) Represents a 25-day supply of oil. All other stations are based on a 13-month average of oil stocks.

PENNSYLVANIA POWER & LIGHT COMPANY

Fuel Stock Expense Undistributed
As of September 30, 1995
(Thousands of Dollars)

<u>Line No.</u>	<u>Month</u>	<u>Amount</u>
1	September 1994	\$325
2	October	330
3	November	331
4	December	318
5	January 1995	309
6	February	307
7	March	304
8	April	312
9	May	325
10	June	331
11	July	304
12	August	290
13	September	<u>288</u>
14	Total Fuel Stock Expense Undistributed	<u><u>\$4,074</u></u>
15	Monthly Average	<u><u>\$313</u></u>

PENNSYLVANIA POWER & LIGHT COMPANY

Plant Materials and Operating Supplies
As of September 30, 1995
(Thousands of Dollars)

<u>Line</u> <u>No.</u>	<u>Month</u>	<u>Amount</u>
1	September 1994	\$121,141
2	October	120,682
3	November	120,225
4	December	119,769
5	January 1995	119,316
6	February	118,864
7	March	118,413
8	April	117,965
9	May	117,518
10	June	117,073
11	July	116,629
12	August	116,187
13	September	<u>115,634</u>
14	Total Plant Materials and Operating Supplies	<u>\$1,539,416</u>
15	Monthly Average	<u>\$118,417</u>

PENNSYLVANIA POWER & LIGHT COMPANY

Stores Expense Undistributed
As of September 30, 1995
(Thousands of Dollars)

<u>Line</u> <u>No.</u>	<u>Month</u>	<u>Amount</u>
1	September 1994	\$1,229
2	October	1,225
3	November	1,220
4	December	1,215
5	January 1995	1,211
6	February	1,206
7	March	1,202
8	April	1,197
9	May	1,193
10	June	1,188
11	July	1,184
12	August	1,179
13	September	<u>1,173</u>
14	Total Stores Expense Undistributed	<u><u>\$15,622</u></u>
15	Monthly Average	<u><u>\$1,202</u></u>

PENNSYLVANIA POWER & LIGHT COMPANY

Accumulated Deferred Taxes on Income
As of September 30, 1995
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Accelerated Amortization Property Pollution control facilities (B-1)	\$ 456
	Liberalized Depreciation	
2	Class life depreciation system (B-1)	\$ 39,195
3	Deduction of costs of removing retired depreciable property (B-1)	<u>4,931</u>
4	Balance at September 30, 1995	44,126
5	Test power--Martins Creek--balance at September 30, 1995 (B-1)	2,909
	Accelerated Cost Recovery System (ACRS)	
6	Non-Susquehanna property (B-1)	231,646
7	Susquehanna property (B-1)	<u>845,227</u>
8	Balance at September 30, 1995	1,076,873
9	Test power--Susquehanna--balance at September 30, 1995	<u>(16,852)</u>
10	Total accumulated deferred taxes on income	<u><u>\$1,107,512</u></u>

PENNSYLVANIA POWER & LIGHT COMPANY

**D--Operating Income
Index**

- D-1 Operating Income Pro Forma at Present Rates and Proposed Rates
- D-2 Adjustments to Income
- D-3 *Adjustments to Operating Revenue*
- D-4 Adjustments to Energy Costs
- D-5 Adjustments to Wage Expense
- D-6 Adjustments to Employee Benefits Expense
- D-7 Adjustment to Rate Case Expense
- D-8 Adjustment for Land Management Projects/Recreational Facilities Expense
- D-9 Adjustment for Interest Expense on Customer Deposits
- D-10 Adjustment for Voluntary Early Retirement Program
- D-11 Adjustment to Decommissioning Expense-SSES
- D-12 Adjustment to Decommission Fossil Units
- D-13 Adjustment for Amortization of Management Audit Cost
- D-14 Adjustment to Amortize "Window Deferral"
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- D-16 Adjustment for Environmental Remediation
- D-17 Adjustment to Depreciation Expense
- D-18 Adjustments to Taxes Other Than Income
- D-19 Adjustment to Federal and State Income Taxes
- D-20 Adjustment to Deferred Income Taxes
- D-21 Adjustment to Investment Tax Credit

PENNSYLVANIA POWER & LIGHT COMPANY

Operating Income
 Pro Forma at Present and Proposed Rates
 Year Ended September 30, 1995
 (Thousands of Dollars)

Line No.	(1)	(2)	(3)	(5) PPUC Jurisdictional		(6)	
	Per Budget	Adjustments (D-2)	Pro Forma at Present Rates	Pro Forma at Present Rates (Exhibit JMK 2)	Rate Increase (D-19, Pg 5)	Pro Forma at Proposed Rates	
1	Operating Revenues	\$2,757,934	\$ 8,739	\$ 2,766,673	\$ 2,401,887	\$ 261,635	\$ 2,663,522
	Operating Expenses						
2	Operation and Maintenance	1,511,326	79,895	1,591,221	1,375,408	-	\$ 1,375,408
3	Depreciation	339,837	43,550	383,387	320,797	-	320,797
4	Regulatory Debits/Credits	(36,348)	-	(36,348)	(29,208)	-	(29,208)
	Provision for Taxes						
5	Taxes Other Than Income	204,772	(1,413)	203,359	186,536	13,344	199,880
	Income Taxes						
6	Federal	193,011	(13,370)	179,641	153,502	77,351	230,853
7	State	70,411	(7,110)	63,301	54,091	27,287	81,378
8	Deferred Income Taxes	(24,096)	646	(23,450)	(15,424)	-	(15,424)
9	Investment Tax Credit	(11,037)	928	(10,109)	(8,625)	-	(8,625)
10	Total Taxes	433,061	(20,319)	412,742	370,080	117,982	488,062
11	Gain from Disposition of Emission Allowances	(486)	0	(486)	(466)	-	(466)
12	Total Operating Expenses	2,247,390	103,126	2,350,516	2,036,611	117,982	2,154,593
13	Operating Income	\$ 510,544	(94,387)	\$ 416,157	\$ 365,276	\$ 143,653	\$ 508,929

PENNSYLVANIA POWER & LIGHT COMPANY

Adjustments to Income
Year Ended September 30, 1995
(Thousands of Dollars)

<u>Line No.</u>	<u>Reference</u>	<u>Description</u>	<u>Amount</u>
		<u>Operating Revenues</u>	
1	D-3, pg 1	Operating Revenue	<u>\$ 8,739</u>
		<u>Operation and Maintenance Expenses</u>	
2	D-4	Energy costs	10,879
3	D-5	Wage expense	(671)
4	D-6	Employee benefits expense	(3,827)
5	D-7	Rate case expense	(745)
6	D-8	Land management projects/recreational facilities expense	(533)
7	D-9	Interest expense on customer deposits	64
8	D-10	Voluntary Early Retirement Program	(12,742)
9	D-11	Decommissioning expense--SSES	22,916
10	D-12	Decommissioning expense--Fossil Plants	55,570
11	D-13	Management audit costs	182
12	D-14	Amortization of Window Deferral	3,922
13	D-15	Social Programs	3,530
14	D-16	Environmental Remediation	<u>1,350</u>
15		TOTAL	<u>79,895</u>
		<u>Depreciation</u>	
16	D-17	Annual depreciation expense	<u>43,550</u>
		<u>Provision for Taxes</u>	
		Taxes other than income	
17	D-18, pg 1	Capital stock	(484)
18	D-18, pg 1	Gross receipts	(679)
19	D-18, pg 1	Public utility realty	(250)
		Income taxes	
20	D-19, pg 2	Federal	(13,370)
20	D-19, pg 2	State	(7,110)
21	D-20, pg 1	Deferred income taxes	646
		Investment tax credit	
22	D-21	Amortization	<u>928</u>
23		Total Taxes	<u>\$ (20,319)</u>
24		Total Operating Expenses	<u>103,126</u>
25		Total Adjustments to Income	<u>\$ (94,387)</u>

PENNSYLVANIA POWER & LIGHT COMPANY

Adjustments to Operating Revenue
Year Ended September 30, 1995
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Per Budget</u>	<u>Adjustments</u>	<u>Pro Forma at Present Rates</u>
PPUC Jurisdictional				
1	Rate revenue	\$ 1,949,955	\$ 339,262 (a)	\$ 2,289,217
2	Energy cost rate revenue	339,692	(361,547) (b)	(21,855)
3	Special base rate credit	(44,844)	6,760 (c)	(38,084)
4	Tax surcharge revenue	(5,272)	5,272 (d)	-
5	Total PPUC	<u>2,239,531</u>	<u>(10,253)</u>	<u>2,229,278</u>
FERC Jurisdictional				
6	Municipalities	66,319	-	66,319
7	Power Contracts	309,956	-	309,956
8	PJM Interchange	107,642	-	107,642
9	Total FERC	<u>483,917</u>	<u>-</u>	<u>483,917</u>
Other Electric Revenue				
10	Late Payment	7,074	-	7,074
11	Misc. Revenue	203	-	203
12	Rent	12,692	-	12,692
13	Other	33,510	-	33,510 1)
14	Total Other	<u>53,479</u>	<u>-</u>	<u>53,479</u>
15	Operating Revenue (excl. unbilled)	2,776,927	-	2,776,927
16	Unbilled Revenue	(18,992) (e)	18,992	-
17	Total Operating Revenue	<u>\$ 2,757,935</u>	<u>\$ 8,739</u>	<u>\$ 2,766,674</u>

- (a) Net increase in revenue resulting from annualization of sales, the full recovery of energy costs through base rates; the roll-in to base rates of the Atlantic City Electric (ACE) bulk power and energy agreement credit previously included in the SBRCA and the roll-in to the base rates of tax rate reduction previously included in the tax surcharge.
- (b) Adjustment to eliminate off-system capacity-related revenue (plus applicable GRT) to be included in the Company's proposed ECR for billing purposes.
- (c) Adjustment to eliminate that portion of SBRCA revenues associated with the ACE agreement credit to be included in base rates.
- (d) Adjustment to eliminate tax rate reduction credit to be included in base rates.
- (e) Adjustment to eliminate unbilled revenue.

1) Amount includes \$25,529,000 associated with total installed capacity credit output reservation and transmission entitlement sales revenues. The PUC jurisdictional portion of \$20,884,000 (plus applicable GRT) is included in the Company's proforma ECR (see Exhibit Future 1, Schedule D-3, page 9).

PENNSYLVANIA POWER & LIGHT COMPANY
12 MONTH PERIOD ENDED SEPTEMBER 30, 1995 PRO-FORMA

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
LINE NO.	RATE SCHEDULE	NUMBER OF CUSTOMERS	SALES (KWH)	PRESENT RATE REVENUE	ECONOMIC DEVELOPMENT INITIATIVE CREDIT	INDUSTRIAL DEVELOPMENT INITIATIVE CREDIT	SPECIAL BASE RATE CREDIT ADJ. -2.30%	STATE TAX ADJUSTMENT SURCHARGE -0.49%	ENERGY COST RATE *	TOTAL REVENUE
1	RS	1,066,365	10,894,124,000	\$ 799,738,000	\$ 0	\$ 0	\$ (18,393,974)	\$ (3,828,586)	\$ 111,032,912	\$ 888,548,352
2	RTS	14,544	385,160,000	\$ 16,369,000	\$ 0	\$ 0	\$ (376,487)	\$ (78,363)	\$ 3,925,551	\$ 19,839,700
3	RTD	323	4,877,000	\$ 324,000	\$ 0	\$ 0	\$ (7,452)	\$ (1,551)	\$ 49,706	\$ 364,703
4	GS-1	121,387	1,496,385,000	\$ 150,958,000	\$ 0	\$ 0	\$ (3,472,034)	\$ (722,681)	\$ 15,212,250	\$ 161,975,535
5	GS-3	18,944	6,709,042,000	\$ 455,826,000	\$ (1,964,000)	\$ (1,315,000)	\$ (10,483,998)	\$ (2,166,109)	\$ 68,204,121	\$ 508,101,014
6	LP-4	843	4,521,059,000	\$ 248,672,000	\$ (12,061,000)	\$ (1,258,000)	\$ (5,719,456)	\$ (1,125,204)	\$ 45,612,964	\$ 274,121,304
7	LP-5	119	5,587,275,000	\$ 223,703,000	\$ (12,333,000)	\$ (821,000)	\$ (5,145,169)	\$ (1,006,479)	\$ 56,129,765	\$ 260,527,117
8	LPEP	1	148,928,000	\$ 7,131,000	\$ 0	\$ 0	\$ (164,013)	\$ (34,138)	\$ 1,496,131	\$ 8,428,979
9	ISA	1	540,441,000	\$ 16,433,000	\$ (872,000)	\$ 0	\$ (377,959)	\$ (74,397)	\$ 5,429,270	\$ 20,537,914
10	IS-1	4	3,828,000	\$ 152,000	\$ 0	\$ 0	\$ (3,496)	\$ (728)	\$ 38,915	\$ 186,692
11	BL	24	5,508,000	\$ 438,000	\$ 0	\$ 0	\$ (10,074)	\$ (2,097)	\$ 55,994	\$ 481,823
12	SA	0	29,113,000	\$ 4,115,000	\$ 0	\$ 0	\$ (94,645)	\$ (19,700)	\$ 295,963	\$ 4,296,618
13	SM	121	9,875,000	\$ 1,563,000	\$ 0	\$ 0	\$ (35,949)	\$ (7,483)	\$ 100,389	\$ 1,619,958
14	SMS	809	58,745,000	\$ 14,595,000	\$ 0	\$ 0	\$ (335,685)	\$ (69,871)	\$ 597,202	\$ 14,786,646
15	SE	58	9,120,000	\$ 263,000	\$ 0	\$ 0	\$ (6,049)	\$ (1,259)	\$ 92,714	\$ 348,406
16	TS(R)	17	517,000	\$ 51,000	\$ 0	\$ 0	\$ (1,173)	\$ (244)	\$ 5,256	\$ 54,839
17	SI-1(R)	5	367,000	\$ 68,000	\$ 0	\$ 0	\$ (1,564)	\$ (326)	\$ 3,731	\$ 69,841
18	GH-1(R)	1,570	462,090,000	\$ 32,374,000	\$ 0	\$ 0	\$ (744,602)	\$ (154,984)	\$ 4,697,607	\$ 36,172,021
19	GH-2(R)	2,903	97,756,000	\$ 6,743,000	\$ 0	\$ 0	\$ (155,089)	\$ (32,281)	\$ 993,787	\$ 7,549,418
20	STANDBY	9	11,600,000	\$ 1,063,000	\$ 0	\$ 0	\$ (24,449)	\$ (5,089)	\$ 116,534	\$ 1,149,996
21										
22	TOTAL PUC	1,228,047	30,975,810,000	\$1,980,579,000	\$ (27,230,000)	\$ (3,394,000)	\$ (45,553,317)	\$ (9,331,568)	\$ 314,090,762	\$2,209,160,877
23										
24	OTHER ELECTRIC REVENUES									
25	Late Payment			\$ 7,074,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,074,000
26	Misc. Revenue			\$ 203,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 203,000
27	Rent			\$ 12,692,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 12,692,000
28	Other			\$ 33,510,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 33,510,000
29										
30	TOTAL OTHER			\$ 53,479,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 53,479,000
31										
32	Ann. Adj.		430,277,067	\$ 21,943,744	\$ 0	\$ 0	\$ (504,706)	\$ (105,051)	\$ 4,353,270	\$ 25,687,257
33										
34	FERC SALES FOR RESALE									
35	Muni.	19	1,392,478,000	\$ 66,753,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ (434,000)	\$ 66,319,000
36	Pwr Contr	9	7,211,800,000	\$ 309,955,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 309,955,000
37	PJM Intch	1	4,601,300,000	\$ 107,642,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 107,642,000
38										
39	TOTAL	29	13,205,578,000	\$ 484,350,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ (434,000)	\$ 483,916,000
40										
41	TOTAL OPERATING REVENUE									
42		1,228,076	44,611,665,067	\$2,540,351,744	\$ (27,230,000)	\$ (3,394,000)	\$ (46,058,023)	\$ (9,436,620)	\$ 318,010,032	\$2,772,243,133
43										

* ECR: RS,RTD,RTS = 1.0192c/kwh
Gen Svc = 1.0166c/kwh
LP-4 = 1.0089c/kwh
LP-5,LPEP,ISA,Standby = 1.0046c/kwh

PENNSYLVANIA POWER & LIGHT COMPANY
12 MONTH PERIOD ENDED SEPTEMBER 30, 1995 SBRCA-ACE, STAS, ECR ROLL-IN

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
LINE NO.	RATE SCHEDULE	NUMBER OF CUSTOMERS	SALES (KWH)	PRESENT RATE REVENUE	ECONOMIC DEVELOPMENT INITIATIVE CREDIT	INDUSTRIAL DEVELOPMENT INITIATIVE CREDIT	SBRCA ACE CREDIT col 4 x -0.64%	STAS ROLL-IN col 8 pge 2 -0.49%	ECR ROLL-IN col 3 x 1.0836c/kwh	TOTAL REVENUE
1	RS	1,066,365	10,894,124,000	\$ 799,738,000	\$ 0	\$ 0	\$ (5,118,323)	\$ (3,828,586)	\$ 118,048,728	\$ 908,839,819
2	RTS	14,544	385,160,000	\$ 16,369,000	\$ 0	\$ 0	\$ (104,762)	\$ (78,363)	\$ 4,173,594	\$ 20,359,469
3	RTD	323	4,877,000	\$ 324,000	\$ 0	\$ 0	\$ (2,074)	\$ (1,551)	\$ 52,847	\$ 373,222
4	GS-1	121,387	1,496,385,000	\$ 150,958,000	\$ 0	\$ 0	\$ (966,131)	\$ (722,681)	\$ 16,214,828	\$ 165,484,015
5	GS-3	18,944	6,709,042,000	\$ 455,826,000	\$ 0	\$ 0	\$ (2,917,286)	\$ (2,166,109)	\$ 72,699,179	\$ 523,441,784
6	LP-4	843	4,521,059,000	\$ 248,672,000	\$ 0	\$ 0	\$ (1,591,501)	\$ (1,125,204)	\$ 48,990,195	\$ 294,945,490
7	LP-5	119	5,587,275,000	\$ 223,703,000	\$ 0	\$ 0	\$ (1,431,699)	\$ (1,006,479)	\$ 60,543,712	\$ 281,808,534
8	LPEP	1	148,928,000	\$ 7,131,000	\$ 0	\$ 0	\$ (45,638)	\$ (34,138)	\$ 1,613,784	\$ 8,665,007
9	ISA	1	540,441,000	\$ 16,433,000	\$ 0	\$ 0	\$ (105,171)	\$ (74,397)	\$ 5,856,219	\$ 22,109,651
10	IS-1	4	3,828,000	\$ 152,000	\$ 0	\$ 0	\$ (973)	\$ (728)	\$ 41,480	\$ 191,780
11	BL	24	5,508,000	\$ 438,000	\$ 0	\$ 0	\$ (2,803)	\$ (2,097)	\$ 59,685	\$ 492,785
12	SA	0	29,113,000	\$ 4,115,000	\$ 0	\$ 0	\$ (26,336)	\$ (19,700)	\$ 315,468	\$ 4,384,433
13	SM	121	9,875,000	\$ 1,563,000	\$ 0	\$ 0	\$ (10,003)	\$ (7,483)	\$ 107,006	\$ 1,652,520
14	SHS	809	58,745,000	\$ 14,595,000	\$ 0	\$ 0	\$ (93,408)	\$ (69,871)	\$ 636,561	\$ 15,068,282
15	SE	58	9,120,000	\$ 263,000	\$ 0	\$ 0	\$ (1,683)	\$ (1,259)	\$ 98,824	\$ 358,882
16	TS(R)	17	517,000	\$ 51,000	\$ 0	\$ 0	\$ (326)	\$ (244)	\$ 5,602	\$ 56,032
17	SI-1(R)	5	367,000	\$ 68,000	\$ 0	\$ 0	\$ (435)	\$ (326)	\$ 3,977	\$ 71,216
18	GH-1(R)	1,570	462,090,000	\$ 32,374,000	\$ 0	\$ 0	\$ (207,194)	\$ (154,984)	\$ 5,007,207	\$ 37,019,030
19	GH-2(R)	2,903	97,756,000	\$ 6,743,000	\$ 0	\$ 0	\$ (43,155)	\$ (32,281)	\$ 1,059,284	\$ 7,726,848
20	STANDBY	9	11,600,000	\$ 1,063,000	\$ 0	\$ 0	\$ (6,803)	\$ (5,089)	\$ 125,698	\$ 1,176,806
21										
22	TOTAL PU	1,228,047	30,975,810,000	\$ 1,980,579,000	\$ 0	\$ 0	\$ (12,675,706)	\$ (9,331,568)	\$ 335,653,877	\$ 2,294,225,603
23										
24	OTHER ELECTRIC REVENUES									
25	Late Payment			\$ 7,074,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,074,000
26	Misc. Revenue			\$ 203,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 203,000
27	Rent			\$ 12,692,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 12,692,000
28	Other			\$ 33,510,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 33,510,000
29										
30	TOTAL OTHER			\$ 53,479,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 53,479,000
31										
32	Ann. Adj.		430,277,067	\$ 21,943,744	\$ 0	\$ 0	\$ (140,440)	\$ (105,051)	\$ 4,662,482	\$ 26,360,735
33										
34	FERC SALES FOR RESALE									
35	Muni.	19	1,392,478,000	\$ 66,753,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 66,753,000
36	Pwr Cont	9	7,211,800,000	\$ 309,955,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 309,955,000
37	PJM Intc	1	4,601,300,000	\$ 107,642,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 107,642,000
38										
39	TOTAL	29	13,205,578,000	\$ 484,350,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 484,350,000
40										
41	TOTAL OPERATING REVENUE									
42		1,228,076	44,611,665,067	\$ 2,540,351,744	\$ 0	\$ 0	\$ (12,816,146)	\$ (9,436,620)	\$ 340,316,359	\$ 2,858,415,338
43										

