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## C O N T E N T S

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5	By Mr. Mickens	--	2077	--	--
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8	John J. Slivka				
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## E X H I B I T S

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19			
20	<u>PP&amp;L Statements</u>		
21	13-R (LaGuardia rebuttal)	2063	2064
22	6-R (Slivka rebuttal)	2121	2121
23	8-R (Kasper rebuttal)	2160	2160
24	7-R (Kleha rebuttal)	2141	2141
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<u>NUMBER</u>	<u>FOR IDENTIFICATION</u>	<u>IN EVIDENCE</u>
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1 The company has reviewed that to some degree. We may use a  
2 telephone hook-up later in the day to talk about that  
3 matter.

4 I talked to Mr. Kuennen late yesterday and this  
5 morning, and I sort of know where he is coming from, but it  
6 is obviously a concern to various parties, including the  
7 company, and we'll probably discuss that later today. They  
8 are offering witnesses and things like that. I'm a little  
9 reluctant to make a big thing of it at this stage of the  
10 proceeding, but we'll see where we go on that whole thing  
11 about the Commission on Economic Opportunity.

12 There is nothing too much I have. We can transact  
13 more business later, but we'll get to LaGuardia soon.

14 Is there anything we need to transact before we get  
15 to LaGuardia?

16 (No response.)

17 JUDGE CHRISTIANSON: No volunteers immediately.

18 We have a little bit bigger cast of characters here  
19 today than we've had previously, but tomorrow may get  
20 heavier yet. I'm not too sure.

21 I'll come down and try to make sure we can dial  
22 LaGuardia properly. It is new telephone equipment for us,  
23 but it should work pretty well.

24 Let's be off the record briefly.

25 (Discussion off the record.)

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

3 We now have Mr. LaGuardia on the telephone out west  
4 somewhere. I can't recall where. Where are you physically  
5 situated?

6 MR. LaGUARDIA: I am in Butte, Montana.

7 JUDGE CHRISTIANSON: Okay, good. I won't ask about  
8 the weather out there. It's foggy and rainy here, by the  
9 way.

10 MR. LaGUARDIA: It is sunny and cool.

11 JUDGE CHRISTIANSON: Good. I'll let Mr. Gadsden  
12 start you off. I remind you you continue to be under oath.  
13 You have testified before in the proceeding. Counsel may  
14 proceed.

15 Whereupon,

16 THOMAS S. LaGUARDIA  
17 having previously been duly sworn, testified further as  
18 follows:

19 MR. GADSDEN: Thank you, Your Honor. Mr. LaGuardia  
20 will be sponsoring a multi-page document consisting of 20  
21 pages of questions and answers which I would ask be marked  
22 as PP&L Statement No. 13-R.

23 JUDGE CHRISTIANSON: So identified.  
24  
25

1 (Whereupon, the document was marked  
2 as PP&L Statement No. 13-R for  
3 identification.)

4 DIRECT EXAMINATION

5 BY MR. GADSDEN:

6 Q. Mr. LaGuardia, do you have a copy of what has  
7 been marked for identification as Statement 13-R?

8 A. Yes, I do.

9 Q. And was that statement of rebuttal testimony  
10 prepared by you or under your direct supervision?

11 A. Yes, it was.

12 Q. Are there any corrections or revisions to  
13 Statement 13-R that need to be brought to our attention?

14 A. No.

15 Q. If I were to ask you the questions set forth in  
16 Statement 13-R today, would your answers be as contained  
17 therein?

18 A. Yes.

19 Q. And would they be true and correct to the best  
20 of your knowledge?

21 A. Yes.

22 MR. GADSDEN: Your Honor, at this time I would ask  
23 that Statement 13-R be admitted to the record subject to the  
24 standard conditions.

25 JUDGE CHRISTIANSON: Yes. Under the standard

1 conditions, the statement is now accepted into the record.

2 (Whereupon, the document marked as  
3 PP&L Statement No. 13-R was received  
4 in evidence.)

5 JUDGE CHRISTIANSON: One thing I'll mention since I'm  
6 speaking, Eric Epstein may be here later. He'll probably be  
7 here about quarter after or twenty after the hour. So he  
8 may be having cross for you. I think you remember him from  
9 your direct testimony. I think we were in Executive  
10 Chambers that day, and Epstein had about an hour for you.

11 Go ahead, counsel.

12 MR. GADSDEN: Thank you, Your Honor.

13 BY MR. GADSDEN:

14 Q. Mr. LaGuardia, have you had an opportunity to  
15 review the surrebuttal testimony submitted by Office of  
16 Consumer Advocate Witnesses Bridenbaugh and Catlin?

17 A. Yes, I have.

18 Q. Turning first to Mr. Bridenbaugh's surrebuttal  
19 testimony, which has preliminarily been marked as OCA  
20 Statement No. 4A, and specifically to page 2 and the  
21 question and answer which begin at line 19, Mr. Bridenbaugh  
22 asserts that your nuclear decommissioning study, which was  
23 previously admitted as Exhibit TSL-2, is inconsistent with a  
24 statement that you make in your rebuttal testimony that you  
25 have not provided for the removal of basic structures for

1 which it is reasonable to assume that there will exist a  
2 useful purpose after the plant is decommissioned.

3 Are you aware of that testimony?

4 A. Yes, I am.

5 Q. And do you agree that your statement in rebuttal  
6 and your study are inconsistent in that respect?

7 A. I do not agree. In particular, I stated in my  
8 rebuttal that there were certain basic structures that are  
9 reasonable to believe -- "reasonable" is the operative word  
10 -- that a useful purpose will exist after decommissioning,  
11 and I listed there the switch yard, transmission towers, the  
12 culverts, the head walls, et cetera; and subsequent to  
13 submittal of that, I did a more detailed breakdown, and that  
14 includes the transmission towers and the lines, the lay-down  
15 yard, the switch yard, the Energy Information Center, the  
16 up-river supplemental meteorological station, site access  
17 railroad line, the facilities treatment plant, the Energy  
18 Operations Center, the Riverland Recreational Facility, the  
19 meteorological tower, and the sewage treatment plant.

20 We left all of those systems and structures in place,  
21 because they have a reasonable value, a potential for  
22 reasonable value in the future. All other structures we  
23 removed as being unreasonable to assume they have a life and  
24 a future. So we are not inconsistent with the study.

25 Q. Mr. LaGuardia, turning now to page 8 of

1 Mr. Bridenbaugh's surrebuttal testimony and the answer which  
2 appears at lines 5 through 15, at that point Mr. Bridenbaugh  
3 discusses the decommissioning of the Shippingport station in  
4 which you participated and claims that TLG overstated the  
5 contingency amount that was necessary to dismantle that  
6 facility.

7 Is Mr. Bridenbaugh correct?

8 A. No, he is not correct. I was involved in the  
9 Shippingport project as early as 1978 as part of work I did  
10 for another company, my former company. We prepared for  
11 that company the basic cost estimate for Shippingport, which  
12 was completed in 1979. In 1979, the cost that we developed  
13 was \$54 million for the basic activities of removing  
14 components from Shippingport and disposing of them.

15 In 1982, the Department of Energy, the owner of the  
16 facility, added additional monies to account for DOE  
17 management costs, bringing the total cost -- and also for  
18 delays that they anticipated associated with getting the  
19 project underway. There would be certain management costs  
20 associated with that. That brought the total cost up to  
21 \$80 million. At that point, they added \$18.3 million for  
22 contingencies in implementation of the overall program,  
23 bringing the total up to \$98.3 million as the estimate.

24 The basic cost was \$80 million. They added \$18.3  
25 million for contingencies of all sorts. That represents a

1 23 percent contingency value for Shippingport. In fact,  
2 they did the job for some \$91 million or \$92 million, but it  
3 indicates that the contingencies values were much higher  
4 than the 5 percent that Mr. Bridenbaugh indicates at line 13  
5 of his surrebuttal testimony.

6 Q. Mr. LaGuardia, turning now to pages 8 through 10  
7 of Mr. Bridenbaugh's testimony, here he takes issue with  
8 your contention that the experience that you've gained at  
9 various facilities, including the Yankee Rowe, Rancho Seco,  
10 and Shoreham plants, have served to confirm the accuracy of  
11 TLG's estimates and methodologies.

12 Would you care to comment on that portion of Mr.  
13 Bridenbaugh's surrebuttal?

14 A. Yes, very much so, beginning at the top of page  
15 9, line 1, where he says the Yankee decommissioning plan was  
16 only just approved by the NRC in February of this year and  
17 that major work will be delayed until sometime after the  
18 year 2000.

19 In fact, in 1992, Yankee Rowe, the operator of the  
20 plant, removed the steam generators and the pressurizer; and  
21 in 1993-94, they removed the reactor vessel internals. This  
22 is probably the most difficult portion of the work to be  
23 performed at Yankee. The work was performed under the NRC  
24 regulations, Title 10, Code of Federal Regulations, CFR,  
25 Part 50, paragraph 50.59, which allows work to be performed

1 at a power plant provided there are no unreviewed safety  
2 questions. It does not require approval of the  
3 decommissioning plan to perform that work, and the NRC has  
4 acknowledged that.

5 The work was performed in accordance with all  
6 regulations and all procedures. TLG worked with Yankee to  
7 develop that estimate to perform that portion of the work.  
8 Our estimate in 1991-1992 was \$32 million to perform that  
9 portion of the work.

10 When the work was actually accomplished, Chem Nuclear  
11 Systems was a major contractor on that project. They also  
12 are the operators of the burial ground at Barnwell where all  
13 the waste is being sent. As an inducement for them to win  
14 the contract to perform the work, Chem Nuclear reduced the  
15 burial rates that would be charged to Yankee for those  
16 materials that would have to be disposed of. So the final  
17 cost to perform the removal of the steam generators and  
18 pressurizers and the reactor vessel internals came out to  
19 about \$28 million, and the savings or the difference in cost  
20 from our \$32 million estimate was related to the reduction  
21 in burial costs that they were able to achieve, which were  
22 not available to us at the time we did our estimate, but it  
23 certainly confirms our ability to estimate a job of that  
24 magnitude and of that difficulty.

25 The remaining portion of the work is currently being

1 planned by Yankee and will begin as soon as they have the  
2 planning completed. They are in the planning phase right  
3 now. The physical bulk of the plant still remains in terms  
4 of the physical size and physical quantities, but that is  
5 the easiest portion of the work. It represents cutting pipe  
6 and removing tanks and heat exchanges. That's like slicing  
7 bologna when you get down to that level of work in a  
8 decommissioning plan and decommissioning program. The most  
9 difficult is the part that we have estimated very  
10 accurately, and Yankee complimented us on our accuracy in  
11 coming up with those estimates. That work was accurately  
12 estimated and performed correctly.

13 The second plant that we mentioned was the Rancho  
14 Seco plant. It is in fact in preparations for  
15 decommissioning, although the decommissioning plan they  
16 submitted and recently approved by the NRC only provided for  
17 a safe storage program to the year 2008 and then dismantling  
18 thereafter.

19 Rancho Seco has retained us to look at early plant  
20 removal. The program is before the Sacramento Municipal  
21 Utility District Board to start work earlier. Their  
22 intention is to dismantle all of the facilities and prepare  
23 them for disposal so that when a burial site opens in  
24 California, they will be able to remove and dispose of that  
25 material. They are relying on our estimates based on our

1 experience in performing this work in the past.

2 Finally, with respect to the Shoreham nuclear plant,  
3 although it had operated for only two effective full power  
4 days, we took all of those factors into consideration in the  
5 estimate that we prepared for the physical plant removal  
6 work. Our estimate was \$186 million for the physical plant  
7 removal and burial. In fact, the final cost for performing  
8 that work was \$182 million. And once again, Chem Nuclear  
9 had a portion of the work involved in that effort and was  
10 able to offer some slight discount in burial costs which  
11 reduced the overall estimate slightly, but it certainly  
12 confirms our ability to estimate decommissioning programs  
13 whether they have operated for 30 or more years, as in the  
14 case of Yankee, or only a few days, in the case of Shoreham.  
15 Our estimating tools are accurate enough to be able to  
16 predict with great accuracy the costs for decommissioning,  
17 and all of these projects are relevant to affirm and verify  
18 the accuracy of our cost estimating tools.

19 Q. Mr. LaGuardia, turning now to page 13 of Mr.  
20 Bridenbaugh's surrebuttal testimony, here he contends that  
21 low level radioactive waste costs can either go up or go  
22 down, and in support of that contention he quotes from a  
23 1991 article published by three Pacific Gas & Electric  
24 Company employees.

25 Do you have any additional information which might

1 shed light on the current estimate of PG&E's low level  
2 radioactive waste disposal costs?

3 A. Yes. I took issue with the statement that Mr.  
4 Bridenbaugh made that the low level waste burial costs are  
5 likely to decrease. That has not ever been demonstrated in  
6 the history of burial of low level radioactive waste. Every  
7 change has always been an increase.

8 More importantly, the Pacific Gas & Electric  
9 employees are the operators of the Diablo Canyon plant. On  
10 Monday of this week I testified before the California Public  
11 Utilities Commission on this issue of decommissioning of the  
12 Diablo Canyon facility. The burial cost that we used in our  
13 1994 estimate for Diablo Canyon was \$350 a cubic foot based  
14 on then available information from the Ward Valley burial  
15 facility, the regional compact of California.

16 Last week we received a letter from the site manager  
17 at the Ward Valley facility. He is now projecting a cost of  
18 \$405 million when the burial facility opens in 1997. That  
19 \$405 million is based on a base burial charge of \$305  
20 million plus a California surcharge of \$100 a cubic foot,  
21 which will go to the State of California.

22 It indicates several things; one, that the burial  
23 cost estimates are increasing, not decreasing; secondly,  
24 that there will be or is likely to be surcharges imposed by  
25 the states hosting the compact to provide an inducement to

1 them to site these facilities in their states.

2           The Commission in California, as an example -- and  
3 Mr. Bridenbaugh should be very much familiar with the  
4 Commission there because he is a California resident and has  
5 done an extensive amount of work in California -- the  
6 Commission in California in the past in recent rulings has  
7 endorsed a 50 percent contingency to be applied to  
8 decommissioning cost estimates to take into account the  
9 uncertainties associated with low level waste disposal  
10 costs, among other things as well.

11           Southern California Edison, another California  
12 utility, is in negotiations right now with the State of  
13 California Public Utilities Commission to put in place  
14 studies done for San Onofre nuclear generating station Units  
15 1, 2 and 3, estimates that we provided, and they are  
16 negotiating a 40 percent contingency to take into account  
17 the uncertainties associated with burial costs and other  
18 things into the future that we could not estimate.

19           So there are a number of points here that point to  
20 the fact that there are uncertainties with waste disposal  
21 costs, and they are likely to increase, and several  
22 Commissions who are immediately dealing with this issue are  
23 ruling in favor of a higher contingency to cover those types  
24 of uncertainties. We don't generally deal with that in our  
25 estimates. We provide contingencies that deal with the

1 physical process of putting the material in the ground. The  
2 associated delays with bad weather, for example, rainy  
3 weather, prohibits the burial facilities from placing  
4 anything in the ground if there is water in the trenches.

5 We deal with problems of paperwork that doesn't quite  
6 meet the regulations, strikes and delays of that type.  
7 Multiple trucks appearing at the gate at one time requires  
8 that they stay outside the gate until the waste is unloaded,  
9 one truck at a time.

10 It is those kinds of contingencies that we have  
11 estimated, and our estimates done on a line item basis have  
12 indicated an approximately 16 percent average contingency  
13 value -- I'm sorry -- 18 percent contingency value. I have  
14 Diablo Canyon in mind.

15 So Mr. Bridenbaugh is incorrect in his position that  
16 contingency will result in a surplus. He is not being --  
17 there is certainly evidence out there that indicates that  
18 costs for decommissioning are likely to go up because of  
19 increases in the low level waste disposal costs.

20 Q. Mr. LaGuardia, just a point of clarification  
21 with your prior response. I may have misheard you, but I  
22 thought you indicated that the base cost of the low level  
23 radioactive waste disposal was \$305 million. Am I correct  
24 that it is \$305 per cubic foot?

25 A. That's correct, plus the \$100 surcharge in

1 California.

2 Q. Now, two more points, Mr. LaGuardia. Turning to  
3 page 14 of Mr. Bridenbaugh's surrebuttal testimony, here he  
4 discusses a decommissioning study that you performed for the  
5 Seabrook plant and states that the study arrived a per unit  
6 cost for disposal of low level radioactive waste of \$160 per  
7 cubic foot.

8 Did you develop that estimate or was it developed by  
9 Mr. Vance, whose statement Mr. Bridenbaugh attaches as  
10 Exhibit DGB-15?

11 A. I did not develop that cost estimate. As a  
12 matter of fact, the original cost study that we prepared for  
13 Seabrook in draft form has a value closer to \$300 a cubic  
14 foot. The company employed or retained the services of Mr.  
15 Vance to do a so-called independent cost estimate model, and  
16 he came up with the \$160 per cubic foot. We advised the  
17 company, that is North Atlantic Energy Company, that that is  
18 probably on the very low or low side. There is no evidence  
19 to support that. The company directed us to use the \$160  
20 per cubic foot estimate in our cost study, which we did.

21 Subsequent to that in the rate case or in the case  
22 that followed after the hearings with the New Hampshire  
23 Decommissioning Finance Committee, the Finance Committee  
24 determined that that estimate of \$160 per cubic foot was too  
25 low; that they felt a number closer to \$350 per cubic foot

1 was a more appropriate number to use; and our cost estimates  
2 were adjusted to reflect that higher burial cost.

3 Q. Finally, Mr. LaGuardia, if I could refer you to  
4 Mr. Catlin's surrebuttal testimony which has been admitted  
5 as OCA Statement No. 6A, at pages 15 and 16, Mr. Catlin  
6 takes issue with your position that the NRC requires that  
7 nuclear decommissioning trust funds be fully funded at the  
8 time of plant shutdown; and in support of that, Mr. Catlin  
9 refers to a conversation he had with a Mr. Robert Wood of  
10 the NRC and also cites a decommissioning expense claim  
11 apparently presented in a recent proceeding by the Louisiana  
12 Power & Light Company.

13 Have you had an opportunity to review that testimony?

14 A. Yes, I have.

15 Q. And do you have any comments with respect to it?

16 A. Yes, I do. My statement that the earnings  
17 generated during decommissioning periods should not be  
18 recognized is based on current NRC rules requiring the  
19 nuclear decommissioning trust fund to be fully funded at the  
20 time of plant shutdown.

21 I called Robert Wood yesterday morning, with whom  
22 I've spoken on numerous occasions, including the time when I  
23 wrote my rebuttal testimony. He reaffirmed that the current  
24 NRC rules require licensees to fully fund the  
25 decommissioning project at the time of planned shutdown.

1 This is for planned shutdown. Any earnings that would take  
2 place beyond shutdown may only be used to offset increases  
3 in the cost due to inflation. No credit is to be taken for  
4 providing income to making up the base decommissioning cost  
5 dollar value.

6 In the case of -- he indicated further that in the  
7 case of utilities that have shut down prematurely, shut down  
8 their power plants prematurely, the NRC has taken some  
9 exceptions to allow them a mechanism to collect funds at a  
10 faster rate. That is not the case currently with respect to  
11 plants intending a planned decommissioning shutdown at the  
12 end of their useful life.

13 He did indicate that that situation may change in the  
14 future with respect to licensees planning normal  
15 decommissioning, I'll call it. At this point, the  
16 regulations require the fund to be fully funded at the time  
17 of shutdown.

18 Q. With respect to the Louisiana Power & Light  
19 Company case, did you prepare the company's ratemaking claim  
20 in that proceeding or present it?

21 A. Not at all. I did not have any part in that  
22 portion of the testimony. I only sponsored our  
23 decommissioning cost estimates that we did for Louisiana  
24 Power & Light Company for the Waterford Unit 3. In fact, I  
25 prefilled direct testimony. There was no cross-examination

1 for me, so I was not even called to the stand to testify to  
2 any portion of it. So I did not get involved in any other  
3 aspect of that case. I was not even aware if in fact they  
4 have proposed a funding plan recognizing interest during the  
5 period over which decommissioning occurs.

6 I tried to reach our client there this morning.  
7 Unfortunately, they are not open yet, so I wasn't able to  
8 talk to them to confirm that.

9 MR. GADSDEN: Thank you, Mr. LaGuardia. Your Honor,  
10 Mr. LaGuardia is available for cross-examination.

11 JUDGE CHRISTIANSON: Let's be off the record briefly  
12 at least to give people a chance to read their notes, I  
13 guess.

14 (Discussion off the record.)

15 JUDGE CHRISTIANSON: Let's be back on the record.  
16 We've been off the record for a couple of minutes,  
17 and I think we're ready for cross. At this point, we'll  
18 start with Mr. Mickens for Trial Staff. Proceed, counsel.

19 MR. MICKENS: Thank you, Your Honor.

20 CROSS-EXAMINATION

21 BY MR. MICKENS:

22 Q. Good morning, Mr. LaGuardia.

23 A. Good morning, Mr. Mickens.

24 Q. I just have two or three questions for you this  
25 morning. Would you turn to page 13 of your testimony?

1 A. My direct testimony?

2 Q. No, your rebuttal testimony.

3 JUDGE CHRISTIANSON: 13-R.

4 THE WITNESS: 13-R.

5 BY MR. MICKENS:

6 Q. Page 13.

7 A. Thirteen?

8 Q. Yes.

9 A. Bear with me a moment.

10 (Pause.)

11 A. I have 13-R.

12 JUDGE CHRISTIANSON: And page 13. I see Sivulich's  
13 name on line 5.

14 BY MR. MICKENS:

15 Q. Let me make sure you have the right document,  
16 Mr. LaGuardia. I'm talking about your Statement 13-R.

17 A. 13-R I have.

18 Q. Page 13.

19 A. Yes.

20 Q. Lines 15 through 16, roughly. Do you have that?

21 A. Fifteen through 16?

22 Q. Lines 5 through 16.

23 A. Five through 16, yes. Thank you.

24 Q. Here you're talking about the Commission's  
25 decision in the Penn Power proceeding.

1 A. Yes.

2 Q. And that they accepted a 25 percent contingency  
3 in that proceeding. Do you see that?

4 A. Yes.

5 Q. Would you agree with me that the Commission did  
6 not indicate in the Penn Power decision that it was accepted  
7 the 25 percent contingency because it was site specific?

8 A. (No response.)

9 Q. Do you need me to repeat that question?

10 A. No. I'm trying to find my copy of that  
11 decision, if you'll just bear with me a moment. I thought I  
12 brought it with me. I may not have it. Just bear with me a  
13 moment.

14 (Pause.)

15 A. I found it.

16 (Pause.)

17 A. Just bear with me. I'm just getting down to  
18 that portion of the ruling.

19 (Pause.)

20 A. I am not finding a specific reference to  
21 contingency. The Commission, to answer your question, they  
22 did not specifically address the contingency issue. It was  
23 not contested in that case.

24 Q. Okay. My question, Mr. LaGuardia, is simply  
25 this: would you agree with me that the Commission did not

1 indicate in the Penn Power decision that it was accepting  
2 the 25 percent contingency because it was site specific?  
3 That's my question.

4 JUDGE CHRISTIANSON: And if you could answer yes or  
5 no and then explain.

6 THE WITNESS: Yes, that's correct.

7 MR. MICKENS: Thank you.

8 BY MR. MICKENS:

9 Q. Now, if you'd refer to page 15 of your  
10 testimony.

11 A. Yes.

12 Q. Lines 6 through 11.

13 A. Yes.

14 Q. Here you're talking about PP&L's fossil fuel  
15 units and whether or not they can be life extended.

16 A. Yes.

17 Q. Here you indicate beginning at line 8 there, you  
18 indicate that you have serious reservations over how much of  
19 these facilities at these fossil fuel units can in fact  
20 economically be life extended; is that correct?

21 A. That's correct.

22 Q. Now, Mr. LaGuardia, have you performed a study  
23 to determine which of these fossil fuel units and the  
24 facilities which lie there could in fact be economically  
25 life extended?

1 A. I have not.

2 MR. MICKENS: That's all I have for this witness,  
3 Your Honor.

4 JUDGE CHRISTIANSON: Fine. Thank you. Then we can  
5 probably go best with Consumer Advocate. And again, if we  
6 have trouble communicating, we'll just speak up.

7 MS. McCLOSKEY: Thank you, Your Honor.

8 CROSS-EXAMINATION

9 BY MS. McCLOSKEY:

10 Q. Mr. LaGuardia, my name is Tanya McCloskey. I  
11 represent the Office of Consumer Advocate. I'd like to ask  
12 you a few questions first on your rejoinder.

13 You discussed the Shippingport cost and you were  
14 referring to page 8, lines 5 to 15 of Mr. Bridenbaugh's  
15 testimony. Do you have Mr. Bridenbaugh's testimony with  
16 you?

