



**Pennsylvania Power & Light Company**

Two North Ninth Street • Allentown, PA 18101-1179 • 610/774-5151

Paul E. Russell  
Associate General Counsel  
610/774-4254

FAX: 610/774-6726

April 3, 1995

Mr. John G. Alford, Secretary  
Pennsylvania Public Utility Commission  
P. O. Box 3265  
Harrisburg, Pennsylvania 17105-3265

**DOCUMENT  
FOLDER**

RECEIVED  
95 APR -7 AM 9:04  
PA. P. U. C.  
INFO. CONTROL DIV.

**Re: Pennsylvania Public Utility Commission  
v.  
Pennsylvania Power & Light Company  
Docket No. R-00943271**

Dear Mr. Alford:

Attached for filing, pursuant to the Commission's regulations, 52 Pa. Code § 5.342(d), is a Certificate of Service identifying supplemented answers to interrogatories that Pennsylvania Power & Light Company served today on the active participants in this proceeding.

If you have any questions regarding this matter, please call.

Very truly yours,

Paul E. Russell

Attachment

cc: The Honorable Robert A. Christianson

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Re: Docket No. R-00943271

DOCUMENT  
FOLDER

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of  
Pennsylvania Power & Light Company's supplemented answer to the PP&L  
Industrial Customer Alliance's Interrogatory, Set 1 numbered 5 upon the active  
participants listed below, in accordance with the requirements of § 1.54  
(relating to service by a participant):

HAND DELIVERED

Irwin A. Popowsky, Esquire  
Office of Consumer Advocate  
Office of Consumer Advocate  
1425 Strawberry Square  
Harrisburg, Pennsylvania 17120

Bernard A. Ryan, Jr., Esquire  
Office of Small Business Advocate  
Suite 1102, Commerce Building  
300 North Second Street  
Harrisburg, Pennsylvania 17101

DOCKETED  
APR 11 1995

Johnnie E. Simms, Esquire  
Office of Trial Staff  
Pennsylvania Public Utility Commission  
P. O. Box 3265  
Harrisburg, Pennsylvania 17105-3265

David M. Kleppinger, Esquire  
McNees, Wallace & Nurick  
P. O. Box 1166  
100 Pine Street  
Harrisburg, Pennsylvania 17108

**OVERNIGHT MAIL**

D. Jane Drennan, Esquire  
Sarah E. Tomalty, Esquire  
Drennan & Associates  
1216 16th Street, N.W.  
Washington, DC 20036

David A. McCormick, Esquire  
Department of the Army  
Office of the Judge Advocate General  
901 North Stuart Street  
Arlington, Virginia 22203-1837

Robert D. Knecht  
Industrial Economics Incorporated  
2067 Massachusetts Avenue  
Cambridge, Massachusetts 02140

Thomas S. Catlin  
Exeter Associates, Inc.  
12510 Prosperity Drive  
Suite 350  
Silver Spring, Maryland 20904

Stephen J. Baron, President  
J. Kennedy and Associates, Inc.  
Suite 475  
35 Glenlake Parkway  
Atlanta, Georgia 30328

Joan O. Brandeis, Esquire  
Schnader, Harrison, Segal & Lewis  
Suite 3600  
1600 Market Street  
Philadelphia, Pennsylvania 19103-4252

Alan J. Barak, Esquire  
Mid-Atlantic Energy Project  
3700 Vartan Way  
Harrisburg, Pennsylvania 17110

Mr. Maurice Brubaker  
Drazen-Brubaker & Assoc.  
P. O. Box 16140  
St. Louis, Missouri 63105-0840

Mr. Jeffrey J. Pyros  
Pyros Financial Group  
One South Main Street  
Wilkes-Barre, Pennsylvania 17801

James Melia, Esquire  
Kirkpatrick & Lockhart  
The Payne Shoemaker Building  
240 North Third Street  
Harrisburg, Pennsylvania 17101-1507

Mr. Craig R. Kuennen  
Energy Services Manager  
Commission on Economic Opportunity  
211 South Main Street  
Wilkes-Barre, Pennsylvania 18701-1596

Robert P. Haynes, Esquire  
Mette, Evans & Woodside  
3401 North Front Street  
Harrisburg, Pennsylvania 17110-0950

Mr. Eric Epstein  
2308 Brandywine Drive  
Harrisburg, Pennsylvania 17110

  
Paul E. Russell

Dated: April 4, 1995  
at Allentown, Pennsylvania



**Pennsylvania Power & Light Company**

Two North Ninth Street • Allentown, PA 18101-1179 • 610/774-5151

Paul E. Russell  
Associate General Counsel  
610/774-4254

FAX: 610/774-6726

April 3, 1995

RECEIVED  
95 APR -5 AM 8:56  
PA. P. U. C.  
INFO. CONTROL DIV.

Mr. John G. Alford, Secretary  
Pennsylvania Public Utility Commission  
P. O. Box 3265  
Harrisburg, Pennsylvania 17105-3265

**Re: Pennsylvania Public Utility Commission  
v.  
Pennsylvania Power & Light Company  
Docket No. R-00943271**

Dear Mr. Alford:

Attached for filing, pursuant to the Commission's regulations, 52 Pa. Code § 5.342(d), is a Certificate of Service identifying answers to interrogatories that Pennsylvania Power & Light Company served today on the active participants in this proceeding.