Note: ECR Roll-in = 1.0359c/kwh x 1.046025(GRT) = 1.0836c/kwh

PENNSYLVANIA POWER & LIGHT COMPANY
12 MONTH PERIOD ENDED SEPTEMBER 30, 1995 PROFORMA WITH ROLL-IN

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
LINE NO.	RATE SCHEDULE	PRESENT RATE REVENUE ROLLED-IN	ECONOMIC DEVELOPMENT INITIATIVE CREDIT	INDUSTRIAL DEVELOPMENT INITIATIVE CREDIT	SPECIAL BASE RATE CREDIT ADJ. -1.66%	STAS 0.0%	ENERGY COST RATE *	TOTAL REVENUE
1	RS	\$ 908,839,819	\$ 0	\$ 0	\$ (15,086,741)	\$ 0	\$ (7,004,922)	\$ 886,748,156
2	RTS	\$ 20,359,469	\$ 0	\$ 0	\$ (337,967)	\$ 0	\$ (247,658)	\$ 19,773,844
3	RTD	\$ 373,222	\$ 0	\$ 0	\$ (6,195)	\$ 0	\$ (3,136)	\$ 363,891
4	GS-1	\$ 165,484,015	\$ 0	\$ 0	\$ (2,747,035)	\$ 0	\$ (1,001,082)	\$ 161,735,899
5	GS-3	\$ 523,441,784	\$ (1,964,000)	\$ (1,315,000)	\$ (8,689,134)	\$ 0	\$ (4,488,349)	\$ 506,985,301
6	LP-4	\$ 294,945,490	\$ (12,061,000)	\$ (1,258,000)	\$ (4,896,095)	\$ 0	\$ (3,377,231)	\$ 273,353,164
7	LP-5	\$ 281,808,534	\$ (12,333,000)	\$ (821,000)	\$ (4,678,022)	\$ 0	\$ (4,363,662)	\$ 259,612,850
8	LPEP	\$ 8,665,007	\$ 0	\$ 0	\$ (143,839)	\$ 0	\$ (116,313)	\$ 8,404,855
9	ISA	\$ 22,109,651	\$ (872,000)	\$ 0	\$ (367,020)	\$ 0	\$ (422,084)	\$ 20,448,546
10	IS-1	\$ 191,780	\$ 0	\$ 0	\$ (3,184)	\$ 0	\$ (2,561)	\$ 186,035
11	BL	\$ 492,785	\$ 0	\$ 0	\$ (8,180)	\$ 0	\$ (3,685)	\$ 480,920
12	SA	\$ 4,384,433	\$ 0	\$ 0	\$ (72,782)	\$ 0	\$ (19,477)	\$ 4,292,175
13	SW	\$ 1,652,520	\$ 0	\$ 0	\$ (27,432)	\$ 0	\$ (6,606)	\$ 1,618,482
14	SHS	\$ 15,068,282	\$ 0	\$ 0	\$ (250,133)	\$ 0	\$ (39,300)	\$ 14,778,848
15	SE	\$ 358,882	\$ 0	\$ 0	\$ (5,957)	\$ 0	\$ (6,101)	\$ 346,823
16	TS(R)	\$ 56,032	\$ 0	\$ 0	\$ (930)	\$ 0	\$ (346)	\$ 54,756
17	SI-1(R)	\$ 71,216	\$ 0	\$ 0	\$ (1,182)	\$ 0	\$ (246)	\$ 69,788
18	GH-1(R)	\$ 37,019,030	\$ 0	\$ 0	\$ (614,516)	\$ 0	\$ (309,138)	\$ 36,095,375
19	GH-2(R)	\$ 7,726,848	\$ 0	\$ 0	\$ (128,266)	\$ 0	\$ (65,399)	\$ 7,533,184
20	STANDBY	\$ 1,176,806	\$ 0	\$ 0	\$ (19,535)	\$ 0	\$ (9,060)	\$ 1,148,211
21								
22	TOTAL PUC	\$2,294,225,603	\$ (27,230,000)	\$ (3,394,000)	\$ (38,084,145)	\$ 0	\$ (21,486,355)	\$2,204,031,104
23								
24	OTHER ELECTRIC REVENUES							
25	Late Paymt	\$ 7,074,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,074,000
26	Misc. Rev.	\$ 203,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 203,000
27	Rent	\$ 12,692,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 12,692,000
28	Other	\$ 33,510,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 33,510,000
29								
30	TOTAL OTHER	\$ 53,479,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 53,479,000
31								
32	Ann. Adj.	\$ 26,360,735	\$ 0	\$ 0	\$ (437,588)	\$ 0	\$ (307,648)	\$ 25,615,499
33								
34	FERC SALES FOR RESALE							
35	Muni.	\$ 66,753,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ (434,000)	\$ 66,319,000
36	Pwr Contr	\$ 309,955,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 309,955,000
37	PJM Intchg	\$ 107,642,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 107,642,000
38								
39	TOTAL	\$ 484,350,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ (434,000)	\$ 483,916,000
40								
41	TOTAL OPERATING REVENUE							
42		\$2,858,415,338	\$ (27,230,000)	\$ (3,394,000)	\$ (38,521,733)	\$ 0	\$ (22,228,003)	\$2,767,041,602
43								

* ECR: RS,RTD,RTS =-0.0643c/kwh
Gen Svc =-0.0669c/kwh
LP-4 =-0.0747/kwh
LP-5,LPEP,ISA,Standby =-0.0781c/kwh

PENNSYLVANIA POWER & LIGHT COMPANY
12 MONTH PERIOD ENDED SEPTEMBER 30, 1995

LINE NO.	(1) RATE SCHEDULE	(2) PROPOSED RATE REVENUE Incl ROLL-IN	(3) ECONOMIC DEVELOPMENT INITIATIVE CREDIT	(4) INDUSTRIAL DEVELOPMENT INITIATIVE CREDIT	(5) SPECIAL BASE RATE CREDIT ADJ. -1.66%	(6) STAS 0.0%	(7) ENERGY COST RATE *	(8) TOTAL REVENUE	(9) TOTAL REVENUE CHANGE (\$) cols(8)-(8)p.4	(10) CHANGE (%) %	(11) BASE REVENUE CHANGE (\$) cols(2)-(4)p.2	(12) CHANGE (%) %
1	RS	\$1,046,697,094	\$ 0	\$ 0	\$ (17,375,172)	\$ 0	\$ (7,004,922)	\$1,022,317,001	\$135,568,845	15.29	\$246,959,094	30.88
2	RTS	\$ 23,856,181	\$ 0	\$ 0	\$ (396,013)	\$ 0	\$ (247,658)	\$ 23,212,510	\$ 3,438,666	17.39	\$ 7,487,181	45.74
3	RTD	\$ 426,481	\$ 0	\$ 0	\$ (7,080)	\$ 0	\$ (3,136)	\$ 416,266	\$ 52,375	14.39	\$ 102,481	31.63
4	GS-1	\$ 171,850,587	\$ 0	\$ 0	\$ (2,852,720)	\$ 0	\$ (1,001,082)	\$ 167,996,786	\$ 6,260,887	3.87	\$ 20,892,587	13.84
5	GS-3	\$ 558,113,354	\$ (1,964,000)	\$ (1,315,000)	\$ (9,264,682)	\$ 0	\$ (4,488,349)	\$ 541,081,324	\$ 34,096,022	6.73	\$102,287,354	22.44
6	LP-4	\$ 324,168,819	\$ (13,015,227)	\$ (1,258,000)	\$ (5,381,202)	\$ 0	\$ (3,377,231)	\$ 301,137,159	\$ 27,783,995	10.16	\$ 75,496,819	30.36
7	LP-5	\$ 322,736,318	\$ (12,471,954)	\$ (821,000)	\$ (5,357,423)	\$ 0	\$ (4,363,662)	\$ 299,722,279	\$ 40,109,429	15.45	\$ 99,033,318	44.27
8	LPEP	\$ 9,135,524	\$ 0	\$ 0	\$ (151,650)	\$ 0	\$ (116,313)	\$ 8,867,562	\$ 462,706	5.51	\$ 2,004,524	28.11
9	ISA	\$ 22,141,824	\$ (872,000)	\$ 0	\$ (367,554)	\$ 0	\$ (422,084)	\$ 20,480,185	\$ 31,640	0.15	\$ 5,708,824	34.74
10	IS-1	\$ 195,274	\$ 0	\$ 0	\$ (3,242)	\$ 0	\$ (2,561)	\$ 189,472	\$ 3,437	1.85	\$ 43,274	28.47
11	BL	\$ 536,944	\$ 0	\$ 0	\$ (8,913)	\$ 0	\$ (3,685)	\$ 524,346	\$ 43,427	9.03	\$ 98,944	22.59
12	SA	\$ 4,968,863	\$ 0	\$ 0	\$ (82,483)	\$ 0	\$ (19,477)	\$ 4,866,903	\$ 574,728	13.39	\$ 853,862	20.75
13	SM	\$ 1,877,632	\$ 0	\$ 0	\$ (31,169)	\$ 0	\$ (6,606)	\$ 1,839,857	\$ 221,375	13.68	\$ 314,632	20.13
14	SMS	\$ 17,241,074	\$ 0	\$ 0	\$ (286,202)	\$ 0	\$ (39,300)	\$ 16,915,571	\$ 2,136,723	14.46	\$ 2,646,074	18.13
15	SE	\$ 431,136	\$ 0	\$ 0	\$ (7,157)	\$ 0	\$ (6,101)	\$ 417,878	\$ 71,054	20.49	\$ 168,136	63.93
16	TS(R)	\$ 63,378	\$ 0	\$ 0	\$ (1,052)	\$ 0	\$ (346)	\$ 61,980	\$ 7,224	13.19	\$ 12,378	24.27
17	SI-1(R)	\$ 85,299	\$ 0	\$ 0	\$ (1,416)	\$ 0	\$ (246)	\$ 83,638	\$ 13,849	19.84	\$ 17,299	25.44
18	GH-1(R)	\$ 42,940,874	\$ 0	\$ 0	\$ (712,819)	\$ 0	\$ (309,138)	\$ 41,918,917	\$ 5,823,541	16.13	\$ 10,566,874	32.64
19	GH-2(R)	\$ 8,965,493	\$ 0	\$ 0	\$ (148,827)	\$ 0	\$ (65,399)	\$ 8,751,267	\$ 1,218,083	16.17	\$ 2,222,493	32.96
20	STANDBY	\$ 1,184,820	\$ 0	\$ 0	\$ (19,668)	\$ 0	\$ (9,060)	\$ 1,156,092	\$ 7,881	0.69	\$ 121,820	11.46
21												
22	TOTAL PUC	\$2,557,616,969	\$ (28,323,181)	\$ (3,394,000)	\$ (42,456,442)	\$ 0	\$ (21,486,355)	\$2,461,956,992	\$257,925,888	11.70	\$577,037,969	29.13
23												
24	OTHER ELECTRIC REVENUES											
25	Late Paymt	\$ 7,869,118	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,869,118	\$ 795,118	11.24		
26	Misc. Rev.	\$ 203,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 203,000	\$ 0	0.00		
27	Rent	\$ 12,692,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 12,692,000	\$ 0	0.00		
28	Other	\$ 33,510,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 33,510,000	\$ 0	0.00		
29												
30	TOTAL OTHER	\$ 54,274,118	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 54,274,118	\$ 795,118	1.49		
31												
32	Ann. Adj.	\$ 29,323,682	\$ 0	\$ 0	\$ (486,773)	\$ 0	\$ (307,648)	\$ 28,529,260	\$ 2,913,762	11.05		
33												
34	FERC SALES FOR RESALE											
35	Muni.	\$ 66,753,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ (434,000)	\$ 66,319,000	\$ 0	0.00		
36	Pwr Contr	\$ 309,955,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 309,955,000	\$ 0	0.00		
37	PJM Intchg	\$ 107,642,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 107,642,000	\$ 0	0.00		
38												
39	TOTAL	\$ 484,350,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ (434,000)	\$ 483,916,000	\$ 0	0.00		
40												
41	TOTAL OPERATING REVENUE											
42		\$3,125,564,768	\$ (28,323,181)	\$ (3,394,000)	\$ (42,943,215)	\$ 0	\$ (22,228,003)	\$3,028,676,370	\$261,634,767	9.15		
43												

* ECR: RS, RTD, RTS = -0.0643c/kwh
Gen Svc = -0.0669c/kwh
LP-4 = -0.0747/kwh
LP-5, LPEP, ISA, Standby = -0.0781c/kwh

PENNSYLVANIA POWER & LIGHT COMPANY

Computation of Energy Cost Rate
Year Ended September 30, 1995

<u>Line No.</u>		<u>\$1,000</u>
	Generation	
1	Coal	\$ 389,007
2	Oil	60,247
3	Nuclear	74,210
4	CTS & Diesels	1,867
5	Total Generation	<u>\$ 525,331</u>
	Purchased Power	
6	PJM Interchange	\$ 4,418
7	Borderline	113
8	Other Utilities	21,996
9	Non-Utility Generation	229,157
10	Total Purchased Power	<u>\$ 255,684</u>
	Energy Sales	
11	PJM Interchange	\$ -100,064
12	JCP&L	-56,204
13	ACE	-12,112
14	BG&E	-4,023
15	GPU	-3,043
16	Other	-20,755
17	Total Energy Sales	<u>\$ -196,201</u>
18	System Cost of Power	\$ 584,814
	Less Adjustments	
19	Waste Heat	\$ -95
20	Emission Allowances	-486
21	Net Energy Costs	<u>\$ 584,233</u>
	Total Sales	
22	1994 Test Year System Sales ¹	32,368,288,000 KWH
23	Annualization	<u>430,277,067 KWH</u>
24	Total Sales	32,798,565,067 KWH
25	Net Energy Cost (line 21 ÷ line 24)	17.813 mills/ KWH ²
26	Less Base Energy Cost	7.454 mills/ KWH
27	Cost Above Base Cost	10.359 mills/ KWH

¹ Excludes company use

² Energy cost included in proposed base rates

PENNSYLVANIA POWER & LIGHT COMPANY

Computation of Energy Cost Rates Before Roll-In
 Future Test Year Period
 October 1, 1994, Through September 30, 1995

	<u>Residential</u>	<u>General Service</u>	<u>LP-4</u>	<u>LP-5</u>	<u>Total</u>
1. PUC Jurisdictional Sales (MWH)	11,284,161	8,882,346	4,521,059	6,288,244	30,975,810
2. Annualization Sales (MWH)	<u>109,427</u>	<u>91,309</u>	<u>87,745</u>	<u>141,796</u>	<u>430,277</u>
3. Sales (lines 1 + 2) (MWH)	11,393,588	8,973,655	4,608,804	6,430,040	31,406,087
4. Energy Cost to be Recovered (lines 3 x 27, page 3)	\$ 118,026,178	\$ 92,958,092	\$ 47,742,601	\$ 66,608,784	\$ 325,335,655
5. NUG Output Payments	\$ 1,398,198	\$ 656,476	\$ -570,070	\$ -1,484,604	\$ 0
6. Installed Capacity Credit, Output Reservation and Transmission Entitlement Revenues	\$ <u>-8,401,075</u>	\$ <u>-6,397,437</u>	\$ <u>-2,722,358</u>	\$ <u>-3,372,130</u>	\$ <u>-20,893,000</u>
7. Net Costs to be Recovered (lines 4 + 5 + 6)	\$ 111,023,301	\$ 87,217,131	\$ 44,450,173	\$ 61,752,050	\$ 304,442,655
8. Energy Cost Rate (lines 7 + 3) (mills/KWH)	9.744	9.719	9.645	9.604	
9. Energy Cost Rate Including GRT (line 8 x 1.046025) (mills/KWH)	10.192	10.166	10.089	10.046	

PENNSYLVANIA POWER & LIGHT COMPANY

**Computation of Energy Cost Rates After ECR Roll-In
Future Test Year Period
October 1, 1994, Through September 30, 1995**

	<u>Residential</u>	<u>General Service</u>	<u>LP-4</u>	<u>LP-5</u>	<u>Total</u>
1. PUC Jurisdictional Sales (MWH)	11,284,161	8,882,346	4,521,059	6,288,244	30,975,810
2. Annualization Sales (MWH)	<u>109,427</u>	<u>91,309</u>	<u>87,745</u>	<u>141,796</u>	<u>430,277</u>
3. Sales (lines 1 + 2) (MWH)	11,393,588	8,973,655	4,608,804	6,430,040	31,406,087
4. Energy Cost to be Recovered	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
5. NUG Output Payments	\$ 1,398,198	\$ 656,476	\$ -570,070	\$ -1,484,604	\$ 0
6. Installed Capacity Credit, Output Reservation and Transmission Entitlement Revenues	\$ <u>-8,401,075</u>	\$ <u>-6,397,437</u>	\$ <u>-2,722,358</u>	\$ <u>-3,372,130</u>	\$ <u>-20,893,000</u>
7. Net Costs to be Recovered (lines 4 + 5 + 6)	\$ -7,002,877	\$ -5,740,961	\$ -3,292,428	\$ -4,856,734	\$ -20,893,000
8. Energy Cost Rate (lines 7 ÷ 3) (mills/KWH)	-0.615	-0.64	-0.714	-0.755	
9. Energy Cost Rate Including GRT (line 8 x 1.046025) (mills/KWH)	-0.643	-0.669	-0.747	-0.79	
10. Net Costs to be Recovered Including GRT	\$ -7,325,185	\$ -6,005,189	\$ -3,443,962	\$ -5,080,266	\$ -21,854,602

Pennsylvania Power & Light Company

Adjustments to ECR
12 Months Ended September 30, 1995

<u>Adjustment</u>	<u>Customer Group</u>			
	<u>Residential</u>	<u>General Service</u>	<u>LP-4</u>	<u>LP-5</u>
1. Demand/Energy Allocation of NUG Output Payments	\$1,398,198	\$656,476	\$(570,070)	\$(1,484,604)
2. Demand Allocation of Installed Capacity Credit, Output Reservation and Transmission Entitlement Sales Revenues	<u>(8,397,456)</u>	<u>(6,394,681)</u>	<u>(2,721,185)</u>	<u>(3,370,678)</u>
3. Total PUC Jurisdictional ECR Adjustments	<u>\$(6,999,258)</u>	<u>\$(5,738,205)</u>	<u>\$(3,291,255)</u>	<u>\$(4,855,282)</u>

Pennsylvania Power & Light Company

Future Test Year ECR Period

A. Assignment of NUG output payments on an energy basis.

1. NUG Payments , Total System Sales = Applicable Energy Rate
 $\$229,157,300 \div 32,368,288,000 \text{ KWH} = \$.00708$
2. Applicable Energy Rate x Rate Group Sales = Applicable NUG Payment Amount