17 A. Yes. I'm there.

18 Q. My first question for you is: do you have a  
19 source or a reference regarding 1982 when DOE added  
20 management costs to the total raising it to \$80 million?

21 A. Are you asking if I have a citation? I couldn't  
22 quite hear you.

23 Q. Yes. Do you have a citation?

24 A. I have no direct citation with me. In my  
25 records back at the office, there may be some reference to

1 an estimate of \$80 million at that time in about 1982. It  
2 goes back now quite a few years, 13 years or so. I may have  
3 a reference for that. I was an integral part of that  
4 program right around that time that these estimates were  
5 being revised to include DOE's management staff costs and  
6 certain anticipated delays in getting the program started.

7 Q. If you return to your office and you can find a  
8 documented reference for that, could you please provide that  
9 to the OCA?

10 A. I will attempt to do that, yes.

11 Q. Also, if you would look at line 13 of Mr.  
12 Bridenbaugh's testimony where he discusses the 5 percent  
13 contingency. I believe in your rejoinder you indicated that  
14 he stated the 5 percent was what was included as a  
15 contingency factor, but there you'll see he said the actual  
16 contingency that was used was 5 percent.

17 I'd just like to clarify that point. In your  
18 rejoinder, were you talking about including a contingency of  
19 only 5 percent or utilizing a contingency of 5 percent?

20 A. What I referred to was the original estimate or  
21 the estimate as prepared prior to work beginning was 23  
22 percent, averaged about 23 percent. He is claiming -- he  
23 somewhere found a value -- or maybe he has not -- of \$11.6  
24 million for contingency. I know of no such reference for  
25 that dollar amount.

1 I was basing the 23 percent contingency percentage  
2 that I referred to on my own firsthand knowledge of how that  
3 estimate was developed.

4 Q. I'm referring to line 13 where he addresses the  
5 amount of contingency that was actually used at Shippingport  
6 as a percentage of the base estimate.

7 A. Yes. I see that line. I don't know how that  
8 estimate was developed. I don't know where he's getting  
9 these numbers from. The reference that he provides, DGB-13,  
10 does not discuss the \$11.6 million. It only gives a total  
11 estimated cost and the reported final cost. It doesn't  
12 mention anything on contingency at all in his reference, so  
13 I don't know whether it is actual or projected or anything.

14 Q. The other question I had for you on your -- I  
15 have two other questions on your rejoinder. You discussed  
16 the California surcharge, and the surcharge amount was \$100  
17 per cubic foot.

18 A. Yes.

19 Q. Is that for out-of-the-compact or out-of-state  
20 waste disposal?

21 A. In compact. It's an additional surcharge that  
22 California chooses to charge to generators within the  
23 compact. Now, this is an estimate at this time. It could  
24 go higher. It could go lower.

25 Coincidentally, South Carolina, the host state for

1 the Barnwell burial facility, which has been closed, is now  
2 considering reopening Barnwell. The Governor has been  
3 trying, Governor Beasley has been trying to reopen that  
4 facility to charge generators from out-of-compact states  
5 \$235 a cubic foot, of which \$200 is a South Carolina  
6 surcharge. \$200 per cubic foot is a surcharge.

7 So the surcharges seem to be a practice that states  
8 are likely to impose as an additional inducement for them to  
9 host these burial facilities. Again, these are estimates.  
10 It certainly indicates that the burial costs are going up,  
11 not going down; and one should not be conservative or I  
12 should say one should not try to fine-tune the estimates of  
13 burial on the low side.

14 JUDGE CHRISTIANSON: Again, just for the witness, I'd  
15 ask you not to try to volunteer too much. We might get a  
16 little lengthy if we get into too much deal. Go ahead,  
17 counsel.

18 BY MS. McCLOSKEY:

19 Q. Now, also, you responded to Mr. Catlin's  
20 surrebuttal on the funding at the time of plant shutdown.  
21 Am I correct that the NRC regulations require the full  
22 funding for the radiological portion of the decommissioning  
23 at the time plant shutdown?

24 A. That's correct.

25 Q. I'm sorry. One other question on your

1 rejoinder. You had discussed structures, certain basic  
2 structures that were not removed in your study.

3 A. Yes.

4 Q. But am I correct that you did in your study  
5 remove the warehouses?

6 A. Yes, I believe so. Yes, I'm certain of that.

7 Q. Now, I'd like to refer to your Statement 13-R,  
8 and if you could turn to page 3, lines 13 to 15.

9 A. Just a moment.

10 (Pause.)

11 A. What page was that?

12 Q. Page 3, lines 13 to 15.

13 A. Yes.

14 Q. Could you identify for us the instances where  
15 the NRC dictated site restoration activities?

16 A. Yes, I can; at the David Besse nuclear plant  
17 Unit 2. It was a cancelled nuclear power plant. The Atomic  
18 Safety and Licensing Board, which is a division of the  
19 Nuclear Regulatory Commission, required the demolition of  
20 the partially constructed portions of that plant.

21 In addition, at the River Bend Unit 2, another  
22 cancelled nuclear unit, the same requirement was imposed to  
23 dismantle the partially constructed portions of that plant.  
24 And again, at North Anna Units 3 and 4, the NRC Atomic  
25 Safety and Licensing Board required demolition of those

1 portions of the plant that were built in anticipation of the  
2 next unit.

3 Q. Okay. And all of these involved cancellation of  
4 a second or, in North Anna, a third and fourth unit at  
5 multiple-unit sites; is that correct?

6 A. That's correct, to return the site to a pre-  
7 construction condition.

8 Q. For the second unit or the unit that was being  
9 cancelled?

10 A. For the second unit that was cancelled, yes.

11 Q. Now, if you could turn to page 7 of your  
12 testimony, lines 9 to 11.

13 A. Yes.

14 Q. You discuss the possibility that additional  
15 costs may be required to remediate and dispose of  
16 contamination located beyond the primary design boundaries  
17 in decommissioning projects.

18 Was that a problem or a requirement at either the  
19 Pathfinder or the Shoreham decommissioning projects that  
20 you've mentioned?

21 A. Pathfinder, at the time we did the estimates,  
22 Pathfinder had been shut down for approximately ten years.  
23 There was no change that we would anticipate to occur during  
24 that period long after shutdown.

25 In the case of Shoreham, the Shoreham nuclear plant,

1 it had already been shut down at the time we did the  
2 estimate in the same manner, so we were quite sure of the  
3 levels of contamination and the extensive contamination that  
4 existed in all of the systems; and in fact, we directed Long  
5 Island Lighting Company, the operator of that facility, to  
6 do a very detailed site characterization program to estimate  
7 the amount of radioactivity and its location prior to our  
8 developing the estimate so that we would be very sure of  
9 that level of contamination; and our contingency values that  
10 we applied therefore to that were reduced accordingly.

11 However, in a plant that is still in operation, the  
12 radioactivity levels could change over the remaining years  
13 of operation and of its life and could increase, most likely  
14 increase, the levels we would have to deal with at the end  
15 of useful life and therefore add more material that would  
16 have to be disposed of in a controlled burial manner.

17 Q. Mr. LaGuardia, if there is widespread  
18 contamination remediation required, would that not be  
19 considered the result of something other than what would be  
20 expected at a normal nuclear site?

21 A. I'm sorry. Would you repeat the first part of  
22 your question?

23 Q. Sure. If there is widespread contamination  
24 remediation required, would that not be considered the  
25 result of something other than what would be expected at a

1 normal nuclear site?

2 A. All contamination that exceeds the NRC  
3 acceptable levels would have to be removed. At this point,  
4 for plants like Susquehanna and all the studies we've done  
5 where the plants are still under operation, we are basing  
6 our decommissioning costs and disposal costs on currently  
7 known and reasonably projected levels of contamination that  
8 will exist at the end of the useful life of the plant.

9 Q. Mr. LaGuardia, that wasn't my question.

10 A. I'm sorry.

11 JUDGE CHRISTIANSON: I think you might have responded  
12 -- let me try the question. If there is some extraordinary  
13 spill or something unusual like that, how would you treat  
14 that?

15 THE WITNESS: At the end of the useful life of the  
16 plant, we would identify those spills and add to them. At  
17 this point, we don't know what spills there would be, and  
18 that's part of where the contingency comes into play, to  
19 account for I'll call them normal or I'll call them routine  
20 spills, not a major accident, for example, somewhat  
21 comparable to the TMI facility. But for normal spills that  
22 do occur in routine operation, the contingency values would  
23 account for small spills of that nature.

24 If it was a very large spill, a major flooding of a  
25 building for some reason, and it has not happened at this

1 time or up to this point, that would either be an out of  
2 scope, if it was large enough, or if it was small, we would  
3 consider it part of the contingency.

4 JUDGE CHRISTIANSON: Again, I appreciate the answer.  
5 Try to curtail your answers somewhat, because counsel is  
6 trying to direct you to the question.

7 THE WITNESS: Yes. Thank you.

8 BY MS. McCLOSKEY:

9 Q. The question then is: if you had to deal with a  
10 widespread spill, would that not be considered an unusual  
11 decommissioning activity?

12 A. Yes. For example, if that spill were in soil,  
13 that would represent an unusual situation which would have  
14 to be reevaluated at that time.

15 Q. Now, if you could turn to page 7 -- I guess  
16 we're on page 7 -- lines 12 to 17 of your testimony, you  
17 talk about the potentially more restrictive release criteria  
18 that the NRC has been considering.

19 Isn't it true, Mr. LaGuardia, that this same proposed  
20 regulation also allows for the termination of a license with  
21 restricted use?

22 A. Yes, under very, very limited and well-defined  
23 conditions. The NRC has allowed, where there is a situation  
24 where an existing power plant is on a multiple-unit site,  
25 for example, where there may be existing fossil plants on

1 the same site, where the fossil plants are expected to  
2 continue operation for a longer period of time, there may be  
3 a justification for restricted site release.

4 Q. Are you referring to the proposed regulation or  
5 existing practice?

6 A. Proposed regulation.

7 Q. Thank you. Now, at page 8 of your testimony,  
8 lines 8 to 9, you indicate that the Appalachian Compact is  
9 considering the exclusion of Class C waste for regional  
10 disposal.

11 Do you know if this decision has yet been made by the  
12 compact?

13 A. To my knowledge, no decision has been made on  
14 that issue yet.

15 Q. And then on page 9 of your testimony, lines 17  
16 to 20, you cite an estimate by U.S. Ecology of \$403 per  
17 cubic foot for the Central States Compact facility.

18 What is the source of your information for that?

19 A. We have contacted -- I am not exactly certain  
20 whether we have gotten a letter from the compact or from the  
21 utility in that area for which we are doing a study, but I  
22 know from the value it was a current estimate that we  
23 received for that site.

24 Q. And could you please provide the letter that you  
25 received that embodies that estimate?

1 A. Yes, I'll request that.

2 Q. In conjunction with that estimate, do you know  
3 the volume of waste that the estimate covers?

4 A. I don't have that with me right now. I will try  
5 to find that out.

6 JUDGE CHRISTIANSON: And again, this is a data  
7 request, and counsel know what that means, basically.

8 MS. McCLOSKEY: Yes.

9 BY MS. McCLOSKEY:

10 Q. At the bottom of page 12 of your testimony and I  
11 believe in rejoinder you also stated that you expect nuclear  
12 decommissioning costs will continue to escalate at rates in  
13 excess of general inflation.

14 What number are you assuming for the rate of general  
15 inflation?

16 A. I have not assumed any specific number, but  
17 historically, in the last few years, nuclear decommissioning  
18 costs have increased at rates faster than the reported  
19 general inflation rate either using a CPI or any other  
20 indices that are out there.

21 Q. And what would you say has been the major source  
22 of this historical escalation; the waste disposal costs?

23 A. The major portion is related to burial costs,  
24 for the most part, and inflationary factors as well; labor,  
25 equipment, materials and such, energy.

1 Q. In your cost estimate, is it not true that  
2 you've assumed certain changes in technology that would  
3 result in lower radioactive waste volumes?

4 A. Would you repeat the question? I'm sorry.

5 Q. Sure. In your cost estimate, is it not true  
6 that you've assumed certain changes in technology that would  
7 result in lower radioactive waste volumes?

8 A. Yes, we have. We've taken into account the  
9 current practice of recycling radioactive materials through  
10 recycling centers. There are about four of them in  
11 operation across the United States, and they have  
12 demonstrated the ability to reduce the waste volumes by  
13 approximately 50 percent overall for the materials that are  
14 sent to them. They are able to achieve reductions of 70 to  
15 90 percent of the materials. Other materials are not  
16 suitable for recycling and decontamination for free release.  
17 So we have taken into account those types of technologies  
18 that are demonstrated to be productive and cost-effective.

19 Q. Just so I understand then, you're saying you  
20 have assumed other changes in technology that would have an  
21 effect on your cost estimate and have included them within  
22 your cost estimating process?

23 A. Yes, where those technologies have been  
24 demonstrated, yes.

25 MS. McCLOSKEY: Thank you very much, Mr. LaGuardia.

1 I have no other questions.

2 THE WITNESS: Thank you.

3 JUDGE CHRISTIANSON: Okay. Let me check now who else  
4 has questions; and for that, let's be off the record briefly  
5 so we can all relax a little bit.

6 (Discussion off the record.)

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

8 Mr. LaGuardia, are you still there?

9 THE WITNESS: Yes, I'm here.

10 JUDGE CHRISTIANSON: Mr. Epstein will probably be  
11 standing very close to the speaker, so you'll be able to  
12 hear each other quite well. And we'll just go ahead with  
13 the cross-examination.

14 THE WITNESS: Fine.

15 CROSS-EXAMINATION

16 BY MR. EPSTEIN:

17 Q. Mr. LaGuardia, how are you doing today?

18 A. Very well, thank you. I hear you very well.

19 Q. That's good. The Flyers won last night, so I'm  
20 ecstatic. I hope you're not a Ranger fan.

21 A. No, I'm afraid I'm not.

22 Q. I'm representing myself. I wanted to follow up  
23 on a couple questions that were asked by OTS and OCA and  
24 even some of your rejoinder.

25 If I understood you correctly, you said the steam

1 generator that was removed at Yankee Rowe, and I quote, "was  
2 performed under NRC regulations."

3 A. That's correct.

4 Q. Are you familiar with Dr. Michael Masnik?

5 A. No, I'm not.

6 Q. Dr. Masnik is a Senior Project Manager, Non-  
7 Power Reactors and Decommissioning Project Directorate,  
8 Division of Plant Support, Office of Nuclear Reactor  
9 Regulation, NRC, Bethesda.

10 Subject to check, would you take my word on that?

11 A. Yes.

12 Q. I talked to Mr. Masnik about the removal of the  
13 steam generator, and this was his response: "The problem is  
14 that we allow the operator to remove the steam generator  
15 without approval."

16 It doesn't seem to jive with your assertion that it  
17 was performed under NRC regulations. Can you respond to  
18 that?

19 A. Yes. All of the work that was performed by  
20 Yankee was done in accordance with existing NRC regulations  
21 for control of radioactivity, control of exposures to  
22 workers and the public, meeting all NRC regulations for  
23 transportation of waste in containers and shipping and  
24 disposal of the waste.

25 The only area that Yankee pursued, was leader, if you

1 will, in the industry, was performing this work for  
2 decommissioning under a 50.59 review, a 10 CFR 50.59 review.  
3 Up to this point, the NRC typically required approval of all  
4 work before work could begin.

5 Yankee chose to perform this work under the 50.59  
6 review because other licensees such as Surrey and North Anna  
7 and Wisconsin Electric Service and so on had changed out  
8 their steam generators, removed old ones and installed new  
9 ones under the same 50.59 review; and in Yankee's eyes, this  
10 represented the same amount of work and the same types of  
11 work and could be performed except they were not going to  
12 install new ones. So they performed this work under the  
13 existing NRC regulations which permit such activities to go  
14 on.

15 Q. But they didn't have any formal approval for the  
16 NRC for this specific component removal?

17 A. That's correct, at that time. They didn't have  
18 the decommissioning plan approved at that time. The NRC was  
19 fully aware that Yankee was performing this work and had no  
20 basis for stopping them from doing this work and still don't  
21 have a basis for stopping them from doing this kind of work.

22 Q. Well, that's interesting, because due to that  
23 activity, I think Trojan has been prohibited from removing  
24 their steam generators.

25 A. That's not correct. As a matter of fact, this

1 week I have my team out there. We have the contract, the  
2 overall contract to remove those steam generators, although  
3 the lifting, the heavy lifting is being done by another  
4 contractor. We are the prime contractor for removing those  
5 steam generators. There are being cut from the existing  
6 systems, the reactor vessel systems. My team is welding  
7 plates on the penetrations this week and for the next three  
8 weeks; and in August, we will be grouting the steam  
9 generators, filling them with concrete so they can be  
10 shipped in September through the end of the year; and the  
11 NRC is fully cognizant of that activity.

12 Q. That's interesting, because when I recently  
13 talked to Dr. Masnik, he said, "Now we're telling them" --  
14 and that's Trojan -- "they can't do it. Moving a 320-ton  
15 steam generator within ten feet of the fuel pool is  
16 foolish." So obviously, since you're out there doing it,  
17 it looks like you're proceeding, and I'll pursue that issue  
18 with Dr. Masnik.

19 I have a question concerning Shoreham. That operated  
20 for two full power days; is that not correct?

21 A. That's correct.

22 Q. Decommissioning cost was -- what was the final  
23 bill for decommissioning that facility?

24 A. The activities, meaning the removal of  
25 radioactive material activities, our estimate was

1 \$186 million. The final cost for that work, the same work,  
2 was \$182 million.

3 Q. Based on your study of Susquehanna, how many  
4 days would Susquehanna be in operation prior to  
5 decommissioning?

6 A. Approximately, 40 years of days of operation. I  
7 don't know how many that is. I can count that if you want  
8 to know.

9 JUDGE CHRISTIANSON: We can do the arithmetic. Much  
10 longer, obviously.

11 BY MR. EPSTEIN:

12 Q. I just wanted to follow up on a question on  
13 California. You used the term "burial." Do you mean  
14 literally to bury low level radioactive waste when it is  
15 taken from the sites, whether it is Rancho Seco, San Onofre,  
16 Diablo Canyon, Humbolt, whatever?

17 A. Yes. The term is used loosely depending on the  
18 specific facility that is designed. I believe in Ward  
19 Valley they will be locating the waste in sub-grade  
20 trenches. I'm trying to recall if they're requiring a  
21 concrete liner to be placed down in the trenches. I'm not  
22 certain of that right at the moment, but the term "burial"  
23 is to include both entombment vaults, if you will, concrete  
24 vaults, as well as direct land burial as they do at Barnwell  
25 and at U.S. Ecology in Richland, Washington. They

1 physically place it in the earth on the bottom of the trench  
2 and cover it with soil on top.

3 Q. Well, that was a practice that caused problems  
4 at Ward Valley and Sellfield, et cetera, which I'm sure  
5 you're aware of. In Pennsylvania, it will not be buried,  
6 will it?

7 A. They will use sub-grade vaults, concrete vaults.  
8 That's my understanding.

9 Q. It will above grade.

10 A. Okay. I'll accept your answer subject to check.

11 Q. Thank you. One final question as I'm reviewing.  
12 Actually, two. One was -- and let me know if I'm quoting  
13 you correctly. My shorthand is not so good. In fact, I  
14 don't have shorthand. Apparently, you said, and I quote,  
15 "Fully funded decommissioning fund at the end of a plant  
16 shutdown."

17 In other words, you have to have the money available  
18 when the plant is shut down to fully fund the  
19 decommissioning, at least a radiological decommissioning; is  
20 that correct?

21 A. That's correct.

22 Q. Are you aware in the case of Three Mile Island  
23 Unite 2 that there were zero dollars in the decommissioning  
24 fund at the time of the accident?

25 A. That's correct. And at the time of the

1 accident, there were no plans to decommission the facility.

2 Q. That's right. In fact, at the time of the  
3 accident, there wasn't decommissioning funding stipulated in  
4 the Commonwealth of Pennsylvania.

5 I have a question for you also. I want to make sure  
6 that I'm correct on this. You said radioactive levels could  
7 change during the operating life of a plant. So that I  
8 understand you, do you mean that the longer a plant  
9 operates, the more chance there is for increased radiation  
10 levels at the facility?

11 A. Radiation levels within the reactor vessel and  
12 its internals increase logarithmically over years of  
13 operation. It reaches an equilibrium value or approaches an  
14 equilibrium value after about 10 to 15 years and increases  
15 at a slower rate the longer it operates. We have that well  
16 defined.

17 Q. Also in response to Ms. McCloskey, you mentioned  
18 I think you claim your decontamination and decommissioning  
19 on NRC levels.

20 Are you aware that the levels for decommissioning and  
21 decontamination are different for the NRC and the  
22 Environmental Protection Agency?

23 A. The EPA has proposed different levels. These  
24 have not been adopted. And the NRC has proposed levels that  
25 have not been adopted. They are trying to work out an

1 agreement between the NRC and EPA to bring these proposed  
2 levels more in a line with each other. I'll use that term  
3 loosely at this point.

4 Q. Okay. But my question was: right now, EPA and  
5 NRC regulations do not dovetail; they're separate?

6 A. The proposed regulations are not the same.

7 JUDGE CHRISTIANSON: Let me follow up on that. At  
8 the federal level, who is in charge? Is one agency dominant  
9 over the other?

10 THE WITNESS: At this point, the NRC has the  
11 authority to implement its currently enforced regulations.  
12 My understanding is that the intent is to have the EPA set  
13 the guidelines and NRC to enforce them.

14 Because the EPA has been tardy in coming up with  
15 guidelines, the NRC imposed or proposed their own guidelines  
16 and are currently offering them as a criteria to be used for  
17 decommissioning. Work has to be done on this to resolve  
18 these issues.

19 BY MR. EPSTEIN:

20 Q. Right. It has not been reconciled yet.

21 A. Correct.

22 Q. So there will be different standards from the  
23 EPA and NRC?

24 A. There could be.

25 Q. Yes, there could be.

1 I have a couple questions for you. We're on I think  
2 it's 13-R, page 5, lines 18 to 22. I'll give you a few  
3 moments to get there.

4 A. What page?

5 Q. Page 5.

6 A. Of my testimony?

7 Q. Yes. I'm on lines 18 to 22, "By the way of  
8 amplification, I believe that TLG's experience as the  
9 largest subcontractor..." Do you follow me?

10 A. Yes.

11 Q. Now, you then go on to say that it's "a unique  
12 opportunity to test and confirm the reasonableness of our  
13 cost estimating methodology, including the use of  
14 contingency factors."

15 Now, that statement, I presume, is based on empirical  
16 data and not a set of beliefs; is that correct?

17 A. Not a set of what?

18 Q. Set of beliefs?

19 A. That's correct. It's on our actual performance  
20 on the project.

21 Q. Could you explain the term "reasonableness"?

22 A. Yes. We performed that work on a fixed price  
23 basis, and that represented about \$8.2 million worth of  
24 physical plant disassembly and removal work. We used the  
25 same estimating tools, the same estimating approach that we

1 have used for Susquehanna, and we built into it the  
2 appropriate contingency for Shippingport and our overhead  
3 and profit costs as well. In fact, we performed that work  
4 within our fixed price scope of work, within budget and  
5 within schedule, which is an indicator of the reasonableness  
6 of our ability to estimate such types of decommissioning  
7 activities.

8 Q. That's a good advertisement. We're going to get  
9 to that issue in just a moment. The point is that  
10 Shippingport is approximately 72 megawatts, and Susquehanna  
11 is going to operate substantially longer and is a bigger  
12 facility; is that not correct?

13 A. That's correct, but it's not relevant insofar as  
14 the physical processes are the same; removing pipe, removing  
15 pumps, removing tanks and heat exchanges, all the same  
16 things we did at Shippingport. If they are contaminated,  
17 they need to be treated in the same manner whether they are  
18 a thousand megawatt plant or a 70 megawatt plant.

19 Q. Do you think that you could take the reactor  
20 vessel from Susquehanna and put it on a barge down the  
21 Susquehanna river?

22 MR. GADSDEN: I think that question was asked the  
23 first time Mr. LaGuardia was cross-examined, Your Honor. We  
24 have a lot of people in the hearing room who are waiting to  
25 get onto the rate structure part of the case. Maybe we can

1 expedite the cross-examination.

2 JUDGE CHRISTIANSON: Yes. I think we're doing fairly  
3 well. I think the basic point is a basic point of scaling.

4 Let me ask the question. Can you scale up the  
5 Shippingport accurately do you think?

6 THE WITNESS: I did not propose that nor did I ever  
7 state that. In fact, the Susquehanna vessel cannot be  
8 picked up and shipped down the river as was done for  
9 Shippingport.