If you have any questions regarding this matter, please call.

Very truly yours,

Paul E. Russell

Attachment

cc: The Honorable Robert A. Christianson

DOCUMENT  
FOLDER

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Re: Docket No. R-00943271

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a true copy of Pennsylvania Power & Light Company's answers to the Office of Consumer Advocate's Interrogatories, Set XI numbered 1 through 6, Set XII numbered 1 through 16, and Set XIII numbered 2 and 3 upon the active participants listed below, in accordance with the requirements of § 1.54 (relating to service by a participant):

**HAND DELIVERED**

Irwin A. Popowsky, Esquire  
Office of Consumer Advocate  
Office of Consumer Advocate  
1425 Strawberry Square  
Harrisburg, Pennsylvania 17120

Bernard A. Ryan, Jr., Esquire  
Office of Small Business Advocate  
Suite 1102, Commerce Building  
300 North Second Street  
Harrisburg, Pennsylvania 17101

**DOCKETED**  
APR 10 1995

**DOCUMENT  
FOLDER**

Johnnie E. Simms, Esquire  
Office of Trial Staff  
Pennsylvania Public Utility Commission  
P. O. Box 3265  
Harrisburg, Pennsylvania 17105-3265

David M. Kleppinger, Esquire  
McNees, Wallace & Nurick  
P. O. Box 1166  
100 Pine Street  
Harrisburg, Pennsylvania 17108

**OVERNIGHT MAIL**

D. Jane Drennan, Esquire  
Sarah E. Tomalty, Esquire  
Drennan & Associates  
1216 16th Street, N.W.  
Washington, DC 20036

David A. McCormick, Esquire  
Department of the Army  
Office of the Judge Advocate General  
901 North Stuart Street  
Arlington, Virginia 22203-1837

Robert D. Knecht  
Industrial Economics Incorporated  
2067 Massachusetts Avenue  
Cambridge, Massachusetts 02140

Thomas S. Catlin  
Exeter Associates, Inc.  
12510 Prosperity Drive  
Suite 350  
Silver Spring, Maryland 20904

Stephen J. Baron, President  
J. Kennedy and Associates, Inc.  
Suite 475  
35 Glenlake Parkway  
Atlanta, Georgia 30328

Joan O. Brandeis, Esquire  
Schnader, Harrison, Segal & Lewis  
Suite 3600  
1600 Market Street  
Philadelphia, Pennsylvania 19103-4252

Alan J. Barak, Esquire  
Mid-Atlantic Energy Project  
3700 Vartan Way  
Harrisburg, Pennsylvania 17110

Mr. Maurice Brubaker  
Drazen-Brubaker & Assoc.  
P. O. Box 16140  
St. Louis, Missouri 63105-0840

Mr. Jeffrey J. Pyros  
Pyros Financial Group  
One South Main Street  
Wilkes-Barre, Pennsylvania 17801

James Melia, Esquire  
Kirkpatrick & Lockhart  
The Payne Shoemaker Building  
240 North Third Street  
Harrisburg, Pennsylvania 17101-1507

Mr. Craig R. Kuennen  
Energy Services Manager  
Commission on Economic Opportunity  
211 South Main Street  
Wilkes-Barre, Pennsylvania 18701-1596

Robert P. Haynes, Esquire  
Mette, Evans & Woodside  
3401 North Front Street  
Harrisburg, Pennsylvania 17110-0950

Mr. Eric Epstein  
2308 Brandywine Drive  
Harrisburg, Pennsylvania 17110

A handwritten signature in black ink, appearing to read "Paul E. Russell", written in a cursive style.

Paul E. Russell

Dated: April 3, 1995  
at Allentown, Pennsylvania



**Pennsylvania Power & Light Company**

Two North Ninth Street • Allentown, PA 18101-1179 • 610/774-5151

Paul E. Russell  
Associate General Counsel  
610/774-4254

FAX: 610/774-6726

RECEIVED  
95 APR -5 AM 8:56  
PA. P. U. C. DIV.  
INFO. CONTROL DIV.

April 3, 1995

Mr. John G. Alford, Secretary  
Pennsylvania Public Utility Commission  
P. O. Box 3265  
Harrisburg, Pennsylvania 17105-3265

**Re: Pennsylvania Public Utility Commission  
v.  
Pennsylvania Power & Light Company  
Docket No. R-00943271**

Dear Mr. Alford:

Attached for filing, pursuant to the Commission's regulations, 52 Pa. Code § 5.342(d), is a Certificate of Service identifying answers to interrogatories that Pennsylvania Power & Light Company served today on the active participants in this proceeding.

If you have any questions regarding this matter, please call.