Residential:

$$11,284,161,000 \text{ KWH} \times .00708 = \$79,891,860$$

General Service:

$$8,882,346,000 \text{ KWH} \times .00708 = 62,887,010$$

LP-4:

$$4,521,059,000 \text{ KWH} \times .00708 = 32,009,098$$

LP-5:

$$6,288,244,000 \text{ KWH} \times .00708 = 44,520,768$$

B. Assignment of NUG output payments on a demand and energy basis.

1. NUG Payments - (PJM Capacity Deficiency Rate x NUG Capacity) = Energy-Related Amount
 $\$229,157,300 - (\$204/\text{MW}/\text{Day} \times 365 \text{ days} \times 504 \text{ MW}) = \$191,629,460$
2. Energy-Related Amount , Total System Sales = Applicable Energy Rate
 $\$191,629,460 \div 32,368,288,000 \text{ KWH} = \$.00592$

3. Demand-Related Amount , Total System Demand = Demand-Related Rate
 $\$37,527,840 \div 5,580,000 \text{ KW} = \6.725

4. (Demand-Related Rate x Rate Group Demand) , Rate Group Sales = Applicable Demand Rate

Residential:

$(\$6.725 \times 2,142,000 \text{ KW}) \div 11,284,161,000 \text{ KWH} = \0.00128

General Service:

$(\$6.725 \times 1,631,000 \text{ KW}) \div 8,882,346,000 \text{ KWH} = .00123$

LP-4:

$(\$6.725 \times 694,000 \text{ KW}) \div 4,521,059,000 \text{ KWH} = .00103$

LP-5:

$(\$6.725 \times 860,000 \text{ KW}) \div 6,288,244,000 \text{ KWH} = .00092$

5. (Applicable Energy Rate + Applicable Demand Rate) x Rate Group Sales = Applicable NUG Payment Amount

Residential:

$(\$0.00592 + .00128) \times 11,284,161,000 \text{ KWH} = \$81,290,058$

General Services:

$(\$0.00592 + .00123) \times 8,882,346,000 \text{ KWH} = 63,543,486$

LP-4:

$(\$0.00592 + .00103) \times 4,521,059,000 \text{ KWH} = 31,439,028$

LP-5:

$(\$0.00592 + .00092) \times 6,288,244,000 \text{ KWH} = 43,036,164$

Pennsylvania Power & Light Company

Capacity/Demand Allocation Factors
12 Months Ending September 30, 1995

Total Company 100.00%

Less: FERC Jurisdiction

Atlantic City Electric Agreement	1.527%
Jersey Central Power & Light Agreement	11.185
Baltimore Gas & Electric Agreement	1.562
UGI-Luzerne Agreement	1.481
FERC resale customers	<u>2.440</u>

Total FERC	<u>18.195</u>
PUC Jurisdiction	<u>81.805%</u>

Pennsylvania Power & Light Company

PUC Jurisdictional Allocation Factors
12 Months Ended September 30, 1995

<u>Rate Group</u>	<u>Demand Basis</u>	<u>Energy Basis</u>
Residential	40.21%	36.43%
General Service	30.62	28.67
LP-4	13.03	14.60
LP-5	16.14	20.30

PENNSYLVANIA POWER & LIGHT COMPANY

Adjustment to Energy Costs
Year Ended September 30, 1995
(Thousands of Dollars)

<u>Line No.</u>		<u>Per Budget</u>	<u>Adjustments</u>	<u>Pro Forma</u>
	Energy Related			
	Fuel			
1	Coal (a)	\$ 389,565	\$ (558)	\$ 389,007
2	Oil	60,247	-	60,247
3	Nuclear (b)	74,210	-	74,210
4	CTS & Diesels	1,867	-	1,867
5	Total Generation	<u>\$ 525,889</u>	<u>\$ (558)</u>	<u>\$ 525,331</u>
	Purchased Power			
6	PJM Interchange	\$ 3,989	\$ 429	\$ 4,418
7	Borderline	113	-	113
8	Other Utilities	20,186	1,810	21,996
9	Non-Utility Generation	229,157	-	229,157
10	Total Purchased Power	<u>\$ 253,445</u>	<u>\$ 2,239</u>	<u>\$ 255,684</u>
	Energy Sales			
11	PJM Interchange	\$ (107,642)	\$ 7,578	\$ (100,064)
12	JCP&L	(56,204)	-	(56,204)
13	ACE	(12,112)	-	(12,112)
14	BG&E	(4,023)	-	(4,023)
15	GPU	(3,043)	-	(3,043)
16	Other	(22,375)	1,620	(20,755)
17	Waste Heat	(95)	-	(95)
18	Emmission Allowances	(486)	-	(486)
19	Total Energy Sales	<u>\$ (205,980)</u>	<u>\$ 9,198</u>	<u>\$ (196,782)</u>
20	Net Energy Related (line 5 + 10 + 19)	<u>\$ 573,354</u>	<u>\$ 10,879</u>	<u>\$ 584,233</u>
	Demand Related			
21	Safe Harbor	\$ 9,845	-	\$ 9,845
22	Borderline	6	-	6
23	Total Demand Related (lines 21 + 22)	<u>\$ 9,851</u>	<u>-</u>	<u>\$ 9,851</u>

(a) Includes retired miners' health care cost

(b) Includes decommissioning and decontamination and spent fuel disposal expense.

PENNSYLVANIA POWER & LIGHT COMPANY

Adjustment to Wage Expense
Year Ended September 30, 1995
(Thousands of Dollars)

This adjustment was made to reflect the number of employees and level wages in effect at the end of the year.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Average monthly wage per employee	\$4,523
2	Personnel employed at end of the test year	7,593
3	Annualized total wages (line 1 x line 2 x 12 months)	\$ 412,118
4	Less: Actual wages for the test year ended September 30, 1995	<u>413,034</u>
5	Decrease in total wages	<u>\$ (916)</u>
6	Decrease in wages to expense (line 5 x 73.3%)	<u>\$ (671)</u>

PENNSYLVANIA POWER & LIGHT COMPANY

Adjustment to Employee Benefits Expense
Year Ended September 30, 1995
(Thousands of Dollars)

This adjustment was made to reflect the level of benefit costs at the end of the test year.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Annual effect of post-retirement benefits other than pensions (D-6, pg. 2)	\$ (1,645)
2	Amortization of SFAS costs which would have been deferred under PUC Order at Docket No. P-920635 (D-6, pg. 3)	1,797
3	Pension expense (D-6, pg. 4)	<u>(3,979)</u>
4	Total	<u><u>\$ (3,827)</u></u>

PENNSYLVANIA POWER & LIGHT COMPANY

Adjustment to Employee Benefits Expense
Year Ended September 30, 1995
(Thousands of Dollars)

This adjustment was made to reflect the full annual effect of accounting for post-retirement benefits other than pensions on an accrual basis as required by Statement of Financial Accounting Standards No. 106 (SFAS 106).

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>
1	Annual accrual for post-retirement benefits per actuarial study	\$25,857
2	Post-retirement benefits to expense (line 1 x 68.7%)	17,764
3	Less: Amount charged to expense	<u>19,409</u>
4	Adjustment (line 2 - line 3)	<u><u>(\$1,645)</u></u>

PENNSYLVANIA POWER & LIGHT COMPANY

Adjustment to Employee Benefits Expense
Year Ended September 30, 1995
(Thousands of Dollars)

This adjustment was made to reflect the amortization for SFAS post-retirement benefits which would have been deferred in accordance with the Pennsylvania Public Utility Commission Order entered May 6, 1993 at Docket No. P-920635.

<u>Line</u> <u>No.</u>		<u>Amount</u>
1	SFAS 106 expenses which would have been deferred under the PUC Order at Docket No. P-920635	<u>\$ 31,095</u>
2	Adjustment (line 1 ÷ 17.3 years)	<u>\$ 1,797</u>

PENNSYLVANIA POWER & LIGHT COMPANY

Adjustment to Employee Benefits Expense
Year Ended September 30, 1995
(Thousands of Dollars)

This adjustments revises pension benefits to reflect the new actuarial study.

<u>Line No.</u>		<u>Amount</u>
1	Per revised actuarial study	\$11,867
2	Per budget	<u>17,898</u>
3	Decrease in pension cost	<u>(\$6,031)</u>
4	Decrease in pension cost to expense (line 3 x 65.97%)	<u>(\$3,979)</u>

PENNSYLVANIA POWER & LIGHT COMPANY

Adjustment to Rate Case Expense
Year Ended September 30, 1995
(Thousands of Dollars)

Rate case expenditures are charged to expense when incurred. The Company's claim for rate case expense is based on a normalized amount as shown below.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Total rate case expense	<u>\$ 1,491</u>
2	Normalized amount (line 1 ÷ 2 years)	\$ 746
3	Less: PPUC rate case expense per budget	<u>1,491</u>
4	Decrease in expense	<u>\$ (745)</u>

PENNSYLVANIA POWER & LIGHT COMPANY

**Adjustment for Land Management
Projects/Recreational Facilities Expense
Year Ended September 30, 1995
(Thousands of Dollars)**

The Commission in its Rate Order at Docket No. R-822169, dated August 19, 1983, determined that operation and maintenance expenses incurred for certain land management projects/recreational facilities which are not owned or operated pursuant to any specific Federal or State licensing requirement should not be recovered from ratepayers. This adjustment provides for the elimination of the test year operating expense for such facilities.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Montour Preserve	\$ 500
2	Shady Nook Boat Ramp	6
3	Martins Creek Boat Ramp	22
4	Brunner Island Boat Ramp	<u>5</u>
5	Decrease in expense	<u>\$ 533</u>

PENNSYLVANIA POWER & LIGHT COMPANY
Adjustment for Interest Expense on Customer Deposits
Year Ended September 30, 1995
(Thousands of Dollars)

The Commission in its Rate Order at Docket No. R-80031114, dated January 30, 1981, determined that it was appropriate to include in the cost of service interest expense on customer deposits when such customer deposits are treated as a reduction to rate base. The interest on these deposits is computed at an interest rate of 5.77% in accordance with proposed Rule 2--Requirement for Service set forth in the Company's Tariff Electric--PA PUC No. 200.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Customer deposits (B-1)	\$ 1,106
2	Interest rate	<u>5.77%</u>
3	Increase in expense (line 1 x line 2)	<u>\$ 64</u>

PENNSYLVANIA POWER & LIGHT COMPANY

Adjustment for Voluntary Early Retirement Program (VERP)
Year Ended September 30, 1995
(Thousands of Dollars)

On September 29, 1994 the Company announced a voluntary early retirement program to all management employees who were 55 or older by December 31, 1994. Agreement on a VERP applicable to eligible bargaining unit employees was also reached with the union.

This adjustment reflects the estimated cost of the VERP amortized over five years and the anticipated annual savings of the program.

**Line
No.**

1	Estimated cost of the VERP	<u>\$ 75,859</u>	
2	Amortization over five years (line 1 : 5)		\$ 15,172
	VERP Payroll Savings		
3	Wages	<u>\$ (29,445)</u>	
4	Wages to expense (line 3 x 73.3%)		(21,583)
5	Benefits	<u>\$ (9,216)</u>	
6	Benefits to expense (line 5 x 68.7%)		<u>(6,331)</u>
7	Total Adjustment (lines 2 + 4 + 6)		<u>\$ (12,742)</u>

PENNSYLVANIA POWER & LIGHT COMPANY

Adjustment to Annual Accrual for Decommissioning Expense
Year Ended September 30, 1995

(Thousands of Dollars)

This adjustment provides for an annual accrual of decommissioning expense associated with the Susquehanna Steam Electric Station (SSES), based upon the total estimated cost of immediate dismantlement of the facility.

Line No.	Description	Amount		
		Unit 1	Unit 2	Total
1	Cost of decommissioning in 1993 dollars	\$350,524	\$453,735	\$804,259
2	PP&L share (90%)	\$ 315,471	\$ 408,361	\$ 723,832
3	Rate of inflation	4%	4%	
	<u>Years to Retirement</u>			
4	Unit 1 (1994-2022)	29		
5	Unit 2 (1994-2024)		31	
	<u>Cost of Decommissioning</u>			
6	Unit 1 (line 2 x 3.118651 (a))	\$983,844		
7	Unit 2 (line 2 x 3.373133 (b))		\$1,377,456	\$2,361,300
8	Value of trust @ 9/30/95	\$56,548	\$41,717	\$98,265
9	Earnings on trust (c)	5.50%	5.50%	
	<u>Value of Trust</u>			
10	@ 2022 (line 8 x 4.244401 (d))	\$240,012		
11	@ 2024 (line 8 x 4.724124 (e))		\$197,076	\$437,088
	<u>Net Cost of Decommissioning</u>			
12	Unit 1 (line 6 - line 10)	\$743,832		
13	Unit 2 (line 7 - line 11)		\$1,180,380	\$1,924,212
	<u>Annuity Amount</u>			
14	Unit 1 (line 12 x .016952 (f))	\$12,609		
15	Unit 2 (line 13 x .014769 (g))		\$17,433	\$30,042
16	Less: Amount per budget	3,818	3,308	7,126
17	Increase in expense	\$8,791	\$14,125	\$22,916

- a) Future value of \$1 with compound interest @ 4% for 29 years.
- b) Future value of \$1 with compound interest @ 4% for 31 years.
- c) Reflects an after tax rate of return of 1.5% above the assumed rate of inflation.
- d) Future value of \$1 with compound interest @ 5.5% for 27 years.
- e) Future value of \$1 with compound interest @ 5.5% for 29 years.
- f) Periodic deposit that will grow to \$1 in 27 years with interest compounded @ 5.5%.
- g) Periodic deposit that will grow to \$1 in 29 years with interest compounded @ 5.5%.

PENNSYLVANIA POWER & LIGHT COMPANY

**Adjustment to Decommission Fossil Units
All Stations
Year Ended September 30, 1995
(Thousands of Dollars)**

This adjustment provides for an annual accrual of decommissioning expense associated with PP&L's fossil fueled stations.

<u>Line No.</u>	<u>Station</u>	<u>Amount</u>
1	Martins Creek	\$14,763
2	Brunner Island	10,562
3	Montour	7,481
4	Sunbury	17,249
5	Holtwood	<u>5,515</u> ⁶
6	Total	<u><u>\$55,570</u></u>

PENNSYLVANIA POWER & LIGHT COMPANY

**Adjustment to Decommission
The Martins Creek Steam Electric Station
Year Ended September 30, 1995
(Thousands of Dollars)**

This adjustment provides for an annual accrual of decommissioning expense associated with the Martins Creek Steam Electric Station.

Line No.	Description	Amount				Total
		Coal		Oil		
		Unit 1	Unit 2	Unit 3	Unit 4	
1	Cost of Decommissioning in 1994 dollars	\$33,395	\$38,472	\$40,691	\$33,975	
2	Rate of inflation	4%	4%	4%	4%	
	<u>Years to Retirement</u>					
3	Unit 1 (1994-2003)	9				
4	Unit 2 (1994-2003)		9			
5	Unit 3 (1994-2010)			16		
6	Unit 4 (1994-2010)				16	
	<u>Cost of Decommissioning</u>					
7	Unit 1 (line 1 x 1.423312 (a))	\$47,532				
8	Unit 2 (line 1 x 1.423312 (a))		\$54,758			
9	Unit 3 (line 1 x 1.872981 (b))			\$76,213		
10	Unit 4 (line 1 x 1.872981 (b))				\$63,635	
	<u>Annuity Amount</u>					
11	Unit 1 (line 7 x .088839 (c))	\$4,223				
12	Unit 2 (line 8 x .088839 (c))		\$4,865			
13	Unit 3 (line 9 x .040583 (d))			\$3,093		
14	Unit 4 (line 10 x .040583 (d))				\$2,582	<u>\$14,763</u>

- a) Future value of \$1 with compound interest @ 4% for 9 years.
- b) Future value of \$1 with compound interest @ 4% for 16 years.
- c) Periodic deposit that will grow to \$1 in 9 years with interest compounded @ 5.5%.
- d) Periodic deposit that will grow to \$1 in 16 years with interest compounded @ 5.5%.

PENNSYLVANIA POWER & LIGHT COMPANY

**Adjustment to Decommission
The Brunner Island Steam Electric Station
Year Ended September 30, 1995
(Thousands of Dollars)**

This adjustment provides for an annual accrual of decommissioning expense associated with the Brunner Island Steam Electric Station.

Line No.	Description	Amount			Total
		Unit 1	Unit 2	Unit 3	
1	Cost of Decommissioning in 1994 dollars	\$54,403	\$52,266	\$61,412	
2	Rate of inflation	4%	4%	4%	
	<u>Years to Retirement</u>				
3	Unit 1 (1994-2014)	20			
4	Unit 2 (1994-2014)		20		
5	Unit 3 (1994-2014)			20	
	<u>Cost of Decommissioning</u>				
6	Unit 1 (line 1 x 2.191123 (a))	\$119,204			
7	Unit 2 (line 1 x 2.191123 (a))		\$114,521		
8	Unit 3 (line 1 x 2.191123 (a))			\$134,561	
	<u>Annuity Amount</u>				
9	Unit 1 (line 6 x .028679 (b))	\$3,419			
10	Unit 2 (line 7 x .028679 (b))		\$3,284		
11	Unit 3 (line 8 x .028679 (b))			\$3,859	<u>\$10,562</u>

- a) Future value of \$1 with compound interest @ 4% for 20 years.
b) Periodic deposit that will grow to \$1 in 20 years with interest compounded @ 5.5%.

PENNSYLVANIA POWER & LIGHT COMPANY

Adjustment to Decommission
The Montour Steam Electric Station
Year Ended September 30, 1995
(Thousands of Dollars)

This adjustment provides for an annual accrual of decommissioning expense associated with the Montour Steam Electric Station.

Line No.	Description	Amount		Total
		Unit 1	Unit 2	
1	Cost of Decommissioning in 1994 dollars	\$53,873	\$80,016	
2	Rate of inflation	4%	4%	
	<u>Years to Retirement</u>			
3	Unit 1 (1994-2017)	23		
4	Unit 2 (1994-2017)		23	
	<u>Cost of Decommissioning</u>			
5	Unit 1 (line 1 x 2.464716 (a))	\$132,782		
6	Unit 2 (line 1 x 2.464716 (a))		\$197,217	
	<u>Annuity Amount</u>			
8	Unit 1 (line 5 x .022670 (b))	\$3,010		
9	Unit 2 (line 6 x .022670 (b))		\$4,471	<u>\$7,481</u>

- a) Future value of \$1 with compound interest @ 4% for 23 years.
b) Periodic deposit that will grow to \$1 in 23 years with interest compounded @ 5.5%.

PENNSYLVANIA POWER & LIGHT COMPANY

Adjustment to Decommission
The Sunbury Steam Electric Station
Year Ended September 30, 1995
(Thousands of Dollars)

This adjustment provides for an annual accrual of decommissioning expense associated with the Sunbury Steam Electric Station.

Line No.	Description	Amount				Total
		Unit 1	Unit 2	Unit 3	Unit 4	
1	Cost of Decommissioning in 1994 dollars	\$31,790	\$31,151	\$32,259	\$41,212	
2	Rate of inflation	4%	4%	4%	4%	
	<u>Years to Retirement</u>					
3	Unit 1 (1994-2003)	9				
4	Unit 2 (1994-2003)		9			
5	Unit 3 (1994-2003)			9		
6	Unit 4 (1994-2003)				9	
	<u>Cost of Decommissioning</u>					
7	Unit 1 (line 1 x 1.423312 (a))	\$45,247				
8	Unit 2 (line 1 x 1.423312 (a))		\$44,338			
9	Unit 3 (line 1 x 1.423312 (a))			\$45,915		
10	Unit 4 (line 1 x 1.423312 (a))				\$58,658	
	<u>Annuity Amount</u>					
11	Unit 1 (line 7 x .088839 (b))	\$4,020				
12	Unit 2 (line 8 x .088839 (b))		\$3,939			
13	Unit 3 (line 9 x .088839 (b))			\$4,079		
14	Unit 4 (line 10 x .088839 (b))				\$5,211	<u>\$17,249</u>

a) Future value of \$1 with compound interest @ 4% for 9 years.

b) Periodic deposit that will grow to \$1 in 9 years with interest compounded @ 5.5%.

PENNSYLVANIA POWER & LIGHT COMPANY

**Adjustment to Decommission
The Holtwood Steam Electric Station
Year Ended September 30, 1995
(Thousands of Dollars)**

This adjustment provides for an annual accrual of decommissioning expense associated

<u>Description</u>	<u>Amount</u>
Cost of Decommissioning in 1994 dollars	\$43,614
Rate of inflation	4%
<u>Years to Retirement</u> Unit 17 (1994-2003)	9
<u>Cost of Decommissioning</u> Unit 17 (line 1 x 1.423312 (a))	<u>\$62,076</u>
<u>Annuity Amount</u> Unit 17 (line 4 x .088839 (b))	<u>\$5,515</u>

Future value of \$1 with compound interest @ 4% for 9 years.