10 What is important is that our estimating tools can  
11 account for those differences and address them on a site-  
12 specific basis; and as demonstrated by Shoreham and by  
13 Yankee, we can account for plants that have operated for a  
14 short period of time and a long period of time, a large  
15 plant and small plant. That's the basis for my statement of  
16 demonstrating the reasonableness of our estimating tools.

17 JUDGE CHRISTIANSON: Can you agree it is almost like  
18 a pilot plant, though, with respect to the Berwick plant?

19 THE WITNESS: To be sure, it was a smaller plant,  
20 yes.

21 JUDGE CHRISTIANSON: That's enough for me. Go ahead.

22 MR. EPSTEIN: I'm trying to expedite here.

23 BY MR. EPSTEIN:

24 Q. I'm on page 6, lines 1 to 2, where you said that  
25 your work there at Shippingport was competitively bid. How

1 many other people bid for the work that was awarded to TLG?

2 A. At various times, there were as many as 20  
3 contractors.

4 Q. Let me understand you correctly then. So there  
5 were different bids for different tasks?

6 A. That's correct.

7 Q. So you did not bid against 20 entities for every  
8 individual task?

9 A. I believe on the project we bid, which was  
10 removal of piping and components, there were approximately  
11 14 other bidders on that particular procurement. We did  
12 not, for example, bid on the removal of the reactor vessel  
13 and internals. As much as I wanted to, our subcontractor,  
14 the heavy rigger, could not get his proposal to us in time  
15 to meet the bid date, so we had to pass on that bidding  
16 opportunity.

17 Q. Have you ever run over budget on a  
18 decommissioning project?

19 A. Overall, no. Otherwise, frankly, I would be out  
20 of business.

21 Q. How do you square this with your comment on page  
22 12, lines 21 through 22, where you say, "Indeed, I fully  
23 expect that nuclear decommissioning costs will continue to  
24 escalate at rates in excess of general inflation"?

25 A. That's correct. We will account for inflation

1 as it occurs in our estimates and provide those costs in  
2 current dollars to the utilities, our clients, and they will  
3 provide escalating factors for costs that occur in the  
4 future. I don't see any conflict there.

5 Q. Well, the only conflict I have is as you  
6 contract with different clients, it's likely that those  
7 clients will have had no decommissioning experience.

8 A. They will have updated their cost estimates  
9 periodically, as is required in almost every jurisdiction.

10 Q. Right; but there is a difference between  
11 economics and technology, and I don't want to banter back  
12 and forth. I think we had this disagreement before.

13 I was wondering if you could explain the unique  
14 status of Shippingport in terms of its reactor core when it  
15 was decommissioned.

16 A. Unique in what respect?

17 Q. Well, it was not as highly radioactive, and I  
18 think you had more than one core there, didn't you?

19 A. There were several cores at Shippingport  
20 starting out as a pressurized water reactor and later being  
21 converted to a light water breeder reactor.

22 We accounted for all of its core history to develop  
23 the radioactive curie inventory at Shippingport as we have  
24 done with Susquehanna projected to its end of life.

25 Q. But it's unlikely that Susquehanna will have

1 gone through several cores by the time it is decommissioned.

2 A. Unlikely?

3 Q. Yes.

4 A. It goes through a third of a core every 18  
5 months, I believe, or every 24 months.

6 Q. It's every 24 months. I think it used to be 12,  
7 then 18, and 24. I think it's 24.

8 You're talking about refueling?

9 A. Of course.

10 JUDGE CHRISTIANSON: I think it's a semantic  
11 difference.

12 MR. EPSTEIN: Okay. I won't pursue it. I'm  
13 sympathetic to other people who have questions.

14 JUDGE CHRISTIANSON: Let's be off the record for just  
15 a moment.

16 (Discussion off the record.)

17 JUDGE CHRISTIANSON: Let's be back on.

18 We've been off. We don't have to repeat what was  
19 said off the record. It is not for the record; just some  
20 banter, really.

21 Then let's go ahead.

22 MR. EPSTEIN: I'm about halfway through, and I think  
23 we can come in at 11:30.

24 JUDGE CHRISTIANSON: Sure.

25

1 BY MR. EPSTEIN:

2 Q. On page 6, lines 9 through 11, you talked about  
3 the accuracy of TLG's estimates and decommissioning  
4 activities at Yankee Rowe, Shoreham, Pathfinder and Rancho  
5 Seco.

6 I don't think Yankee Rowe and Rancho Seco have yet to  
7 be decommissioned; is that correct?

8 A. Yankee Rowe is in the process of decommissioning  
9 right now. They have removed four steam generators and the  
10 pressurizer. The steam generators weigh about 260 tons  
11 apiece. The pressurizer weighs about 60 tons, I believe, or  
12 weighed. It's gone. And the reactor vessel internals have  
13 been removed completely.

14 They are in the process of planning the remaining  
15 dismantling of all the facilities on site. We have been  
16 working with them on that part of the estimate to complete  
17 that portion of the work.

18 Q. I understand. I'd like to abbreviate time here,  
19 but my question was -- I think it's a yes or no. Yankee  
20 Rowe and Rancho Seco have not been completely decommissioned  
21 right now?

22 A. Not completely, correct.

23 Q. Okay. You're aware -- it seems like you're up  
24 on current events at the South Carolina Senate and Governor  
25 David Beasley. Those two entities have approved reopening

1 Barnwell to out-of-state sources for up to seven to ten  
2 years; is that correct?

3 A. I believe it's up to seven to ten years, yes.

4 Q. The House is due to vote on that next month.  
5 Wouldn't it be prudent to revise your projections of low  
6 level radioactive waste disposal at Susquehanna in light of  
7 this development?

8 A. If and when that is approved by the House, that  
9 is something to be looked at. That could be looked at.

10 Q. Page 8, lines 1 through 2, I just need a  
11 clarification, Mr. LaGuardia. You mention a DOE repository.  
12 Are you referring to Yucca Mountain or are you referring to  
13 a monitored retrievable storage site?

14 A. In the long-term, I was referring to Yucca  
15 Mountain. It may have to go to a monitored retrievable  
16 storage facility in the short-term.

17 Q. Are you aware that the earliest date Yucca  
18 Mountain would open would be 2001?

19 A. I've heard that, yes.

20 Q. Are you aware that if the site were available  
21 today, there is enough radioactive waste to fill it up?

22 A. I'm not aware of that.

23 Q. Subject to check, because this is important,  
24 what I'm trying to get at is even if Yucca Mountain was  
25 built today and Susquehanna continued to generate high level

1 nuclear waste, chances are and there is a good likelihood  
2 that there would be another facility that would need to be  
3 built to accommodate the additional nuclear waste; would  
4 you agree with that?

5 MR. GADSDEN: Well, I object to the subject to check  
6 unless Mr. Epstein was going to tell us where Mr. LaGuardia  
7 can go to check it.

8 MR. EPSTEIN: In fact, I'll provide that later this  
9 afternoon. This is not a problem at all.

10 BY MR. EPSTEIN:

11 Q. Subject to check?

12 JUDGE CHRISTIANSON: Well, let's check with the  
13 witness. Can you agree with that statement that it would  
14 fill up and we'd need another disposal or whatever you call  
15 it, storage site I guess you'd call it?

16 THE WITNESS: My understanding is that Yucca Mountain  
17 -- I cannot agree with the statement. It is my  
18 understanding that Yucca Mountain has sufficient capacity or  
19 will have sufficient capacity at the end of its construction  
20 phase to handle all of the nuclear waste that is being  
21 generated at the existing power plants today.

22 BY MR. EPSTEIN:

23 Q. To the end of their operating lives?

24 A. That's my understanding.

25 MR. EPSTEIN: Okay. I would like to bring

1 information that would contradict that.

2 MR. GADSDEN: We can deal with that at that time,  
3 Your Honor.

4 JUDGE CHRISTIANSON: Yes. We'll worry about that.  
5 And -- that's enough said.

6 MR. EPSTEIN: Okay, yes. Let's not pursue it. A  
7 couple other questions.

8 BY MR. EPSTEIN:

9 Q. On page 8, lines 11 through 13 when you mention  
10 exporting waste from the compact, if permitted by both the  
11 originating and receiving states, could increase the  
12 currently projected costs of disposal, I'm wondering --  
13 and this is just your opinion -- do you honestly believe  
14 another compact would negotiate to accept radioactive  
15 waste?

16 A. Certainly. As a matter of fact, the Richland  
17 facility in Washington has offered to make its facilities  
18 available to out-of-compact users. The problem is right now  
19 users like Rancho Seco, which is in the State of California,  
20 is currently prohibited by the State of California from  
21 exporting waste, because they want to make sure the waste  
22 will go to Ward Valley to help offset the cost of  
23 construction of the Ward Valley facility. But other  
24 compacts have expressed interest in accepting waste from  
25 out-of-compacts, and that's what Barnwell is offering to do

1 right now.

2 Q. Okay. What I'm talking about is the Appalachian  
3 Compact in specific; and if you're familiar with the  
4 legislation, we cannot accept waste out of state unless it's  
5 an emergency. Are you aware of that?

6 A. I'm not aware of that.

7 Q. I'd also like to point out to you on page 8,  
8 lines 7 through 13 where you said you weren't sure whether  
9 the compact was going to accept "C" level waste -- is that  
10 correct?

11 A. That's correct.

12 Q. Are you aware that the DER reported to the  
13 Appalachian Compact users of radioactive isotopes, of which  
14 PP&L is represented on the board, they reported to their  
15 Technical Advisory Committee in the fall of '94 they will  
16 accept Class C waste? Were you aware of that decision?

17 A. I'm not aware of that decision. We were aware  
18 of the consideration of including it or excluding it.

19 Q. When you talk about Class C waste, are you also  
20 including mixed waste?

21 A. No. We assume there is no mixed waste. We have  
22 not accounted for the disposal of mixed waste. It is our  
23 understanding that all of the operating power plants,  
24 including Susquehanna, are attempting to dispose of  
25 radioactive mixed waste or prohibit their generation over

1 the remaining lives of the plant. So there should be none  
2 available or a very, very small quantity available.

3 Q. That's all, yes. I just wanted to clarify what  
4 you were referring to.

5 You've talked about the reduction of radioactive  
6 waste. I believe it was 50 percent in the last ten years.  
7 When you make that assertion, are you assuming that the  
8 recyclers, people like SEG, will not increase their unit  
9 cost?

10 A. Let me clarify two statements you made. One, I  
11 did not say over the last ten years. I said over recent  
12 years, we have included the ability to recycle some of these  
13 wastes at recycling centers like SEG. Their costs have  
14 increased over the years as well, but they are still a lower  
15 cost alternative for reducing the volumes of material, a 50  
16 percent reduction in volume from what we were estimating  
17 earlier that might have to be disposed of by direct land  
18 burial.

19 Q. Okay. But in other words, their costs are  
20 raising, just not as quickly as low level radioactive waste  
21 sites?

22 A. That's correct.

23 Q. Okay. I just needed to clarify that with you.

24 I just wanted to point out that you said on page 8,  
25 lines 21 through 22, decommissioning volumes have also

1 decreased and then, parenthetically, approximately 50  
2 percent in the past ten years. You seemed to back away from  
3 that ten-year period.

4 A. The ten years is just a comparison back to ten  
5 years when we were doing some of these studies. More  
6 recently, we started to apply the 50 percent reduction  
7 factor since 1991 or 1992, I believe. But relative to  
8 studies we've done over the past ten years, we're seeing a  
9 50 percent reduction from those earlier estimates.

10 Q. Okay. We're down to the last couple questions.  
11 I believe you asserted in your rebuttal testimony that the  
12 SAFSTOR option consistently generates a higher estimate than  
13 DECON.

14 Now, I think you're talking about funding-wise that  
15 the SAFSTOR is generally more expensive than the DECON  
16 option; is that correct?

17 A. We do our estimates on a current basis, and on a  
18 current basis, the SAFSTOR option is much more expensive.

19 Q. Did you conduct a SAFSTOR study for Susquehanna?

20 A. Bear with me.

21 (Pause.)

22 A. Yes, we did. It took me a while to answer that,  
23 because I still have Diablo Canyon in my head.

24 Q. I've been out to Diablo Canyon, too. I have  
25 some concerns about a plant built near an earthquake fault.

1           On page 11, lines 17 through 19 -- and these are the  
2 final two questions -- on SAFSTOR and low level radioactive  
3 waste, I just want to read from you. I just want to make  
4 sure your quotes are accurate. "While the activity  
5 declines, there is no reduction in waste volume over the  
6 time span as implied by Mr. Bridenbaugh."

7           And then I believe on page 12, lines 10 through 13,  
8 you said, "Decontamination, shielding and administrative  
9 controls can be used in the DECON alternative to effectively  
10 control and minimize worker exposure such that the  
11 differential between a prompt and deferred alternative can  
12 be considerably narrowed."

13           I presume you still stand by those comments?

14           A. Yes, I do.

15           Q. Since I am not Dionne Warwick and I cannot  
16 telepathically communicate to you a document I'm going to  
17 refer to, I'm wondering if it would be okay with counsel to  
18 provide you with a document that you could follow along.

19           MR. GADSDEN: That depends on what the document is.

20           MR. EPSTEIN: Your Honor, I made an extra copy for  
21 you.

22           (Document handed to Judge Christianson and PP&L  
23 Counsel.)

24           MR. GADSDEN: You can ask Mr. LaGuardia whether he is  
25 familiar with this document.

1 MR. EPSTEIN: That's exactly what I'm going to do.

2 MR. GADSDEN: If he's not familiar with the document,  
3 then I don't see any purpose in cross-examining with respect  
4 to it.

5 MR. EPSTEIN: Well, that would be interesting if he's  
6 not familiar with this document.

7 BY MR. EPSTEIN:

8 Q. Mr. LaGuardia, are you familiar with a document  
9 -- it's a rulemaking issue. It's from the Nuclear  
10 Regulatory Commission. It was issued July 7, 1994 --  
11 "Notice of Proposed Rulemaking on Decommissioning of Nuclear  
12 Power Reactors"?

13 A. Is there a number reference?

14 Q. Yes. Do you want the secy?

15 A. Secy, yes.

16 Q. 94-179.

17 A. I believe I recall seeing that.

18 MR. EPSTEIN: Counsel, is that suitable?

19 MR. GADSDEN: The fact that he's aware of it is one  
20 thing. The fact that you're going to ask him questions with  
21 respect to a document which is 14 or 15 pages long and he  
22 doesn't have it is another. Let's try, and if Mr. LaGuardia  
23 has problems, we can deal with it accordingly.

24 JUDGE CHRISTIANSON: We might have to discontinue.

25 MR. EPSTEIN: We will turn to page 10.

1 BY MR. EPSTEIN:

2 Q. Mr. LaGuardia, I just want to read you something  
3 from that document.

4 MR. EPSTEIN: And to make it easy for you, Tom, I put  
5 a little sticky on there right where you're supposed to pick  
6 up. It's on the house.

7 MR. GADSDEN: I'll treasure it.

8 MR. EPSTEIN: Well, I'm sure you will.

9 BY MR. EPSTEIN:

10 Q. I'll quote -- and this is a conclusion that the  
11 NRC staff drew -- "Although the Generic Environmental Impact  
12 Statement (GEIS) accompanying the decommissioning in 1988,  
13 NUREG-0586, concluded that both DECON and SAFSTOR were  
14 acceptable decommissioning alternatives, the GEIS did note  
15 that occupational exposures and waste volumes for SAFSTOR  
16 were less than DECON."

17 Would you agree with that?

18 A. Occupational exposures would be less, yes.

19 Q. Okay. So in other words, if Susquehanna was put  
20 into SAFSTOR, occupational exposures and waste volume would  
21 be less?

22 A. Occupational exposures would be less. Waste  
23 volume would not be less, in our estimates.

24 Q. In your estimate. Okay. Two more questions and  
25 we're out of here.

1 MR. EPSTEIN: You can hold onto that, if you want,  
2 Tom.

3 We're at 11:32. Not bad.

4 BY MR. EPSTEIN:

5 Q. The last two questions. Mr. LaGuardia, page 12,  
6 lines 8 through 13, when you discussed radionuclides --

7 A. The term is radionuclides, yes.

8 Q. Okay. Are you with me?

9 A. Yes.

10 Q. I was wondering why you didn't include in your  
11 discussion Strontium-90 and Tritium.

12 A. Strontium-90 is a direct result of fuel failures  
13 and planning failures, and Tritium is a very, very low, low  
14 concentration in decommissioning. From a dose standpoint,  
15 neither provide substantial exposures to the worker that  
16 need to be addressed. The primary isotopes of concern are  
17 Cobalt-60 and Cesium-137.

18 Q. Okay. The reason I asked is because I'm very  
19 familiar with the Three Mile Island decommissioning, and  
20 those were the primary isotopes of concern there; and I  
21 think as you pointed out, that was primarily due to fuel  
22 failure.

23 I was wondering if you could explain, because you  
24 used the term half-life, if you could distinguish between  
25 the term half-life and hazardous life of a radionuclide.

1           A.    The half-life is the period of time a  
2 radionuclide takes to decay to half the radioactive level  
3 that occurred during that period.  The hazardous life  
4 generally is referred to chemical hazardous materials which  
5 don't go by the same definition.  I'm not familiar with that  
6 term with respect to radionuclides of concern.

7           Q.    You're not familiar with that term?

8           A.    Not in the way you're making the comparison.  
9 I'm not sure how you're using those terms.

10          Q.    Okay; last question.  On page 14, lines 1  
11 through 5, during your discussion on ratemaking -- and we  
12 discussed this earlier.  The NRC has limited authority --  
13 you say, "For plants that are shut down prematurely, the NRC  
14 has made exceptions on a case-by-case basis."

15          In reality, Mr. LaGuardia, all commercial plants that  
16 are being decommissioned thus far have been shut down  
17 prematurely; isn't that correct?

18          A.    Yes.

19          MR. EPSTEIN:  Mr. LaGuardia, it has been a pleasure  
20 working with you today, and I'm sure we'll see one another  
21 again in the future.

22          THE WITNESS:  Okay.

23          MR. EPSTEIN:  That concludes my cross.

24          JUDGE CHRISTIANSON:  Fine.  Thank you.  Then I'm  
25 assuming we're done with cross for the witness, and we'll be

1 off the record for a bit.

2 (Discussion off the record.)

3 JUDGE CHRISTIANSON: Let's be on very briefly.

4 Off the record it was ascertained there was no  
5 redirect for the witness, and counsel and the witness both  
6 thanked us for the telephone hookup.

7 (Witness excused.)

8 JUDGE CHRISTIANSON: At this point, we might as well  
9 break for a bit. It is 11:35. We'll take about ten minutes  
10 or a little bit more, and then we will start with PP&L  
11 witnesses on basically rate design.

12 (Recess.)

13 JUDGE CHRISTIANSON: We might as well go ahead and be  
14 back on the record.

15 Just go ahead, counsel.

16 MR. BARR: Thank you, Your Honor. Your Honor, Mr.  
17 Slivka has not previously appeared in this proceeding. He  
18 had testimony earlier that was accepted and waived in. So I  
19 think he has to be sworn in.

20 JUDGE CHRISTIANSON: Okay. It's good you mentioned  
21 that.

22 Would you stand and raise your right hand?

23 Whereupon,

24 JOHN J. SLIVKA

25 having been duly sworn, testified as follows:

1 JUDGE CHRISTIANSON: Proceed.

2 MR. BARR: Thank you, Your Honor.

3 DIRECT EXAMINATION

4 BY MR. BARR:

5 Q. Will you please state your name, your position  
6 and your business address for the record?

7 A. My name is John Slivka. I'm Project Manager of  
8 Load Analysis for Pennsylvania Power & Light, Two North  
9 Ninth Street, Allentown, Pennsylvania.

10 Q. Are you the same John Slivka who previously  
11 submitted testimony in this proceeding?

12 A. I am.

13 Q. Mr. Slivka, was Statement 6-R and Exhibits JJS-2  
14 through JJS-12 prepared by you or under your supervision?

15 A. Yes, they were.

16 Q. Do you have any changes or corrections to this  
17 testimony to submit at this time?

18 A. Yes, I do. On page 8, line 9, I'd like to  
19 strike the first "is." So the sentence should read: "As  
20 seen in Exhibit JJS-9, the total level of RTS customers  
21 currently is about 20 percent."

22 Q. Thank you. With that change, if I were to ask  
23 you these same questions today, would your responses be the  
24 same?

25 A. Yes, they would.

1 Q. Is this rebuttal testimony true and correct to  
2 the best of your knowledge, information and belief?

3 A. Yes, it is.

4 MR. BARR: Your Honor, at this time I would move  
5 Statement 6-R and Exhibits JJS-2 through JJS-12 into the  
6 record subject to the standard conditions.

7 JUDGE CHRISTIANSON: Yes, under the standard  
8 conditions, Statement 6-R is now accepted into the record.

9 (Whereupon, the documents were marked  
10 as PP&L Statement No. 6-R and PP&L  
11 Exhibits JJS-2 through JJS-12 for  
12 identification, and were received in  
13 evidence.)

14 JUDGE CHRISTIANSON: And we might as well go ahead  
15 and start off with Trial Staff and their cross.

16 MR. BARR: Your Honor, Mr. Slivka does have certain  
17 very limited rejoinder to certain of his surrebuttal  
18 testimony.

19 JUDGE CHRISTIANSON: I can't railroad you out of it.  
20 Go ahead with it. I've hurried people through things now  
21 and then, but I'll stop when people have something to say.  
22 Go ahead.

23 MR. BARR: I understand.

24 (Laughter.)  
25

1 BY MR. BARR:

2 Q. Mr. Slivka, turning to the surrebuttal testimony  
3 of Mr. Andersen at page 3, lines 4 to 20, he disagrees with  
4 you as to whether Rate Schedule RTS created the current  
5 evening peak of the company.

6 Do you have any comments on this surrebuttal  
7 testimony?

8 A. Yes, I do. Mr. Andersen is mistaken. His  
9 conclusion rests solely on the fact that he subtracts the  
10 morning peak of 1993 from the evening peak of 1994, and he  
11 compares that difference with the RTS peak load demand for  
12 1994. He overlooks the fact that there would still be an  
13 evening peak in 1994 even if all of the RTS load was  
14 subtracted.

15 This point can be illustrated in my Exhibit JJS-12.  
16 In 1994, the RTS peak load, if it is subtracted from the  
17 jurisdictional peak of 6,075 megawatts, the resulting load  
18 of 5,817 MW still produces an evening peak.

19 The exhibit also illustrates the fact that the  
20 evening is driven by the shift in the RS class as a whole.  
21 If the RTS load is subtracted from the RS contribution for  
22 1994, the resulting RS contribution to the peak is still  
23 more than 300 megawatts above what it was in 1993.

24 Q. Mr. Slivka, turning to page 4, lines 17 to 23 of  
25 Mr. Andersen's surrebuttal testimony, he there states that

1 your testimony, quote, "misrepresents," unquote, the impact  
2 of RTS on the system peak.

3 Do you have any comments on that statement?

4 A. Yes, I do. In addition to the fact that he  
5 ignored the detailed load shift curves that were part of my  
6 testimony, he does not address the long-term historical  
7 pattern of peak growth on the system. From 1976 to 1987,  
8 morning peaks were increasing in number and then declined in  
9 latter years.

10 Now, the RTS rate schedule, because of its small  
11 size, did have a lull in reducing the morning peak, which  
12 was at that time a system benefit. I've used as a  
13 reasonable estimate for the difference between the demand  
14 impact of RTS and also what that demand impact would be if  
15 those customers were under the RS rate as heating customers,  
16 and I've calculated that that decrease in the morning peak  
17 is of a magnitude of as much as 85 MW had we not had the RTS  
18 rate.

19 Q. Mr. Slivka, turning to page 3 of Mr. Andersen's  
20 surrebuttal testimony on lines 7 to 9, do you have any  
21 comment on Mr. Andersen's comparison of the peak  
22 requirements of the average RTS and average RS customer?

23 A. Yes, I do. He fails to recognize the dilution  
24 effect on the RS demand for RS customers that are not  
25 electric heat. If I were to make a reasonable estimate, and

1 which I have, of the approximate average demand for RS  
2 customers with electric heat, which are comparable in size  
3 to the RTS customers, we would see that they have an average  
4 demand of about 10 KW as opposed to the 18 KW that Mr.  
5 Andersen uses for the RTS group.

6 Q. Finally, Mr. Slivka, turning to Mr. Andersen's  
7 surrebuttal testimony at page 1, lines 16 to 17, where he  
8 characterizes your rebuttal testimony as being in agreement  
9 with his focus on the period 1987 to '91 and on the issue of  
10 prudence, do you agree with his characterization?