Very truly yours,

Paul E. Russell

Attachment

cc: The Honorable Robert A. Christianson

DOCUMENT  
FOLDER

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Re: Docket No. R-00943271

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a true copy of Pennsylvania Power & Light Company's answers to the Office of Trial Staff's Interrogatories numbered OTS-RS-56 through OTS-RS-63 upon the active participants listed below, in accordance with the requirements of § 1.54 (relating to service by a participant):

**HAND DELIVERED**

Irwin A. Popowsky, Esquire  
Office of Consumer Advocate  
Office of Consumer Advocate  
1425 Strawberry Square  
Harrisburg, Pennsylvania 17120

Bernard A. Ryan, Jr., Esquire  
Office of Small Business Advocate  
Suite 1102, Commerce Building  
300 North Second Street  
Harrisburg, Pennsylvania 17101

**DOCKETED**  
APR 10 1995

**DOCUMENT  
FOLDER**

Johnnie E. Simms, Esquire  
Office of Trial Staff  
Pennsylvania Public Utility Commission  
P. O. Box 3265  
Harrisburg, Pennsylvania 17105-3265

David M. Kleppinger, Esquire  
McNees, Wallace & Nurick  
P. O. Box 1166  
100 Pine Street  
Harrisburg, Pennsylvania 17108

**OVERNIGHT MAIL**

D. Jane Drennan, Esquire  
Sarah E. Tomalty, Esquire  
Drennan & Associates  
1216 16th Street, N.W.  
Washington, DC 20036

David A. McCormick, Esquire  
Department of the Army  
Office of the Judge Advocate General  
901 North Stuart Street  
Arlington, Virginia 22203-1837

Robert D. Knecht  
Industrial Economics Incorporated  
2067 Massachusetts Avenue  
Cambridge, Massachusetts 02140

Thomas S. Catlin  
Exeter Associates, Inc.  
12510 Prosperity Drive  
Suite 350  
Silver Spring, Maryland 20904

Stephen J. Baron, President  
J. Kennedy and Associates, Inc.  
Suite 475  
35 Glenlake Parkway  
Atlanta, Georgia 30328

Joan O. Brandeis, Esquire  
Schnader, Harrison, Segal & Lewis  
Suite 3600  
1600 Market Street  
Philadelphia, Pennsylvania 19103-4252

Alan J. Barak, Esquire  
Mid-Atlantic Energy Project  
3700 Vartan Way  
Harrisburg, Pennsylvania 17110

Mr. Maurice Brubaker  
Drazen-Brubaker & Assoc.  
P. O. Box 16140  
St. Louis, Missouri 63105-0840

Mr. Jeffrey J. Pyros  
Pyros Financial Group  
One South Main Street  
Wilkes-Barre, Pennsylvania 17801

James Melia, Esquire  
Kirkpatrick & Lockhart  
The Payne Shoemaker Building  
240 North Third Street  
Harrisburg, Pennsylvania 17101-1507

Mr. Craig R. Kuennen  
Energy Services Manager  
Commission on Economic Opportunity  
211 South Main Street  
Wilkes-Barre, Pennsylvania 18701-1596

Robert P. Haynes, Esquire  
Mette, Evans & Woodside  
3401 North Front Street  
Harrisburg, Pennsylvania 17110-0950

Mr. Eric Epstein  
2308 Brandywine Drive  
Harrisburg, Pennsylvania 17110

  
Paul E. Russell

Dated: April 3, 1995  
at Allentown, Pennsylvania



**Pennsylvania Power & Light Company**

Two North Ninth Street • Allentown, PA 18101-1179 • 610/774-5151

Paul E. Russell  
Associate General Counsel  
610/774-4254

FAX: 610/774-6726

April 3, 1995

RECEIVED  
95 APR -5 AM 8:56  
PA. P. U. C.  
INFO. CONTROL DIV.

Mr. John G. Alford, Secretary  
Pennsylvania Public Utility Commission  
P. O. Box 3265  
Harrisburg, Pennsylvania 17105-3265

**Re: Pennsylvania Public Utility Commission  
v.  
Pennsylvania Power & Light Company  
Docket No. R-00943271**

Dear Mr. Alford:

Attached for filing, pursuant to the Commission's regulations, 52 Pa. Code § 5.342(d), is a Certificate of Service identifying answers to interrogatories that Pennsylvania Power & Light Company served today on the active participants in this proceeding.

If you have any questions regarding this matter, please call.

Very truly yours,

Paul E. Russell

Attachment

cc: The Honorable Robert A. Christianson

DOCUMENT  
FOLDER

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Re: Docket No. R-00943271

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a true copy of Pennsylvania Power & Light Company's answers to Bethlehem Steel Corporation's Interrogatories, Set II numbered 1 through 7 upon the active participants listed below, in accordance with the requirements of § 1.54 (relating to service by a participant):

**HAND DELIVERED**

Irwin A. Popowsky, Esquire  
Office of Consumer Advocate  
Office of Consumer Advocate  
1425 Strawberry Square  
Harrisburg, Pennsylvania 17120

Bernard A. Ryan, Jr., Esquire  
Office of Small Business Advocate  
Suite 1102, Commerce Building  
300 North Second Street  
Harrisburg, Pennsylvania 17101

**DOCKETED**  
APR 10 1995

**DOCUMENT  
FOLDER**

Johnnie E. Simms, Esquire  
Office of Trial Staff  
Pennsylvania Public Utility Commission  
P. O. Box 3265  
Harrisburg, Pennsylvania 17105-3265