Periodic deposit that will grow to \$1 in 9 years with interest compounded @ 5.5%.

PENNSYLVANIA POWER & LIGHT COMPANY

**Adjustment for Amortization of
Management Audit Cost
Year Ended September 30, 1995
*(Thousands of Dollars)***

The adjustment provides for the amortization over a five-year period of the cost of the Commission-mandated management audit. The audit was performed by Shumaker & Company.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Cost of the management audit	\$911
2	Annual level of amortization \$911 ÷ 5 years	182
3	Less: Amount per budget	<u>-</u>
4	Increase in expense	<u><u>\$182</u></u>

PENNSYLVANIA POWER & LIGHT COMPANY

Adjustment to Amortize the SSES Early Window Deferrals
Year Ended September 30, 1995
(Thousands of Dollars)

This adjustment amortizes the "early window" deferrals applicable to Susquehanna Units 1 and 2 over a period of ten years. This is consistent with the Pennsylvania Public Utility Commission (PUC) Order entered May 16, 1990 in the Philadelphia Electric Company rate case at Docket R-891364. The deferral of these costs for Units 1 and 2 was authorized by the PUC in its Orders at Docket Nos. P-820367 entered July 29, 1982 and P-830461 entered November 9, 1983 respectively.

	<u>Unit 1</u>	<u>Unit 2</u>	<u>Total</u>
Deferred Costs			
Operating Expenses	\$ 21,102	\$ 18,092	\$ 39,194
Interchange Energy Savings	(40,994)	(47,167)	(88,161)
Carrying Costs	28,834	32,125	60,959
Income Taxes	<u>11,412</u>	<u>15,811</u>	<u>27,223</u>
 TOTAL	 <u>\$ 20,354</u>	 <u>\$ 18,861</u>	 <u>\$ 39,215</u>
 Amortization over 10 years	 <u>\$ 2,035</u>	 <u>\$ 1,886</u>	 <u>\$ 3,922</u>

PENNSYLVANIA POWER & LIGHT COMPANY

Adjustment for Social Programs
Year Ended September 30, 1995
(Thousands of Dollars)

<u>Line</u> <u>No.</u>	<u>Program</u>	<u>Amount</u>
1	Build-a-Neighborhood	\$ 1,000
2	Affordable Housing	1,000
3	Small Business	500
6	Keep Warm Plan	1,000
7	Operation HELP	-
8	CARES	<u>30</u>
9	Total Cost of Programs	<u><u>\$ 3,530</u></u>

PENNSYLVANIA POWER & LIGHT COMPANY

Adjustment for Environmental Remediation
Year Ended September 30, 1995
(Thousands of Dollars)

The test year included only nine months of environmental remediation expenses.
This adjustment annualizes the amount of the expense to a twelve-month level.

<u>Line No.</u>		<u>Amount</u>
1	Annual Amount (line 2 x 12/9)	\$ 5,400
2	Expense per Budget	<u>4,050</u>
3	Increase in Expense	<u>\$ 1,350</u>

PENNSYLVANIA POWER & LIGHT COMPANY

Adjustment to Annual Depreciation Expense
Year Ended September 30, 1995
(Thousands of Dollars)

The depreciation on electric plant in service, net of clearing accounts and customer advances for construction, represents the annual depreciation expense as of September 30, 1995 using average service lives and life spans as filed in this proceeding.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Depreciation--electric plant in service	\$ 365,749
	Less:	
2	Clearing	2,530
3	Customer advances for construction	<u>1</u>
4	Net Depreciation--electric plant in service	\$ 363,218
5	Amortization of negative net salvage (a)	<u>20,169</u>
6	Total annual depreciation expense	\$ 383,387
7	Less: Depreciation expense per budget	<u>339,837</u>
8	Increase in expense	<u><u>\$ 43,550</u></u>

(a) Based on a five-year average of negative net salvage as prescribed by the Pennsylvania Public Utility Commission.

PENNSYLVANIA POWER & LIGHT COMPANY

Adjustment to Taxes Other Than Income
Year Ended September 30, 1995
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
	<u>PA Capital Stock Tax</u>	
	Adjustment to reflect current taxable value	
1	Estimated tax applicable to electric operations at 12.75 mills (D-18, pg. 2)	\$ 36,041
2	Less: Capital stock tax per budget (B-5)	<u>36,525</u>
3	Decrease in expense	<u>\$ (484)</u>
	<u>PA Gross Receipts Tax</u>	
	Adjustment to provide for gross receipts tax on pro forma revenue at present rates	
4	Gross receipts tax recoverable through base rates (D-18, pg. 3)	\$ 99,940
5	Less: Gross receipts tax per budget (B-5)	<u>100,619</u>
6	Increase in expense	<u>\$ (679)</u>
	<u>PA Public Utility Realty Tax</u>	
7	Adjustment to reflect current taxable base	
8	Public utility realty tax recoverable through base rates (D-18, pg. 4)	\$ 45,750
9	Less: Public utility realty tax per budget (B-5)	<u>46,000</u>
10	Increase in expense	<u>\$ (250)</u>

PENNSYLVANIA POWER & LIGHT COMPANY

Capital Stock Tax at Present Rates
Year Ended September 30, 1995
(Thousands of Dollars)

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>
1	PA Capital Stock Value = 50% ((5 Yr. Average Net Income/.095) +(75% (Net Worth))	
	Net income	
2	1990	\$ 346,325
3	1991	348,154
4	1992	344,850
5	1993	344,917
6	1994	<u>338,849</u>
7	Total	<u>\$1,723,095</u>
8	Average	<u>\$344,619</u>
9	Net worth at December 31, 1993	<u>\$3,098,900</u>
10	PA Capital stock value = .5(((\$344,619/.095) + (.75 x \$3,098,900)) =	\$ 2,975,872
11	Statutory Exemption	<u>75</u>
12	Value of Capital Stock less Statutory Exemption	2,975,797
13	Apportionment Percentage	<u>0.94992</u>
14	PA Capital Stock Taxable Value	<u>2,826,769</u>
15	PA Capital Stock Tax at 12.75 mills	<u>\$ 36,041</u>

PENNSYLVANIA POWER & LIGHT COMPANY

Gross Receipts Tax (GRT) at Present Rates
Year Ended September 30, 1995
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Pro Forma Revenue</u>		<u>Applicable GRT Rate (Mills)</u>	<u>Gross Receipts Tax</u>
1	PPUC Jurisdictional Total Tariff Revenue (D-3, pg.1)	<u>\$ 2,229,278</u>	x	44	\$ 98,088
2	FERC Jurisdictional Total rate revenue (D-3, pg. 1)	\$ 483,916		-	
	Less:				
3	UGI	24,628		-	
4	Citizens' Electric	6,665		-	
5	Power Contracts	309,956		-	
6	PJM Power Sales	107,642		-	
7	Net FERC Tariff Revenue	<u>\$ 35,025</u>		44	\$ 1,541
	Other Electric Revenue				
8	Late Payment	\$ 7,074		44	311
9	Other	46,405			
10	Total Other Electric Revenue	<u>\$ 53,479</u>			
11	Total gross receipts tax on pro forma revenue at present rates				<u>\$ 99,940</u>

PENNSYLVANIA POWER & LIGHT COMPANY

Public Utility Realty Tax at Present Rates
Year Ended September 30, 1995
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
	<u>PURTA Base</u>	
1	Land	\$ 22,275
2	Structures	1,524,287
3	Less Reserve for Depreciation	<u>(457,265)</u>
4	Total Base	\$ 1,089,297
5	Rate @ 42 mills	<u>0.042</u>
6	Tax	<u>\$ 45,750</u>

PENNSYLVANIA POWER & LIGHT COMPANY
Computation of Income Taxes-Electric
Year Ended September 30, 1995
(Thousands of Dollars)

Line No.	Description	Per Budget	Adjustments	Pro Forma at Present Rates
1	Operating Revenues	\$ 2,757,934	\$ 8,739	\$ 2,766,673
	Operating Expenses			
2	Operation and maintenance	1,511,326	79,895	1,591,221
3	Depreciation	339,837	43,550	383,387
4	Regulatory Credits	(36,348)	-	(36,348)
5	Taxes Other than Income	204,772	(1,413)	203,359
6	Income Taxes-Federal	193,011	(13,370)	179,641
7	Income Taxes-State	70,411	(7,110)	63,301
8	Deferred Income Taxes	(24,096)	646	(23,450)
9	Investment Tax Credit-Amortization	(11,037)	928	(10,109)
10	Gains-Disposal of Emission Allowance	(486)	-	(486)
11	Total Operating Expense	<u>2,247,390</u>	<u>103,126</u>	<u>2,350,516</u>
12	Operating Income	510,544	(94,387)	416,157
13	Less: Interest Expense	<u>219,715</u>	<u>(1,666)</u>	<u>218,049</u>
14	Net Operating Income	<u>290,829</u>	<u>(92,721)</u>	<u>198,108</u>
	Income Tax Adjustments			
15	Federal Income Tax	193,011	(13,370)	179,641
16	Pennsylvania corporate net income tax	70,411	(7,110)	63,301
17	Deferred Income Taxes	(24,096)	646	(23,450)
18	Pension and supplemental retirements	13,012	(3,979)	9,033
19	Health care cost PMC amortization	2,772	-	2,772
20	Contributions in aid of construction	4,809	-	4,809
21	Depreciation charged to clearing	740	-	740
22	Nuclear Fuel	58,073	-	58,073
23	Amortization leased equipment, leasehold			
24	improvements, software	7,759	-	7,759
25	Book Depreciation	339,837	43,550	383,387
26	Tax Depreciation	(329,432)	22,605	(306,827)
27	Nuclear Decommissioning--Book	7,125	22,916	30,041
28	Nuclear Decommissioning--Tax	(6,024)	(22,696)	(28,720)
29	Miscellaneous adjustments-net	1,381	-	1,381
30	ECR/FAC underrecovery	9,690	-	9,690
31	Power plant inventory-tax accounting change	(5,012)	-	(5,012)
32	DOE-uranium enrichment cleanup	2,889	-	2,889
33	Investment tax credit amortization	(11,037)	928	(10,109)
34	Removal costs	(15,244)	-	(15,244)
35	Refueling costs	2,724	-	2,724
36	ESOP dividend paid in cash	(9,478)	-	(9,478)
37	Post-retirement/employment benefits	8,643	-	8,643
38	Bad debts	1,959	-	1,959
39	Low level Radwaste disposal	4,401	-	4,401
40	Amortization of "Window Deferral"	-	3,922	3,922
41	Income Tax Adjustments	<u>328,913</u>	<u>47,412</u>	<u>376,325</u>
42	Taxable Net Income Before Special Deductions	<u>\$ 619,742</u>	<u>\$ (45,309)</u>	<u>\$ 574,433</u>

PENNSYLVANIA POWER & LIGHT COMPANY

Computation of Income Taxes-Electric
Year Ended September 30, 1995
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Per Budget</u>	<u>Adjustments</u>	<u>Pro Forma at Present Rates</u>
<u>PA Corporate Net Income Tax Calculation</u>				
1	Taxable Net Income Before Special Deductions	\$ 619,742	\$ (45,309)	\$ 574,433
PA Special Deductions				
2	Tax Preference Income	(694)		(694)
3	Dividends Paid Credit	(831)		(831)
	Federal Environmental Tax	-	783	783
4	PA Taxable Income	<u>618,217</u> *	<u>(44,526)</u>	<u>573,691</u>
5	PA Tax @ 10.99%	70,159	(7,110)	63,049
6	Accrual for potential deficiency	252	-	252
7	Total PA Income Tax	<u>\$ 70,411</u>	<u>(7,110)</u>	<u>\$ 63,301</u>
<u>Federal Income Tax Calculation</u>				
8	Taxable Net Income Before Special Deductions	619,742	(45,309)	574,433
Federal Special Deductions				
9	PA Income Tax	(70,159)	7,110	(63,049)
10	Dividends Paid Credit	(831)	-	(831)
11	Federal Taxable Income	<u>548,752</u>	<u>(38,199)</u>	<u>510,553</u>
12	Federal Tax @ 35%	192,063	(13,370)	178,694
13	Accrual for potential deficiency	948		948
14	Total Federal Income Tax	<u>\$ 193,011</u>	<u>\$ (13,370)</u>	<u>\$ 179,642</u>

* \$176,038 taxed at 12.25% and \$442,179 taxed at 10.99%.

PENNSYLVANIA POWER & LIGHT COMPANY

Adjustment to Interest Deduction for Income Tax Purposes
Year Ended September 30, 1995
(Thousands of Dollars)

This adjustment provides for the annualized interest on claimed measures of value at September 30, 1995.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Measures of value at September 30, 1995 (C-1)	\$ 5,879,800
2	Long-term debt ratio (B-9)	46.53%
3	Embedded cost of long-term debt (B-9)	7.97%
4	Annualized interest (line 1 x line 2 x line 3)	218,049
5	Less: Interest expense per budget (D-19, pg. 1)	<u>219,715</u>
6	Decrease in interest deduction (line 4 - line 5)	<u>\$ (1,666)</u>

PENNSYLVANIA POWER & LIGHT COMPANY

**Adjustment to Tax Depreciation Deduction
for Income Tax Purposes
Year Ended September 30, 1995
(Thousands of Dollars)**

This adjustment provides for the annualized tax depreciation on year-end tax base at September 30, 1995.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Property depreciated under the Accelerated Cost Recovery System (ACRS) or Modified Accelerated Cost Recovery System (MACRS): Non-Susquehanna (D-20) Susquehanna (D-20)	\$ 185,584 68,101
2	Property depreciated under other methods: Non-Susquehanna Susquehanna	43,188 <u>9,954</u>
5	Total	306,827
6	Less: Tax depreciation per budget (D-19, pg 1)	<u>329,432</u>
7	Decrease in tax depreciation deduction	<u>\$ 22,605</u>

PENNSYLVANIA POWER & LIGHT COMPANY

**Operating Revenue and Applicable Tax
Related to Proposed Rate Increase
Year Ended September 30, 1995
*(Thousands of Dollars)***

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Additional operating revenue from proposed rate increase	\$ 261,635
	Less:	
2	PA gross receipts tax (line 1 x 44 mills)	11,512
3	PA Capital stock tax (line 8 x 12.75 mills)	<u>1,832</u>
4	Taxable income for PA Corporate Net Income Tax	\$ 248,291
5	PA corporate net income tax (line 4 x 10.99%)	<u>27,287</u>
6	Taxable income for Federal income tax	221,004
7	Federal income tax (line 6 x 35%)	<u>77,351</u>
8	Operating income	<u><u>\$ 143,653</u></u>

PENNSYLVANIA POWER & LIGHT COMPANY

Adjustment to Deferred Income Taxes
Year Ended September 30, 1995
(Thousands of Dollars)

Provision	<u>Debit</u>	<u>Credit</u>	<u>Net</u>	<u>Adjustment</u>	<u>Adjusted</u>
SSES Test Power	\$ 788	\$ -	\$ 788	\$ -	\$ 788
ACRS & MACRS	27,941	(29,596)	(1,655)	\$ (20,185)	(21,840)
Pollution Control Facilities		(95)	(95)	-	(95)
Class Life System		(1,327)	(1,327)	-	(1,327)
Removal Costs		(779)	(779)	-	(779)
Martins Creek Test Fuel		(197)	(197)	-	(197)
Total	<u>\$ 28,729</u>	<u>(31,994)</u>	<u>(3,265)</u>	<u>\$ (20,185)</u>	<u>\$ (23,450)</u>
Deferred Income Taxes Per Budget (D-1)					<u>(24,096)</u>
Adjustment					<u>\$ 646</u>

PENNSYLVANIA POWER & LIGHT COMPANY

Adjustment to Provision for Deferred Income Taxes

Year Ended September 30, 1995

(Thousands of Dollars)

This adjustment provides for the annual provision for deferred income taxes due to (1) the Accelerated Cost Recovery System (ACRS) of the Economic Recovery Act of 1981 and (2) Modified Accelerated Cost Recovery System (MACRS) of the Tax Reform Act of 1986.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
	Non Nuclear	
1	Tax depreciation computed under ACRS and MACRS	\$ 185,584
2	Tax depreciation computed on a straight-line tax basis	<u>118,765</u>
3	Excess tax depreciation	<u>\$ 66,819</u>
	Nuclear	
4	Tax depreciation computed under ACRS and MACRS	68,101
5	Tax depreciation computed on a straight line tax basis	<u>179,438</u>
6	Excess straight line tax depreciation	<u>(111,337)</u>
7	Net excess straight line tax depreciation	<u>(44,518)</u>
8	Tax Rate	35%/Average Rate Assumption Method Rate
9	Net annual deferred tax credit	<u>(21,840)</u>
10	Less: Net deferred tax credit per budget (B-5)	
	Provision for deferred taxes	27,941
	Provision for deferred taxes--credit	<u>(29,596)</u>
		<u>(1,655)</u>
11	Decrease in provision	<u>\$ (20,185)</u>

PENNSYLVANIA POWER & LIGHT COMPANY

**Adjustment to Amortization of
Deferred Investment Tax Credit
Year Ended September 30, 1995
(Thousands of Dollars)**

<u>Line No.</u>	<u>Description</u>	<u>4% Investment Tax Credit</u>	<u>10% Investment Tax Credit</u>	<u>10% Progress Payments</u>	<u>Total</u>
	Owned Property				
1	1971	35	0	0	35
2	1972	214	0	0	214
3	1973	239	0	0	239
4	1974	82	0	0	82
5	1975	189	123	59	371
6	1976	88	408	287	783
7	1977	0	227	458	686
8	1978	0	212	779	991
9	1979	0	297	1,594	1,892
10	1980	0	420	377	797
11	1981	0	564	586	1,149
12	1982	52	816	0	868
13	1983	0	572	0	572
14	1984	20	312	0	333
15	1985	0	292	0	292
16	1986	0	430	0	430
17	1987	0	165	0	165
18	1988	0	27	0	27
19	1989	0	5	0	5
20	1990	0	3	0	3
21	Total Owned Property				<u>9,935</u>
	Leased Property				
22	1986		21		21
23	1988		153		<u>153</u>
24	Total Leased Property				<u>174</u>
25	Total Amount of Amortization				10,109
26	Less Amortization per Schedule B-5				<u>11,037</u>
27	Decrease in Amortization				<u>(928)</u>

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EXHIBIT MJB-17
M. J. Berish
(Supplemented 5/19/95)
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PA P L C
INFO. CONTROL DIV
Pennsylvania Power & Light Company
Response to Interrogatories
of the Office of Consumer Advocate, Set IV
Dated February 1, 1995
Docket No. R-00943271

- Q. 59. Please provide the same information requested in the previous question for budgeted and actual wages for the future test year. Update monthly as additional data become available.

- A. 59. Wages are not budgeted by bi-weekly pay periods. The following is a comparison of actual versus budgeted total wages for the Future Test Year, where available.

	<u>Total Wages</u>	
	<u>Actual</u>	<u>Budget</u>
	(\$000)	
1994		
Oct.	\$33,784	\$33,604
Nov.	37,318	35,063
Dec.	27,808	34,177
1995		
Jan.	35,453	34,713
Feb.	29,207	30,757
Mar.	35,247	36,666
Apr.	33,300	33,303

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MAY 26 1995

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~~12/22/95~~
OTS Statement No. SR-2
Witness: Joseph J. Sivulich
Dated: May 19, 1995

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PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

PENNSYLVANIA POWER & LIGHT COMPANY

Docket No. R-00943271

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INFO. CONTROL DIV.

Surrebuttal Testimony

of

Joseph J. Sivulich

Office of Trial Staff

Concerning:

**Depreciation Expense
Net Negative Salvage Expense
Fossil Fueled Production Plant Decommissioning Expense
and
Nuclear Fueled Production Plant Decommissioning Expense**

1 **Q. PLEASE STATE YOUR NAME AND ADDRESS FOR THE RECORD.**

2 A. My name is Joseph J. Sivulich. My business address is P. O. Box 3265,
3 Harrisburg, Pennsylvania 17105-3265.

4
5 **Q. MR. SIVULICH, HAVE YOU PREVIOUSLY TESTIFIED IN THIS**
6 **PROCEEDING?**

7 A. Yes, I submitted direct testimony (OTS Statement No. 2) and was cross
8 examined on May 2, 1995.

9
10 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

11 A. My testimony responds to certain comments by PP&L rebuttal witnesses
12 concerning depreciation and decommissioning issues. I will individually
13 address comments made by Company witnesses Bernini, Hoch, Krall, and
14 LaGuardia.