11 A. No, I don't. In my rebuttal testimony, I was  
12 attempting to address the company's documents and actions  
13 regarding RTS that Mr. Andersen used and to correct the use  
14 of those documents in his testimony.

15 I don't suggest nor do I agree that the company's  
16 actions and motives in these earlier years, that the issues  
17 now would require that we change the company's actions and  
18 motives in those years. Moreover, I don't suggest nor do I  
19 agree that there is any issue of company prudence with  
20 regard to RTS service.

21 Q. Mr. Slivka, you just referred in response to my  
22 question to whether or not it was necessary to change the  
23 company's actions in those years. Do you care to explain  
24 that briefly? Do you mean that the company's actions need  
25 to be reconstructed?

1 A. No, I did not suggest that.

2 Q. You're suggesting that the company's actions and  
3 plans don't need to be reconstructed?

4 A. Yes, that's correct.

5 MR. BARR: Thank you, Mr. Slivka. Your Honor, I  
6 don't have any further rejoinder, and the witness is  
7 available for cross-examination.

8 JUDGE CHRISTIANSON: Fine. Then we can probably go  
9 ahead with it. If counsel wants to pause, we can take it,  
10 but it was relatively brief oral testimony.

11 Are you ready to go, Mr. Mickens?

12 MR. MICKENS: No questions, Your Honor.

13 JUDGE CHRISTIANSON: Well, that's easy, too. Let's  
14 try the Small Business.

15 MS. MOURY: No questions, Your Honor.

16 JUDGE CHRISTIANSON: We'll go around the table.

17 MS. BRANDEIS: No questions, Your Honor.

18 MR. MELIA: No questions.

19 MR. HAYNES: I have some questions. I just want  
20 briefly to get some of those references again to the  
21 surrebuttal testimony of Mr. Andersen.

22 Could you give me those off the record?

23 MR. BARR: Yes, we'd be happy to supply that, Your  
24 Honor.

25 JUDGE CHRISTIANSON: Let's be off the record for a

1 minute.

2 (Discussion off the record.)

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

4 We can proceed then. We just got references to the  
5 Andersen testimony, and counsel may proceed with his cross.

6 CROSS-EXAMINATION

7 BY MR. HAYNES:

8 Q. Mr. Slivka, my name is Bob Haynes. I am here on  
9 behalf of the Central Eastern Pennsylvania Fuel Oil Dealers.

10 Mr. Slivka, as Project Manager, Load Analysis and  
11 Information Systems, to whom do you report?

12 A. I currently report to the Manager of Marketing  
13 Planning.

14 Q. And who would that be?

15 A. Mr. Gregory Smith.

16 Q. Does he ultimately report to Mr. Farber?

17 A. No, he doesn't. He reports to Mr. Suhocki.

18 Q. So Mr. Farber wouldn't be in that kind of chain  
19 of command at all?

20 A. No, he's not in that chain of command.

21 Q. Your direct testimony did not address the RTS  
22 rate at all; is that correct?

23 A. That's correct.

24 Q. In terms of your involvement with Rate Schedule  
25 RTS, when did your involvement begin?

1           A.    It probably goes back to the early 1980s.  In  
2 about 1983, I became accountable and responsible for load  
3 research.

4           Q.    And was Rate Schedule RTS in effect then?

5           A.    I'm not certain if it was in effect at that time  
6 or if it was still an experimental rate at that time.

7           Q.    How did you become involved in this Rate  
8 Schedule RTS in 1983 then?

9           A.    From the standpoint that I was familiar with the  
10 load research and some of the studies that were going on at  
11 that time.

12          Q.    When did you become aware of Rate Schedule RTS?

13          A.    Whenever it was filed.  I don't remember the  
14 exact date.

15          Q.    Did you provide any support for the company's  
16 filing?

17          A.    In terms of direct testimony, no.  I was  
18 involved in studies at that time, yes.

19          Q.    Have you reviewed all of the documents set forth  
20 in I believe it's Exhibit No. 1 that Mr. Andersen compiled?

21          A.    All the documents in Exhibit 1?

22          Q.    Yes.

23          A.    Those are the interrogatory responses?

24                JUDGE CHRISTIANSON:  It was about two inches of  
25 material.  It was a lot of different documents, as I recall.

1 MR. HAYNES: If I may approach the witness?

2 JUDGE CHRISTIANSON: Yes, go ahead.

3 BY MR. HAYNES:

4 Q. Actually, I stand corrected. It would be CEPFOD  
5 Exhibit No. 1 and Nos. 2 through 16.

6 (Document shown to witness.)

7 A. Yes.

8 Q. Did you as part of your rebuttal testimony  
9 review any other documents?

10 A. Aside from my direct testimony, no.

11 Q. Turning to page 7 of your testimony, is it  
12 correct to state that PP&L's high end projection of 52,000  
13 RTS customers by 1995 assumed aggressive marketing by PP&L?

14 A. Yes.

15 Q. And the marketing efforts of PP&L, is that under  
16 your department?

17 A. The department I'm in now, that's correct, it  
18 is.

19 Q. As part of your Information Systems  
20 responsibility? Are you in the Marketing Department now?

21 A. Yes, I am.

22 Q. Isn't Mr. Farber the head of that? Maybe I'm  
23 confused.

24 A. No. The department is the Marketing and  
25 Economic Development Department, and the head of that

1 department is Mr. Raymond Suhocki, who is the Vice President  
2 of Marketing and Economic Development.

3 Q. Okay. Where does Mr. Farber fit in?

4 A. He reports to Mr. Suhocki on the same level that  
5 Mr. Smith reports to Mr. Suhocki.

6 Q. Thank you. At lines 9 through 13, you indicate  
7 that the company in response to the 1987 "Nighttime Peak"  
8 report de-emphasized RTS; is that not correct?

9 A. My testimony says that the report recommended  
10 that the company de-emphasize the residential thermal  
11 storage program.

12 Q. When exactly did that de-emphasis occur?

13 A. I think it began around 1989-1990 and it has  
14 evolved since then.

15 Q. Now, your testimony on lines 24 through 25  
16 indicate that RTS promotional efforts began to be phased out  
17 in 1991; is that not correct?

18 A. That's correct.

19 Q. Do you have any reason to offer for the record  
20 why there is a four-year delay between the report and the  
21 actual commencement of the phase-out of RTS promotion?

22 A. No, I don't.

23 Q. Turning to page 8 beginning on line 23, you talk  
24 about the failure of Rate Schedule RTS to realize its 1987  
25 projections; is that not correct?

1 A. Could you repeat that, please?

2 Q. Referencing your testimony at page 8 beginning  
3 at line 23, I believe you conclude that Mr. Andersen doesn't  
4 realize that PP&L's Rate Schedule RTS didn't realize its  
5 projections.

6 A. That's correct, both in terms of the number of  
7 customers that were on the rate and the level of the peak  
8 load contributed by those customers.

9 Q. Would you agree with me that Rate Schedule RTS  
10 did result in increased sales, KWH?

11 A. Increased over?

12 Q. Over what may be available if Rate Schedule RTS  
13 was not available.

14 A. I'm not sure I understand. Are you comparing  
15 them to being customers under another rate or they wouldn't  
16 have been customers at all if --

17 Q. In terms of if PP&L was able to sell more KWH  
18 than if Rate Schedule RTS was not available.

19 JUDGE CHRISTIANSON: In your latter supposition,  
20 total sales by the company, was that increased by the  
21 existence of RTS?

22 THE WITNESS: Yes. That's what the forecast  
23 projection is indicating.

24 BY MR. HAYNES:

25 Q. And you would agree that the availability of

1 Rate Schedule RTS did enable PP&L to increase its KWH over  
2 the level that would be possible without Rate Schedule RTS?

3 A. I'm not -- are you asking about the -- I'm  
4 having trouble understanding the question, if you're asking  
5 about the forecast or if you're asking about what happens  
6 with RTS right now in terms of a customer going on the rate  
7 as opposed to being on some other rate.

8 Q. In terms of its impact on PP&L's sales.

9 JUDGE CHRISTIANSON: In a way, he's asking you for a  
10 hypothetical, because we can't compare what existed without  
11 RTS, but make the comparison if you can, what would have  
12 happened without RTS as opposed to what happened with RTS.

13 THE WITNESS: Given RTS, if you have RTS and you are  
14 comparing the level of sales where the customer made the  
15 choice between RTS and, say, RS with electric heat, there  
16 would have been a small increase in the level of sales.

17 JUDGE CHRISTIANSON: I guess counsel is worrying more  
18 about electric heat or fuel oil heat, that sort of increase  
19 in sales.

20 THE WITNESS: That's why I asked about whether you  
21 were referring to a forecast. The forecast assumed that  
22 there would be conversion from non-electric heat customers  
23 to electric heat, and that would have seen an increase in  
24 kilowatt-hour sales, yes.

25

1 BY MR. HAYNES:

2 Q. Turning to page 9 of your testimony, looking at  
3 line 17, you criticize Mr. Andersen's surrebuttal concerning  
4 -- I guess it would be the direct testimony concerning the  
5 contribution to the peak demand and the unpredictability of  
6 it.

7 Do you see that testimony?

8 A. Yes.

9 Q. As load management, are you aware of any way to  
10 control the peak demand imposed by Rate Schedule RTS?

11 A. Am I aware of ways that those systems can be  
12 controlled? Is that the --

13 Q. Yes.

14 A. Yes, I am.

15 Q. What are those ways?

16 A. Well, with the current systems, the on and off-  
17 peak periods could be adjusted.

18 Q. Any other ways?

19 A. There are technologies, new technologies that  
20 would allow for some other means of control. I believe Mr.  
21 Kasper has referenced those in his testimony.

22 JUDGE CHRISTIANSON: Remote switching and stuff like  
23 that?

24 THE WITNESS: Correct.  
25

1 BY MR. HAYNES:

2 Q. As part of your job responsibility, is that  
3 something that you look into for the company?

4 A. My job responsibilities as far as load research  
5 is concerned is to maintain the load research sample and to  
6 analyze the impact of class loads on our system, load curve.  
7 Specifically, I'm not involved in any, my job  
8 responsibilities, in the control of RTS systems.

9 Q. Would you agree with me that the impact of Rate  
10 Schedule RTS on the time of causation of the PP&L peak would  
11 be in direct correlation to of the number of RTS customers,  
12 all else being equal?

13 A. Yes, if the number of RTS customers put you  
14 above a threshold that would cause you to be an evening peak  
15 company.

16 JUDGE CHRISTIANSON: And each additional customer  
17 would push up the peak?

18 THE WITNESS: That's right. That's not the situation  
19 that exists today, though.

20 BY MR. HAYNES:

21 Q. You indicated in your rejoinder, I think you  
22 referenced Dr. Andersen's use of 18 KW demand per RTS  
23 customer.

24 A. Correct.

25 Q. Are you disputing that?

1 A. No, I'm not. Actually, I'm not certain that he  
2 used the figure 18. I think what he referenced was that the  
3 RTS demands were six times the RS average; and using the  
4 data that was in Table 2 and also in one of my interrogatory  
5 responses, that comes out to be 18 KW for RTS, and for the  
6 average RS, which, as I indicated, is watered down, would be  
7 3 KW.

8 Q. Do you --

9 A. Excuse me. It's roughly a peak of 3,000 MW  
10 divided by a million customers.

11 Q. And you referenced I think in your rejoinder a  
12 RS customer would peak at a demand level of 10 KW; is that  
13 correct?

14 A. That's correct, for a customer that would have  
15 the same size home as we've experienced in the RTS rate.

16 Q. Is that a figure that you calculated?

17 A. Yes, it is.

18 Q. Do you have that workpaper available?

19 A. Yes, I do.

20 MR. HAYNES: Could that be produced?

21 MR. MacGREGOR: Yes.

22 THE WITNESS: I don't have it up here. The reason I  
23 hesitated --

24 MR. HAYNES: If I can just have it by the end of the  
25 hearing to review with my witness.

1 JUDGE CHRISTIANSON: You want it before tomorrow  
2 morning?

3 MR. HAYNES: Yes.

4 BY MR. HAYNES:

5 Q. Have you made any analysis of what threshold  
6 Rate Schedule RTS would have to cross to influence the peak  
7 as you have described?

8 A. No, I have not.

9 Q. But presumably, it is greater than the 15,000  
10 current RTS customers?

11 A. Yes.

12 Q. How do you know that?

13 A. Because currently there are 15,000 customers,  
14 RTS customers, on the rate, and we don't have the situation  
15 where we're strictly an evening peaking company, so that  
16 your hypothetical point was that there was a direct  
17 correlation to each additional customer and its impact on an  
18 evening peak.

19 Q. Have you reviewed the company's response to an  
20 interrogatory asking to determine where the customers had  
21 selected their peak hours and off-peak hours under RTS?

22 A. I don't recall. Is that an -- I'm not certain.

23 Q. I think it was an on-the-record data request,  
24 actually. It may not have been directed to you, because you  
25 weren't a witness in the direct case.

1 MR. HAYNES: That's all the questions I have. Thank  
2 you.

3 JUDGE CHRISTIANSON: Okay, fine. Then anything from  
4 the federal people?

5 MR. McCORMICK: No, sir.

6 JUDGE CHRISTIANSON: From OCA?

7 MS. McCLOSKEY: No, Your Honor.

8 JUDGE CHRISTIANSON: Mr. Kleppinger I think is still  
9 down there somewhere.

10 MR. KLEPPINGER: I'm here, but I have no questions.

11 JUDGE CHRISTIANSON: Then we seem to be done with  
12 cross-examination for the witness, and let's be off the  
13 record briefly.

14 (Discussion off the record.)

15 JUDGE CHRISTIANSON: Let's be back on.

16 I understand there is no redirect for the witness,  
17 and the witness is excused.

18 (Witness excused.)

19 JUDGE CHRISTIANSON: It just came to my attention and  
20 I have it here -- maybe we'll do a bit of business right now  
21 -- Mr. Brubaker I understand was not needed for cross-  
22 examination.

23 Do you want to go ahead and move his testimony?

24 MS. BRANDEIS: Yes. I'd like to do that before we  
25 break for lunch, Your Honor. I would request that the

1 rebuttal testimony and exhibit of Maurice Brubaker be marked  
2 as Bethlehem Steel Exhibit 1R and moved into the record,  
3 Your Honor, by agreement of all parties since there was no  
4 cross-examination.

5 JUDGE CHRISTIANSON: Yes. That is my understanding.  
6 It is identified as your 1R, and it is now accepted into the  
7 record.

8 MS. BRANDEIS: Thank you. I will give two copies to  
9 the court reporter. I think everyone else has received  
10 copies.

11 (Whereupon, the document was marked  
12 as Bethlehem Steel Exhibit No. 1R  
13 for identification, and was received  
14 in evidence.)

15 JUDGE CHRISTIANSON: We might as well do yours, too.

16 MR. KLEPPINGER: It is my understanding, Your Honor,  
17 that there is no cross-examination on either the rebuttal or  
18 surrebuttal testimony of Steve Baron on behalf of the PP&L  
19 Industrial Customer Alliance. I'd like to have marked for  
20 identification as PPLICA Statement No. 7-R the rebuttal  
21 testimony of Steve Baron and as PPLICA Statement No. 7-SR --  
22 is that what we're using for surrebuttal?

23 JUDGE CHRISTIANSON: That's as good as any.

24 MR. KLEPPINGER: Okay. -- the surrebuttal testimony  
25 of Steve Baron, and move those two statements into the

1 record at this time.

2 JUDGE CHRISTIANSON: Then those are identified. They  
3 look a lot alike. They're about the same size, I guess.  
4 Say which is which again.

5 MR. KLEPPINGER: The rebuttal testimony is Statement  
6 7-R and the surrebuttal is Statement 7-SR.

7 JUDGE CHRISTIANSON: Okay. That's logical. So 7-R  
8 and 7-SR are both identified as indicated and they're both  
9 accepted into the record at this point. So we got another  
10 party heard from on that.

11 (Whereupon, the documents were marked  
12 as PPLICA Statements Nos. 7-R and  
13 7-SR for identification, and were  
14 received in evidence.)

15 JUDGE CHRISTIANSON: It's about 20 after. We can  
16 break now. Let's be off the record just briefly.

17 (Discussion off the record.)

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

19 We have a witness in the stand. Maybe I'll ask him:  
20 is it a broken bone or what?

21 MR. KLEHA: No, no broken bones, fortunately. The  
22 unfortunate part about it is it's all soft tissue injury, so  
23 it takes a long time to heal.

24 JUDGE CHRISTIANSON: That's worse.

25 MR. KLEHA: Yes.

1 JUDGE CHRISTIANSON: My son broke his ankle,  
2 basically, playing baseball a year ago, and the coach said  
3 he was lucky that it was broken and that it wasn't other  
4 things wrong. It healed quicker that way.

5 MR. KLEHA: Yes.

6 JUDGE CHRISTIANSON: Well, my good wishes for you.

7 MR. KLEHA: Thank you. I appreciate that.

8 JUDGE CHRISTIANSON: We have a couple of Judges just  
9 getting out of trouble, and they're doing pretty well right  
10 at this point.

11 As I recall, the witness has been sworn. I remind  
12 him he continues to be under oath, and counsel may proceed.  
13 Whereupon,

14 JOSEPH M. KLEHA

15 having previously been duly sworn, testified further as  
16 follows:

17 DIRECT EXAMINATION

18 BY MR. BARR:

19 Q. Could you please state your name for the record?

20 A. My name is Joseph M. Kleha.

21 Q. Are you the same Joseph M. Kleha who submitted  
22 testimony previously in this case?

23 A. I am.

24 Q. Were Statement 7-R and Exhibit JMK-4 prepared by  
25 you or under your direct supervision?

1 A. Yes, they were.

2 Q. Do you have any changes or corrections to this  
3 testimony which you would like to make at this time?

4 A. Just one change that I would like to make on  
5 page 7, please. On line 11 under the second column that  
6 shows months, it shows the month of March. It should also  
7 include the words "and October." That's the only  
8 correction.

9 Q. Mr. Kleha, with that change, if I were to ask  
10 you each of these questions today, would you answer the same  
11 as you did in this testimony?

12 A. I would.

13 Q. Is this testimony true and correct to the best  
14 of your information, knowledge and belief?

15 A. It is.

16 MR. BARR: Your Honor, at this time I would like to  
17 move Statement 7-R and Exhibit JMK-4 into evidence subject  
18 to the standard conditions.

19 JUDGE CHRISTIANSON: Yes. Under the standard  
20 conditions, they are accepted into the record. They are  
21 stapled together as one document, but they are accepted now.

22 MR. BARR: Thank you, Your Honor.  
23  
24  
25

1 (Whereupon, the documents were marked  
2 as PP&L Statement No. 7-R and PP&L  
3 Exhibit No. JMK-4 for  
4 identification, and were received in  
5 evidence.)

6 JUDGE CHRISTIANSON: And I'll check with counsel  
7 whether he has oral testimony from the witness.

8 MR. BARR: Yes, Your Honor, we have brief rejoinder.

9 JUDGE CHRISTIANSON: Okay; go ahead.

10 BY MR. BARR:

11 Q. Mr. Kleha, have you reviewed the surrebuttal  
12 testimony of Mr. Eisdorfer?

13 A. Yes, I have.

14 Q. Do you have any response to Mr. Eisdorfer's  
15 comments at pages 8 to 9 of his surrebuttal testimony  
16 regarding your calculation of the maximum capacity  
17 requirement?

18 A. Yes, I do. In his rebuttal testimony, Mr.  
19 Eisdorfer makes an implication that he has never seen an  
20 analyst add together the load of a company and scheduled  
21 maintenance in order to come up the maximum capability or  
22 capacity requirements.

23 This calculation is a standard calculation for PJM  
24 member companies. When PJM member companies as an entity  
25 are attempting to calculate the probability of being able to

1 meet their load requirements in each week of a year, the  
2 52-week calculation involves the calculation of the loss of  
3 load probability and includes as part of that calculation  
4 the addition of scheduled maintenance and load as one number  
5 in order to determine what the probability of loss of load  
6 or the requirement for forced outages might be in that  
7 particular period.

8 Q. Has the combination of the maximum load and the  
9 scheduled maintenance in fact resulted in emergency  
10 conditions in the so-called off-peak months?

11 A. Yes, it has. In the past we have had situations  
12 where we have had maximum capacity requirements that  
13 exceeded the winter peak load in months other than the three  
14 winter peak period of December, January and February as I  
15 indicated in my testimony.

16 In fact, in September, 1989 and in September, 1991,  
17 we had a situation where interruptible service customers  
18 were required to reduce their demands because of  
19 circumstances on the PJM interconnection. We also had a  
20 loss of load event, which is a 5 percent voltage reduction  
21 which occurred in September of 1980, and voluntary customer  
22 load curtailments were requested in 1970, September of 1970,  
23 as well as a manual load dump.

24 Basically what occurs is we have a situation where  
25 you can have maximum requirements of your capacity outside

1 of the three-month winter peak period, and that's due to the  
2 need to schedule maintenance to be outside of the peak  
3 period areas.

4 Q. Turning now to Mr. Eisdorfer's testimony at page  
5 9 of his surrebuttal testimony, do you have any response to  
6 his inability to duplicate the results of your chart of  
7 months showing the maximum capacity requirements on an off-  
8 peak basis on the chart that is found on page 7 of your  
9 rebuttal testimony?

10 A. Yes. It appears that Mr. Eisdorfer has either  
11 misunderstood or inaccurately determined what I was  
12 attempting to say in my testimony. What I was suggesting in  
13 my testimony was that outside of the three-month winter peak  
14 period time frame, which is December, January and February  
15 of a given period, that the other nine months can in fact  
16 have a level of capacity requirement that is in fact greater  
17 than what the winter peak load would be on the system; and  
18 that's what my testimony shows and the chart on page 7 of my  
19 testimony.

20 It appears that Mr. Eisdorfer may have used a  
21 different basis for the winter peak period. He may have  
22 used January, February and March as opposed to the standard  
23 December, January, February time frame.

24 Q. Mr. Kleha, do you have any response to Mr.  
25 Andersen's criticism on page 10 of his surrebuttal testimony

1 regarding your allocation of A&G expenses?

2 A. Yes, I do. Mr. Andersen takes great pains in  
3 attempting to criticize the allocation of A&G expenses on  
4 the basis of a labor ratio factor. That labor ratio factor  
5 is a common, generally used allocator for miscellaneous type  
6 expenses; and in fact, in the determination of PP&L's A&G  
7 expenses, approximately 45 percent of the costs, A&G costs,  
8 that are not directly assigned in the cost allocation are  
9 payroll related. It is payroll, labor, salaries and wages  
10 that are associated with the overall operation of the  
11 corporation, all functional areas in the administrative  
12 aspect of it.

13 MR. BARR: Your Honor, there is no further rejoinder,  
14 and the witness is available for cross-examination.

15 JUDGE CHRISTIANSON: Okay; fine. We can take just a  
16 moment. Maybe some counsel have questions that didn't have  
17 before. It's probably best to start with Consumer Advocate  
18 and their cross.

19 MS. McCLOSKEY: Thank you.

20 CROSS-EXAMINATION

21 BY MS. McCLOSKEY:

22 Q. Good afternoon, Mr. Kleha. If you could refer  
23 to page 32 of your testimony where you begin your discussion  
24 of the company's proposal for ECR recovery of its non-energy  
25 revenue requirements for expiring off-system capacity sales.

1 A. Yes.

2 Q. I believe throughout this proceeding the off-  
3 system capacity sale we refer to most often is the one with  
4 JCP&L.

5 A. That is the first one that begins to expire, so  
6 that is the one we focused on.

7 Q. Are you familiar with the company's 1995 Annual  
8 Resource Planning Report?

9 A. I have not seen it.

10 Q. So you're not aware that in that 1995 ARPR it  
11 notes that PP&L has entered into a new power supply  
12 agreement with JCP&L?

13 A. I was aware that PP&L was in discussions, but  
14 over the past seven weeks I have not had the opportunity to  
15 review any of PP&L's documents.

16 Q. We will be discussing that tomorrow with Mr.  
17 Sipics, so let me pose this as a hypothetical to you then at  
18 this point. If PP&L has entered into a new power supply  
19 agreement with JCP&L for a portion of the 945 megawatts, how  
20 does that affect your proposal in this proceeding?

21 A. Okay. It doesn't really affect the proposal we  
22 have. PP&L's proposal is that to the extent that all of or  
23 a portion of the expiring contract is returned to PP&L, that  
24 the non-energy revenue requirements would be recovered  
25 through the ECR. To the extent that a portion of that

1 capacity and energy contract with Jersey Central Power &  
2 Light Company is extended or is resold to someone else, then  
3 that portion of the contract would not be included in the  
4 ECR.