David M. Kleppinger, Esquire  
McNees, Wallace & Nurick  
P. O. Box 1166  
100 Pine Street  
Harrisburg, Pennsylvania 17108

**OVERNIGHT MAIL**

D. Jane Drennan, Esquire  
Sarah E. Tomalty, Esquire  
Drennan & Associates  
1216 16th Street, N.W.  
Washington, DC 20036

David A. McCormick, Esquire  
Department of the Army  
Office of the Judge Advocate General  
901 North Stuart Street  
Arlington, Virginia 22203-1837

Robert D. Knecht  
Industrial Economics Incorporated  
2067 Massachusetts Avenue  
Cambridge, Massachusetts 02140

Thomas S. Catlin  
Exeter Associates, Inc.  
12510 Prosperity Drive  
Suite 350  
Silver Spring, Maryland 20904

Stephen J. Baron, President  
J. Kennedy and Associates, Inc.  
Suite 475  
35 Glenlake Parkway  
Atlanta, Georgia 30328

Joan O. Brandeis, Esquire  
Schnader, Harrison, Segal & Lewis  
Suite 3600  
1600 Market Street  
Philadelphia, Pennsylvania 19103-4252

Alan J. Barak, Esquire  
Mid-Atlantic Energy Project  
3700 Vartan Way  
Harrisburg, Pennsylvania 17110

Mr. Maurice Brubaker  
Drazen-Brubaker & Assoc.  
P. O. Box 16140  
St. Louis, Missouri 63105-0840

Mr. Jeffrey J. Pyros  
Pyros Financial Group  
One South Main Street  
Wilkes-Barre, Pennsylvania 17801

James Melia, Esquire  
Kirkpatrick & Lockhart  
The Payne Shoemaker Building  
240 North Third Street  
Harrisburg, Pennsylvania 17101-1507

Mr. Craig R. Kuennen  
Energy Services Manager  
Commission on Economic Opportunity  
211 South Main Street  
Wilkes-Barre, Pennsylvania 18701-1596

Robert P. Haynes, Esquire  
Mette, Evans & Woodside  
3401 North Front Street  
Harrisburg, Pennsylvania 17110-0950

Mr. Eric Epstein  
2308 Brandywine Drive  
Harrisburg, Pennsylvania 17110

  
Paul E. Russell

Dated: April 3, 1995  
at Allentown, Pennsylvania



**Pennsylvania Power & Light Company**

Two North Ninth Street • Allentown, PA 18101-1179 • 610/774-5151

Paul E. Russell  
Associate General Counsel  
610/774-4254

FAX: 610/774-6726

April 3, 1995

RECEIVED  
95 APR -5 AM 8:56  
PA. P. U. C.  
INFO. CONTROL DIV.

Mr. John G. Alford, Secretary  
Pennsylvania Public Utility Commission  
P. O. Box 3265  
Harrisburg, Pennsylvania 17105-3265

**Re: Pennsylvania Public Utility Commission  
v.  
Pennsylvania Power & Light Company  
Docket No. R-00943271**

Dear Mr. Alford:

Attached for filing, pursuant to the Commission's regulations, 52 Pa. Code § 5.342(d), is a Certificate of Service identifying answers to interrogatories that Pennsylvania Power & Light Company served today on the active participants in this proceeding.

If you have any questions regarding this matter, please call.

Very truly yours,

Paul E. Russell

Attachment

cc: The Honorable Robert A. Christianson

DOCUMENT  
FOLDER

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Re: Docket No. R-00943271

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a true copy of  
Pennsylvania Power & Light Company's answers to the Office of Small  
Business Advocate's Interrogatories, Set 1 number 42 through 44 upon the  
active participants listed below, in accordance with the requirements of § 1.54  
(relating to service by a participant):

**HAND DELIVERED**

Irwin A. Popowsky, Esquire  
Office of Consumer Advocate  
Office of Consumer Advocate  
1425 Strawberry Square  
Harrisburg, Pennsylvania 17120

Bernard A. Ryan, Jr., Esquire  
Office of Small Business Advocate  
Suite 1102, Commerce Building  
300 North Second Street  
Harrisburg, Pennsylvania 17101

**DOCKETED**  
APR 10 1995

**DOCUMENT  
FOLDER**

Johnnie E. Simms, Esquire  
Office of Trial Staff  
Pennsylvania Public Utility Commission  
P. O. Box 3265  
Harrisburg, Pennsylvania 17105-3265

David M. Kleppinger, Esquire  
McNees, Wallace & Nurick  
P. O. Box 1166  
100 Pine Street  
Harrisburg, Pennsylvania 17108

**OVERNIGHT MAIL**

D. Jane Drennan, Esquire  
Sarah E. Tomalty, Esquire  
Drennan & Associates  
1216 16th Street, N.W.  
Washington, DC 20036

David A. McCormick, Esquire  
Department of the Army  
Office of the Judge Advocate General  
901 North Stuart Street  
Arlington, Virginia 22203-1837