15
16 **Q. REFER TO STATEMENT 3-R, THE REBUTTAL TESTIMONY OF**
17 **MR. RONALD J. BERNINI. WHAT IS THE BASIS FOR THE**
18 **COMPANY'S DISAGREEMENT WITH THE OTS NUCLEAR**
19 **DECOMMISSIONING PROPOSAL?**

20 A. At page 9 of Statement 3-R, Mr. Bernini alleges that it is improper to utilize
21 the 1984 rate case "accrual method" without also allowing for the recovery of
22 past deficiencies over a one year period. In addition, he alleges that utilizing

1 a one year amortization period would increase the Company's claim by
2 \$102.7 million, which he computes in his Attachment 2.

3
4 **Q. IS MR. BERNINI'S CRITICISM VALID?**

5 **A.** No. The Company criticizes my use of the PP&L accrual method without a
6 deficiency makeup component. However, what Mr. Bernini identifies as
7 "deficiencies in prior accruals" were actually incurred over a period of 11 or
8 12 years. (See Attachment 2 of Statement 3-R.) In the prior rate case, the
9 Company's calculation may have included an extra component for a
10 Susquehanna Unit 1 deficiency as a true up mechanism for imbalances that
11 arose over a short period of time. (PP&L St. 3-R, p. 9.) However, a one
12 year true up is not appropriate in the present case. Mr. Bernini's Statement
13 3-R, Attachment 2 indicates that the "deficiencies" were created over a 12.33
14 year period for Susquehanna Steam Electric Station (SSES) Unit No. 1 and a
15 10.175 year period for SSES Unit No. 2. In effect, this issue is a red herring.
16 It is difficult to believe that Mr. Bernini is suggesting that a \$102.7 million
17 deficiency, which was created over an 11 or 12 year period, should be
18 amortized over one year for ratemaking purposes. In fact, the Company
19 utilizes remaining life depreciation for its utility property, which requires that
20 any past deficiencies in depreciation be recovered over the future
21 (remaining) life of the asset. Accordingly, I believe that if there is an under

1 recovery caused by changing cost estimates, it should be recovered over the
2 remaining life of the nuclear unit. My position is further supported by the
3 fact that the Company did not make any claim for a "deficiency makeup" in
4 its current nuclear decommissioning expense claim. (See, OTS Exhibit No. 2,
5 Schedule 2.) Consequently, it appears that the Company realized that the
6 one year amortization would not be an appropriate claim in this proceeding.
7
8

9 **Q. DOES MR. BERNINI'S ATTACHMENT 2 ACCURATELY REPRESENT**
10 **YOUR POSITION IN THIS PROCEEDING?**

11 **A.** No. As discussed above, Mr. Bernini's suggestion of a one year amortization
12 is clearly inappropriate. Moreover, a review of Attachment 2 indicates that
13 Mr. Bernini did not utilize the same cost estimates as shown in OTS
14 Statement No. 2. In fact, Mr. Bernini apparently utilized cost estimates that
15 are inflated by \$123 million of contingencies that I have recommended be
16 disallowed. (See, OTS Cross Examination Exhibit No. 17.) Accordingly, his
17 criticism should be rejected.
18

19 **Q. REFER TO STATEMENT 13-R, THE REBUTTAL TESTIMONY OF**
20 **THOMAS S. LAGUARDIA. WHAT IS THE BASIS FOR THE COMPANY'S**
21 **DISAGREEMENT WITH THE OTS DISALLOWANCE OF**

1 **CONTINGENCIES IN THE NUCLEAR DECOMMISSIONING COST**
2 **ESTIMATES?**

3 A. At page 13 of Statement 13-R, Mr. LaGuardia states that "Mr. Sivulich's
4 objection to the inclusion of contingency appears to be based on his
5 perception that the Commission has been unwilling in the past to recognize
6 this factor." In addition, Mr. Laguardia also relates that he had included "...
7 a 25% contingency to account for unanticipated difficulties..." in the
8 Pennsylvania Power Company rate case at Docket No. R-850267.

9
10 **Q. DOES MR. LAGUARDIA CORRECTLY REPRESENT YOUR POSITION?**

11 A. No. Mr. LaGuardia implies that my position against contingencies is solely
12 based on Commission precedent. This is not the case. I believe that
13 contingencies should not be added to nuclear decommissioning expense. As
14 I stated in my initial testimony, if PP&L experiences an unforeseen
15 extraordinary event in connection with a nuclear dismantlement, the
16 Company could file a Petition with the Commission requesting relief. I cited
17 previous Commission orders which disallowed the recovery of contingency
18 costs simply to indicate that the Commission has in the past found that
19 contingencies are inappropriate.

1 **Q. WHAT DID YOUR REVIEW OF THE PENN POWER COMPANY RATE**
2 **ORDER (R-850267) THAT MR. LAGUARDIA HAS REFERRED TO**
3 **INDICATE?**

4 **A.** My review of the cited Penn Power Company rate case order indicated that
5 Mr. LaGuardia did include a 25% contingency amount in his nuclear
6 decommissioning cost estimate. However, the Commission never addressed
7 the propriety of contingencies in that order. It appears that in that
8 proceeding the Commission focused upon the issue of "radiological" versus
9 "non-radiological" plant and did not view the contingency amount as a
10 separately reviewable item.

11
12 **Q. REFER TO STATEMENT 4-R, THE REBUTTAL STATEMENT OF MR.**
13 **DONALD S. HOCH. WHAT IS THE BASIS FOR THE COMPANY'S**
14 **DISAGREEMENT WITH THE OTS DISALLOWANCE OF THE**
15 **COMPANY'S MODIFIED SINKING FUND (MSF) PROPOSAL?**

16 **A.** At pages 2-4 of Statement 4-R, Mr. Hoch alleges that disallowance of the
17 Company's proposal will not be fair to the Company and will prevent it from
18 recovering all of its investment in nuclear plant. In this regard, he states
19 "...the Company could not be assured of recovering all of the depreciation
20 expense that "it is entitled to" unless it made annual rate filings that reflect
21 those annual depreciation changes..." In addition, Mr. Hoch states that

1 "rejection of the proposal to levelize MSF depreciation could only result in
2 an additional factor driving the need for rate filings during the period
3 through 1998." (PP&L Statement 4-R, p. 3).
4

5 **Q. ARE MR. HOCH'S CONCERNS VALID?**

6 **A.** No. The continuation of the modified sinking fund ("MFS") depreciation
7 agreement until its conclusion at the end of 1998 will not prevent PP&L
8 from obtaining full depreciation recovery. Mr. Hoch is undoubtedly aware
9 that under MSF PP&L is allowed to book increasing depreciation amounts
10 through 1998. The allegation that PP&L will not actually collect these
11 increased amounts from ratepayers unless it files rate cases each year is of
12 no consequence since whenever PP&L does file a rate case in the future, it
13 will be allowed to utilize the increased depreciation it was allowed to book
14 under MSF. Further, there is no validity to the claim that increasing
15 depreciation expense by \$30 million in the present case may make it
16 unnecessary for PP&L to file for a rate increase in the next three years. As
17 indicated in PP&L's current filing, depreciation is only one of many issues in
18 a rate case. No single issue will determine whether this Company files for a
19 rate increase. For similar reasons, there is even less support for Mr. Hoch's
20 contention that disallowing the Company's MSF levelization claim may
21 mandate a rate increase filing in the next three years.

1 **Q. REFER TO STATEMENT 4-R, THE REBUTTAL TESTIMONY OF MR.**
2 **HOCH. WHAT IS THE BASIS FOR THE COMPANY'S DISAGREEMENT**
3 **WITH THE OTS DISALLOWANCE OF DECOMMISSIONING EXPENSE**
4 **FOR ITS FOSSIL FUELED POWER PLANTS?**

5 **A.** At pages 14-17 of Statement 4-R, Mr. Hoch alleges that the expected
6 decommissioning expense associated with the retirement of fossil fueled
7 power plants will be of such a magnitude that it must be paid for in advance.
8 He also contends that the existence of certain safety hazards associated with
9 the dismantling of a power plant is sufficient justification for departure from
10 current Commission net negative salvage practices. In addition, he claims
11 that "...the Company's proposal is consistent with the ratemaking treatment
12 accorded net salvage in most other jurisdictions, where it is reflected on a
13 prospective basis as an element of the annual accrual rate." (PP&L
14 Statement 4-R, p. 16).

15
16 **Q. DOES MR. HOCH CORRECTLY REPRESENT YOUR POSITION?**

17 **A.** No. Mr. Hoch has not accurately represented my position. He argues that
18 the cost of decommissioning some power plants will be large enough to
19 warrant collection of funds from PP&L's ratepayers many years before actual
20 retirement. I do not agree. Mr. Hoch has not disputed my testimony that
21 the retirement of power plants is a normal consequence of utility operations.

1 The fact that a power plant is not retired every year is no justification for
2 charging today's customers for a future event. In addition, Mr. Hoch has not
3 offered any evidence to refute my contention that the level of
4 decommissioning expense associated with the retirement of each fossil fueled
5 power plant when examined separately, is not significant enough to depart
6 from the Commission's present practice of treating net negative salvage on a
7 current basis.

8 I have not testified that fossil fueled decommissioning will be "free from
9 safety or health hazards" as Mr. Hoch contends. I testified that PP&L
10 witness Mr. LaGuardia has stated that the studied fossil fueled power plants
11 do not have any extraordinary safety problems (Tr. 963-964). (OTS
12 Statement 2, p. 17). I agree with him. The record in this proceeding does
13 not demonstrate that any of the fossil fueled power plants have any safety
14 concerns that are serious enough that the Commission should require that
15 the decommissioning expenses be paid prior to the retirement of the plants.

16 Mr. Hoch's contention that PP&L's claim would be allowed in other
17 regulatory jurisdictions completely ignores the fact that PP&L is doing
18 business in Pennsylvania and must meet the requirements of Pennsylvania
19 law. In this regard, there is a Pennsylvania court decision which prohibits
20 the recovery of prospective net negative salvage for non-nuclear fueled power
21 plants.

1 **Q. REFER TO PAGE 18 OF STATEMENT 4-R. DID YOU ASSUME THAT**
2 **THROUGH CONTINUAL MAINTENANCE, A UTILITY WOULD BE ABLE**
3 **TO KEEP A PLANT OPERATING INDEFINITELY?**

4 **A.** My testimony does not assume that through continual maintenance a utility
5 would be able to keep a plant operating indefinitely. However, Company
6 operating engineers did make such a statement during a plant inspection
7 discussion about the effect of maintenance on the life spans of the Sunbury
8 and Martins Creek generating units. My testimony does indicate that PP&L
9 is maintaining its generating units in a manner that will allow them to
10 operate well past the proposed shortened retirement date of 2003. In fact,
11 Mr Krall has repeatedly stated that PP&L has no current plans to retire any
12 major generating unit in the next 20 years.

13
14 **Q. REFER TO STATEMENT 5-R, THE REBUTTAL STATEMENT OF MR.**
15 **DOUGLAS A. KRALL. WHAT IS THE BASIS FOR THE COMPANY'S**
16 **DISAGREEMENT WITH THE OTS REJECTION OF THE PROPOSAL TO**
17 **SHORTEN THE LIFE SPANS OF THE SUNBURY 1, 2, 3, & 4, MARTINS**
18 **CREEK 1 & 2, AND HOLTWOOD 17 GENERATING UNITS?**

19 **A.** The principle reasons given in Mr. Krall's testimony are the advancing age of
20 the units, economic analyses, and possible changes in environmental
21 regulations. In addition, he claims that their relatively small size place them

1 at a disadvantage in economic comparisons with larger units such as those at
2 Montour and Susquehanna.

3
4 **Q. DOES MR. KRALL'S STATEMENT 5-R INTRODUCE ANY NEW**
5 **EVIDENCE TO SUPPORT THE COMPANY'S PROPOSAL TO SHORTEN**
6 **THE LIFE SPANS OF THE SUNBURY, MARTINS CREEK, AND**
7 **HOLTWOOD GENERATING UNITS?**

8 A. No. Mr. Krall merely repeats, at great length, information that was elicited
9 by the parties through data requests, interrogatories, and discussions with
10 company personnel. My analysis of Statement 5-R does not reveal any new
11 information that would warrant a shortening of the service lives for these
12 units. In fact, at page 10, Mr. Krall states that "PP&L has taken these
13 actions out of concern that failure to recognize the **possibility of an earlier**
14 **retirement date** could increase unnecessarily the amount of undepreciated
15 investment which would have to be recovered from customers at that time."
16 (Emphasis added.) In my opinion, this statement demonstrates that PP&L is
17 not appropriately planning for the future in regard to its utility plant.
18 Depreciation estimates should reflect the well-considered plans of
19 management. However, the record in this proceeding indicates that the
20 shortening of these life spans for depreciation purposes is clearly at odds
21 with PP&L management's plans to run its generating plants for as long as it

1 is economically viable. In this regard, PP&L's Resource Planning Report
2 indicates that there are no planned generating unit retirements for the next
3 20 years.

4

5 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

6 **A. Yes.**

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OTS Statement No. SR-4
Dated: May 19, 1995

5/24/95
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PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

PENNSYLVANIA POWER & LIGHT COMPANY

Docket No. R-00943271

Surrebuttal Testimony

of

Charles T. Weakley, III

Office of Trial Staff

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DOCKETED
MAY 26 1995

Concerning:

Operating and Maintenance Expenses

1 Q. STATE YOUR FULL NAME, EMPLOYER AND BUSINESS
2 ADDRESS.

3 A. Charles T. Weakley, III. I am employed by the Pennsylvania Public Utility
4 Commission, P.O. Box 3265, Harrisburg, Pennsylvania 17105-3265.

5
6 Q. WHAT IS YOUR POSITION WITH THE PENNSYLVANIA PUBLIC
7 UTILITY COMMISSION?

8 A. I am employed in the Office of Trial Staff (OTS) as a Fixed Utility Financial
9 Analyst working in the Accounting Section of the Energy Division.

10
11 Q. MR. WEAKLEY, HAVE YOU PREVIOUSLY SUBMITTED DIRECT
12 TESTIMONY IN THIS PROCEEDING?

13 A. Yes, I have submitted OTS Statement No. 4 and OTS Exhibit No. 4

14
15 Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

16 A. The purpose of my surrebuttal testimony is to respond to the following issues
17 raised by the witness indicated for each:

<u>Issue</u>	<u>Witness</u>
Rate Case Expense	Mr. Bernini
OnTrack Payment Plan	Mr. Stathos
Remediation Expenses	Mr. Berish

23
24

1 Q. HAVE YOU REVIEWED PP&L STATEMENT 3-R WHICH IS THE
2 REBUTTAL TESTIMONY OF RONALD J. BERNINI?

3 A. Yes.

4 Rate Case Expense

5 Q. MR. WEAKLEY, TO JUSTIFY ITS TWO YEAR NORMALIZATION
6 PERIOD, THE COMPANY HAS ELIMINATED THE 125 MONTH
7 FILING INTERVAL FROM ITS LAST BASE RATE CASE TO THIS
8 PROCEEDING. DO YOU AGREE WITH THIS ANALYSIS?

9 A. No. The basis for the Company's two year normalization period is that it
10 was the period accepted in PP&L's last base rate case. I am certain that if
11 you look at each filing interval over the last twenty years, one could find a
12 reason why that interval should be excluded from the average, thus there
13 would be no average period to normalize rate case expenses. For example,
14 back in the early 1980's, PP&L was constructing Susquehanna Units 1 and
15 2. The reason for normalizing rate case expense based on a historical
16 average is that no one knows when PP&L will file its next base rate case.

17
18 Q. HAVE YOU REVIEWED PP&L STATEMENT 11-R WHICH IS THE
19 REBUTTAL TESTIMONY OF THOMAS C. STATHOS?

20 A. Yes.

OnTrack Payment Plan

1
2 **Q. ON PAGE 2, MR. STATHOS IMPLIES THAT "A SUBSTANTIAL**
3 **NUMBER OF OTPP PARTICIPANTS MAY NOT BE ELIGIBLE FOR**
4 **LIHEAP FUNDS". DO YOU AGREE WITH THIS STATEMENT?**

5 A. No. Mr. Stathos is correct that LIHEAP eligibility was reduced to
6 customers below 135% of the poverty level. However, implying that a
7 substantial number of LIHEAP customers fall between 135% and 150% of
8 the federal poverty level is a generalization that is unsubstantiated by the
9 Company. PP&L knows the income level of every OTPP customer and
10 knows the exact number of OTPP heating customers that fell into the 135 to
11 150% of federal poverty level. The Company's failure to provide this exact
12 number implies that it is not substantial.

13
14 **Q. HAVE YOU REVIEWED MR. STATHOS' CALCULATION ON**
15 **PAGE 4 REGARDING LIHEAP RECEIPTS?**

16 A. Yes.

17
18 **Q. WHAT COMMENTS DO YOU HAVE REGARDING THIS**
19 **SCHEDULE?**

20 A. The Company's calculation is flawed in that Mr. Stathos divided total
21 LIHEAP dollars by the number of participants as of 3/31/95. Only 942 of

1 these OTPP customers were enrolled in time to file for LIHEAP benefits for
2 the '94-'95 heating seasons. The 942 represents the number of OTPP
3 participants as of 10/31/94. See OTS Cross-Examination Exhibit No. 14,
4 Attachment 3. Using Mr. Stathos' calculation with the proper number of
5 participants results in the following:

6		
7	87,898	LIHEAP Dollars
8	÷ <u>942</u>	Number of Participants 10/31/95
9	93.31	LIHEAP Dollars/Participant
10	x <u>2,000</u>	Projected Number of Participants
11	\$186,620	Projected LIHEAP Dollars Received
12		

13 My adjustment of \$140,000 is conservative in light of the actual data for the
14 '94-'95 heating season.

15
16 **Q. HAVE YOU REVIEWED PP&L STATEMENT 2-R WHICH IS THE**
17 **REBUTTAL TESTIMONY OF MICHAEL J. BERISH?**

18 **A. Yes.**

19
20 Environmental Remediation Expenses

21 **Q. MR. WEAKLEY, ARE YOU PROPOSING A REVISION TO YOUR**
22 **ADJUSTMENT TO THE COMPANY'S ESTIMATED CLAIM FOR**
23 **REMEDATION EXPENSES?**

1 A. Yes. In my Direct Testimony, OTS Statement No. 4, I had proposed a
2 reduction of \$1,304,000. Since then, on April 27,1995, PP&L and the DER
3 has reached an agreement regarding the Company's ongoing clean up efforts.
4 This agreement states, during the next 10 years, PP&L will investigate all
5 134 sites and spend up to \$5 million a year on investigation and clean up
6 operations. Therefore, I am reducing my recommended disallowance from
7 \$1,304,000 to \$326,000 ($\$400,000 \times 81.4815\%$), in recognition of PP&L's
8 commitment. See PP&L Exhibit MJB-9.

9
10 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

11 A. Yes, it does.



FEDERAL RESERVE statistical release

S. 24-B
11/29

R-943271

These data are released each Monday. The availability of the release is announced on (202) 452-3206.