5 Q. Are you aware of PP&L's current marketing plans  
6 for its capacity, for any of the additional capacity?

7 A. No, I'm not.

8 MS. McCLOSKEY: That's all the questions I have Mr.  
9 Kleha.

10 JUDGE CHRISTIANSON: Then I think the industrials  
11 have some questions.

12 MR. KLEPPINGER: Yes, Your Honor. Thank you.

13 CROSS-EXAMINATION

14 BY MR. KLEPPINGER:

15 Q. Nice to see you, Mr. Kleha. I hope your  
16 recovery is going well.

17 A. So far.

18 Q. Believe it or not, I've been there.

19 I'd like to take you back to a question that I asked  
20 you the first time around to hopefully make sure that the  
21 record will be clear before it closes tomorrow. I asked you  
22 at transcript page 641 whether it followed at the compliance  
23 phase of this case, assuming PP&L received all the revenue  
24 that it asked for and also assuming that the JCP&L contract  
25 proposal as it related to the ECR recovery is rejected, that

1 the base rate increase in this case is really \$240 million  
2 and not \$260 million.

3 You answered at that time subject to check, yes, you  
4 agree with that. Have you in fact had an opportunity to  
5 check and do you continue to agree with that calculation?

6 A. If all else is approved, all aspects of PP&L's  
7 proposed request for a base rate increase of \$261 million is  
8 approved, but the ECR recovery of non-energy revenue  
9 requirements associated with long-term bulk power sales is  
10 disapproved and as a consequence the off-system capacity  
11 related sales revenues associated with installed capacity  
12 credit agreements, output reservation contracts, and  
13 transmission entitlements are included back in the base rate  
14 calculation, then the overall net effect would be a net  
15 increase of \$240 million.

16 Q. And with respect to the off-system capacity  
17 credit sales that you just referenced, it is PP&L's  
18 proposal, is it not, that if its ECR recovery of, as I call  
19 it, the JCP&L contract is rejected, that you would in fact  
20 credit those off-system capacity credit sales in base rates?

21 A. That's correct, and zero would flow through the  
22 ECR in the future. There is another aspect to the proposal,  
23 and that is that PP&L has requested that if its proposal  
24 with regard to the non-energy revenue requirements  
25 associated with expiring contracts is disapproved for ECR

1 recovery, that in fairness and equity, that the revenues  
2 associated with energy savings and capacity related  
3 transactions that are made possible by that returning  
4 capacity and energy not be included in the ECR.

5 Q. Now, I think that covered one scenario. Let's  
6 just make sure we understand the other scenario. In the  
7 event that PP&L's total base rate increase request is  
8 approved in this case and its JCP&L ECR recovery proposal is  
9 also approved, the net increase to PP&L ratepayers in this  
10 case would still be \$240 million or thereabouts because of a  
11 \$260 million base rate increase and roughly a \$20 million to  
12 \$22 million ECR credit?

13 A. That's correct.

14 Q. Thank you for the ultimate clarification of that  
15 issue.

16 A. You're welcome.

17 Q. The only other area, Mr. Kleha, is on page 34 of  
18 your rebuttal testimony. You indicate at lines 1 through 3  
19 that the company would be forced into annual base rate  
20 increases in the event that the ECR recovery of returning  
21 capacity is rejected. Do you see that reference?

22 A. Yes.

23 Q. Now, could not in PP&L's next rate filing it be  
24 timed in such a way that it would include at least two years  
25 worth of that returning capacity?

1 A. That's possible.

2 Q. And at lines 11 through 15, you indicate the  
3 Commission's review of quarterly earnings reports and that  
4 other parties are free to act on those filings. Do you see  
5 that reference?

6 A. Yes.

7 Q. And by free to act, do you mean through the  
8 filing of a formal complaint against existing rates or  
9 through a show cause type proceeding?

10 A. Yes, I do.

11 Q. Are you aware of any major electric utility that  
12 has been subjected to a show cause proceeding which produced  
13 a rate reduction in this jurisdiction?

14 A. I believe Pennsylvania Electric was subjected to  
15 a Show Cause Order. In my recollection, there may have been  
16 a settlement that ended that show cause proceeding, but that  
17 show cause proceeding was in fact an outgrowth of the  
18 Commission's quarterly earnings reports and their review  
19 thereof.

20 Q. And that didn't proceed to litigation, did it,  
21 Mr. Kleha?

22 A. If it did, it probably didn't go very far.

23 Q. Now, at lines 18 through 22, we're back to the  
24 issue of treating off-system capacity related sales as a  
25 base rate item. Is it your understanding that PPLICA's

1 position in this case, regardless of the outcome of the  
2 company's ECR recovery proposal for the returning off-system  
3 capacity sales, is that we should return to base rate  
4 treatment of the off-system capacity credit sales?

5 A. That's my understanding of Mr. Baron's  
6 testimony.

7 MR. KLEPPINGER: Thank you, Mr. Kleppinger. That's  
8 all I have. I'm sorry you had to make the trip for that.

9 THE WITNESS: That's all right.

10 JUDGE CHRISTIANSON: Let me check. Any other cross  
11 for the witness?

12 (No response.)

13 JUDGE CHRISTIANSON: I see no volunteers immediately.  
14 Let's be off the record just briefly.

15 (Discussion off the record.)

16 JUDGE CHRISTIANSON: Let's be back on then.

17 CROSS-EXAMINATION

18 BY MR. HAYNES:

19 Q. Mr. Kleha, in rejoinder, you referenced the 45  
20 percent of the A&G costs not directly assigned related to  
21 labor; is that correct?

22 A. That's correct.

23 Q. Do you have Dr. Andersen's direct testimony  
24 before you?

25 A. No, I don't.

1 MR. HAYNES: Could counsel provide him a copy?

2 MR. MacGREGOR: I think so. The surrebuttal or the  
3 first testimony?

4 MR. HAYNES: The direct testimony.

5 (Pause.)

6 (Document handed to witness by Counsel Barr.)

7 BY MR. HAYNES:

8 Q. Turning to page 34 --

9 A. Thirty-four of his testimony?

10 Q. Yes. In terms of calculating the 45 percent,  
11 did you independently look through all of the various  
12 accounts to make that determination?

13 A. Yes, I did.

14 Q. Turning to page 35, would you agree with me that  
15 Dr. Andersen also reviewed the various accounts to determine  
16 the labor component?

17 A. Exactly where on that page?

18 Q. Beginning at lines 4 through 18. Payroll  
19 component I believe it is labeled.

20 A. He appears to have made an attempt to review the  
21 payroll, yes.

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

23 JUDGE CHRISTIANSON: Let me check with counsel. Any  
24 redirect for the witness?

25 MR. BARR: No, Your Honor.

1 JUDGE CHRISTIANSON: Then we presumably should be  
2 done for a lunch break at this point. It is quarter to  
3 1:00.

4 (Witness excused.)

5 JUDGE CHRISTIANSON: Before you go to lunch, I want  
6 to talk to somebody from PP&L about the Wilkes-Barre people.  
7 I think we can be done. Let's be off the record for lunch.

8 (Whereupon, at 12:45 p.m., the hearing was adjourned,  
9 to be reconvened at 2:00 p.m., this same day.)

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FORM 2

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AFTERNOON SESSION

(2:02 p.m.)

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

During the break we checked a little bit about the folks up at Wilkes-Barre, but the fella hasn't gotten back to me. We'll try to make a conference call about these requests for documents to be in the record by the Commission on Economic Opportunity. Maybe they'll get back to me later in the afternoon.

I guess we do have a PP&L witness ready to go, and counsel may proceed.

MR. BARR: Your Honor, Mr. Kasper was previously sworn in.

JUDGE CHRISTIANSON: I remind the witness he continues to be under oath.

Proceed.

Whereupon,

OLIVER G. KASPER

having previously been duly sworn, testified further as follows:

## DIRECT EXAMINATION

BY MR. BARR:

Q. Would you please state your name?

A. My name is Oliver G. Kasper, K-a-s-p-e-r.

Q. Are you the same Oliver G. Kasper who submitted

1 testimony previously in this proceeding?

2 A. Yes.

3 Q. Was Statement 8-R and Exhibits OGK-5 through  
4 OGK-13 prepared by you or under your direct supervision?

5 A. Yes, they were.

6 Q. Do you have any changes or corrections to this  
7 testimony to submit at this time?

8 A. Yes. I have two.

9 The first change is on page 12, line 16. The number  
10 of 2.9 cents per kilowatt-hour should be changed to 2.3  
11 cents per kilowatt-hour.

12 The second change is on page 37, line 9. It should  
13 read, "The average monthly on-peak load..."

14 Those were the extent of my changes.

15 Q. With these changes, if I were to ask you these  
16 same questions today, would your answers be the same?

17 A. Yes, they would.

18 Q. Is this rebuttal testimony true and correct to  
19 the best of your information, knowledge and belief?

20 A. Yes.

21 MR. BARR: Your Honor, at this time I would move for  
22 the admission of Statement 8-R and the Exhibits OGK-5  
23 through OGK-13 into the record subject to the standing  
24 conditions.

25 JUDGE CHRISTIANSON: Yes, they're accepted. 8-R is

1 one document and the various exhibits are stapled together  
2 as a second document. But all those you mentioned are now  
3 accepted into the record.

4 MR. HAYNES: Your Honor, I have an objection to  
5 OGK-6 --

6 JUDGE CHRISTIANSON: Subject to exception. Go ahead.

7 MR. HAYNES: -- and OGK-9.

8 JUDGE CHRISTIANSON: Six and 9.

9 MR. HAYNES: Yes. Do you want to discuss them now?

10 JUDGE CHRISTIANSON: We might as well. Go ahead.

11 MR. HAYNES: Exhibit OGK-6 is an April 3, 1995 letter  
12 written to Catherine Cox from John F. Povilaitis, Chief  
13 Counsel. In terms of the statements therein, it is going to  
14 be hearsay, and if it is being offered for the proof of  
15 what's in the letter, I object to it on that ground.

16 Similarly, Exhibit OGK-9 is a letter written by Mr.  
17 Farber, who is a PP&L witness, and also attached thereto are  
18 letters from certain RTS customers. Again, the same  
19 objection would apply.

20 JUDGE CHRISTIANSON: Basically, a hearsay objection.

21 MR. HAYNES: Yes.

22 JUDGE CHRISTIANSON: Let's all take a minute to find  
23 the two of them. I think I remember the Povilaitis letter.

24 How far in is 6?

25 MR. HAYNES: Six is the second item in in the package

1 of exhibits. My copy had all the exhibits stapled together.

2 JUDGE CHRISTIANSON: Oh, there it is. Okay. I was  
3 looking further in the exhibit. Yes, it's close to the  
4 beginning.

5 MR. HAYNES: OGK-9 is towards the end.

6 JUDGE CHRISTIANSON: Then we can hear the response  
7 from PP&L when they find out what we're talking about.

8 I guess the first thought is, do you want to make it  
9 stand for the truth of the underlying statement or just what  
10 was received.

11 MR. MacGREGOR: No, Your Honor. I don't think we're  
12 offering Number 6 for the truth. I think we're simply  
13 offering it for the fact that this letter exists. It deals  
14 with similar issues to those raised by the Fuel Oil Dealers.  
15 It's a document from the Commission's files, and I don't  
16 think it's subject to hearsay rules; it's a public document.

17 Number 9, throughout this case at the public input  
18 hearings there have been complaints by RTS customers. It  
19 was apparent from many of the statements made at those  
20 public input hearings that one of the causes of concern  
21 among RTS customers was this letter from the company, which  
22 is again from the company's files, that purported to attempt  
23 to explain the proposed increase in the RTS rate.  
24 Unfortunately, the letter did not provide complete  
25 information and it's one of the reasons that RTS customers

1 showed up at the public input hearings and were concerned  
2 over various substantial percentage increases to their  
3 bills. That's one of the issues Mr. Kasper deals with in  
4 his rebuttal testimony, is the cause of that concern and  
5 PP&L's response to it.

6 Again, the other letters here are from the company's  
7 files. I'm sure comport with the business record exception  
8 of the hearsay rule, and were presented simply to show the  
9 types of concerns that have been raised by customers and how  
10 PP&L has dealt with those concerns.

11 JUDGE CHRISTIANSON: That one longer letter I  
12 supplied I think at hearing one time.

13 MR. MacGREGOR: I believe that's correct, Your Honor.

14 JUDGE CHRISTIANSON: Yes. I remember. One of my  
15 schedulers received it.

16 With that explanation, do you still have trouble with  
17 them?

18 MR. HAYNES: Yes, I do, particularly to Mr.  
19 MacGregor's statement about what he's intending to use the  
20 letter from Povilaitis for as set forth in OGK-6. He's  
21 basically saying that he will use this for the purpose that  
22 the Chief Counsel of the Commission looked into this matter  
23 and found certain information and made certain conclusions.  
24 That's exactly what he's going to be using this for.  
25 There's no way that that document can come into this record

1 without any type of -- I can't cross-examine the Chief  
2 Counsel of the Commission on it.

3 MR. MacGREGOR: Your Honor, throughout the course of  
4 this proceeding, many official Commission documents are part  
5 of the file in this proceeding. If it doesn't need to be  
6 formally admitted to the record, certainly you could take  
7 administrative notice of this document and the parties can  
8 argue from it as they please in their brief.

9 MR. HAYNES: That's exactly what the problem is. I  
10 cannot cross-examine on it because this witness has no  
11 knowledge of what Mr. Povilaitis was saying in terms of --  
12 and is not capable of answering. He can read this letter;  
13 we can all read the letter. But that does not allow me to  
14 cross-examine him.

15 MR. MacGREGOR: I think that goes to the weight that  
16 it is afforded or not afforded. This is an administrative  
17 proceeding. It is not a trial.

18 JUDGE CHRISTIANSON: Who received the letter? Was  
19 this PP&L counsel? Does anybody recognize the addressee?

20 MR. HAYNES: Catherine Cox is counsel in the Losch  
21 Boiler Sales & Service Company case.

22 JUDGE CHRISTIANSON: I see Paul Russell is one of the  
23 copies. That's how PP&L got it, I guess, or one of the  
24 other people.

25 MR. MacGREGOR: Again, Your Honor, it's a document

1 from our files, a business record kept in the normal course.

2 JUDGE CHRISTIANSON: Yes. I'll allow it in as what  
3 PP&L received, making no indication whether it's true or  
4 not. I'm not using it for what Povilaitis sent, but just  
5 that PP&L received that and perhaps acted on it accordingly.  
6 So recognizing the hearsay problem, I'm not using it for the  
7 truth of the underlying statements by Povilaitis, just that  
8 PP&L received it. I'm allowing it in only for that purpose,  
9 which I think helps a little bit, at least, with Mr. Haynes'  
10 problem.

11 The other letters, they are just examples, and again,  
12 I'll acknowledge the hearsay problem. I don't know whether  
13 the various individual customers and such were really  
14 telling the truth or not, but they are in the file and I'm  
15 accepting them under the same sort of situation.

16 The Povilaitis letter, I see why that's particularly  
17 sensitive. Again, it's only for what PP&L received as a  
18 copy of that letter. I'm not accepting it for the truth of  
19 what Povilaitis stated in the letter.

20 So with that limiting statement, those are accepted  
21 into the record.

1 (Whereupon, the documents were marked  
2 as PP&L Statement No. 8-R and PP&L  
3 Exhibits Nos. OGK-5 through OGK-13  
4 for identification, and were  
5 received in evidence.)

6 JUDGE CHRISTIANSON: Do you have any oral testimony?

7 MR. BARR: Yes, Your Honor, we do have certain  
8 limited rejoinder.

9 JUDGE CHRISTIANSON: Go ahead.

10 BY MR. BARR:

11 Q. Mr. Kasper, I would like you to turn to the  
12 surrebuttal testimony filed by Mr. Yarolin on page 7 where  
13 he suggests that the Commission commence an investigation of  
14 the promotional activities conducted by the company for Rate  
15 Schedule RTS, and that he does so despite the proposed  
16 closing of the rate by the company.

17 Do you have any comments on this surrebuttal  
18 testimony?

19 A. Yes. I do not believe there is a need for an  
20 investigation. Under the existing, and independent of  
21 promotional payments, under the existing rates the payback  
22 period is eight years on a typical \$4,000 installation of an  
23 electric thermal storage system. Under the proposed rates  
24 the payback period is only five years. Nearly 90 percent of  
25 the current RTS customers became customers before 1993.

1 Those customers would have received promotional payments as  
2 well as benefits from the RTS rate differential and will  
3 have recovered their investment, and more, by the end of  
4 1999.

5 Whether the post-1992 RTS customers have fully  
6 recovered their investment by 1999 year end depends on the  
7 Commission's rate order in this case. If the company-  
8 proposed rates are approved, nearly all of those customers  
9 will have recovered their cost by year end 1999. Even under  
10 the existing rates, however, the payback period is eight  
11 years. Under the time frame, the relative handful of new  
12 customers added in 1993 to 1995 would mostly, but not  
13 completely, recover their investment by the end of 1999.

14 Q. Mr. Kasper, does the company's proposal mean  
15 that the customers' investment in RTS systems will no longer  
16 have value after 1999?

17 A. No. The company has committed to not reduce the  
18 current rate differential between RTS and RS before that  
19 date. At that time some differential may still be proposed.  
20 The company's options would include grandfathering the  
21 differential for the few remaining RTS customers whose  
22 investment is not fully recovered.

23 The company is also committed to research a new rate  
24 schedule for off-peak usage that could be used by new RTS  
25 customers whose facilities could be directly dispatched.

1 Even if the current RTS rate were eliminated in 1999, the  
2 RTS customers could still elect to join the new rate. The  
3 electric thermal storage systems are long-lived systems, 20  
4 to 25 years. As long as any rate differentials established  
5 recognize the load management benefits, they will continue  
6 to provide their owners with long-term benefits.

7 Q. Turning to the surrebuttal testimony filed by  
8 Mr. Andersen, at pages 4 and 6, he there criticizes your  
9 projection of the potential future benefits of retrofitted  
10 direct control devices on RTS systems. Do you have any  
11 comments on this critique?

12 A. Yes. In addition to retrofitting direct control  
13 devices, I noted that resetting the timers on the existing  
14 RTS units would eliminate negative returns of the class. If  
15 a four-hour portion of the heating RTS period were moved to  
16 the 11:00 a.m. to 3:00 p.m. period and the balance moved to  
17 between 9:00 p.m. and 7:00 a.m., the RTS class rate of  
18 return would be approximately 2.4 percent positive.

19 Q. Turning to page 5, lines 4 to 17, of his  
20 surrebuttal testimony, Mr. Andersen states that your  
21 testimony that Rate Schedule RTS class contributes to the  
22 company's overall fixed cost recovery is "false" and  
23 "deceptive". Do you have any comments?

24 A. Yes. Customers paying on an average of 5.4  
25 cents per kilowatt-hour are substantially contributing to

1 recovering the company's fixed costs, and the marginal  
2 energy cost is 2.2 cents per kilowatt-hour. Merely because  
3 they are contributing less on average than if they had  
4 elected conventional RS heating options cannot reasonably be  
5 transformed into a claim that they are contributing nothing  
6 to fixed costs.

7 Under Mr. Andersen's approach any class or  
8 identifiable group of customers within a class that  
9 contributes less than it would if it were under a different  
10 higher rate would be deemed to be contributing nothing to  
11 fixed costs. This approach is unreasonable.

12 Q. Again turning to Mr. Andersen's surrebuttal  
13 testimony, page 12, lines 21 to 22, he there states that the  
14 company "declined to provide" data necessary to analyze the  
15 differences in usage between large and small RS customers.  
16 Do you have any comment on that testimony?

17 A. Yes. In a response dated February 17, 1995, the  
18 company provided detailed usage data on GS-1 and RS  
19 customers of various sizes in response to the Office of  
20 Small Business Advocate Request No. 2. That response shows  
21 that although the average kilowatt-hour usage is 880  
22 kilowatt-hours per month, the median is only 600 kilowatt-  
23 hours per month. Therefore, numerous smaller customers  
24 would never reach the later blocks of the rate.

25 Q. Mr. Kasper, I would like to turn now to the

1 surrebuttal testimony of Mr. Baron. At page 9, line 5,  
2 through page 10, line 15, he criticizes as unrepresentative  
3 your example illustrating the impact of his proposed  
4 interruptible credit. Do you have any comments on this  
5 surrebuttal testimony?

6 A. Yes. Mr. Baron has framed his proposal in terms  
7 of average impact on the interruptible customers. It is  
8 important to recognize that the impact of his proposal on  
9 individual interruptible customers would be substantially  
10 different from the average figure referenced in his  
11 testimony. Although the average interruptible credit  
12 savings for the interruptible customers proposed by Mr.  
13 Baron would be \$8.00 per kW per month versus the average of  
14 \$5.00 per kW per month proposed by the company, very  
15 different impacts would affect various customers.

16 A low load factor customer under Mr. Baron's  
17 proposed interruptible Rate Schedule LP-5 with a low  
18 percentage of interruptible power could experience, in  
19 effect, negative credits for its interruptible power  
20 purchases, while a high load factor customer, high  
21 percentage interruptible, would see a roughly \$11.00 per kW  
22 implied credit for its interruptible power purchases.

23 In contrast, under the company's proposal the high  
24 load factor, high percentage interruptible customer would  
25 experience an interruptible credit of about \$7.90, and a low

1 load factor interruptible customer with a small percentage  
2 of interruptible load would experience a credit of \$3.30.  
3 In fact, I've calculated that a number of the interruptible  
4 LP-5 customers, including some of PPLICA's members, would  
5 pay higher revenues to the company, and in some cases  
6 significantly higher revenues under Mr. Baron's  
7 interruptible rate proposal than under Mr. Baron's firm rate  
8 proposal.

9 Q. Is this impact relevant in assessing Mr. Baron's  
10 surrebuttal at page 8, lines 13 to 18?

11 A. Yes. Mr. Baron states that he is not advocating  
12 undoing the Commission's order closing the interruptible  
13 rates established in 1992. In fact, he would do exactly  
14 that. His proposal, if adopted, would establish incentives  
15 that would strongly encourage customers to reduce their firm  
16 demand and increase their interruptible purchases by  
17 building self-generation equipment.

18 As I explained previously, under Mr. Baron's proposal  
19 a high load factor customer with a high percentage  
20 interruptible load would receive an implied credit of \$11.00  
21 per kW, which is nearly equal to the \$12.00 to \$14.00 kW  
22 contained in the company's interruptible rates which was  
23 closed by the Commission earlier this year. Moreover, under  
24 Mr. Baron's proposal the incremental value per kW for a firm  
25 or small interruptible customer with an 85 percent load

1 factor would be over \$15.00 a kW. Credits in this range  
2 would clearly encourage increased self generation, which is  
3 precisely what the Commission sought to prevent in closing  
4 the old interruptible rates.

5 MR. BARR: Your Honor, we have no further rejoinder.

6 JUDGE CHRISTIANSON: Fine. Thank you. Perhaps we  
7 can pause for a moment.

8 Is Trial Staff ready?

9 MR. MICKENS: Yes, Your Honor.

10 JUDGE CHRISTIANSON: Okay. Go ahead.

11 CROSS-EXAMINATION

12 BY MR. MICKENS:

13 Q. Good afternoon, Mr. Kasper.

14 A. Good afternoon.

15 Q. First of all, with regard to your rejoinder  
16 testimony concerning the RTS rate class, I believe you  
17 testified that there is no need for an investigation of this  
18 class because the payback period for apparently most of the  
19 customers is five years. Is that accurate?

20 A. Under our proposed rates the payback period for  
21 a customer now installing a thermal storage system would be  
22 five years.

23 Q. When did the first customer receive or have  
24 installed an electric thermal storage system on PP&L's  
25 system?

1 A. That would have been approximately 1982.

2 Q. So since 1982 RTS customers, at the urging of  
3 PP&L, have had installed electric thermal storage systems in  
4 their homes; is that correct?

5 A. That's correct.

6 Q. Do all of these systems have the same cost that  
7 have been installed since 1982?

8 A. I can really not comment on the cost. There has  
9 to be a difference between the types. Some of them are  
10 ceramic room units, some of them are water storage units,  
11 some of them use cast iron bricks as storage, so there has  
12 to be a cost difference between the different type systems.

13 Q. In addition to the typing of the systems,  
14 wouldn't you agree with me that there would be a difference  
15 in cost based upon the square footage of the residence that  
16 it was sized to heat?

17 A. That's correct.

18 Q. Given the fact that the cost for each RTS  
19 customer would be different, as we've just established,  
20 wouldn't you agree with me then that the payback period  
21 would be different for those systems; that that payback  
22 period would be based upon the cost of that system to that  
23 customer as well as that customer's usage patterns?

24 A. Yes. In my terms I talked in terms of an  
25 average type system.

1 Q. Have you performed a study to determine what the  
2 average type system cost was and the square footage that  
3 would be involved for that average type system?