Robert D. Knecht  
Industrial Economics Incorporated  
2067 Massachusetts Avenue  
Cambridge, Massachusetts 02140

Thomas S. Catlin  
Exeter Associates, Inc.  
12510 Prosperity Drive  
Suite 350  
Silver Spring, Maryland 20904

Stephen J. Baron, President  
J. Kennedy and Associates, Inc.  
Suite 475  
35 Glenlake Parkway  
Atlanta, Georgia 30328

Joan O. Brandeis, Esquire  
Schnader, Harrison, Segal & Lewis  
Suite 3600  
1600 Market Street  
Philadelphia, Pennsylvania 19103-4252

Alan J. Barak, Esquire  
Mid-Atlantic Energy Project  
3700 Vartan Way  
Harrisburg, Pennsylvania 17110

Mr. Maurice Brubaker  
Drazen-Brubaker & Assoc.  
P. O. Box 16140  
St. Louis, Missouri 63105-0840

Mr. Jeffrey J. Pyros  
Pyros Financial Group  
One South Main Street  
Wilkes-Barre, Pennsylvania 17801

James Melia, Esquire  
Kirkpatrick & Lockhart  
The Payne Shoemaker Building  
240 North Third Street  
Harrisburg, Pennsylvania 17101-1507

Mr. Craig R. Kuennen  
Energy Services Manager  
Commission on Economic Opportunity  
211 South Main Street  
Wilkes-Barre, Pennsylvania 18701-1596

Robert P. Haynes, Esquire  
Mette, Evans & Woodside  
3401 North Front Street  
Harrisburg, Pennsylvania 17110-0950

Mr. Eric Epstein  
2308 Brandywine Drive  
Harrisburg, Pennsylvania 17110

  
Paul E. Russell

Dated: April 3, 1995  
at Allentown, Pennsylvania

MORGAN, LEWIS & BOCKIUS

COUNSELORS AT LAW

2000 ONE LOGAN SQUARE

PHILADELPHIA, PENNSYLVANIA 19103-6993

TELEPHONE: (215) 963-5000

FAX: (215) 963-5299

KJR

PHILADELPHIA  
NEW YORK  
MIAMI  
PRINCETON  
BRUSSELS

WASHINGTON  
LOS ANGELES  
HARRISBURG  
LONDON  
FRANKFURT  
TOKYO

ALAN K. MAESAKA  
DIAL DIRECT (215) 963-5236

April 3, 1995

BY FEDERAL EXPRESS

RECEIVED

John G. Alford, Secretary  
Pennsylvania Public Utility Commission  
Room G-23, North Office Building  
Commonwealth Avenue & North Street  
Harrisburg, PA 17120

APR 3 1995

PUBLIC UTILITY COMMISSION  
SECRETARY BUREAU

Re: Pennsylvania Public Utility Commission  
v.  
Pennsylvania Power & Light Company  
Docket No. R-00943271

Dear Secretary Alford:

Enclosed please find an original and three copies of Pennsylvania Power & Light Company's Objections to Central Eastern Pennsylvania Fuel Oil Dealers Interrogatories and Request for Production of Documents, Set II.

As indicated on the attached Certificate of Service, copies of the enclosed have been served on all active parties of record.

Sincerely,



Alan K. Maesaka  
Counsel for Pennsylvania  
Power & Light Company

AKM/cmb  
Enclosures  
cc: Certificate of Service

DOCUMENT  
FOLDER

ORIGINAL

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

RECEIVED

APR 3 1995

PENNSYLVANIA PUBLIC UTILITY  
COMMISSION

PUBLIC UTILITY COMMISSION  
SECRETARY BUREAU

v.

Docket No. R-00943271

PENNSYLVANIA POWER & LIGHT  
COMPANY

OBJECTIONS OF PENNSYLVANIA POWER & LIGHT COMPANY  
TO CENTRAL EASTERN PENNSYLVANIA FUEL  
OIL DEALERS INTERROGATORIES AND REQUEST  
FOR PRODUCTION OF DOCUMENTS  
SET II

Pennsylvania Power & Light Company ("PP&L"), pursuant to 52 Pa. Code § 5.342, by its attorneys, files herewith the following Objections to Central Eastern Pennsylvania Fuel Oil Dealers Interrogatories and Request for Production of Documents Set II, Question Nos. 62 through 64:

1. Central Eastern Pennsylvania Fuel Oil Dealers Interrogatory Set II, Question No. 62 states:

Please provide the following RTS data for the 1985-1994 time period;

- a. kWh sales;
- b. customer count;
- c. metered demand;
- d. billing demand;
- e. customer charge;
- f. energy charge with and without adjusters;
- g. demand charge.

DOCUMENT  
FOLDER

The Company objects to this interrogatory on the grounds that it is overly broad, unreasonably burdensome, and

DOCKETED

APR 06 1995

would require an unreasonable investigation. Specifically, PP&L objects to providing the information requested for the stated ten-year period. The majority of this information is out of date and therefore is of little or no relevance to the issues in this proceeding. Moreover, information dating back to 1985 is not reasonably available and would be unduly burdensome to produce. The Company is willing, however, to provide the requested information for the period 1990-1994.