H.15 (519)

SELECTED INTEREST RATES

Yields in percent per annum

For immediate release
November 14, 1994

Instruments	1994	1994	1994	1994	1994	Week Ending		1994
	Nov 7	Nov 8	Nov 9	Nov 10	Nov 11*	Nov 11	Nov 4	Oct
Federal funds (effective) ^{1,2,3}	4.69	4.51	5.28	4.99	4.99	4.74	4.77	4.76
Commercial paper ^{3,4,5}								
1-month	5.22	5.24	5.24	5.27		5.24	5.05	5.02
3-month	5.73	5.73	5.73	5.75		5.74	5.63	5.51
6-month	5.92	5.94	5.94	5.95		5.94	5.82	5.70
Finance paper placed directly ^{3,4,6}								
1-month	5.15	5.15	5.15	5.18		5.16	4.96	4.91
3-month	5.58	5.58	5.59	5.61		5.59	5.47	5.36
6-month	5.41	5.41	5.41	5.43		5.42	5.32	5.30
Bankers acceptances (top rated) ^{3,4,7}								
3-month	5.65	5.65	5.62	5.60		5.63	5.52	5.41
6-month	5.85	5.85	5.80	5.80		5.83	5.73	5.59
CDs (secondary market) ^{3,8}								
1-month	5.19	5.21	5.21	5.21		5.21	5.04	4.98
3-month	5.72	5.73	5.72	5.71		5.72	5.59	5.51
6-month	6.02	6.02	6.01	6.01		6.02	5.92	5.79
Eurodollar deposits (London) ^{3,9}								
1-month	5.19	5.19	5.19	5.25		5.20	5.00	4.96
3-month	5.69	5.75	5.75	5.75		5.73	5.56	5.52
6-month	6.00	6.06	6.06	6.03		6.04	5.88	5.77
Bank prime loan ^{2,3,10}	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75
Discount window borrowing ^{2,11}	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
U.S. government securities								
Treasury bills								
Auction average ^{3,4,12}								
3-month	5.25					5.25	5.07	4.96
6-month	5.68					5.68	5.51	5.39
1-year				6.09			5.2	5.72
Auction average (investment) ¹³								
3-month	5.39					5.39	5.21	5.09
6-month	5.93					5.93	5.75	5.63
1-year				6.48		6.48		6.06
Secondary market ^{3,4}								
3-month	5.22	5.23	5.20	5.23		5.22	5.10	4.95
6-month	5.65	5.65	5.62	5.64		5.64	5.53	5.39
1-year	6.02	5.99	5.97	6.01		6.00	5.90	5.75
Treasury constant maturities ¹⁴								
1-year	6.42	6.39	6.37	6.50		6.42	6.28	6.11
2-year	7.06	7.02	7.01	7.06		7.04	6.95	6.73
3-year	7.39	7.39	7.35	7.40		7.38	7.24	7.04
5-year	7.73	7.69	7.64	7.69		7.69	7.61	7.40
7-year	7.89	7.85	7.79	7.84		7.84	7.77	7.58
10-year	8.05	8.01	7.94	7.98		8.00	7.94	7.74
20-year	8.30	8.24	8.21	8.27		8.26	8.21	8.08
30-year	8.16	8.12	8.09	8.15		8.13	8.08	7.94
Composites								
Over 10 years (long-term) ¹⁵	8.25	8.21	8.16	8.22		8.21	8.16	8.02
Corporate bonds								
Moody's seasoned								
Aaa	8.79	8.74	8.69	8.74	8.74	8.74	8.68	8.57
Baa	9.42	9.37	9.32	9.37	9.37	9.37	9.32	9.20
A-utility ¹⁶					9.00	9.00	9.05	8.80
State & local bonds ¹⁷					8.96	8.96	8.83	8.52
Conventional mortgages ¹⁸					9.19	9.19	9.05	8.93

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See overleaf for footnotes
* Markets closed

MAY 26 1995

FOOTNOTES

1. The daily effective federal funds rate is a weighted average of rates on trades through N.Y. brokers.
2. Weekly figures are averages of 7 calendar days ending on Wednesday of the current week; monthly figures include each calendar day in the month.
3. Annualized using a 360-day year or bank interest.
4. Quoted on a discount basis.
5. An average of offering rates on commercial paper placed by several leading dealers for firms whose bond rating is AA or the equivalent.
6. An average of offering rates on paper directly placed by finance companies.
7. Representative closing yields for acceptances of the highest rated money center banks.
8. An average of dealer offering rates on nationally traded certificates of deposit.
9. Bid rates for Eurodollar deposits at 11 a.m. London time.
10. One of several base rates used by banks to price short-term business loans.
11. Rate for the Federal Reserve Bank of New York.
12. Auction date for daily data; weekly and monthly averages computed on an issue-date basis.
13. Auction dates for daily, weekly and monthly averages.
14. Yields on actively traded issues adjusted to constant maturities. Source: U.S. Treasury.
15. Unweighted average of rates on all outstanding bonds neither due nor callable in less than 10 years.
16. Estimate of the yield on a recently offered, A-rated utility bond with a maturity of 30 years and call protection of 5 years; Friday quotations.
17. Bond Buyer Index, general obligation, 20 years to maturity, mixed quality; Thursday quotations.
18. Contract interest rates on commitments for fixed-rate first mortgages. Source: FHLMC.

Note: Weekly and monthly figures are averages of business days unless otherwise noted.

DESCRIPTION OF THE TREASURY CONSTANT MATURITY SERIES

Yields on Treasury securities at "constant maturity" are interpolated by the U.S. Treasury from the daily yield curve. This curve, which relates the yield on a security to its time to maturity, is based on the closing market bid yields on actively traded Treasury securities in the over-the-counter market. These market yields are calculated from composites of quotations reported by five leading U.S. Government securities dealers to the Federal Reserve Bank of New York. The constant maturity yield values are read from the yield curve at fixed maturities, currently 1, 2, 3, 5, 7, 10, 20, and 30 years. This method provides a yield for a 10-year maturity, for example, even if no outstanding security has exactly 10 years remaining to maturity. In estimating the 20-year constant maturity, the Treasury incorporates the prevailing market yield on an outstanding Treasury bond with approximately 20 years remaining to maturity.

DOCKETED
MAY 26 1995

OCA STATEMENT NO. 6A

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5-24-95
1+4
R-943271

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA POWER &)
LIGHT COMPANY) DOCKET NO. R-00943271

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SURREBUTTAL TESTIMONY OF
THOMAS S. CATLIN

ON BEHALF OF THE
PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

MAY 1995

EXETER
Associates, Inc.
12510 Prosperity Drive
Suite 350
Silver Spring, MD 20904

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA POWER &)
LIGHT COMPANY) DOCKET NO. R-00943271

Surrebuttal Testimony of

Thomas S. Catlin

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

2 A. My name is Thomas S. Catlin. I am a principal with Exeter Associates, Inc. Our
3 offices are located at 12510 Prosperity Drive, Silver Spring, Maryland 20904. Exeter
4 is a firm of consulting economists specializing in issues pertaining to public utilities.

5 Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS
6 PROCEEDING?

7 A. Yes. I previously submitted direct testimony on behalf of the Pennsylvania Office of
8 Consumer Advocate (OCA) which has been identified and admitted into the record as
9 OCA Statement No. 6. My qualifications and experience are set forth in that
10 testimony.

11 Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

12 A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimony
13 submitted by Pennsylvania Power & Light Company (PP&L or the Company) with
14 regard to rate base and net income issues. In particular, I will respond to PP&L
15 witnesses Berish, Bernini, LaGuardia and Beers. I will also update the OCA's revenue
16 recommendation to reflect changes made in response to PP&L's rebuttal testimony.

1 Response to Michael J. Berish

2 Q. WHAT ISSUES WERE ADDRESSED IN MR. BERISH'S REBUTTAL
3 TESTIMONY TO WHICH YOU WISH TO RESPOND?

4 A. I will respond to Mr. Berish's rebuttal testimony regarding Susquehanna refueling
5 costs, the accrued pension liability offset to rate base, SFAS No. 112 costs and
6 voluntary early retirement program costs. Based on the information provided by Mr.
7 Berish in his rebuttal testimony, I have accepted PP&L's claimed environmental
8 remediation expenses and am no longer proposing an adjustment to that claim.

9 Q. PLEASE ADDRESS MR. BERISH'S REBUTTAL TESTIMONY WITH
10 REGARD TO SUSQUEHANNA REFUELING COSTS.

11 A. In my direct testimony, I proposed to adjust Susquehanna refueling outage costs to
12 reflect the amortization of the most recent outage at each unit. My bases for
13 recommending this adjustment were that, first, it is appropriate to reflect the ongoing
14 level of expense (i.e., the amortization of the most recent outage at each unit) as of the
15 end of the test year. Second, I noted that the costs associated with Reload 6 at Unit 2
16 reflected in PP&L's claim were abnormally high, that the outage lasted longer than
17 normal, and that, in turn, the normal amortization period outage was shortened.

18 In his rebuttal testimony, Mr. Berish argues that the costs of Reload 6 at Unit 2
19 were not atypical by comparing those costs to the costs for Reload 8 at Unit 1.
20 However, this is not an appropriate comparison because the costs of the refueling
21 outages at Unit 1 are normally higher than those at Unit 2, as can be seen from the
22 following table. As is also shown in the following table, the costs of Reload 6 are
23 clearly unusually high when compared to the costs of other reloads at Unit 2.

Table 1

COMPARISON OF SUSQUEHANNA
Refueling Outage Costs
(\$000)

	Unit 1		Unit 2
Reload 5	\$21,521	\$14,658	Reload 4
Reload 6	15,704	13,430	Reload 5
Reload 7	16,189	18,222	Reload 6
Reload 8*	17,991	15,960	Reload 7*

*Indicates projection

Source: Response to OCA IV-46

1 Mr. Berish also claims that in determining its expenses in this case, PP&L used
2 projected costs for Reload 7 at Unit 1 and Reload 6 at unit 2 which were less than the
3 final actual amounts shown above. As a result, had the actual costs been known,
4 PP&L's claim would have been higher, thereby offsetting my adjustment. This
5 argument is simply in error. The higher costs for the previous outages would not
6 offset my adjustment. Instead, the amount of my adjustment based on the costs of the
7 most recent outages at each unit would have been larger.

8 Mr. Berish has not disputed the fact that my adjustment properly reflects the
9 annual costs associated with the most recent outage at each Susquehanna unit. Other
10 aspects of revenue, expenses and rate base have been adjusted to reflect end of test
11 year levels. Reflecting the annualized level of Susquehanna refueling outage costs
12 based on the amortization of the cost of the most recent outages is consistent with the
13 treatment afforded these other items. Therefore, particularly given the abnormal level
14 of expense associated with Reload 6 at Unit 2, my adjustment should be adopted.

1 Q. WHAT COMMENTS DO YOU HAVE WITH REGARD TO MR. BERISH'S
2 REBUTTAL TESTIMONY REGARDING THE ACCRUED PENSION
3 LIABILITY OFFSET TO RATE BASE?

4 A. Mr. Berish argues that my adjustment to reflect the accrued pension liability as an
5 offset to rate base should not be accepted for two primary reasons. First, he argues
6 that the accrued liability represents the amount by which the pension plan is
7 underfunded not overfunded. This is the very reason why it is appropriate to deduct
8 the accrued pension liability from rate base. The underfunding to which Mr. Berish
9 refers represents the pension costs which have been recorded on the books as an
10 expense and, hence, recovered from ratepayers, but not contributed to the pension
11 trust.

12 Mr. Berish's second argument is that the ratepayers have not paid the pension
13 costs recorded on the books under SFAS No. 87 because SFAS No. 87 was not
14 adopted by the Company until after its last rate case. This argument, however, is
15 inconsistent with the basic ratemaking presumption that a utility's revenues are
16 adequate to recover its costs. If they are not adequate, the utility will file for rate
17 relief. During the period from 1987 until the present, the Company has recorded the
18 costs under SFAS No. 87 as its pension expense per books. During this period, the
19 Company reported its earnings and its earnings were judged on the basis of these
20 pension costs. Therefore, it is reasonable and proper to recognize those costs as
21 having been recovered from ratepayers.

22 In addition, in PP&L's last rate case, the pension expense allowed by the
23 Commission was \$21.48 million on a total company basis and \$19.1 million on a
24 Pennsylvania jurisdictional basis. This amount exceeds the Company's pension
25 expense per books in every year under SFAS No. 87. Therefore, the Company cannot

1 argue that the adoption of SFAS No. 87 resulted in a level of pension expense which
2 was in excess of the amount provided for in rates. In fact, the adoption of SFAS No.
3 87 resulted in the amount of expense remaining relatively unchanged from the
4 allowance that was explicitly reflected in rates in Docket No. R-842651. The major
5 difference is that PP&L stopped making contributions to its pension funds.

6 Q. WHAT IS SFAS NO. 112?

7 A. SFAS No. 112 is the accounting statement which sets forth the financial accounting
8 and reporting for the estimated costs of benefits provided to former or inactive
9 employees after employment, but before retirement. For PP&L, these benefits are
10 comprised of long-term disability insurance and survivor income protection.

11 Q. WHAT COMMENTS DO YOU HAVE REGARDING MR. BERISH'S
12 REBUTTAL TESTIMONY RELATED TO SFAS NO. 112?

13 A. Mr. Berish has argued that my adjustment to disallow PP&L's claimed accrual for
14 SFAS No. 112 related costs should be rejected. His primary rationale seems to be that
15 SFAS No. 112 should be recognized for the same reasons as SFAS No. 106.
16 However, Mr. Berish has not provided any evidence to demonstrate that the factors
17 which the utilities claimed necessitated the adoption of SFAS No. 106 for ratemaking
18 apply to SFAS No. 112. SFAS No. 112 does not create a significant, long-term
19 difference between cash and accrual expenses for which FASB has determined a
20 regulatory asset will not be allowed. The Company itself has stated that SFAS No.
21 112 accruals are relatively short-term liabilities which it does not intend to fund but,
22 instead, intends to pay as they become due. Therefore, no reason exists to change the
23 ratemaking treatment of SFAS No. 112 related expenses from a cash basis to an
24 accrual basis.

1 Q. WHAT IS THE ISSUE WITH REGARD TO THE COSTS OF PP&L'S
2 VOLUNTARY EARLY RETIREMENT PROGRAM?

3 A. PP&L is proposing that it be allowed to defer and amortize the costs associated with
4 the voluntary early retirement program (VERP) which it offered in late 1994.
5 PPLICA witness Lane Kollen has proposed that the amount of the costs which PP&L
6 is allowed to amortize should be adjusted to net out the savings which PP&L will
7 realize from the VERP prior to the time the savings are reflected in rates. In rebuttal,
8 Mr. Berish has opposed Mr. Kollen's adjustment on the grounds that other costs will
9 increase during the future test year at the same time the VERP savings are being
10 realized. I believe Mr. Kollen's adjustment is appropriate and have adopted it in my
11 updated recommendations on behalf of the OCA.

12 Q. WHY SHOULD MR. KOLLEN'S ADJUSTMENT TO NET OUT SOME
13 VERP SAVINGS FROM THE COSTS TO BE AMORTIZED BE ADOPTED?

14 A. The costs of the VERP represent non-recurring costs which will be incurred prior to
15 the end of the test year and not ongoing costs which will continue to be incurred
16 during the period rates approved in this case will be in effect. Therefore, PP&L has
17 proposed that it be allowed to defer the costs of the VERP and to amortize those costs
18 to ratepayers over five years beginning the date the rates approved in this case go into
19 effect. In developing its adjustment, PP&L has recognized that the VERP will
20 produce ongoing costs savings during the period the rates approved in this case will be
21 in effect. However, the Company has not recognized the VERP will have produced
22 cost savings prior to the time the VERP is reflected in rates just as costs were incurred
23 prior to the time the VERP is reflected in rates.

24 The Company's proposed treatment of the VERP reflects a mismatch between
25 the costs and benefits of the program. The rationale for allowing deferral of the costs

1 of the VERP is that those costs are non-recurring costs which are not provided for or
2 reflected in rates. PP&L should not be allowed to defer the costs of the program for
3 future rate recovery without also recognizing that the VERP has produced cost savings
4 which were similarly not reflected in rates. Therefore the adjustment proposed by Mr.
5 Kollen to net out the cost savings realized prior to the end of the test year from the
6 VERP costs to be amortized is necessary and appropriate. As shown on Schedule
7 TSC-28, this adjustment reduces test year expenses by \$5,799,000 on a total company
8 basis and \$5,019,000 on a jurisdictional basis compared to PP&L's revised claim. The
9 corresponding increases in net income are \$3,355,000 and \$2,904,000, respectively.

10 Response to Ronald J. Bernini

11 Q. ON WHAT ISSUES ARE YOU RESPONDING TO MR. BERNINI'S
12 REBUTTAL TESTIMONY?

13 A. I would like to respond to Mr. Bernini's rebuttal testimony with regard to cash
14 working capital, SFAS No. 106 deferred costs, early window costs, consolidated tax
15 savings, gross receipts taxes, and income tax deductions.

16 Q. WHAT ISSUES DID MR. BERNINI RAISE WITH REGARD TO CASH
17 WORKING CAPITAL?

18 A. In his rebuttal testimony, Mr. Bernini takes the position that even though his own
19 calculations show the Company has a negative cash working capital requirement, this
20 negative requirement should not be recognized. He also argues that PP&L's claimed
21 balance of prepaid insurance is not duplicative of the cash working capital allowance
22 for prepaid insurance. He also claims that CAAA permit fees are not paid in advance.

23 Q. WHAT IS YOUR RESPONSE TO MR. BERNINI'S POSITION ON
24 NEGATIVE WORKING CAPITAL?

1 A. First, I would note that when all aspects of working capital are taken into
2 consideration, neither the Company's claimed working capital allowance nor the
3 working capital allowance which I have identified are negative. However, even if one
4 looks at the cash component of working capital in isolation, it is inappropriate to not
5 recognize a negative cash working capital requirement.

6 Q. PLEASE EXPLAIN.

7 A. Cash working capital is a measure of the Company's day-to-day cash needs which
8 arise due to differences between the time when payment for the expenses incurred to
9 render service must be made and the time when the revenues resulting from the
10 provision of that service are received. A negative cash working capital requirement
11 signifies that, on average, the Company is recovering the revenues which it receives
12 for providing service prior to the time that it must pay for the expenses incurred to
13 provide service. A negative cash working capital requirement indicates that PP&L has
14 the use of ratepayer supplied funds to offset other working capital requirements.
15 Ratepayers are entitled to recognition of this fact just as investors are entitled to a
16 return on the funds they provide when cash working capital requirements are positive.

17 Q. DO YOU HAVE ANY COMMENTS REGARDING MR. BERNINI'S
18 REBUTTAL TESTIMONY ON THE TREATMENT OF PREPAID
19 INSURANCE AND CAAA PERMIT FEES?

20 A. Yes. Mr. Bernini argues that there is no double count caused by inclusion of the
21 balance of prepaid insurance in rate base and the inclusion of insurance premiums in
22 the lead lag study. His rationale is that the prepayments only remain on the balance
23 sheet until the premiums are expensed and, therefore, they are different than the
24 expenses included in the lead-lag study. What Mr. Bernini fails to recognize, however,
25 is that the lag assigned to insurance premiums is not based on timing of when the

1 premiums are charged to expense. If it was, the lag would be 15.2 days. Instead
2 PP&L has assigned insurance premiums a 134 day lead based on the timing of when
3 the premiums are paid relative to the policy period. This is exactly what the
4 prepayment balance represents. Therefore, there is a double-count and the balance of
5 prepaid insurance should not be included in rate base.

6 Mr. Bernini argues that CAAA permit fees which are paid in September of one
7 year do not apply to the prior calendar year. This is inconsistent with the information
8 provided by the Company in response to OCA XI-9, which is attached to my
9 surrebuttal testimony as Exhibit 1. As shown in that response, PP&L recorded an
10 expense on its books of \$1,618,000 for CAAA permit fees during 1994. The response
11 notes that the expense recorded in 1994 was increased significantly from prior years to
12 reflect increased 1994 CAAA permit fees to be paid in 1995. The accrual of
13 \$1,618,000 for 1994 is shown as being paid in August 1995.

14 It should also be noted that the lag associated with issue of CAAA permit fees
15 has been addressed in each of West Penn Power Company's last two rate cases. In
16 both of those cases, West Penn agreed that CAAA permit fees paid to the
17 Commonwealth of Pennsylvania were paid in August for the prior calendar year. In
18 both cases, the working capital allowance adopted by the Commission recognized
19 CAAA permit fees as a separately category of expense with a payment lag which
20 recognized that the payment made in August was for permit fees applicable to the
21 prior year. The CAAA permit fees which PP&L pays to Pennsylvania are paid on the
22 same schedule as those paid by West Penn Power and they should be treated in the
23 same manner for cash working capital purposes.

24 Q. DO YOU HAVE ANY COMMENTS REGARDING MR. BERNINI'S
25 REBUTTAL WITH REGARD TO YOUR PROPOSED ADJUSTMENT TO

1 ELIMINATE THE RECOVERY OF PRIOR PERIOD ACCRUALS RELATED
2 TO SFAS NO. 106?

3 A. Yes. Mr. Bernini claims that, by not allowing the Company to recover prior period
4 accruals related to SFAS No. 106, the OCA is proposing to penalize the Company for
5 not filing a rate case sooner. The OCA's proposal is not based on penalizing PP&L.
6 The basis for the recommendation is, as stated in my direct testimony, that PP&L
7 should not be allowed to seek recovery of one selected item of expense for an
8 historical period. Doing so would effectively allow the Company a rate increase for a
9 cost incurred in a prior period without the benefit of examining all costs and revenues
10 at that time to determine whether a rate increase was warranted.