4 A. No, not at this time.

5 Q. Now, I believe other PP&L witnesses have  
6 testified in this proceeding that there are currently 15,000  
7 RTS customers; is that correct? Approximately.

8 A. Approximately.

9 Q. Has PP&L kept a ledger of the cost of the system  
10 for each of these 15,000 RTS customers?

11 A. I do not know.

12 Q. Mr. Kasper, with regard to your rebuttal  
13 testimony, would you look with me at your OGK-5, please?

14 (Witness perusing document.)

15 A. Okay.

16 Q. Now, this purports to be RTS rate redesign using  
17 OTS customer charge and two energy steps; is that correct?

18 A. No. This is the RS rate design.

19 Q. Okay. So this is the RS rate design purportedly  
20 using OTS customer charge and two energy steps; is that  
21 correct?

22 A. That's correct.

23 Q. So you show the OTS customer charge of \$5.90 per  
24 month; correct?

25 A. Right.

1 Q. And the first block of 600 kilowatt-hours with a  
2 charge of 0.10073 cents per kilowatt-hour.

3 A. That's dollars.

4 Q. Dollars per kilowatt-hour. And a second block  
5 with excess kilowatt-hours with a charge of 0.07600 dollars  
6 per kilowatt; is that correct?

7 A. That's correct.

8 Q. Are the usage charges shown, which are indicated  
9 here, based upon the company's proposed rates in this  
10 filing?

11 A. Could you explain that a little more? Are you  
12 saying are these usage charges based on our current blocking  
13 or off -- let me give an explanation of what we did here.

14 Q. Well, in OGK-5 here you're showing two blocks  
15 instead of the three blocks which apparently the company is  
16 proposing in this proceeding.

17 A. Our proposal is for the three blocks.

18 Q. Okay. The company has proposed three blocks in  
19 this proceeding. You would agree with me that here on OGK-5  
20 you are only showing two blocks; is that correct?

21 A. Yes. This is for illustration of what would  
22 happen with your request for a \$5.90 customer charge.

23 Q. When you say "your," are you referring to Office  
24 of Trial Staff?

25 A. Yes.

1           Q.    Can you provide to me the mathematical  
2 calculations that you used in establishing the 0.10073  
3 dollars per kilowatt-hour for the first 600 kilowatt-hours?

4           A.    Yes.  What we did in arriving at that rate is we  
5 changed the customer charge from our \$7.20 level to the  
6 \$5.90, which produced a revenue deficiency in the customer  
7 charge.  We maintained the last step of the rate at 7.6  
8 cents per kilowatt-hour for excess over 600 kilowatt hours.  
9 Then we simply took the revenue deficiency caused by those  
10 two reblockings and moved it into the first block of the  
11 rate and maintained the same revenue requirements for the  
12 class.

13           Q.    Why was the first block of 600 kilowatt-hours  
14 chosen?

15           A.    We looked at approximately how many customers --  
16 what percentage of bills are above and below that 600  
17 kilowatt-hour split, and that puts about 50 percent of all  
18 bills issued are below 600 kilowatt-hours, and 50 percent of  
19 all bills issued are above 600 kilowatt-hours.  So we took  
20 that as an average and used that blocking.

21           Q.    In your OGK-5, if you had used three energy  
22 steps instead of two energy steps as you employ, do you  
23 think your reasoning would have been different in terms of  
24 where the blocks would have been?

25           A.    Are you saying we did we select the 200 and the

1 800 level?

2 Q. No. I'm simply asking you in OGK-5, instead of  
3 doing two energy blocks you were employing three energy  
4 blocks.

5 A. We were employing three energy blocks? I  
6 probably would have established one at about 200 kilowatt-  
7 hours.

8 Q. And the reason for that would have been?

9 A. That would have been a higher level and it would  
10 have started recovering more of the customer charge in the  
11 front end, and that would have covered about 88 percent of  
12 all customer bills.

13 Q. Would you refer to page 12 of your testimony?

14 A. Okay.

15 Q. Roughly lines 14 through 16 of your rebuttal  
16 statement. Now, you made a change on line 16, and you  
17 changed that amount from 2.9 cents per kilowatt-hour to 2.3  
18 cents per kilowatt-hour; is that correct?

19 A. That's correct.

20 Q. With that change you state here that the company  
21 will not propose to reduce the existing 2.3 cents per  
22 kilowatt-hour differential between Rate RS and Rate RTS  
23 customers before December 31, 1999; is that correct?

24 A. That's correct.

25 Q. Can you provide the calculations which were used

1 in determining this rate differential, the 2.3 cents per  
2 kilowatt-hour between the RS and RTS rates?

3 A. Yes, I can.

4 (Document handed to Counsel Barr by the witness.)

5 MR. MacGREGOR: I think he wants you to explain it.

6 BY MR. MICKENS:

7 Q. I want you to explain it on the record. That's  
8 fine, but --

9 A. I'll supply it, but I'll explain it for you.

10 Q. We can read it later, but I would like you to  
11 explain it on the record.

12 A. What we did is we took the billing parameters  
13 under the current RTS rate and the customers that are under  
14 all of our bills and we calculated under the RTS rate that  
15 exists today. Then we took the same billing parameters,  
16 which under the RS rate doesn't have a demand charge, and we  
17 recalculated those same customers under the RS rate. That  
18 will give you a delta in dollars between the two rate  
19 schedules.

20 Q. Okay, but was that on the present rates?

21 A. That's on the present rates. Okay? And we  
22 simply divided by the total kilowatt-hours.

23 Q. Assuming that RTS service was to be increased as  
24 originally proposed by the company and that RS service was  
25 not increased, do you know what the rate differential would

1 be?

2 A. No. I have not done that calculation.

3 Q. Do you know whether or not it would be less than  
4 2.3 cents per kilowatt-hour?

5 A. It would have to be.

6 MR. MICKENS: Your Honor, that's all I have for this  
7 witness.

8 Thank you very much, Mr. Kasper.

9 JUDGE CHRISTIANSON: All right. Thank you.

10 MS. McCLOSKEY: Your Honor, following up on Mr.  
11 Mickens, I saw he had some work papers.

12 Could we just get a copy of the work papers for the  
13 calculation you described to Mr. Mickens?

14 MR. MacGREGOR: Sure.

15 JUDGE CHRISTIANSON: Do you want it for purposes of  
16 cross or later?

17 MS. McCLOSKEY: No, no. Later.

18 JUDGE CHRISTIANSON: A data request.

19 MS. McCLOSKEY: Yes.

20 MR. HAYNES: If we could get that today as well.

21 JUDGE CHRISTIANSON: Before tomorrow morning you  
22 mean?

23 MR. HAYNES: Yes.

24 MR. MacGREGOR: I can try to get some copies now, I  
25 guess, if people want to look at it?

1 JUDGE CHRISTIANSON: Let's be off the record briefly.

2 (Discussion off the record.)

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

4 I guess there's one copy of that document in the  
5 room, and Mr. Haynes has it at the moment.

6 Let's proceed with cross by Small Business.

7 MS. MOURY: Thank you, Your Honor.

8 CROSS-EXAMINATION

9 BY MS. MOURY:

10 Q. Good afternoon, Mr. Kasper.

11 A. Good afternoon.

12 Q. Would you please refer to your rebuttal  
13 testimony at page 32, specifically to lines 1 through 9  
14 where you discuss the PPLICA proposal for a single  
15 interruptible provision for LP-5 and LP-6 interruptible  
16 rates? My question is that if this would be adopted by the  
17 Commission, if the PPLICA proposal that you're responding to  
18 here would be adopted by the Commission, would it  
19 necessarily follow that the same provisions would be  
20 implemented or be available to interruptible customers on  
21 LP-4 rate schedule?

22 A. You mean have a separate rate schedule for LP-4?

23 Q. No, not necessarily a separate rate schedule,  
24 but with respect to PPLICA's proposal that the same rate  
25 design as -- essentially the same rate design as PP&L

1 currently uses for interruptible rates be continued.

2 A. Would it apply to LP-4?

3 Q. I'm sorry?

4 A. Would it apply to LP-4 and continue?

5 Q. That's what I'm asking, yes.

6 A. Generally, we try to keep our rate designs  
7 across a group of customers as a family of rates, so I would  
8 probably be looking at roughly the same type of rate design  
9 for LP-4.

10 MS. MOURY: That's all I have. Thank you.

11 JUDGE CHRISTIANSON: It's not identical, necessarily.  
12 Equivalent I guess you could say.

13 Anything from Bethlehem Steel?

14 MS. BRANDEIS: Yes.

15 JUDGE CHRISTIANSON: Go ahead.

16 CROSS-EXAMINATION

17 BY MS. BRANDEIS:

18 Q. Good afternoon, Mr. Kasper.

19 A. Good afternoon.

20 Q. I'm Joan Brandeis for Bethlehem Steel.

21 First I would just like to make a couple of  
22 clarifications. First, on page 33, at line 21, or starting  
23 on line 20 where you say, "While this exceeds the \$3.75/kW  
24 value of interruptible load, it is much closer than the PP&L  
25 proposal," do you mean PP&L or do you mean PFLICA? Just so

1 I understand what you're saying here.

2 JUDGE CHRISTIANSON: Which line did you say?

3 MS. BRANDEIS: It's line 21. The statement is,  
4 "...it is much closer than the PP&L proposal or the  
5 company's current (closed) rate."

6 THE WITNESS: Yes. It should have been PPLICA.

7 BY MS. BRANDEIS:

8 Q. Thank you.

9 Now, again, if you would turn to your Exhibit OGG-12,  
10 page 1 of 2, where you're showing a comparison of PP&L's  
11 average price for industrial customers in cents per  
12 kilowatt-hours.

13 A. Wait till I find it here. Ten or 12?

14 MR. MacGREGOR: Twelve.

15 MS. BRANDEIS: Twelve. It's towards the back.

16 JUDGE CHRISTIANSON: About six or seven sheets in.

17 MS. BRANDEIS: Yes. Almost at the end.

18 JUDGE CHRISTIANSON: With the GPU -- no; it's more  
19 than GPU.

20 BY MS. BRANDEIS:

21 Q. Here you're showing PP&L at 6.1 cents as  
22 compared to, say, Delmarva at 4.3 or Baltimore Gas &  
23 Electric at 4.9.

24 Is the 6.1 based on your existing rates or your  
25 proposed rates in this case?

1 A. These are based on our proposed rates in this  
2 case.

3 Q. All right. At the bottom it says "PP&L Filed  
4 Rates." You mean that in the sense that you filed in this  
5 case then?

6 A. Yes.

7 Q. Thank you.

8 Now, turning to page 27 of your testimony, you refer  
9 to two competitive options available to industrial  
10 customers. Can you tell me how long the company --

11 A. Excuse me. Twenty-seven?

12 Q. Page 27, at line 9, you talk about two  
13 competitive options. Can you tell me how long the company  
14 has offered the Price Response Service?

15 A. I believe that was approved by the Commission in  
16 December '94.

17 Q. Can you tell me how many customers are currently  
18 using this option?

19 A. I have five customers currently using the  
20 option, and I have another ten customers very near final  
21 contracts.

22 Q. Can you tell me how long in advance can a  
23 customer obtain accurate real time pricing information from  
24 the company?

25 A. Twenty-four hours.

1           Q.    With respect to the second option that you  
2 discuss, the Competitive Rate Rider, if you're going to use  
3 that rider, will you use a special contract with the  
4 customer for an individual rate?

5           A.    Yes.

6           Q.    Would you agree that the existing Interruptible  
7 Service by Agreement Tariff takes the same approach that  
8 you're taking with the Competitive Rate Rider; that is,  
9 you're responding to the individual need?

10          A.    No.  The interruptible tariff is just for that.  
11 It should be designed for supplying a rate reduction in  
12 exchange for interruptible load and should not be used as a  
13 tool to meet competitive options that a customer may need  
14 beyond that.  If a customer can take advantage of an  
15 interruptible rate and produce a lower price and be more  
16 competitive, that's in his best interest, but from PP&L's  
17 standpoint we should not be making adjustments to an  
18 interruptible rate just to supply a competitive option for a  
19 customer.  With our Competitive Rate Rider we can much  
20 better focus in on the competitive options that that  
21 customer has on an individual basis.

22          Q.    Does the Interruptible Service by Agreement try  
23 to deal with a situation on an individual basis?  That was  
24 my question.  Just narrowly, does it try to deal with  
25 problems on an individual basis?

1           A.    Interruptible Service by Agreement.  Okay.  Yes.  
2   it did on that particular rate structure.

3           Q.    Again referring to Rate Schedule Interruptible  
4   Service by Agreement, am I correct that the Rate Schedule  
5   Interruptible Service by Agreement was filed with the  
6   Commission as Supplement 21 to PP&L's tariff in 1988?

7           A.    Yes.

8           Q.    Am I also correct that the actual agreement  
9   containing the rate in terms of service for the customers  
10   served under this rate was filed with the PUC in December of  
11   1988?

12          A.    I believe so.

13          Q.    Am I correct that after an investigation and  
14   analysis of the filing and the supporting data, the  
15   Commission permitted the tariff and the related agreements  
16   to become effective?

17          A.    Yes.

18          Q.    Has PP&L in this filing proposed an increase in  
19   the contract rate which is in accordance with the filed  
20   contract?

21          A.    Yes, we have.

22          MS. BRANDEIS:  Thank you very much, Mr. Kasper.  
23   That's all I have.

24          JUDGE CHRISTIANSON:  Thank you.

25          Mr. Haynes?

1 MR. HAYNES: Yes.

2 CROSS-EXAMINATION

3 BY MR. HAYNES:

4 Q. Good afternoon, Mr. Kasper.

5 A. Good afternoon.

6 Q. Turning to page 10 of your testimony, you begin  
7 a discussion of the various parties' proposals concerning  
8 Rate Schedule RTS.

9 A. That's correct.

10 Q. And you indicate that Dr. Andersen has  
11 recommended that RTS be terminated as unjustifiably low. Is  
12 that your understanding of his proposal?

13 A. Yes.

14 Q. Did the company not propose a 17 percent  
15 increase in the RTS rates in this case?

16 A. Yes, we did.

17 Q. Did not Mr. Andersen propose an increase in the  
18 RTS rates of 17 percent as one of his alternatives?

19 A. I don't recall.

20 Q. Did not Dr. Andersen, in Schedule A of his  
21 direct testimony, identify a revenue deficiency associated  
22 with RTS rates?

23 A. I don't have Schedule A here.

24 (Document handed to witness.)

25 A. Can you give me a page number on that?

1 Q. It would be at the very end of the text.

2 JUDGE CHRISTIANSON: Right after his testimony?

3 MR. HAYNES: Yes.

4 (Witness perusing document.)

5 THE WITNESS: He's calculated an adjustment  
6 deficiency.

7 BY MR. HAYNES:

8 Q. How much is that?

9 A. According to this it's 26,462,000.

10 Q. What is your understanding of Dr. Andersen's  
11 proposal with that deficiency?

12 A. I don't recall what his purpose of that was.  
13 Can you refresh my memory?

14 Q. Your answer is sufficient for the record.

15 You said that Dr. Andersen recommended that Rate  
16 Schedule RTS be terminated. Did Dr. Andersen also recommend  
17 that PP&L provide refunds to RTS customers?

18 A. I recall that he had recommended that we employ  
19 the \$50.00 per month per customer refund through the end of  
20 their ten-year cycle on the RTS rate.

21 Q. That would be \$600.00 a year times 15,000  
22 customers?

23 A. That's correct.

24 Q. Is that refund to be --

25 A. Well, there are customers that have been on the

1 rate as long as ten years now, so it would be less than  
2 that.

3 Q. And that would go on up to five years under his  
4 recommendation?

5 A. Under our currently filed tariff that would have  
6 to continue through a ten-year cycle on the new customers  
7 coming on.

8 Q. In terms of the payback period that you  
9 referenced in your rejoinder, do RTS customers receive any  
10 information from PP&L on that payback figure?

11 A. That I do not know.

12 Q. Wouldn't that be an important part of marketing  
13 of Rate Schedule RTS?

14 A. I believe it would be, but I was not involved in  
15 the direct marketing of RTS.

16 Q. Would that be something that Mr. Farber would be  
17 responsible for?

18 A. Yes.

19 Q. I asked Mr. Slivka what his responsibilities  
20 were in relation to Mr. Farber. What are your  
21 responsibilities in terms of that? Are you in the same  
22 department?

23 A. No, I'm not.

24 Q. I'm sorry, I didn't bring your direct testimony.  
25 What department are you in?

1           A.    I work in Pricing and Contract Administration,  
2 which is in our Power Systems Support Department, headed up  
3 by John Sipics.

4           Q.    Turning to Exhibit OGK-9 -- I'll let you find  
5 it. Let me know when you're there.

6           JUDGE CHRISTIANSON: This is those various letters?

7           MR. HAYNES: Yes.

8           THE WITNESS: Okay.

9           BY MR. HAYNES:

10          Q.    The first document in this exhibit is a March  
11 27, 1995 letter from Gerald S. Farber, Manager-Sales &  
12 Account Management, to "Dear Customer."

13          A.    That's correct.

14          Q.    Were you in any way involved in the preparation,  
15 meetings or consultation in sending this letter out?

16          A.    No.

17          Q.    Why not?

18          A.    I wasn't consulted.

19          Q.    When did you know that this letter was sent out?

20          A.    When I started receiving complaint calls from  
21 customers.

22          Q.    Why would you be receiving complaint calls? Is  
23 that part of your responsibility?

24          A.    To some extent. When they have questions on  
25 rate issues from our customer contact center, I get the

1 calls transferred to me or to other people in my group. We  
2 also receive some letters of complaint.

3 Q. Am I correct that this letter was only sent to  
4 RTS customers?

5 A. That's correct.

6 Q. Why was it only sent to RTS customers? Why was  
7 this type of letter only sent to RTS customers?

8 A. I have no information on that other than they  
9 were trying to explain to them what was happening in this  
10 rate case.

11 Q. What was happening in the rate case that caused  
12 this letter to be sent?

13 A. An increase on the RTS customers.

14 Q. Wouldn't that customer receive that notice as  
15 part of the customer notice provisions of the Commission's  
16 rate filings?

17 A. Yes.

18 Q. Why would special notice have to be sent to Rate  
19 Schedule RTS customers?

20 A. I do not know. You'll have to ask Mr. Farber or  
21 refer a question to him.

22 JUDGE CHRISTIANSON: Just for the information of  
23 counsel, this was covered somewhat at public input hearings.  
24 I remember at the Harrisburg hearing, I think there was a  
25 PP&L employee there who had gotten a letter and said he was

1 puzzled by it, as I recall. He was there and spoke about  
2 it, and I guess a guy from, I think, PennDOT was there as a  
3 public witness, just, again, just for information. It's  
4 either in the record or not. Most of it was done on the  
5 record I think. That letter came out right before the  
6 Harrisburg public input hearing.

7 MR. HAYNES: That's exactly my point, Your Honor.  
8 Is PP&L going to call Mr. Farber as a witness in  
9 support of this letter?

10 MR. MacGREGOR: Not in support of this letter. He  
11 appeared yesterday for cross-examination on his rebuttal  
12 testimony. We would be happy to provide you with an  
13 explanation as to why the letter was sent, if you want it.

14 MR. HAYNES: I would like to cross-examine Mr.  
15 Farber. I can't cross-examine -- this witness doesn't know  
16 anything about this letter.

17 MR. BARR: Your Honor, I just have to object to the  
18 characterization. The witness has limitations to his  
19 knowledge about the letter. He does not know enough to  
20 satisfy counsel.

21 MR. HAYNES: I don't want to burden the record. This  
22 witness obviously doesn't know enough about this letter to  
23 be cross-examined on it.

24 MR. MacGREGOR: What is it that you precisely want to  
25 know about the letter?

1 MR. HAYNES: The questions I asked that he was unable  
2 to address.

3 MR. MacGREGOR: Why it was sent?

4 MR. HAYNES: Yes.

5 MR. MacGREGOR: We can supply an answer to that.

6 MR. HAYNES: I want to cross-examine a witness on it.

7 MR. MacGREGOR: I think that's an unreasonable  
8 request.

9 JUDGE CHRISTIANSON: Well, at this point I'm not  
10 going to call a witness just for the letter. Now, I've  
11 limited the use of the letter, generally, along with the  
12 other letters.

13 You're worried about the fact that it went out?

14 MR. HAYNES: Well, Your Honor, it's very unusual in  
15 my position, I'm obviously not a witness, but this letter  
16 was sent out just to RTS customers after our complaint was  
17 filed in terms of this proceeding and raised the issue, and  
18 I did not participate in the public input testimony, but I  
19 understand that this letter essentially generated a lot of  
20 public input testimony.

21 JUDGE CHRISTIANSON: Yes. I can verify that. It  
22 clearly did, yes.

23 MR. HAYNES: I'm sure you can.

24 MR. MacGREGOR: I will state for the record that this  
25 letter --

1 MR. HAYNES: Well, I --

2 JUDGE CHRISTIANSON: Do you want to go off the  
3 record?

4 MR. HAYNES: No. I understand Mr. MacGregor. I  
5 would like to cross-examine a witness on it.

6 MR. MacGREGOR: I oppose the request, Your Honor.

7 JUDGE CHRISTIANSON: I'm not going to call a witness  
8 or require they call a witness for the letter. If you want,  
9 I'll ask counsel to make a statement.

10 Do you want it off the record or on the record?

11 MR. HAYNES: I will accept counsel's statement, but I  
12 can't cross-examine counsel.

13 JUDGE CHRISTIANSON: I realize that, yes. I  
14 understand your point.

15 MR. HAYNES: I would like to, though.

16 (Laughter.)

17 MR. KLEPPINGER: Are you sure you want to accept it  
18 before you hear the statement?

19 (Laughter.)

20 MR. HAYNES: I can't keep him from talking anyway.

21 JUDGE CHRISTIANSON: Can you make a brief statement?

22 MR. MacGREGOR: Your Honor, I will state for the  
23 record that prior to the time this letter was sent out in  
24 March the company had received a number of questions from  
25 RTS customers specifically about the fact that the company

1 was proposing a larger increase in the RTS class than it was  
2 in the RS class. A number of customers were concerned about  
3 that and the differential between the two rates. This  
4 letter was sent out to the RTS customers in response to  
5 those questions to attempt to explain what the rate increase  
6 was for the RTS customers in the case, to clarify the issue.  
7 Unfortunately --

8 JUDGE CHRISTIANSON: As I understand it, it poured  
9 fuel on the fire, basically.

10 MR. MacGREGOR: That would probably be a fair  
11 characterization, Your Honor. The information in the letter  
12 was accurate as far as it went, but was not complete enough  
13 to provide a full calculation of the bill, and generated  
14 even more complaints and caused in large part, I believe,  
15 the reaction at the public input hearings from the RTS  
16 customers.

17 JUDGE CHRISTIANSON: Just to check on my memory, for  
18 Mr. Russell, you were there at Harrisburg. Do you remember  
19 one of your people from PP&L mentioning he had the letter?

20 MR. RUSSELL: I remember that testimony.

21 JUDGE CHRISTIANSON: I don't know if it was on the  
22 record or off the record, to tell you the truth.

23 MR. RUSSELL: I think it was on the record.

24 JUDGE CHRISTIANSON: Well, we can check it one way or  
25 the other. My memory goes back to the Harrisburg public

1 input hearing, and the company admitted fairly freely at  
2 that hearing that the letter was somewhat misleading as it  
3 was drafted, essentially. But I'm sure that doesn't satisfy  
4 Mr. Haynes.

5 MR. HAYNES: So your ruling is that Mr. Farber will  
6 not be called as a witness?

7 JUDGE CHRISTIANSON: That's correct. And again, the  
8 letter is accepted only at face value, if that helps at all.

9 BY MR. HAYNES:

10 Q. Mr. Kasper, was any subsequent letter sent to  
11 any RTS customers, if you know?

12 A. Yes. When the customers complained, a follow-up  
13 letter specifically addressing their account was sent back  
14 to those customers, and that's also included in this  
15 exhibit.

16 JUDGE CHRISTIANSON: But this was not a mass mailing.  
17 Just the one letter.

18 THE WITNESS: No, this was not a mass mailing. This  
19 was done on an individual customer basis when they  
20 complained. There is an example of one here that was dated  
21 April 20, 1995.

22 BY MR. HAYNES:

23 Q. I didn't know PP&L served New Jersey.

24 JUDGE CHRISTIANSON: Probably a summer home.

25 THE WITNESS: It's a summer home, probably in the

1 Poconos. It has probably a ceramic storage heating system  
2 in it up in that area.

3 BY MR. HAYNES:

4 Q. I have experience with those customers; they  
5 complain a lot.

6 A. There is also attached usually, I don't see them  
7 here, but there was a couple of sheets of calculations  
8 specifically for the billing of that customer.