2. Central Eastern Pennsylvania Fuel Oil Dealers  
Interrogatory Request Set II, Question No. 63 states as follows:

Please provide a detailed description of all advertising and incentive costs incurred by PP&L between 1985 and the present for the purpose of encouraging customers to consider, take, or switch to RTS service.

The Company objects to this interrogatory for the reasons set forth in its objection to Question No. 62.

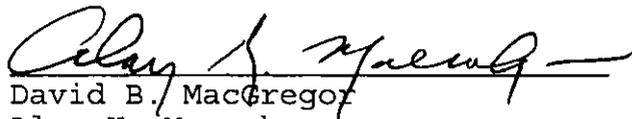
3. Central Eastern Pennsylvania Fuel Oil Dealers  
Interrogatory Request Set II, Question No. 64 states as follows:

For each item identified in response to question 63, state annual costs or expenditures for each year (1985-1994), for the test year, and 1995 to date.

The Company objects to this interrogatory for the reasons set forth in its objection to Question No. 62.

WHEREFORE, for the reasons set forth above, the Company's objections to Central Eastern Pennsylvania Fuel Oil Dealers Interrogatories and Request for Production of Documents Set II, Question Nos. 62 through 64 should be granted and the Company should not be required to respond as noted herein.

Respectfully submitted,



David B. MacGregor  
Alan K. Maesaka  
Morgan, Lewis & Bockius  
2000 One Logan Square  
Philadelphia, PA 19103

Paul E. Russell  
Pennsylvania Power & Light Company  
Two North Ninth Street  
Allentown, PA 18101

Counsel for Pennsylvania Power &  
Light Company

OF COUNSEL:

MORGAN, LEWIS & BOCKIUS  
2000 One Logan Square  
Philadelphia, PA 19103  
(215) 963-5448

Date: April 3, 1995

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY :  
COMMISSION, ET AL. :  
 :  
v. : DOCKET NO. R-00943271  
 :  
PENNSYLVANIA POWER & LIGHT :  
COMPANY :

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing document upon the participants listed below, in accordance with the requirements of Section 1.54 (relating to service by a participant).

BY FIRST CLASS MAIL

Tanya J. McCloskey, Esq.  
Office of Consumer Advocate  
1425 Strawberry Square  
Harrisburg, PA 17120

Johnnie E. Simms, Esq.  
Office of Trial Staff  
Pennsylvania Public Utility  
Commission  
Pitnick Bldg. - 3rd Floor  
901 N. 7th Street - Rear  
Harrisburg, PA 17102

Karen Oill Moury, Esq.  
Office of Small Business Advocate  
Suite 1102, Commerce Building  
300 North Second Street  
Harrisburg, PA 17101

David M. Kleppinger, Esq.  
McNees Wallace & Nurick  
100 Pine Street  
P.O. Box 1166  
Harrisburg, PA 17108-1166

David A. McCormick, Esq.  
General Attorney  
Office of the Judge Advocate  
General  
901 North Stuart Street  
Arlington, VA 22203-1837

James P. Melia, Esq.  
Kirkpatrick & Lockhart  
240 North Third Street  
Harrisburg, PA 17101

Wayne M. Thomas, Esq.  
Kohn, Nast & Graff, P.C.  
1101 Market Street, 24th Floor  
Philadelphia, PA 19107

Joan O. Brandeis, Esq.  
Schnader, Harrison, Segal & Lewis  
Suite 3600  
1600 Market Street  
Philadelphia, PA 19103-4252

D. Jane Drennan, Esq.  
Drennan & Associates  
1216 16th Street, N.W.  
Washington, D.C. 20036

Craig Kuennen  
Commission on Economic Opportunity  
211 S. Main Street  
Wilkes-Barre, PA 18701-1596

Robert P. Haynes, III, Esq.  
Mette, Evans & Woodside  
3401 N. Front Street  
Harrisburg, PA 17110-0950

Alan J. Barak, Esquire  
Mid Atlantic Energy Project  
Energy Law Clinic  
3700 Vartan Way  
Harrisburg, PA 17110

Stephen J. Selden, Esquire  
Assistant General Counsel  
Bethlehem Steel Corporation  
Eighth & Eaton Avenues  
Bethlehem, PA 18016

Eric J. Epstein  
2308 Brandywine Drive  
Harrisburg, PA 17110

Dated: April 3, 1995

  
David B. MacGregor  
Alan K. Maesaka  
Counsel for Pennsylvania Power  
& Light Company

APPEARANCE SHEET

ALJ HEARING REPORT

Docket No. R-00943271  
R-00943271C0001-C0130  
 Case Name PA PUC v. Pennsylvania Power  
and Light Company  
 Location Williamsport  
 Date April 3, 1995  
 ALJ Christianson  
 Reporting Firm Commonwealth

CHECK THOSE BLOCKS WHICH APPLY:

Prehearing held YES \_\_\_ NO \_\_\_  
 Hearing held YES \_\_\_ NO \_\_\_  
 Testimony taken YES \_\_\_ NO \_\_\_  
 Transcript due YES \_\_\_ NO \_\_\_  
 Hearing concluded YES \_\_\_ NO \_\_\_  
 Further hearing needed YES \_\_\_ NO \_\_\_  
 Estimated add'l days scheduled  
 RECORD CLOSED YES \_\_\_ NO 7