11 Mr. Bernini also claims that the adoption of SFAS No. 106 and the change
12 from cash to accrual accounting for postretirement benefit costs was an extraordinary
13 and non-recurring event. However, this is not the case. The implementation date of
14 SFAS No. 106 was known well in advance so the expense was known and anticipated.
15 Moreover, the costs under SFAS No. 106 represent a recurring annual expense.
16 Accordingly, these costs are clearly not extraordinary or non-recurring.

17 Q. DO YOU HAVE ANY OTHER COMMENTS REGARDING YOUR
18 ADJUSTMENT TO DISALLOW THE RECOVERY OF PRIOR PERIOD
19 SFAS NO. 106 ACCRUALS?

20 A. Yes. In his rebuttal, Mr. Bernini indicates that PP&L treated the prior period SFAS
21 No. 106 costs as a tax deductible expense in its tax calculations even though the
22 Company realized the expense was not currently tax deductible. Therefore, I have
23 modified the adjustment which I have made to eliminate this expense to recognize the
24 tax effects consistent with PP&L's filing. As shown on updated Schedule TSC-11,
25 after recognizing that PP&L treated prior period SFAS No. 106 expenses as tax

1 deductible. the adjustment to eliminate these expenses increases not income by
2 \$1,040,000 on a total company basis and by \$900,000 on a jurisdictional basis.

3 Q. PLEASE RESPOND TO MR. BERNINI'S REBUTTAL TESTIMONY
4 REGARDING EARLY WINDOW COSTS.

5 A. In his rebuttal testimony on page 11, Mr. Bernini seems to suggest that the
6 Commission previously provided for the recovery of the Susquehanna early window
7 costs in its orders allowing the deferral of those costs. In its Orders in Docket No.
8 P-820367 allowing the deferral of Unit 1 early window costs and in Docket No.
9 P-830461 allowing the deferral of Unit 2 early window costs, the Commission
10 explicitly stated that its Order was ". . . not a determination by the Commission that
11 the costs involved were prudently incurred, that the energy savings were properly
12 recorded or that Company may recover deferred costs or retain deferred energy
13 savings." The Commission went on to state that the issue of the recovery of the early
14 window costs would be the subject of a subsequent proceeding.

15 In his rebuttal testimony, Mr. Bernini revises the Company's claim for
16 Susquehanna early window costs to include the additional taxes which it incurred in
17 conjunction with the deferrals.¹ I have updated my adjustment to eliminate the full
18 amount of the Company's revised claim. As shown on updated Schedule TSC-17, this
19 adjustment reduces expenses and increases net income by \$3,922,000. In light of the
20 new information provided by PP&L, I accept that there are no tax savings which
21 should be passed through to ratepayers if the Commission allows recovery of the early
22 window costs.

¹Mr. Bernini does not explain the cause of the increase. However, the additional taxes were the result of the fact that the incremental operating expense and energy cost savings which PP&L deferred were treated currently for tax purposes, whereas the deferred carrying costs were not tax deductible.

1 Q. DO YOU HAVE ANY COMMENTS RELATED TO MR. BERNINI'S
2 REBUTTAL TESTIMONY REGARDING CONSOLIDATED INCOME
3 TAXES.

4 A. Yes. In his rebuttal testimony, Mr. Bernini argues that a consolidated tax savings
5 adjustment should not be made because the majority of the losses which produce the
6 savings are related to Pennsylvania Mines Corporation and Rushton Mining Company,
7 which are no longer in operation. Therefore, he claims the losses are non-recurring
8 and should not be considered in establishing rates.

9 The Company discontinued the operations of its coal mines in 1992 and ceased
10 all mining-related operations in 1993. As a result, one-time closing costs were
11 incurred by Pennsylvania Mines Corporation in 1993 and by Rushton Mining
12 Company in 1992. In the years subsequent to the actual termination of mining
13 operations, both of these companies have continued to incur tax deductible costs. This
14 includes projected costs for the future test year of over \$5.75 million. In response to
15 OCA IV-122 and IX-31, PP&L has indicated that it has not prepared any projections
16 of taxable income for its subsidiaries for calendar year 1995 or 1996. Therefore, the
17 future test represents the most current information available, and I have relied on data
18 for 1993 through the future test year in developing my adjustment. As noted in my
19 direct testimony, I have excluded the one-time closing costs incurred by Pennsylvania
20 Mines Corporation in 1993 in the calculation of my adjustment.

21 Q. PLEASE RESPOND TO MR. BERNINI'S REBUTTAL TESTIMONY ON
22 THE CALCULATION OF GROSS RECEIPTS TAXES.

23 A. I have proposed to adjust gross receipts taxes to recognize that uncollectible revenues
24 are not subject to gross receipts tax. Mr. Bernini has responded that this adjustment
25 should not be made because it ". . . seizes on the unfortunate fact of life. . ." that,

1 because some revenues will prove to be uncollectible, the Company will not be able to
2 earn its allowed rate of return. As a result, my adjustment should not be accepted
3 because it "exacerbates" the Company's misfortune.

4 This argument is not supported by the facts of the Company's claim. Part of
5 the revenue requirement in this case is an allowance for uncollectible revenues. The
6 purpose of this allowance is to recognize that all of the revenues which the Company
7 bills for service provided will not be collected from the customers to which it is billed.
8 As a result, all customers are billed more than the true cost of providing service to
9 make up for those customers who do not pay their bills. Accordingly, it is the other
10 customers and not PP&L which bear the "unfortunate" consequences that the Company
11 will not collect all revenues.

12 Mr. Bernini also states that, to the best of his knowledge, no adjustment to
13 exclude uncollectibles from the gross receipts tax base has been adopted in any prior
14 Company rate proceeding. While such an adjustment may or may not have been
15 reflected in prior PP&L rate proceedings, uncollectibles are normally excluded from
16 the gross receipts tax base in other Pennsylvania rate cases with which I am familiar.
17 The fact remains that gross receipts taxes do not apply to uncollectible revenues.
18 Therefore, uncollectibles should be excluded in calculating gross receipts taxes in this
19 case.

20 Q. PLEASE RESPOND TO MR. BERNINI'S REBUTTAL TESTIMONY ON
21 ADJUSTMENTS TO TAXABLE INCOME.

22 A. In his rebuttal, Mr. Bernini argues that my adjustment to eliminate certain additions to
23 taxable income represents an attempt to arbitrarily reduce the Company's rate request.
24 In support of this, he cites the reduction to taxable income made by the Company for
25 the power plant inventory-tax accounting change as an adjustment which also should

1 have been eliminated as a short-term, temporary timing difference. In light of the
2 information provided by Mr. Bernini in his rebuttal testimony, I agree that reduction to
3 taxable income related to the power plant inventory tax accounting change should be
4 eliminated. I have reflected this revision in my updated adjustment to eliminate
5 certain additions and deductions to taxable income shown on Schedule TSC-23. As
6 shown there, this adjustment reduces income taxes and increases Pennsylvania
7 jurisdictional net income by \$4,089,000.

8 Mr. Bernini also argues that my adjustment to remove the addition to taxable
9 income for the difference between the provision for uncollectibles and bad debt write-
10 offs should not be accepted. His rationale is that the test year provision for
11 uncollectibles is not based on actual write-offs during the test year. However, as noted
12 in Mr. Berish's rebuttal testimony, the future test year level of bad debt write-offs is
13 reflective of prior period revenues whereas the future test year provision for
14 uncollectibles is reflective of the future test year level of revenues. Therefore, the test
15 year provision for uncollectibles should be recognized as the tax deduction for
16 ratemaking purposes because it represents the write-offs associated with test year
17 revenues.

18 Response to Thomas S. LaGuardia

19 Q. TO WHAT ISSUES RAISED BY MR. LAGUARDIA DO YOU WISH TO
20 RESPOND?

21 A. I would like to respond to Mr. LaGuardia's claim that the earnings which the
22 decommissioning trust will generate during the period over which the decommissioning
23 of Susquehanna Units 1 and 2 takes place should not be recognized in determining the

1 annual contributions necessary to fund decommissioning expense. In addition, I would
2 like to respond to his testimony regarding fossil decommissioning expense.

3 Q. WHAT IS MR. LAGUARDIA'S BASIS FOR ARGUING THAT THE
4 RETURN WHICH THE DECOMMISSIONING TRUST WILL EARN
5 DURING THE DECOMMISSIONING PERIOD SHOULD NOT BE
6 RECOGNIZED?

7 A. Mr. LaGuardia claims that the earnings which will be generated during the
8 decommissioning period should not be recognized because current Nuclear Regulatory
9 Commission (NRC) rules require the nuclear decommissioning trust fund to be fully
10 funded at the time of the plant shutdown.

11 Q. DO YOU AGREE WITH MR. LAGUARDIA?

12 A. No, I do not. NRC rules do not preclude the recognition of trust fund earnings during
13 the decommissioning period in determining the contributions required to fund
14 decommissioning costs. The licensee for the plant must simply reflect the earnings in
15 the funding plan which it submits to the NRC. This is borne out by the fact the NRC
16 has accepted the funding plans of the other utilities which recognize fund earnings
17 subsequent to the planned termination of operations of their plants in calculating the
18 required funding contribution. I also confirmed this with Mr. Robert Wood, who is
19 the License Renewal/Environmental Review Project Director at the NRC and is
20 responsible for reviewing decommissioning funding plans

21 It is interesting to note that Mr. LaGuardia sponsored the decommissioning cost
22 estimates for Louisiana Power & Light Company (LP&L) in its recent rate case in
23 which I have been involved. In that case, LP&L has proposed a decommissioning
24 funding plan which recognizes interest during the period over which decommissioning

1 is scheduled to occur. In that proceeding, Mr. LaGuardia did not raise any concerns
2 that LP&L's plan would violate NRC rules.

3 Mr. LaGuardia has not challenged the fact that the decommissioning trust will
4 generate earnings during the period over which the decommissioning activities for
5 Susquehanna Units 1 and 2 are scheduled to take place. If these earnings are not
6 recognized in calculating the contributions required to fund the costs of
7 decommissioning Susquehanna, ratepayers will be required to contribute funds to the
8 decommissioning trust which will not be required to decommission the units. This
9 would result in unnecessary and unfair costs being imposed on ratepayers. Therefore,
10 the method of calculating decommissioning funding requirements which I have
11 recommended should be adopted.

12 Q. WHAT COMMENTS DO YOU HAVE REGARDING MR. LAGUARDIA'S
13 REBUTTAL TESTIMONY CONCERNING FOSSIL PLANT
14 DECOMMISSIONING?

15 A. In his rebuttal testimony, Mr. LaGuardia responds to the position taken by several
16 witnesses that PP&L's claim for a fossil fuel decommissioning allowance should be
17 rejected. One of the arguments to which Mr. LaGuardia responds is an argument that
18 the decommissioning of fossil units is not required by law. His response is that the
19 Building Official and Code Administrators (BOCA) National Building Code mandates
20 that "all unsafe structures shall be taken down and removed or made safe and
21 secure." While this code may apply to fossil fueled plants, whether or not a fossil
22 fuel plant must be decommissioned is really not the issue. The argument which I
23 made is that there is no legal requirement that the decommissioning of a fossil plant be
24 funded in advance, such as is the case with nuclear plants. The fact remains that there
25 is no such requirement.

Response to Clyde D. Beers

1
2 Q. WHAT ISSUE HAS MR. BEERS ADDRESSED IN HIS REBUTTAL
3 TESTIMONY?

4 A. In his rebuttal testimony, Mr. Beers argues that pension expense and the expense for
5 post retirement benefits other than pension (OPEB) should not be determined based on
6 an 8.5 percent discount rate. Mr. Beers suggests that a discount rate of 7.5 percent
7 used by PP&L is consistent with market conditions and the Company's prior posture
8 regarding discount rates. He also argues that the fact that Pennsylvania American
9 Water Company (PAWC) recently revised its discount rate to 8.75 percent is
10 irrelevant.

11 Q. WHAT COMMENTS DO YOU HAVE?

12 A. While there is no specific formula for determining a single, proper discount rate, I
13 continue to believe that the 7.5 percent discount rate utilized by PP&L to determine
14 pension and OPEB expenses is arbitrarily low. This is borne out by the fact that,
15 despite a 1.5 percent increase in all of the interest rate measures cited in the actuarial
16 report as the basis for establishing the discount rate, PP&L and Towers Perrin elected
17 to increase the discount rate used by PP&L by 0.5 percent from 7.0 to 7.5 percent
18 from 1994 to 1995. Mr. Beers claims that what PAWC did was irrelevant. However,
19 the fact remains that the same actuarial firm relying on the same interest rates in an
20 actuarial report prepared at the same time as PP&L's increased the discount rate for
21 PAWC by 1.5 percent from 7.25 to 8.75 percent. Moreover, increasing the discount
22 rate to the range of 8.5 percent is not unique to PAWC. In the pension actuarial
23 report prepared for Philadelphia Suburban Water Company (PSWC) in March 1995,
24 Towers Perrin also increased the discount rate from the 7.0 percent used in 1994 to 8.5
25 percent in 1995. In its May 1995 actuarial report for UGI Utilities, Inc.'s

1 postretirement welfare plan. Towers Perrin increased the discount rate from 7.0 percent
2 to 8.7 percent. Similarly, in the most recent actuarial report prepared for National
3 Fuel Gas (NFG) Distribution Company and the other members of the NFG system,
4 William M. Mercer, Incorporated increased the discount rate which it used for the
5 postretirement benefit plan in 1995 to 8.5 percent. Therefore, the adjustments which I
6 have proposed to PP&L's pension and postretirement benefits expenses to reflect an
7 8.5 percent discount rate should be adopted.

8 Update of OCA's Position

9 Q. PLEASE SUMMARIZE YOUR UPDATED FINDINGS REGARDING THE
10 APPROPRIATE RATE CHANGE.

11 A. As shown on my updated Schedule TSC-1, I have determined that PP&L has a test
12 year revenue surplus of \$66,464,000. This represents the amount by which revenues at
13 present rates exceed those required to generate the overall rate of return of 9.27
14 percent recommended by Mr. Kahal. This rate of return reflects Mr. Kahal's
15 adjustment to account for the deferred income taxes associated with the loss on
16 reacquired debt in calculating the weighted cost of debt. My updated findings and
17 recommendations regarding the rate base and net income at present rates which result
18 in this revised revenue deficiency are summarized on updated Schedules TSC-2 and
19 TSC-7, respectively.

20 Q. PLEASE EXPLAIN THE CHANGES WHICH YOU HAVE
21 INCORPORATED IN DEVELOPING YOUR UPDATED RATE BASE.

22 A. In developing my updated rate base, I have eliminated my adjustment to recognize the
23 balance of accumulated deferred income taxes associated with the loss on reacquired
24 debt as a deduction from rate base since Mr. Kahal has accounted for this balance in

1 calculating the weighted cost of debt. I have updated my adjustment to prepayments
2 to recognize that PP&L has now corrected the balance for the prepaid PUC assessment
3 in its Exhibit Future 1-Revised. As shown on my updated Schedule TSC-5, this
4 adjustment reduces rate base by \$10,711,000 on a total company basis and by
5 \$9,012,000 on a jurisdictional basis. I have updated my lead-lag cash working capital
6 analysis to reflect the updated levels of expenses taxes. This calculation is shown on
7 updated Schedule TSC-6. As indicated there, my cash working capital allowance is
8 \$2,587,000 greater than PP&L's claimed allowance.

9 Q. WHAT ADJUSTMENTS HAVE YOU CHANGED IN UPDATING YOUR
10 FINDINGS REGARDING NET INCOME AT PRESENT RATES?

11 A. In developing my updated findings regarding net income at present rates, I have
12 reflected the changes which I have discussed previously in my surrebuttal testimony.
13 These include changes to my adjustments to prior period SFAS No. 106 costs, deferred
14 Susquehanna early window costs, environmental remediation expenses and the
15 elimination of certain additions and deductions to taxable income. Also included is the
16 adjustment to recognize VERP savings prior to the end of the test year as an offset to
17 the VERP costs being deferred and amortized.

18 In addition to the changes discussed previously, I have eliminated my
19 adjustment to interest on customer deposits because the change in interest rates has
20 been reflected in PP&L's revised claim. I have also revised my adjustments to
21 pension expense and fossil decommissioning expense to reflect changes in the
22 Company's claims for these items. As shown on updated Schedule TSC-10, my
23 adjustment to reflect an 8.5 percent discount rate results in a reduction in jurisdictional
24 expense and increase in jurisdictional net income of \$7,056,000 compared to PP&L's
25 revised claim. As shown on Schedule TSC-16, elimination of the Company's revised

1 claim for accruals to fund the projected future costs of decommissioning its fossil units
2 reduces Pennsylvania jurisdictional expenses by \$45,284,000 and increases net income
3 by \$26,200,000.

4 The final two changes which I have made pertain to depreciation expense and
5 interest synchronization. As shown on updated Schedule TSC-20, I have revised the
6 adjustment to depreciation expense to reflect the change made by OCA witness Dr.
7 Charles Johnson to his adjustment related to the amortization of laboratory equipment.
8 The revised adjustment to depreciation expense reduces Pennsylvania jurisdictional
9 expenses by \$40,757,000 and increases net income by \$26,492,000. My adjustment to
10 interest synchronization has changed because of the changes to rate base and the
11 weighted cost of debt. As shown on updated Schedule TSC-26, this adjustment results
12 in an increase in Pennsylvania jurisdictional income taxes of \$806,000.

13 Q. DOES THIS COMPLETE YOUR SURREBUTTAL TESTIMONY?

14 A. Yes, it does.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA POWER &)
LIGHT COMPANY) DOCKET NO. R-00943271

SCHEDULES AND EXHIBIT ACCOMPANYING THE
SURREBUTTAL TESTIMONY OF
THOMAS S. CATLIN

ON BEHALF OF THE
PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

MAY 1995

EXETER

Associates, Inc.

12510 Prosperity Drive
Suite 350
Silver Spring, MD 20904

PENNSYLVANIA POWER & LIGHT COMPANY

Summary of Operating Income
Test Year Ending September 30, 1995
(\$000)

	Pennsylvania Jurisdictional Revenues At Present Rates	OCA Adjustments	Adjusted Per OCA	Proforma Increase	Proforma
Operating Revenues	<u>\$2,401,887</u>	<u>\$12,666</u>	<u>\$2,414,553</u>	<u>(\$66,464)</u>	<u>\$2,348,089</u>
Operating Expenses					
Operation & Maintenance	1,375,408	(81,741)	1,293,667	0	1,293,667
Depreciation	320,797	(40,757)	280,040	0	280,040
Regulatory Debits and Credits	(29,208)	0	(29,208)	0	(29,208)
Taxes Other Than Income	186,536	(188)	186,348	(3,389)	182,959
Federal Income Tax	153,502	20,039	173,541	(19,650)	153,891
State Income Tax	54,091	7,905	61,996	(6,932)	55,064
Deferred Income Tax	(15,424)	14,265	(1,159)	0	(1,159)
Investment Tax Credit	(8,625)	0	(8,625)	0	(8,625)
Total Taxes	370,080	42,021	412,101	(29,971)	382,130
Gain From Disposition of Emission Allowances	<u>(466)</u>	<u>0</u>	<u>(466)</u>	<u>0</u>	<u>(466)</u>
Total Operating Expenses	<u>\$2,036,611</u>	<u>(\$80,477)</u>	<u>\$1,956,134</u>	<u>(\$29,971)</u>	<u>\$1,926,163</u>
Net Utility Operating Income	<u>\$365,276</u>	<u>\$93,143</u>	<u>\$458,419</u>	<u>(\$36,493)</u>	<u>\$421,926</u>
Rate Base	<u>\$5,017,708</u>		<u>\$4,937,249</u>		<u>\$4,937,249</u>
Rate of Return	<u>7.28%</u>		<u>9.28%</u>		<u>8.55%</u>

PENNSYLVANIA POWER & LIGHT COMPANY

Determination of Revenue Decrease
 Test Year Ending September 30, 1995
 (\$000)

	Amount	Source
OCA Recommended Rate Base	\$4,937,249	Schedule TSC-2, Page 1
Required Rate of Return	9.27%	Schedule MIK-1, Page 1
Net Operating Income Required	\$457,683	
Less: Excess Capacity Adjustment	(35,757)	Schedule MIK-13
Adjusted Net Operating Income Required	421,926	
Net Operating Income at Present Rates	458,419	Schedule TSC-1, Page 1
Income Surplus	(\$36,493)	
Revenue Multiplier	1.8213	
Revenue Decrease Required	(\$66,464)	
Revenue Decrease Required	(\$66,464)	
PA Gross Receipts Tax	4.40% (2,924)	
PA Capital Stock Tax	0.70% (465)	
Subtotal	(\$63,075)	
State Income Tax at	10.99% (6,932)	
Subtotal	(\$56,143)	
Federal Income Tax at	35.00% (19,650)	
Net Income Decrease Required	(\$36,493)	

PENNSYLVANIA POWER & LIGHT COMPANY

Summary of Rate Base Adjustments
 Test Year Ending September 30, 1995
 (\$000)

	<u>Amount</u>	<u>Source</u>
Rate Base per Company Filing	\$5,017,708	Schedule TSC - 2, Page 1
<u>OCA Adjustments:</u>		
Accrued Pensions	(74,034)	Schedule TSC - 3
Accumulated Deferred Income Taxes Associated With Loss On Required Debt	0	See Note (1)
Prepayments	(9,012)	Schedule TSC - 5, Updated
Cash Working Capital Study	2,587	Schedule TSC - 6, Updated
	<hr/>	
Total OCA Adjustments	<u>(\$80,459)</u>	
OCA Adjusted Rate Base	<u>\$4,937,249</u>	

Note:

(1) Adjustment to recognize ADIT associated with the loss on reacquired debt has been accounted for in the cost of debt.