9 Q. I think that's on the next page, isn't it?

10 A. Yes. It's missing from my copy.

11 JUDGE CHRISTIANSON: And PP&L is offering these as an  
12 explanation of their response.

13 THE WITNESS: Yes.

14 JUDGE CHRISTIANSON: I could mention, maybe counsel  
15 weren't all there I think at the Bethlehem public input  
16 hearing. Somebody complained that we did not have a hearing  
17 up in the Poconos. So that's noted. I don't know if  
18 counsel got informed of that at the time. It was late in  
19 the public input hearing. But we should have gone to the  
20 Poconos according to that testimony, for whatever it's  
21 worth.

22 Then we can proceed with cross.

23 BY MR. HAYNES:

24 Q. Turning to OGK-6, which is the letter from Chief  
25 Counsel Povilaitis, I'm correct that you don't know what

1 documents Mr. Povilaitis or his staff reviewed?

2 A. No. I do not.

3 JUDGE CHRISTIANSON: Let me add to my discussion.  
4 It's clearly a letter of counsel. It's not an order of the  
5 Commission or any final determination by the Commission.  
6 I've written letters of counsel myself over the years.

7 BY MR. HAYNES:

8 Q. Turning to page 10, the bottom of the page, you  
9 reference that Rate RTS was developed as a load management  
10 tool. Are you relying upon Mr. Slivka for that testimony?  
11 You're not responsible for load management, are you?

12 A. No, I'm not responsible in my current job for  
13 load management, but if you look at our tariff, it states in  
14 the RTS rate that this is a load management rate.

15 Q. Would you agree that to the extent a rate  
16 schedule actually adds to PP&L's peak, the purpose may be  
17 opposite of what was intended?

18 A. The systems out there have benefits across our  
19 system. As Mr. Slivka mentioned, the RTS systems are an  
20 evening peaking system, but they've also saved on the  
21 morning peaks that would have been attributed to the RS  
22 class by about 84 megawatts. If these customers had not  
23 gone on the RTS, it's likely that they would have gone onto  
24 the RS rate with an electric heating system anyway.

25 Q. Or they could have used natural gas or fuel oil?

1 A. Predominantly they would have gone onto electric  
2 heat.

3 Q. Even under the current RS rates?

4 A. Yes.

5 Q. What is your support for that statement?

6 A. Most of these people, when they were making a  
7 decision on these rates over the years, were making a  
8 decision whether to put in a heat pump or an electric system  
9 to begin with. I believe, if we take a look at some of the  
10 records that John has done in market research, that that  
11 will bear it out. Simply, it was moving them from a  
12 selection of a heat pump to an energy management system with  
13 an RTS system. That's where most of the sales occurred.

14 Q. Would you agree that the PP&L marketing  
15 documents that were provided as an exhibit by CEPFOD  
16 indicate that one of the intended purposes was to compete  
17 against fossil fuels?

18 A. In a review of the documents, yes, I've seen  
19 those statements in there.

20 Q. And those are PP&L documents, are they not?

21 A. Yes.

22 Q. Page 12, line 3, of your testimony you reference  
23 the closure of Rate Schedule RTS on 12/31/95.

24 A. That's correct.

25 Q. Why was that date selected?

1           A.    Depending on the outcome of this case, which  
2 will probably be decided in late September, many customers  
3 are going to be in the process of constructing homes or have  
4 equipment ordered, and the three or four-month period  
5 towards the end of the year is going to give them sufficient  
6 time to complete construction and complete delivery of those  
7 systems and installation.

8           Q.    Have you provided any notice to customers that  
9 this is going to be the closing date of Rate Schedule RTS?

10          A.    Not at this time. It's still a proposal.

11          Q.    Have you filed any rate tariff with the  
12 Commission to implement this proposal?

13          A.    What was that?

14          Q.    Have you filed any rate tariff with the  
15 Commission to implement this proposal?

16          A.    No, we have not.

17          Q.    Would you agree, as a result of this case, that  
18 the Commission can order that Rate Schedule RTS be closed  
19 effective upon the entry of the order?

20          A.    Yes.

21          Q.    Am I correct that PP&L, by your testimony, is  
22 intending to propose a new Rate Schedule RTS?

23          A.    Not a rework of the old rate schedule, no.  
24 We're looking at a potential rate schedule that has direct  
25 load control capability.

1 Q. Would you agree there is nothing that prohibits  
2 PP&L from retrofitting the existing RTS customers with load  
3 control devices?

4 A. There is nothing preventing us from doing that,  
5 no.

6 Q. And such load control devices, would they not  
7 cause a reduction in the peak responsibility of Rate  
8 Schedule RTS?

9 A. Yes, they would cause a peak reduction by doing  
10 it onto direct load control.

11 Q. And I believe you referenced that assuming that  
12 no peak responsibility for RTS moved Rate Schedule RTS into  
13 a slight positive return under the company's cost of service  
14 study; is that correct?

15 A. That's correct, and that was only doing it with  
16 timing device changes on the existing meters today.

17 Q. To the extent that the Rate Schedule RTS is in a  
18 negative position under the company's cost of service study,  
19 would you agree that other rate classes are subsidizing that  
20 subsidy?

21 A. Not at this point. The only subsidy that is  
22 taking place at this time is from the shareholders. None of  
23 this has been a cross-subsidy in any rate filing before  
24 this.

25 Q. As proposed by the company in its present filing

1 there is a negative return; is that not correct?

2 A. That's correct.

3 Q. And is it not correct that the company is  
4 proposing to recover the dollars associated with that  
5 negative return not from shareholders but from other  
6 ratepayers?

7 A. That's correct.

8 Q. Would PP&L's shareholders be willing to  
9 subsidize the Rate Schedule RTS customers' negative cost of  
10 service return in the future?

11 A. In that the Rate Schedule RTS is having a  
12 benefit for other rate classes, specifically RS, no, I don't  
13 believe we should. They have been subsidizing it since the  
14 incept of the rate.

15 Q. In your rebuttal and in your rejoinder you  
16 indicated that Rate Schedule RTS provides a benefit in terms  
17 of revenue above the fuel cost of 2.2 cents per kilowatt-  
18 hour; is that correct?

19 A. That's correct.

20 Q. You said that it's an average of 5.4 cents per  
21 kilowatt-hour; is that correct?

22 A. Under current rates, that's correct.

23 Q. Now, you indicated that there has been no  
24 subsidy presently imposed on other ratepayers under the cost  
25 of service study. Would you agree that that revenue

1 differential between the 5.4 cents per kilowatt-hour and the  
2 2.2 cents per kilowatt-hour for fuel is actually revenues  
3 that haven't been reflected in a rate case?

4 A. No, they have not.

5 Q. So the other customers haven't received the  
6 benefit of those revenues and those revenues have been  
7 essentially outside of any rate proceeding and money  
8 available for shareholders?

9 A. That's correct.

10 Q. Page 13 of your testimony you reference the  
11 Susquehanna generating station; is that correct?

12 A. Yes.

13 Q. What is the significance of that terms of the  
14 Rate Schedule RTS? Why did you make that reference in your  
15 testimony?

16 A. That was only a point in time which we began  
17 looking at how we could separate demand expansion or demand  
18 growth from kilowatt-hour growth, and the RTS system looked  
19 like it was a method of doing that, separate the demand  
20 growth from the kilowatt-hour growth.

21 Q. Did the PUC recognize the full cost of the  
22 Susquehanna station in rates, in rate base?

23 A. No.

24 Q. Why not?

25 A. Excess capacity disallowance.

1 Q. Was that Unit 1?

2 A. I wasn't involved in either one of those cases.

3 JUDGE CHRISTIANSON: Eighty-two would have been

4 Unit 1.

5 BY MR. HAYNES:

6 Q. Would you agree there are two units?

7 A. Yes.

8 Q. And would you agree that there was a subsequent  
9 rate case that had included Unit 2?

10 A. Yes.

11 Q. Was that also subject to an excess capacity  
12 disallowance by this Commission?

13 A. Yes.

14 Q. Page 14 of your testimony you make reference to  
15 supply side options, on specifically line 11. What is the  
16 long lead time for a supply side option?

17 A. Load management measures need a long lead time  
18 compared to supply side options. Supply side options such  
19 as a gas turbine can go in in less than three years. If  
20 we're going to do anything with load management, such as an  
21 RTS rate, we're going to have to develop a market, and it's  
22 going to take many more years than three years to get that  
23 up and running.

24 Q. How long would it take to install timing control  
25 devices on RTS customers?

1           A.    As stated I believe in my testimony in other  
2 places, the timing control system is already on the RTS  
3 customers, and the technology is there already to change  
4 those times on those customers.

5           Q.    So that could be done fairly quickly, could it  
6 not?

7           A.    Yes.

8           Q.    And your reference to a turbine is looking at a  
9 peaking facility; is that not correct?

10          A.    That's correct.

11          Q.    And you would agree that for a baseload facility  
12 the lead time would be significantly longer?

13          A.    Yes.

14          MR. HAYNES:   One moment, Your Honor.

15          JUDGE CHRISTIANSON:   Sure.   Take a moment.

16          (Pause.)

17          BY MR. HAYNES:

18          Q.    Turning to page 17 of your testimony, lines 9  
19 through 10, is this your assessment that Rate Schedule RTS  
20 as load management has been largely successful?

21          A.    Yes.

22          Q.    Is that because 15,000 customers have connected?

23          A.    No.   The RTS systems have had system benefits  
24 for us.   As Mr. Slivka mentioned, it has reduced our morning  
25 peak, which at the incept of this program back in 1982 was

1 where our problem was on our system, and the systems  
2 installed today have reduced that morning peak by 84  
3 megawatts. They continue to have load benefit because those  
4 customers on the RTS class would have been in the RS class,  
5 which would have been driving the peak and have a higher  
6 contribution to the RS customers today.

7 Q. Assuming they use electricity for heating  
8 purposes.

9 A. That's correct. And moving forward into the  
10 future, we should be able to do some load management work  
11 with those systems that exist there today.

12 Q. At lines 12 through 13 you make a reference to  
13 150 commercial and industrial customers. Would you agree  
14 that they are not subject to Rate Schedule RTS?

15 A. No -- yes, they are not subject to Rate Schedule  
16 RTS, but they are controllable in a similar fashion as the  
17 RTS systems.

18 Q. Page 18 you comment upon Dr. Andersen's review  
19 of documents, what you describe as "old internal PP&L  
20 documents from 1991 and earlier." For purposes of your  
21 rebuttal testimony, have you made any review of other PP&L  
22 documents?

23 A. Yes. I made a review of one other document  
24 having to do with our real time pricing rate or our Price  
25 Response Service that's now out there. Part of that

1 proposal in that document was to first start with our  
2 industrial/commercial customers under real time pricing;  
3 once we have developed the algorithms for real time pricing,  
4 to move that into direct load control of the RTS systems.  
5 That was developed in I believe that was 1993. We are now  
6 well on the road in our Price Response Service or real time  
7 pricing experiment.

8 Q. Would you agree that the one document that Mr.  
9 Slivka reviewed, the 1987 report, I think it's Nighttime --  
10 excuse me; let me just find the reference.

11 (Counsel Haynes perusing document.)

12 Q. The 1987 Nighttime Peak Report, did you review  
13 that document?

14 A. Briefly.

15 Q. Did not PP&L implement that recommendation?

16 A. Which recommendation was it out of that one?

17 Q. Well, the recommendation that you said, "The  
18 resulting recommendations are outdated and erroneous and of  
19 dubious value."

20 A. The recommendation of reducing the emphasis on  
21 the RTS program?

22 Q. Whatever you're citing on line 14 for "the  
23 resulting recommendations."

24 A. There were a number of recommendations that were  
25 brought out of several studies, one of them being the

1 de-emphasis of the RTS program that was used out of one of  
2 those, and that was the 1987 report.

3 Q. And this is the same recommendation to phase out  
4 RTS that, in your assessment, has been a successful load  
5 management tool; is that correct?

6 A. Yes, because the world changed; the RTS rate  
7 class began peaking later in the day, which changed the  
8 economics of the RTS systems. And we're far short of the  
9 52,000 that we expected to put on that rate.

10 Q. If the 52,000 customers had joined the RTS rate,  
11 would not the subsidy imposed on other customers be  
12 increased?

13 A. If they had? Speculation. Probably.

14 MR. HAYNES: That's all the questions I have. Thank  
15 you, Mr. Kasper.

16 JUDGE CHRISTIANSON: Fine. Thank you.

17 Anything from Federal?

18 MR. McCORMICK: No questions, Your Honor.

19 JUDGE CHRISTIANSON: Consumer Advocate had some I  
20 thought.

21 MS. McCLOSKEY: No questions, Your Honor.

22 JUDGE CHRISTIANSON: Oh, that's right. You just had  
23 the one request.

24 Mr. Kleppinger?

25 MR. KLEPPINGER: Thank you, Your Honor.

## CROSS-EXAMINATION

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BY MR. KLEPPINGER:

Q. Good afternoon, Mr. Kasper.

A. Good afternoon.

Q. Turn to page 5 of your rebuttal testimony, please, at lines 3 through 8. Here I believe you were indicating that the company would do a proportional scale back of its revenue requirements to the classes after correcting, as you say, for the proper valuation of interruptible load; is that right?

A. That's correct.

Q. Now, previously we had asked you a data request, which you answered, dated March 29, 1995 at transcript page 806-807 -- it's in the record as Exhibit PFC-1 attached to PPLICA Statement No. 1 -- where we asked you to quantify the percentage increase to the LP-5 interruptible customers under PP&L's proposed rate structure, but under the assumption that no increase would be approved. Do you recall that answer indicating that the average increase to the LP-5 interruptible group would be 22.46 percent due to the rate structure change even if PP&L received no rate increase?

A. That's correct.

Q. In that answer you also stated that, and I quote. "The above hypothetical rate design was developed

1 only for the purpose of responding to this data request.  
2 PP&L does not represent that this design will be retained if  
3 the Commission grants other than the proposed rate  
4 increase." Do you remember that portion of the response?

5 A. Yes.

6 Q. When looking at that data request response and  
7 what you've now stated at page 5, lines 3 through 8, is it  
8 now PP&L's position that it will in fact retain its proposed  
9 interruptible rate design no matter what type of rate  
10 increase it receives in this case?

11 A. Basically, you're stating we're going to stay  
12 with a crediting approach to the interruptible rate design  
13 no matter what happens?

14 Q. That's what I'm gathering between these two --

15 A. Yes. We're going to change from the current  
16 rate design we have and move into a credit approach in the  
17 rate design.

18 Q. By doing that rate design change, it then  
19 remains the case that if the Commission finds that the  
20 utility here is entitled to no rate increase in this case,  
21 your LP-5 interruptible customers will increase by 22.46  
22 percent on average?

23 A. If allowed by the Commission, yes.

24 Q. Could you turn next to page 26 of your  
25 testimony? The question and answer beginning on line 17

1 refers to other rate offerings that are available to your  
2 industrial customers; correct?

3 A. Right.

4 Q. You list EDI and IDI credits. Am I correct that  
5 those are going to be phased out and will no longer exist  
6 after the year 2000, I think it is?

7 A. Yes; that's correct.

8 Q. The second one you list are demand free days.  
9 Am I correct that the company is proposing in this case that  
10 those be phased out and terminated by the year 1998?

11 A. Correct.

12 Q. The next one you list is real time pricing, and  
13 I presume that there you mean the Price Response Service  
14 rate?

15 A. Correct.

16 Q. And that is an experimental rate due to expire  
17 in two years absent further action by the utility or the  
18 Commission; is that correct?

19 A. That's correct.

20 Q. The last one you list is the Competitive Rate  
21 Rider. Am I correct that that rate is available only when a  
22 customer demonstrates that it has a viable competitive  
23 alternative to service under Rate Schedule LP-5?

24 A. That's correct.

25 Q. This section of your testimony is designed to

1 rebut the notion that some of your customers testified to,  
2 to the extent that PP&L's proposed rates in their minds were  
3 not competitive; correct? That's the thrust of this portion  
4 of your testimony?

5 A. Right.

6 Q. You don't dispute, do you, Mr. Kasper, that when  
7 your customers testified to that issue, that they were not  
8 aware of the existence of each of the rate items that you  
9 have listed here at lines 22 through 25, namely EDI/IDI,  
10 demand free days, real time pricing and Competitive Rate  
11 Rider?

12 A. That they're aware of them?

13 Q. Yes.

14 A. Yes, they are aware of them. Many of those  
15 customers were on those rates before they moved over to the  
16 interruptible rate service.

17 Q. And based on their presentations in this case,  
18 you would have to conclude that they're not anxious to  
19 return to those as opposed to remaining on the existing  
20 interruptible rate; correct? They'd rather stay where they  
21 are.

22 A. Only because of the price differential.

23 Q. Turning to page 27, you claim here that your  
24 proposed interruptible rates return rates to the levels in  
25 effect prior to introduction of interruptible options in the

1 1990s. And I believe you provided an exhibit which is  
2 designed to support that at OGK-10?

3 A. Yes.

4 Q. If you could turn to that for a moment? I would  
5 like you to turn to the page that's entitled "Rate Schedule  
6 LP-5 Optional Interruptible Power, Customer Average Cents  
7 per kWh."

8 MR. MacGREGOR: LP-4 or 5?

9 MR. KLEPPINGER: Five.

10 MR. MacGREGOR: Thanks.

11 BY MR. KLEPPINGER:

12 Q. Nineteen ninety-one in this chart was the last  
13 year that the optional interruptible power provision as we  
14 currently know it was not in the PP&L tariff; correct?

15 A. That's correct.

16 Q. When you performed this analysis, did you look  
17 at only the customers that were on the interruptible rate  
18 provisions available in 1991?

19 A. No. What we did for this comparison is we took  
20 all the customers that are currently on the interruptible  
21 rate options and we took a look back at their previous  
22 rates. So what this is representative of is where these  
23 customers will be after the proposed rates go into effect  
24 and where they were in 1991. It includes no other customers  
25 other than the ones that are currently on the LP-5

1 interruptible rate.

2 Q. And in the mix of customers in 1991, did you  
3 assume that all 27 current -- or whatever the number is;  
4 that all of the current LP-5 interruptible customers were  
5 also taking interruptible service in '91, or did you --

6 A. They were taking their firm service with their  
7 EDI credits for the ones that were firm, and the  
8 interruptible customers at that time, which were the air  
9 reduction companies, were taking interruptible service under  
10 their interruptible service by agreement.

11 Q. So the bar in 1991 are the actual rates that  
12 were paid by those customers at that time?

13 A. Right.

14 Q. And some of those customers were on firm service  
15 at that time?

16 A. Yes.

17 Q. So the bar in '91 includes the four long-time  
18 interruptible customers, namely the air reduction companies?

19 A. Yes.

20 Q. And Bethlehem Steel probably in '91?

21 A. Bethlehem Steel Bethlehem plant was not  
22 interruptible, and the ISA for Steelton is not included in  
23 this.

24 Q. ISA-Steelton is not included in this. Okay.  
25 And you're comparing that to your proposed column on

1 the far right, which are now composed of all firm customers?

2 A. Far right?

3 Q. Yes.

4 A. That would be the proposed interruptible rates  
5 and all the customers moving to that proposed rate.

6 Q. So when you say they would be returned to the  
7 rate levels in effect prior to the introduction of  
8 interruptible options, that rate level is one which was at a  
9 firm service in 1991 for many of these customers, and at the  
10 proposed level is an interruptible service?

11 A. That's correct.

12 Q. If you could turn for the moment to page 28 of  
13 your testimony, at lines 23 through 24 you use the  
14 terminology "granting extremely low interruptible rates."  
15 Do you see that?

16 A. Yes.

17 Q. Now, you do understand, do you not, that PPLICA  
18 is proposing, at full rate relief in this case, a 17.5  
19 percent increase to the existing interruptible rate?

20 A. Yes, but that doesn't get them anywhere near the  
21 value of that interruptible capacity of PP&L.

22 Q. The 17.5 percent would be on top of the rate  
23 level that PP&L itself had just proposed three years ago on  
24 June 1 of 1992; is that correct?

25 A. That was not clear. From what I understood, it

1 was 70 percent above the interruptible levels they're at  
2 now.

3 Q. The rate proposed by PP&L on June 1 of 1992,  
4 other than for state tax adjustment surcharge and ECR,  
5 hasn't changed, has it?

6 A. The interruptible rate? No.

7 Q. And PPLICCA is proposing a 17.5 percent increase  
8 to that at full rate relief, are they not?

9 A. Yes. To that rate, yes.

10 Q. So if that resulting rate of PPLICCA's proposal  
11 is adopted, is still an extremely low interruptible rate as  
12 you suggest it is as lines 23 and 24, the rate originally  
13 proposed in June of 1992 would be even more extremely low?

14 A. Yes.

15 Q. Turning to page 29 of your testimony, lines 20  
16 and 21, you discuss a duty to balance the needs of various  
17 customer classes. Do you see that reference?

18 A. Yes.

19 Q. To your knowledge, has PP&L's duty to balance  
20 those interests changed since June of 1992?

21 A. Since June of 1992 we also realized that the --

22 Q. I don't want to know what you realized. Has the  
23 duty changed?

24 A. No, the duty has not changed.

25 Q. You also raise the point at page 31 of your

1 testimony, and it was also addressed in your rejoinder, that  
2 the PFLICA proposal would seek to undo the Commission's  
3 order on closing the rate. Do you see that reference?

4 A. Line number?

5 Q. I'm sorry. The last four or five lines of the  
6 page.

7 A. Yes.

8 Q. Mr. MacGregor and I went through this early in  
9 the week in another case. I'm not going to have you look at  
10 the order; it will speak for itself. But generally, the  
11 order closed the availability of the rate?

12 A. Correct.

13 Q. The order did not change the design of the rate?

14 A. Correct.

15 Q. Your rejoinder testimony referenced the issue of  
16 preventing additional on-site generation in the context of  
17 the Commission order. We can debate whether that's in the  
18 Commission order, but it was in your rejoinder testimony.  
19 Do you recall that?

20 A. Yes.

21 Q. I think you've testified previously in your  
22 direct testimony that PP&L has a concern with the additional  
23 installation of on-site generation by customers who qualify  
24 for the interruptible rate; correct?

25 A. That's correct, because we feel the investment

1 in the on-site generation is detracting from the economic  
2 development benefits of the rate.

3 Q. Did PP&L consider in this filing to put a  
4 condition on the availability of the interruptible rate that  
5 a customer could not install on-site generation?

6 A. No.

7 Q. When I cross-examined you in the first phase of  
8 this case on March 29 we discussed the cap mechanism that's  
9 proposed in this case at 500 megawatts. Do you recall that?

10 A. Yes.

11 Q. On the total amount of interruptible load.

12 I think your customers -- and if not them, at least  
13 me -- misinterpreted that tariff provision to mean that it  
14 was a real cap of 500 megawatts total of all existing  
15 interruptible and new interruptible customers. And you  
16 indicated at that time that the cap didn't apply to existing  
17 customers who added additional amounts of interruptible  
18 load.

19 A. That's correct. They can move past that cap.  
20 That would just restrict anybody else getting onto the rate  
21 at that point.

22 Q. So for an existing customer, they could actually  
23 install more on-site generation to add interruptible load  
24 under the capping definition that you told me at the last  
25 hearing, couldn't they?

1           A.    That is correct.  Under our proposed rate, that  
2 is correct.

3           Q.    If you had given me the answer I expected to  
4 hear on March 29, it would have been that the 500 megawatt  
5 cap applied to those existing customers and they couldn't  
6 add new interruptible load.  So I guess I'm confused as to  
7 the motivation that PP&L has in terms of the cap mechanism,  
8 the desire for limiting on-site generation and the increase  
9 that is proposed in this case.  Can you explain to me --

10          A.    The increase proposed in this rate is then to  
11 bring the interruptible value up to where it belongs, and  
12 that's roughly in the area of \$6.00 per kW, or less.

13          Q.    Okay.

14          A.    That's the first point.  At that point,  
15 customers probably will not be installing on-site  
16 generation; it's just not economically that valuable to  
17 them.

18          Q.    Okay.

19          A.    So once it's valued properly, the use of on-site  
20 generation to just take advantage of an interruptible rate  
21 probably does not exist any longer.

22          Q.    I take it that the company, correct me if I'm  
23 wrong, but the company decided that it was better to reprice  
24 this service on the value basis that you suggest to  
25 eliminate the potential for new on-site generation than to

1 simply cap the rate explicitly at where it is and not allow  
2 any more interruptible customers on it?

3 A. That's correct.

4 Q. And this value concept, Mr. Kasper, will you  
5 agree, was not a concept that was utilized by PP&L when it  
6 originally proposed the LP-5 interruptible rate in June of  
7 1992?