**DOCKETED**  
 APR 19 1995

**RECEIVED**  
 APR 7 1995  
 OFFICE OF C.A.L.J.  
 PUBLIC UTILITY COMMISSION

*all same*

Briefs to be Filed YES \_\_\_ NO \_\_\_  
 DATE \_\_\_\_\_  
 BENCH DECISION YES \_\_\_ NO \_\_\_

REMARKS:  
**DOCUMENT FOLDER**

REC'D  
 INFO. CONTROL DIV.  
 95 APR 18 11:03:37

NAMES, ADDRESSES AND TELEPHONE NUMBERS OF PARTIES OR COUNSEL OF RECORD  
 PLEASE PRINT CLEARLY  
 INCOMPLETE INFORMATION MAY RESULT IN DELAY OF PROCESS

NAME and TELEPHONE NUMBER	ADDRESS	APPEARING FOR
<i>Bernard A. Ryan</i> Telephone No. <i>(717) 783-2525</i>	<i>Suite 1102 Commerce Bldg</i> <i>300 N. Second Street</i> City <i>Hbg</i> State <i>PA</i> Zip <i>17102</i>	<i>Office of Small Business Advocate</i>
<i>STEPHEN GORKA</i> Telephone No. <i>(717) 737-1976</i>	<i>Box 3265</i> City <i>Hbg</i> State <i>PA</i> Zip <i>17105</i>	<i>OFFICE OF TRIAL STAFF</i>
<i>PAUL E. RUSSELL</i> Telephone No. <i>(610) 774-4254</i>	<i>2 NORTH 9TH ST.</i> City <i>ALLENTOWN</i> State <i>PA</i> Zip <i>18101</i>	<i>PA. POWER &amp; LIGHT CO.</i>

CHECK THIS BOX IF ADDITIONAL PARTIES OR COUNSEL OF RECORD APPEAR ON BACK.

*Commonwealth*  
 REPORTER





**Pennsylvania Power & Light Company**

Two North Ninth Street • Allentown, PA 18101-1179 • 610/774-5151

Paul E. Russell  
Associate General Counsel  
610/774-4254

FAX: 610/774-6726

April 4, 1995

Mr. John G. Alford, Secretary  
Pennsylvania Public Utility Commission  
P. O. Box 3265  
Harrisburg, Pennsylvania 17105-3265

**DOCUMENT  
FOLDER**

RECEIVED  
MAR 7 11 9:04  
INFO. CONTROL DIV.  
PA. P.U.C.

**Re: Pennsylvania Public Utility Commission  
v.  
Pennsylvania Power & Light Company  
Docket No. R-00943271**

Dear Mr. Alford:

Attached for filing, pursuant to the Commission's regulations, 52 Pa. Code § 5.342(d), is a Certificate of Service identifying supplemented and revised answers to interrogatories that Pennsylvania Power & Light Company served today on the active participants in this proceeding.

If you have any questions regarding this matter, please call.

Very truly yours,

Paul E. Russell

Attachment

cc: The Honorable Robert A. Christianson

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Re: Docket No. R-00943271

DOCUMENT  
FOLDER

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a true copy of Pennsylvania Power & Light Company's revised answers to the Office of Consumer Advocate's Interrogatories, Set I numbered 20, Set IV numbered 102 and 128 and Set VII numbered 1 and supplemented answers to the Office of Consumer Advocate's interrogatories Set 1 numbered 5 upon the active participants listed below, in accordance with the requirements of § 1.54 (relating to service by a participant):

**HAND DELIVERED**

Irwin A. Popowsky, Esquire  
Office of Consumer Advocate  
Office of Consumer Advocate  
1425 Strawberry Square  
Harrisburg, Pennsylvania 17120

Bernard A. Ryan, Jr., Esquire  
Office of Small Business Advocate  
Suite 1102, Commerce Building  
300 North Second Street  
Harrisburg, Pennsylvania 17101

**DOCKETED**  
APR 11 1995

Johnnie E. Simms, Esquire  
Office of Trial Staff  
Pennsylvania Public Utility Commission  
P. O. Box 3265  
Harrisburg, Pennsylvania 17105-3265

David M. Kleppinger, Esquire  
McNees, Wallace & Nurick  
P. O. Box 1166  
100 Pine Street  
Harrisburg, Pennsylvania 17108

**OVERNIGHT MAIL**

D. Jane Drennan, Esquire  
Sarah E. Tomalty, Esquire  
Drennan & Associates  
1216 16th Street, N.W.  
Washington, DC 20036

David A. McCormick, Esquire  
Department of the Army  
Office of the Judge Advocate General  
901 North Stuart Street  
Arlington, Virginia 22203-1837

Robert D. Knecht  
Industrial Economics Incorporated  
2067 Massachusetts Avenue  
Cambridge, Massachusetts 02140

Thomas S. Catlin  
Exeter Associates, Inc.  
12510 Prosperity Drive  
Suite 350  
Silver Spring, Maryland 20904