PENNSYLVANIA POWER & LIGHT COMPANY

Summary of Rate Base
 Test Year Ending September 30, 1995
 (\$000)

	Per Company	OCA Adjustments	Adjusted Per OCA
Utility Plant In Service			
Electric Plant in Service	\$8,196,706	\$0	\$8,196,706
Accumulated Depreciation	(2,477,122)	0	(2,477,122)
Net Electric Plant in Service	5,719,584	0	5,719,584
Pollution Control Projects (Net of Retirements)	12,378	0	12,378
Total Utility Plant In Service	5,731,962	0	5,731,962
Working Capital			
Cash Working Capital	0	(6,425)	(6,425)
Fuel Stock And Materials & Supplies	188,808	0	188,808
Total Working Capital	188,808	(6,425)	182,383
Accumulated Deferred Income Taxes	(901,916)	34,053	(867,863)
Customer Advances For Construction	(40)	0	(40)
Customer Deposits	(1,106)	0	(1,106)
Accrued Pensions	0	(108,087)	(108,087)
Total Rate Base	<u>\$5,017,708</u>	<u>(\$80,459)</u>	<u>\$4,937,249</u>

PENNSYLVANIA POWER & LIGHT COMPANY

Adjustment to Prepayments
 Test Year Ending September 30, 1995
 (\$000)

	<u>Total Company</u>	<u>Pennsylvania Jurisdictional</u>
Eliminate Prepaid Insurance		
Nuclear (1)	\$(2,264)	\$(1,776)
Other (1)	<u>(3,283)</u>	<u>(2,767)</u>
Total	\$(5,547)	\$(4,543)
Revise PUC Annual Assessment		
Corrected Average Balance (2)	1,782	1,782
Amount per Company Rebuttal Filing (1)	<u>1,782</u>	<u>1,782</u>
Adjustment	\$ 0	\$ 0
Other Prepayments		
Remove Interest & Preferred Dividends included in March Balance (3)	<u>(5,164)</u>	<u>(4,469)</u>
Total Adjustments to Prepayments	\$(10,711)	\$(9,012)

Notes:

- (1) Per Schedule C-4, page 3 of Exhibit Future 1-Revised.
- (2) Per response to OTS-RE-28D
- (3) Reflects March balance of \$67,130 per response to OTS-RE-21D divided by 13 months.

PENNSYLVANIA POWER & LIGHT COMPANY

Adjustment to Cash Working Capital
 Test Year Ending September 30, 1995
 (\$000)

	Pennsylvania Adjusted Jurisdictional Amount	OCA Adjustments	OCA Adjusted Expenses	Average Daily Amount	(Lead)/Lag Days	Net (Lead)/Lag Days (Ratio)	Cash Working Capital Requirement
Operation & Maintenance Expense	\$1,358,476 1/	(\$81,741)	\$1,276,735	\$3,498	31.5	3.5	\$12,243
Interest on Long-term Debt	186,072 2/	(1,913)	184,159	\$505	91.3	(56.3)	(28,432)
Preferred Dividends	27,840 2/	(1,179)	26,661	\$73	45.6	(10.6)	(774)
Accrued Taxes							
Federal Income Tax	153,502 3/	389	153,891			-6.72%	(10,341)
State Income Tax	54,091 3/	973	55,064			-11.72%	(6,454)
PA Gross Receipts Tax	98,400 3/	(3,112)	95,288			22.87%	21,792
PA Capital Stock Tax	30,553 3/	(465)	30,088			-11.72%	(3,526)
PA Public Utility Realty Tax	38,783 3/	0	38,783			14.53%	5,635
Total	<u>\$1,947,717</u>	<u>(\$5,306)</u>	<u>\$1,860,670</u>				<u>(\$9,857)</u>
Amount Per Company							<u>(12,444)</u>
Adjustment to Cash Working Capital							<u>\$2,587</u>

Notes:

1/ PP&L Exhibit Future 1 - Revised, Schedule D-1, Column (6), Line 2 minus uncollectibles.

2/ Rate Base multiplied by the long-term debt and preferred debt ratios.

3/ Pennsylvania Jurisdictional amount at present rates.

PENNSYLVANIA POWER & LIGHT COMPANY

Summary of Adjustments to Net Income
 Test Year Ending September 30, 1995
 (\$000)

	Pennsylvania Jurisdictional Amount	Source
Net Income per Company	\$365,276	PP&L Exhibit Future 1 - Revised
<u>OCA Adjustments:</u>		
Benefits Savings	99	Schedule TSC - 8
Postretirement Benefits - Discount Rate	416	Schedule TSC - 9
Pension Expense - Discount Rate	7,056	Schedule TSC - 10, Updated
Prior Period SFAS No. 106 Costs	900	Schedule TSC - 11, Updated
Disallow SFAS No. 112	592	Schedule TSC - 12
Interest on Customer Deposits	0	See Note (1)
Revision of Nuclear Decommissioning Funding	7,093	Schedule TSC - 14
Nuclear Decommissioning Costs Disallowance	2,928	Schedule TSC - 15
Fossil Decommissioning Expense	26,200	Schedule TSC - 16, Updated
Susquehanna Early Window Deferrals	3,922	Schedule TSC - 17, Updated
Susquehanna Refueling Outage Costs	643	Schedule TSC - 18
Environmental Remediation	0	See Note (2)
Depecciation Expense	26,492	Schedule TSC - 20, Updated
EDI/IDI Credits	7,006	Schedule TSC - 21
Uncollectibles From Gross Receipts Tax	431	Schedule TSC - 22
Eliminate Additions to Taxable Income	4,089	Schedule TSC - 23, Updated
Eliminate Potential Tax Deficiencies	1,017	Schedule TSC - 24
Consolidated Tax Savings	2,161	Schedule TSC - 25
Interest Synchronization	(806)	Schedule TSC - 26, Updated
VERP Amortization	2,904	Schedule TSC - 28
Total OCA Adjustments	<u>\$93,143</u>	
Total Adjusted Income per OCA	<u><u>\$458,419</u></u>	

Notes:

- (1) Adjustment has been reflected to PP&L's updated claim and is, therefore, no longer necessary.
 (2) Adjustment is no longer being proposed based on updated information.

PENNSYLVANIA POWER & LIGHT COMPANY

Summary of Adjustments to Net Income
 Test Year Ending September 30, 1995
 (\$000)

	Revenues	Operation & Maintenance	Gains on Allow. and Reg. Debits & Credits	Depreciation & Amortization	Taxes Other Than Income	State Income Tax	Federal Income Tax	Deferred Federal Income Tax	Investment Tax Credit	Net Operating Income
Net Income per Company	\$2,401,887	\$1,375,408	(\$29,674)	\$320,797	\$186,536	\$54,091	\$153,502	(\$15,424)	(\$8,625)	\$302,270
<u>OCA Adjustments:</u>										
Benefits Savings	0	(171)	0	0	0	19	53	0	0	99
Postretirement Benefits - Discount Rate	0	(416)	0	0	0	0	0	0	0	416
Pension Expense - Discount Rate	0	(7,056)	0	0	0	0	0	0	0	7,056
Prior Period SFAS No 106 Costs	0	(1,555)	0	0	0	171	484	0	0	900
Disallow SFAS No 112	0	(592)	0	0	0	0	0	0	0	592
Interest on Customer Deposits	0	0	0	0	0	0	0	0	0	0
Revision of Nuclear Decommissioning Funding	0	(11,593)	0	0	0	1,174	3,326	0	0	7,093
Nuclear Decommissioning Costs Disallowance	0	(5,022)	0	0	0	546	1,548	0	0	2,928
Fossil Decommissioning Expense	0	(45,284)	0	0	0	4,977	14,107	0	0	20,200
Susquehanna Early Window Deferrals	0	(3,922)	0	0	0	0	0	0	0	3,922
Susquehanna Refueling Outage Costs	0	(1,111)	0	0	0	122	346	0	0	643
Environmental Remediation	0	0	0	0	0	0	0	0	0	0
Depreciation Expense	0	0	0	(40,757)	0	0	0	14,265	0	20,492
ED/IDI Credits	12,666	0	0	0	557	1,331	3,772	0	0	7,006
Uncollectibles From Gross Receipts Tax	0	0	0	0	(745)	82	232	0	0	431
Eliminate Additions to Taxable Income	0	0	0	0	0	(1,066)	(3,023)	0	0	4,089
Eliminate Potential Tax Deficiencies	0	0	0	0	0	(213)	(804)	0	0	1,017
Consolidated Tax Savings	0	0	0	0	0	0	(2,161)	0	0	2,161
Interest Synchronization	0	0	0	0	0	210	596	0	0	(806)
VERP Amortization	0	(5,019)	0	0	0	552	1,563	0	0	2,904
Total OCA Adjustments	\$12,666	(\$81,741)	\$0	(\$40,757)	(\$188)	\$7,905	\$20,039	\$14,265	\$0	\$93,144
Total Adjusted Income per OCA	\$2,414,553	\$1,293,667	(\$29,674)	\$280,040	\$186,348	\$61,996	\$173,541	(\$1,159)	(\$8,625)	\$458,412

PENNSYLVANIA POWER & LIGHT COMPANY

Adjustment to Pension Expense
to Reflect Revised Discount Rate
Test Year Ending September 30, 1995
(\$000)

	<u>Total Company</u>	<u>Pennsylvania Jurisdictional (1)</u>
Pension Cost Per OCA (2)	\$ 0	0
Amount per Company Filing (3)	<u>11,867</u>	<u>10,271</u>
Adjustment to Pension Cost	\$(11,867)	\$(10,271)
Percent to O&M (4)	<u>68.7%</u>	<u>68.7%</u>
Adjustment to O&M Expense	\$ (8,153)	\$ (7,056)
State Income Tax (5)	0	0
Federal Income Tax (5)	<u>0</u>	<u>0</u>
Adjustment to Net Income	\$ 8,153	\$ 7,056

Notes:

- (1) Reflects ratio of 86.5518% per Exhibit JMK-2 and response to OTS-RE-3D.
- (2) Reflects estimated cost based on an 8.5 percent discount rate.
- (3) Per Exhibit Future 1-Revised, Schedule D-6.
- (4) Percent applicable to benefits per Exhibit Future 1, Schedules D-6 and D-10.
- (5) Adjustment has no income tax effects since expense was not recognized as tax deductible in Company's filing.

PENNSYLVANIA POWER & LIGHT COMPANY

Adjustment to Disallow
Prior Period SFAS No. 106 Costs
Test Year Ending September 30, 1995
(\$000)

	<u>Total Company</u>	<u>Pennsylvania Jurisdictional (1)</u>
Adjustment to Disallow the Amortization of Prior Period SFAS No. 106 Costs (2)	\$(1,797)	\$(1,555)
State Income Tax at 10.99%	197	171
Federal Income Tax at 35%	<u>560</u>	<u>484</u>
Adjustment to Net Income	\$ 1,040	\$ 900

Notes:

- (1) Reflects ratio of 86.5518% applicable to benefit per Exhibit JMK-2 and response to OTS-RE-3D.
- (2) Per Schedule D-6 of Exhibit Future 1-Revised.

PENNSYLVANIA POWER & LIGHT COMPANY

Adjustment to Eliminate
Accrual for Decommissioning Fossil Units
Test Year Ending September 30, 1995
(\$000)

	<u>Total Company</u>	<u>Pennsylvania Jurisdictional</u>
Adjustment to Eliminate Expense (1)	\$(55,570)	\$(45,284)
State Income Tax at 10.99%	6,107	4,977
Federal Income Tax at 35%	<u>17,312</u>	<u>14,107</u>
Adjustment to Net Income	\$32,151	\$26,200

Notes:

- (1) Amount per Schedule D-12 of Exhibit Future 1-Revised. Jurisdictional amount based on factor of .81489 per Exhibit JMK-2.

PENNSYLVANIA POWER & LIGHT COMPANY

Adjustment to
of Susquehanna Early Window Deferrals
Test Year Ending September 30, 1995
(\$000)

	<u>Amount</u> (1)
Adjustment to Eliminate Annual Amortization of Deferral (2)	\$(3,922)
State Income Tax (3)	0
Federal Income Tax (3)	<u>0</u>
Adjustment to Net Income	\$ 3,922

Notes:

- (1) Full amount of amortization is allocable to the Pennsylvania jurisdiction.
- (2) Per Schedule D-14 of Exhibit Future 1-Revised.
- (3) Adjustment has no tax effects since expense was not recognized as tax deductible in the Company's filing.

PENNSYLVANIA POWER & LIGHT COMPANY

Adjustment to Depreciation Expense
Test Year Ending September 30, 1995
(\$000)

	<u>Total Company</u>	<u>Pennsylvania Jurisdictional</u> (1)
Adjustment to Depreciation Expense (1)	\$(50,915)	\$(40,757)
Deferred Federal Income Tax Effect	<u>17,820</u>	<u>14,265</u>
Adjustment to Net Income	\$33,095	\$26,492

Note:

(1) Per surrebuttal testimony of Dr. Charles E. Johnson.

PENNSYLVANIA POWER & LIGHT COMPANY

Adjustment to Eliminate Certain
 Additions and Deductions to Taxable Income
 Test Year Ending September 30, 1995
 (\$000)

	<u>Total Company</u>	<u>Pennsylvania Jurisdictional (1)</u>
Adjustment to Taxable Income to Eliminate Additions for:		
ECR/FAC Overrecovery (2)	\$(9,690)	\$(9,690)
Refueling Outage Costs (2)	(2,724)	(2,138)
Bad Debt Accrual (2)	(1,959)	(1,959)
Power Plant Inventory - Tax Accounting Change (2)	<u>5,012</u>	<u>4,083</u>
Adjustment to Taxable Income	(9,361)	(9,704)
State Income Tax at 10.99%	(1,029)	(1,066)
Federal Income Tax at 35%	<u>(2,916)</u>	<u>(3,023)</u>
Adjustment to Net Income	\$ 3,945	\$ 4,089

Notes:

- (1) Per Exhibit JMK-2.
- (2) Per Schedule D-19 of Exhibit Future I-Revised.

PENNSYLVANIA POWER & LIGHT COMPANY

Interest Synchronization Adjustment
Test Year Ending September 30, 1995
(\$000)

	<u>Amount</u>
OCA Recommended Rate Base	\$4,937,249
Weighted Cost of Debt	<u>3.73%</u>
Synchronized Interest Expense	\$184,159
Interest Expense per Company	<u>\$186,072</u>
Change in Interest Expense	<u>(\$1,913)</u>
State Income Tax	<u>\$210</u>
Federal Income Tax	<u>\$596</u>

PENNSYLVANIA POWER & LIGHT COMPANY

Reconciliation of State and Federal Income Taxes
 Test Year Ending September 30, 1995
 (\$000)

Description	Test Year Adjusted Per Company	OCA Adjustments	Test Year at Present Rates	OCA Proforma Increase	Test Year at Proposed Rates
<u>CALCULATION OF STATE INCOME TAX</u>					
Net Operating Income Before Income Taxes	\$490,162	\$135,352	\$625,514	(\$63,075)	\$562,439
Net Adjustments for State Taxable Income	83	(61,503)	(61,420)	0	(61,420)
State Taxable Income	\$490,245	\$73,849	\$564,094	(\$63,075)	\$501,019
State Income Tax at State Income Tax Adjustments	10.99% \$53,878 213	\$8,116 (213)	\$61,994 0	(\$6,932) 0	\$55,062 0
Total State Income Tax	\$54,091	\$7,903	\$61,994	(\$6,932)	\$55,062
<u>CALCULATION OF FEDERAL INCOME TAX</u>					
Net Operating Income Before Income Taxes	\$490,162	\$135,352	\$625,514	(\$63,075)	\$562,439
Net Adjustments for Federal Taxable Income	0	(67,677) 1/	(67,677)	0	(67,677)
State Income Tax	(53,878)	(8,116)	(61,994)	6,932	(55,062)
Federal Taxable Income	\$436,284	\$59,559	\$495,843	(\$56,143)	\$439,700
Federal Income Tax at Federal Tax Adjustment	35.0% \$152,699 804	\$20,845 (804)	\$173,545 0	(\$19,650) 0	\$153,895 0
Total Federal Income Tax	\$153,503	\$20,041	\$173,545	(\$19,650)	\$153,895
Total Calculated Current Taxes	\$207,594	\$27,944	\$235,539	(\$26,582)	\$208,957
Total Current Taxes (Schedule TSC-1, Page 1)	207,593	27,944	235,537	(26,582)	208,955
Difference /Rounding	\$1	\$0	\$2	\$0	\$2

Notes:

1/ Includes the adjustment for consolidated tax savings.

PENNSYLVANIA POWER & LIGHT COMPANY

Adjustment to VERP Amortization
 Test Year Ending September 30, 1995
 (\$000)

	<u>Total Company</u>	<u>Pennsylvania Jurisdictional (1)</u>
Estimated VERP Costs to be Deferred (2)	\$75,859	\$65,661
Less: Savings to be Deferred Prior to End of Test Year (3)	<u>28,996</u>	<u>25,098</u>
Net VERP Costs to be Amortized	\$46,863	\$40,563
Amortization Period	<u>5 years</u>	<u>5 years</u>
Annual Amortization Expense	\$9,373	\$8,113
Amortization per Company (2)	<u>15,172</u>	<u>13,132</u>
Adjustment to Expense	\$(5,799)	(5,019)
State Income Tax at 10.99%	637	552
Federal Income Tax at 35%	<u>1,807</u>	<u>1,563</u>
Adjustment to Net Income	\$3,355	\$2,904

Notes:

- (1) Reflects factor of 86.5560% per Exhibit JMK-2.
- (2) Per Schedule D-10 (Revised 5/12/95) of Exhibit Future 1-Revised.
- (3) Reflects nine months savings for January-September 1995, per source in Note (2).

M. J. Berish
D. A. Krall

**Pennsylvania Power & Light Company
Response to Interrogatories
of the Office of Consumer Advocate, Set IX
Dated March 8, 1995
Docket No. R-00943271**

Q. 9. With regard to the response to OCA IV-26, please show the derivation of the annual expense of \$1,887,000 for CAAA permit fees and explain why the amount differs so significantly from the actual annual payments to the State of Pennsylvania shown in OCA IV-27.

A. 9. Amounts paid, accrued and budgeted for Clean Air Act Amendment (CAAA) emission fees are shown below.

<u>Period</u>	<u>PAID</u>	<u>Amount</u>
August 1993 (for 1992)		\$ 840,546
August 1994 (for 1993)		\$ 848,442
August 1995 (for 1994) estimated		\$1,618,000

<u>ACCRUED IN 1994</u>		
<u>Period</u>	<u>Monthly Accrual</u>	<u>Total Amount</u>
Jan 1994-July 1994	\$ 70,840	\$ 495,850
Aug 1994-Dec 1994	\$224,433	\$1,122,165

<u>BUDGETED FOR FUTURE TEST YEAR</u>		
<u>Period</u>	<u>Monthly Accrual</u>	<u>Total Amount</u>
Sep 1994-Dec 1994	\$ 70,000	\$ 210,000
Jan 1995-Sep 1995	\$135,000	\$1,215,000

Pennsylvania CAAA emission fees increased from an interim rate of \$14/ton to a permanent rate of \$37/ton for Phase II units effective for 1994 emissions paid in 1995. The significant increase in the accrued amount for the period August 1994 - December 1994 was due to the revised estimate for the 1994 CAAA emission fees (from \$850,000 to \$1,618,000).