8 A. No, it was not.

9 Q. Also in your rejoinder testimony you read  
10 several interruptible credits and various customer  
11 characteristics into the record, and you compared low load  
12 factor customers with low percentage interruptible loads and  
13 high load factor customers with high percentage of  
14 interruptible loads. Do you recall that testimony?

15 A. Yes.

16 Q. In that analysis you discovered that there are  
17 different levels of the effective interruptible credit on a  
18 dollar per kW basis under the existing LP-5 interruptible  
19 rate design.

20 A. Under the existing? No, we didn't read that in.  
21 We looked at Mr. Baron's interruptible rate design and his  
22 firm rate design.

23 Q. But isn't Mr. Baron's interruptible rate design  
24 the same rate design that the company currently has in place  
25 today except it's increased by 17.5 percent, on a rate

1 design basis?

2 A. On an overall rate design basis, yes, but within  
3 the structure of the rate it has changed significantly,  
4 which causes a disparity on several customers.

5 Q. Where is the structure being changed if the  
6 existing LP-5 interruptible rate, which has an explicit  
7 demand charge and two explicit energy blocks, how does the  
8 structure change if the PPLICA proposal is simply to  
9 increase that design by 17.5 percent?

10 A. Well, he has also changed the firm rate at the  
11 same time. The structure, if you just look at it without  
12 putting the numbers in, looks pretty much the same, but when  
13 you start putting in the demand, the demand component has  
14 gone up much more than 17 percent, I believe, and the spread  
15 between the first and second step has increased  
16 significantly. So for 1 kW of interruptible capacity, they  
17 get quite a bit higher credit than what's under the current  
18 rate structure. It gives much more of an incentive to move  
19 towards on-site generation.

20 Q. The Baron proposal, however, is premised upon  
21 the firm rate design proposed by PP&L in this case, the firm  
22 rate design.

23 A. Yes.

24 Q. He didn't create a new firm rate; right?

25 A. Yes.

1           Q.    And you acknowledge, do you not, Mr. Kasper,  
2           that both the existing interruptible rate design and that  
3           proposed by PPLICA in this case are both load factor  
4           sensitive interruptible rate designs?

5           A.    Yes, and so is ours.

6           Q.    Yours being a flat dollar per kW credit.

7           A.    With an adjustment for load factor.

8           Q.    When you read into the record earlier an  
9           effective credit for a low load factor customer with a low  
10          percentage of interruptible power, could you tell me what  
11          the effective interruptible credit was under PP&L's proposal  
12          for that class of customer?

13          A.    For that particular customer it was \$3.30.

14          Q.    That is the effective interruptible credit when  
15          you assigned a \$6.00 per kW flat credit to the demand charge  
16          of that customer?

17          A.    Yes.

18          Q.    I think it's at least implied in your testimony  
19          that you don't believe the existing optional interruptible  
20          power provision of LP-5 should be a separate rate schedule;  
21          correct?

22          A.    No, I do not. I don't see there's that much  
23          discernible difference between the firm power customers and  
24          the interruptible customers under LP-5 at this time.

25          Q.    When you had to proof your revenues for the

1 filing in this case, didn't you have to do a completely  
2 separate proof of revenue calculation for the LP-5  
3 interruptible class?

4 A. It's done as a sub-sheet under the IV-C exhibit,  
5 I believe, and then is rolled up into the LP-5 class.

6 Q. If we look at the existing LP-5 tariff, which I  
7 think is an exhibit -- it's PPLICA Exhibit 4, if anyone  
8 needs a reference. I'm sure you don't have it with you;  
9 most people anyway -- of that two-page tariff, is not three-  
10 quarters of it dedicated to describing the optional  
11 interruptible power provision?

12 A. Yes, it is.

13 (Pause.)

14 JUDGE CHRISTIANSON: We should probably break soon if  
15 you have much more.

16 MR. KLEPPINGER: I really don't, Your Honor.

17 BY MR. KLEPPINGER:

18 Q. Turning to page 36 of your testimony, this is  
19 the carry-over sentence from page 35. I take it that the  
20 company is now of the opinion that from a rate design  
21 philosophy standpoint, it no longer wants to use  
22 interruptible rates as an economic development tool, unlike  
23 the company's position in June of 1992?

24 A. That's correct. We reduced our emphasis on  
25 economic development within the interruptible rates.

1           Q.    And you have general familiarity, do you not,  
2 with the Commission's order permitting PP&L to close the  
3 interruptible power provisions; correct?

4           A.    Right.

5           Q.    So you are aware that then Commissioner, now  
6 Chairman, Quain dissented from that view?

7           A.    Yes.

8           MR. KLEPPINGER:  Thank you, Mr. Kasper.

9           I have nothing further, Your Honor.

10          JUDGE CHRISTIANSON:  Thank you.

11          Let me check if there's any more cross.  I gather  
12 not.

13          (No response.)

14          JUDGE CHRISTIANSON:  With that, let's be off the  
15 record for a bit.

16          (Recess.)

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1 JUDGE CHRISTIANSON: Let's go back on the record.

2 I understand there is some redirect for the witness,  
3 and counsel may proceed.

4 REDIRECT EXAMINATION

5 BY MR. BARR:

6 Q. Mr. Kasper, earlier today, counsel for OTS had  
7 asked you a number of questions on the subject of whether it  
8 was possible that some of the RTS customers had spent higher  
9 than the average investment in their thermal storage  
10 facilities because they had larger houses. Do you recall  
11 that?

12 A. Yes, I do.

13 Q. Is it true as a general rule, Mr. Kasper, that  
14 such customers might pay higher than average costs for the  
15 units?

16 A. Yes.

17 Q. Were there any offsetting benefits to them?

18 A. Yes. The customers would presumably for a  
19 larger house install a larger RTS system at a higher cost,  
20 but in turn, they'd have a higher electric bill use and  
21 would probably, in all probability, have a higher savings  
22 over the RS rate, in essence, probably still getting the  
23 same payback period within the five years under our proposed  
24 rates.

25 Q. Earlier today, Mr. Haynes had asked you whether

1 the company had retained the differential during the past  
2 two years between the average revenue provided by the RTS  
3 customers and the incremental energy costs of the system.

4 Do you recall that?

5 A. Yes, I do.

6 Q. Do you have anything to add to clarify the  
7 significance of that fact?

8 A. Yes. He focused only on the RTS rate, but in  
9 any and all other rate classes in between rate cases where  
10 PP&L incurs a cost, that comes out of the shareholders.  
11 Also, any of the revenues between rate cases are returned to  
12 the shareholders. It applies not only to RTS but all other  
13 rate classes.

14 Q. Mr. Kasper, Mr. Haynes had also asked you about  
15 your testimony at page 18, lines 12 to 17, in which you  
16 characterized Mr. Andersen's proposals; and specifically, he  
17 had asked about what the reference to recommendations on  
18 line 14 was made to. Can you clarify the meaning of that  
19 term?

20 A. The resulting recommendations should have meant  
21 the resulting recommendations by Mr. Andersen are outdated  
22 and erroneous.

23 Q. Mr. Kasper, during cross-examination by counsel  
24 for PPLICA, your Exhibit OGK-10 was discussed, and the  
25 cross-examination suggested that the chart compared the

1 proposed interruptible rates with past 1991 rates which  
2 included both firm and interruptible customer charges. Do  
3 you recall that?

4 A. Yes, I do.

5 Q. Mr. Kasper, if that chart were to include for  
6 comparison purposes the proposed firm LP-5 rate, where would  
7 it fall in the chart?

8 A. Not doing a lot of computation, it should fall  
9 in someplace around about 5.6 cents per kilowatt-hour.

10 Q. Mr. Kasper, also in cross-examination by counsel  
11 for PPLICA, you were asked whether the company has the same  
12 duty to balance the interests of the classes here in this  
13 rate case as it did in June 1992. Do you recall that?

14 A. Yes, I do.

15 Q. You began to say something, but you were unable  
16 to proceed at that point.

17 A. Yes. We have the same duty to balance the  
18 interests. In 1992, we introduced the interruptible rates.  
19 We thought we were balancing those interests between all of  
20 our other customers and the interruptible customers; and as  
21 it turned out with that type of a rate design, that was not  
22 happening, and that's why we're here today trying to correct  
23 that rate design.

24 Q. Finally, Mr. Kasper, you were asked questions  
25 about whether or not the company would have avoided the need

1 to change its interruptible rate design to a resource-based  
2 credit approach if it had retained the cap on additional  
3 interruptible load. Do you recall that?

4 A. Yes, I do.

5 Q. Do you have any comment on whether the retention  
6 or not of a cap would affect the company's proposed rate  
7 design?

8 A. No. The application or not of a cap would not  
9 affect our rate design. We're still looking at a resource-  
10 valued rate, and that's the direction we want to go.

11 MR. BARR: Your Honor, I have no further redirect.

12 JUDGE CHRISTIANSON: Fine. Then we can pause for a  
13 moment.

14 Any further cross?

15 MR. MICKENS: Yes, Your Honor, just briefly.

16 JUDGE CHRISTIANSON: Go ahead.

17 RE-CROSS-EXAMINATION

18 BY MR. MICKENS:

19 Q. Mr. Kasper, with regard to your rejoinder  
20 testimony or redirect testimony, you testified with regard  
21 to the RTS customer and the cost of the thermal storage  
22 systems that theoretically the higher the cost of the  
23 thermal storage system, the higher the payback and the  
24 shorter the payback period. Is that your testimony?

25 A. No. I said it would probably be comparable.

1 You'd have a higher cost for the thermal storage system.  
2 You'd also have a higher savings under the rate, and you  
3 should end up coming in approximately with a five-year  
4 payback under the proposed rates no matter what the size of  
5 the system.

6 Q. Now, what about the converse of that, though?  
7 If you had a lower cost than average system which provided  
8 --

9 A. You're going to have a --

10 Q. Let me finish my question, Mr. Kasper. You had  
11 a lower cost than average system which would mean a lower  
12 annual payback. Wouldn't that also mean a longer payback  
13 period?

14 A. No. If you have a lower cost system, your  
15 savings under RTS are going to be somewhat less. Then when  
16 you look at the simple payback, you're going to be roughly  
17 around the same time frame again. It should be across the  
18 board.

19 Q. Have you performed a study -- I think I asked  
20 you this earlier. Have you performed a study of each RTS  
21 customer to determine what the cost for their particular  
22 system was?

23 A. No, we have not.

24 Q. So then what you're talking about now is not  
25 based upon any empirical data that you have developed and

1 put together from the RTS class individual customers as they  
2 currently exist; is that correct?

3 A. That's correct.

4 MR. MICKENS: That's all I have.

5 JUDGE CHRISTIANSON: Any other recross?

6 MR. HAYNES: Yes, Your Honor.

7 JUDGE CHRISTIANSON: Go ahead. I think you're next.

8 RECCROSS-EXAMINATION

9 BY MR. HAYNES:

10 Q. Turning to page 18, lines 14 through 17, you  
11 clarified that sentence to make the recommendation Dr.  
12 Andersen's recommendation; is that correct?

13 A. That's correct.

14 Q. His recommendation concerning RTS is outdated  
15 and erroneous.

16 A. He is basing it on older data, making  
17 recommendations based on that older data or reports.

18 Q. Would you agree with me that his recommendation  
19 is that RTS rates should go up by the same amount that the  
20 company proposed, 17.4 percent, no less than?

21 A. Yes.

22 MR. HAYNES: Just one matter. It is kind of a  
23 housekeeping matter, Your Honor. I would like to have my  
24 prior motion to strike the exhibit also reference the  
25 testimony. I understand you've already ruled on it. That

1 would be on pages 19, lines 6 through 10. That would be the  
2 reference to OGK-6. And the other reference is to OGK-9.  
3 That's on page 24, lines 15 through 17.

4 JUDGE CHRISTIANSON: Page 24, line 15.

5 MR. HAYNES: I believe that's the reference.

6 JUDGE CHRISTIANSON: Yes.

7 MR. HAYNES: Although it doesn't reference Mr.  
8 Farber's letter.

9 JUDGE CHRISTIANSON: That really refers to --

10 MR. HAYNES: I'd like my motion to incorporate that  
11 for purposes of reserving that.

12 JUDGE CHRISTIANSON: Yes; and my response is  
13 incorporated as well to the testimony excerpts. I think the  
14 main reference there on page 24 was to that long letter that  
15 my scheduler gave to me and I've handed out at hearing, but  
16 it refers to the whole exhibit in a sense as well.

17 MR. HAYNES: My objection really was to Mr. Farber's  
18 letter as opposed to the ratepayers letters.

19 JUDGE CHRISTIANSON: Yes. I didn't quite realize  
20 that at the time, but that letter, too, is only on its face,  
21 and I realize that you wanted to look into motivation and  
22 such things, and you have not been able to. So in that  
23 sense, the hearsay objection is sustained. Insofar as your  
24 motion, the hearsay objection I'm agreeing with, but I'm not  
25 striking the material from the record.

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MR. HAYNES: I understand.

JUDGE CHRISTIANSON: And it includes the references in his testimony, yes. That clarifies I think what occurred.

Any other recross for the witness?

MR. KLEPPINGER: No, Your Honor.

JUDGE CHRISTIANSON: Then it seems to be done. The bidding is closed then at this point, and the witness is excused.

(Witness excused.)

JUDGE CHRISTIANSON: Let's stay on for a minute at least. We can go off in a minute. I just want to check. I think there is no cross for the Staff Witness Yarolin.

MR. MICKENS: That's right, Your Honor; and as far as I know, there is no cross by any party on OTS Statement No. SR-3 by Mr. Yarolin. Based upon that, at this time I offer into the record the surrebuttal testimony of Paul M. Yarolin, which is identified as OTS Statement No. SR-3.

JUDGE CHRISTIANSON: Yes. That statement is now accepted into the record, as we did for those other couple earlier today.

MR. MICKENS: Thank you.

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

5 JUDGE CHRISTIANSON: Let me check very briefly with  
6 Small Business.

7 MS. MOURY: Your Honor, I have the same understanding  
8 that there is no cross-examination of Mr. Knecht. I do,  
9 however, have to bring to the party's attention a correction  
10 that he would like to have made to his testimony.

11 JUDGE CHRISTIANSON: Go ahead.

12 MS. MOURY: That is at page 36, line 18, where he  
13 describes what the "w" in his formula at line 10 means. The  
14 letters "MIN" should be changed to "MAX."

15 JUDGE CHRISTIANSON: I'll take your word for it.

16 Is that the only change?

17 MS. MOURY: That's the only change, Your Honor. And  
18 with that correction to his testimony, I would move the  
19 rebuttal testimony and exhibits of Robert D. Knecht marked  
20 as OSBA Statement No. R1 and OSBA Exhibit Nos. R1 through R7  
21 into the record.

22 JUDGE CHRISTIANSON: Yes, all one document as bound.  
23 Hearing no objection, it is now accepted into the record,  
24 the whole material.

25

1 (Whereupon, the documents were marked  
2 as OSBA Statement No. R1 and OSBA  
3 Exhibits Nos. R1 through R7 for  
4 identification, and were received in  
5 evidence.)

6 JUDGE CHRISTIANSON: I understand Consumer Advocate  
7 also is not going to have cross, but the witness has been  
8 long suffering and wants to be heard from on his  
9 corrections.

10 MS. McCLOSKEY: Yes, Your Honor. I think in the same  
11 vein, OCA Statement No. 3A and OCA Statement No. 3B I'd like  
12 to have identified for the record. They are the rebuttal  
13 testimony and surrebuttal testimony, respectively, of Dr.  
14 Charles E. Johnson on class cost of service and rate design.  
15 It is my understanding that no party has cross-examination  
16 on those two statements, and I would like to have those two  
17 statements admitted to the record.

18 JUDGE CHRISTIANSON: Hearing no objection, those two,  
19 3A and 3B, are accepted into the record now.

20 (Whereupon, the documents were marked  
21 as OCA Statements Nos. 3A and 3B for  
22 identification, and were received in  
23 evidence.)

24 MS. McCLOSKEY: And OCA Statement No. 5A I'd like to  
25 have marked for the record. That is the surrebuttal

1 testimony of Dr. Charles E. Johnson on depreciation, and he  
2 does have a clarification in that testimony in light of  
3 Exhibit DSH-4 that was distributed on Tuesday by Mr. Hoch.  
4 I'll have him take the stand.

5 MR. MacGREGOR: Your Honor?

6 JUDGE CHRISTIANSON: Go ahead.

7 MR. MacGREGOR: Mr. DeCusatis is on his way over from  
8 my office. He ought to be here in about five minutes. He  
9 has really been handling the depreciation issues, and I want  
10 him to be here to hear that additional testimony by Mr.  
11 Johnson, but he'll be here any minute.

12 JUDGE CHRISTIANSON: Let's be off the record then for  
13 just a moment.

14 (Discussion off the record.)

15 JUDGE CHRISTIANSON: Let's go back on the record.

16 We have just a brief sort of a stipulation about the  
17 Wilkes-Barre people.

18 MR. MacGREGOR: Yes, Your Honor. I had a telephone  
19 conference with Mr. Kuennen in which we agreed as to how  
20 these additional items would be reflected for record  
21 purposes. The first item, which were certain references to  
22 the company's 1995 Annual Resource Planning Report, we  
23 agreed that the CEO would be permitted to reference those  
24 indicated pages and tables in their brief, and rather than  
25 putting them into the record, they could simply attach those

1 portions to their brief that they thought might be  
2 appropriate for consideration by Your Honor; and that if  
3 necessary, if we felt that additional pages were needed to  
4 provide a complete response, we could do the same in our  
5 reply brief.

6 The second item were certain references to the May,  
7 1994 Annual Resource Planning Report. CEO agreed that those  
8 references were not necessary and agreed to drop that item.

9 The third item was a reference to an article on DSM  
10 programs by Messrs. Hadley and Hirst. CEO agreed to drop  
11 that item from its list.

12 The next two items were references to various pages  
13 from the company's 1994 and 1992 DSM filings with the  
14 Commission, and we agreed that CEO would be permitted to  
15 reference those and make argument from them regarding the  
16 DSM issue in its brief.

17 Now, the last item was a reference to a company  
18 response to a Fuel Oil Dealers Interrogatory No. 6, and I  
19 indicated to Mr. Kuennen that that information concerning  
20 the cost of a combustion turbine was already in the record  
21 and provided him with a reference for that.

22 JUDGE CHRISTIANSON: And at that point, he was  
23 basically satisfied?

24 MR. MacGREGOR: Yes, Your Honor.

25 JUDGE CHRISTIANSON: And avoided a trip down to

1 Harrisburg, obviously. So that's accepted. Really, in a  
2 sense, the 1995 ARPR is incorporated for reasonable use and  
3 only as outlined in your statement about briefs and such.  
4 So in a sense, that is incorporated, but I don't want  
5 wholesale references to it, obviously. It's not carte  
6 blanche on the whole study or the whole report, rather.

7 Any discussion anybody wants to have on that  
8 particular transaction?

9 (No response.)

10 JUDGE CHRISTIANSON: Hearing none, we can go with the  
11 Consumer Advocate witness.

12 MS. McCLOSKEY: Thank you. Your Honor, I'd like to  
13 have marked for identification OCA Statement No. 5A, which  
14 is the surrebuttal testimony of Dr. Charles E. Johnson on  
15 depreciation.

16 JUDGE CHRISTIANSON: So identified.

17 (Whereupon, the document was marked  
18 as OCA Statement No. 5A for  
19 identification.)

20 JUDGE CHRISTIANSON: And I remind the witness he is  
21 still under oath.

22 Whereupon,

23 CHARLES E. JOHNSON

24 having previously been duly sworn, testified further as  
25 follows:

## DIRECT EXAMINATION

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BY MS. McCLOSKEY:

Q. Dr. Johnson, are you the same Dr. Johnson that has testified previously in this proceeding?

A. Yes.

Q. Dr. Johnson, do you have a copy before you of what has been marked as OCA Statement No. 5A, your prepared, prefiled surrebuttal testimony in this case consisting of 11 pages of questions and answers and Exhibit CEJ-5, which has to attached schedules?

A. Yes.

Q. And was this testimony and were these schedules and exhibits prepared by you or under your direct supervision?

A. Yes, they were.

Q. Do you have any additions, correction, clarifications or modifications to make to your testimony at this time?

A. Yes, I have. As a result of the Exhibit DSH-4 that was submitted on Tuesday, I have a correction to my testimony at page 8 beginning at line 14. At that point in my testimony, I described his calculation for determination of the amortization level for a specific account.

After having reviewed Exhibit DSH-4, I recognized that I omitted two portions of the calculation that I would

1 like to clarify.

2 This can be seen in the first page of his exhibit,  
3 which is for Account 391.2, which is Furniture. The amount  
4 in the company's filing for this account in Attachment  
5 V-A-1, page 8 of 11, is \$16,044,199. In the Exhibit DSH-4,  
6 the plant as of 12/31/95 is \$13,467,935. The difference  
7 being that prior to making the calculations that I  
8 described, the company calculations assume retirement of all  
9 plant exceeding the amortization period of 20 years for this  
10 account. So the nearly \$3 million of the account balance  
11 that is in the company's filing is assumed to be retired  
12 immediately after the test year. So that reduces the plant  
13 balance and the depreciation reserve by nearly \$3 million.

14 After having made that reduction to the amount being  
15 recovered in his calculation of the amortization, Mr. Hoch  
16 did the calculation on a vintage-by-vintage basis, whereas I  
17 describe the calculation as though it would on the total  
18 account basis.

19 It was the calculation on a vintage-by-vintage basis  
20 that necessitated his correction to the amount in the  
21 amortization that was to be related to the vintage for 1975.  
22 That plant has an age of 19.5 years, and a 20-year recovery  
23 period would leave only half a year in which to recover that  
24 balance. So he divided the \$300,000 in net plant by half a  
25 year to get recovery of \$600,000 in his amortization

1 calculation. His correction reduced that to the \$300,000  
2 that his exhibit suggests is the proper amount to recover of  
3 that vintage.

4 Q. Dr. Johnson, will Mr. Hoch's correction of the  
5 values as shown on Exhibit DSH-4 affect the dollar amount of  
6 the adjustment you have proposed?

7 A. Since the recommendation that I provided to Mr.  
8 Catlin for his calculation was the difference between the  
9 company's filing and the proposal that I made regarding  
10 these accounts, that would change that difference, but it  
11 would not change the fundamental amount that I am  
12 recommending be recovered through the amortization.

13 Q. Subject to that correction and addition, is the  
14 testimony and are the schedules and exhibits true and  
15 correct to the best of your knowledge, information and  
16 belief?

17 A. Yes, they are.

18 Q. And subject to the correction and addition, if I  
19 were to ask you these questions today under oath, would your  
20 answers be the same?

21 A. Yes, they would.

22 MS. McCLOSKEY: Your Honor, I would ask that OCA  
23 Statement No. 5A be admitted into the record subject to the  
24 standard conditions.

25 JUDGE CHRISTIANSON: Yes. Under the standard

1 conditions, 5A is now accepted into the record.

2 (Whereupon, the document marked as  
3 OCA Statement No. 5A was received in  
4 evidence.)

5 MS. McCLOSKEY: Dr. Johnson is available for cross-  
6 examination if there is any.

7 MR. DeCUSATIS: Your Honor, we have no cross-  
8 examination for Dr. Johnson.

9 JUDGE CHRISTIANSON: Not even on his correction?

10 MR. DeCUSATIS: No.

11 JUDGE CHRISTIANSON: I assume then that there is no  
12 cross for the witness, and the witness is excused.

13 (Witness excused.)

14 MS. McCLOSKEY: Thank you, Your Honor.

15 JUDGE CHRISTIANSON: Then we have just about reached  
16 the end of today's session a little earlier than I thought,  
17 really. We'll start tomorrow at 9:00. We will probably not  
18 have as bad a day as we thought. We discussed that off the  
19 record just a little while ago. We're not sure who we'll  
20 start with. Counsel will talk about it I guess tonight.

21 MR. MacGREGOR: It will either be Andersen, if  
22 necessary; and if he is not necessary, then we would start  
23 with Jones, I think.

24 JUDGE CHRISTIANSON: Again, I won't be real rigorous  
25 about 9:00. If we're going a little bit after 9:00, that's

1 fine. I think we're comfortable enough on the day, but we  
2 might as well get an early start since the holiday starts.

3 Thank you all then. We made pretty efficient  
4 progress today after all. It was a little zany at times,  
5 but it worked out pretty well. Thank you. With that, we'll  
6 be off the record.

7 (Whereupon, at 4:35 p.m., the hearing was adjourned,  
8 to be reconvened at 9:00 a.m., Friday, May 26, 1995, in  
9 Harrisburg, Pennsylvania.)

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C E R T I F I C A T E

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

COMMONWEALTH REPORTING COMPANY, INC.

By: Judith A. Valencik  
Judith A. Valencik

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