Stephen J. Baron, President  
J. Kennedy and Associates, Inc.  
Suite 475  
35 Glenlake Parkway  
Atlanta, Georgia 30328

Joan O. Brandeis, Esquire  
Schnader, Harrison, Segal & Lewis  
Suite 3600  
1600 Market Street  
Philadelphia, Pennsylvania 19103-4252

Alan J. Barak, Esquire  
Mid-Atlantic Energy Project  
3700 Vartan Way  
Harrisburg, Pennsylvania 17110

Mr. Maurice Brubaker  
Drazen-Brubaker & Assoc.  
P. O. Box 16140  
St. Louis, Missouri 63105-0840

Mr. Jeffrey J. Pyros  
Pyros Financial Group  
One South Main Street  
Wilkes-Barre, Pennsylvania 17801

James Melia, Esquire  
Kirkpatrick & Lockhart  
The Payne Shoemaker Building  
240 North Third Street  
Harrisburg, Pennsylvania 17101-1507

Mr. Craig R. Kuennen  
Energy Services Manager  
Commission on Economic Opportunity  
211 South Main Street  
Wilkes-Barre, Pennsylvania 18701-1596

Robert P. Haynes, Esquire  
Mette, Evans & Woodside  
3401 North Front Street  
Harrisburg, Pennsylvania 17110-0950

Mr. Eric Epstein  
2308 Brandywine Drive  
Harrisburg, Pennsylvania 17110

  
Paul E. Russell

Dated: April 4, 1995  
at Allentown, Pennsylvania



BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Re: Docket No. R-00943271

DOCUMENT  
FOLDER

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of Pennsylvania Power & Light Company's answers to the Sierra Club's Interrogatories, Set 1 numbered 1 through 62 and Set II numbered 1 through 28, 30 and 35 upon the active participants listed below, in accordance with the requirements of § 1.54 (relating to service by a participant):

**HAND DELIVERED**

Irwin A. Popowsky, Esquire  
Office of Consumer Advocate  
Office of Consumer Advocate  
1425 Strawberry Square  
Harrisburg, Pennsylvania 17120

Bernard A. Ryan, Jr., Esquire  
Office of Small Business Advocate  
Suite 1102, Commerce Building  
300 North Second Street  
Harrisburg, Pennsylvania 17101

**DOCKETED**  
APR 11 1995

Johnnie E. Simms, Esquire  
Office of Trial Staff  
Pennsylvania Public Utility Commission  
P. O. Box 3265  
Harrisburg, Pennsylvania 17105-3265

David M. Kleppinger, Esquire  
McNees, Wallace & Nurick  
P. O. Box 1166  
100 Pine Street  
Harrisburg, Pennsylvania 17108

Alan J. Barak, Esquire  
Mid-Atlantic Energy Project  
3700 Vartan Way  
Harrisburg, Pennsylvania 17110

**OVERNIGHT MAIL**

D. Jane Drennan, Esquire  
Sarah E. Tomalty, Esquire  
Drennan & Associates  
1216 16th Street, N.W.  
Washington, DC 20036

David A. McCormick, Esquire  
Department of the Army  
Office of the Judge Advocate General  
901 North Stuart Street  
Arlington, Virginia 22203-1837

Robert D. Knecht  
Industrial Economics Incorporated  
2067 Massachusetts Avenue  
Cambridge, Massachusetts 02140

Thomas S. Catlin  
Exeter Associates, Inc.  
12510 Prosperity Drive  
Suite 350  
Silver Spring, Maryland 20904

Stephen J. Baron, President  
J. Kennedy and Associates, Inc.  
Suite 475  
35 Glenlake Parkway  
Atlanta, Georgia 30328

Joan O. Brandeis, Esquire  
Schnader, Harrison, Segal & Lewis  
Suite 3600  
1600 Market Street  
Philadelphia, Pennsylvania 19103-4252

Mr. Maurice Brubaker  
Drazen-Brubaker & Assoc.  
P. O. Box 16140  
St. Louis, Missouri 63105-0840

Mr. Jeffrey J. Pyros  
Pyros Financial Group  
One South Main Street  
Wilkes-Barre, Pennsylvania 17801

James Melia, Esquire  
Kirkpatrick & Lockhart  
The Payne Shoemaker Building  
240 North Third Street  
Harrisburg, Pennsylvania 17101-1507

Mr. Craig R. Kuennen  
Energy Services Manager  
Commission on Economic Opportunity  
211 South Main Street  
Wilkes-Barre, Pennsylvania 18701-1596

Robert P. Haynes, Esquire  
Mette, Evans & Woodside  
3401 North Front Street  
Harrisburg, Pennsylvania 17110-0950

Mr. Eric Epstein  
2308 Brandywine Drive  
Harrisburg, Pennsylvania 17110

  
Paul E. Russell

Dated: April 4, 1995  
at Allentown, Pennsylvania



BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Re: Docket No. R-00943271

CERTIFICATE OF SERVICE

DOCUMENT  
FOLDER

I hereby certify that I have this day served a true copy of  
Pennsylvania Power & Light Company's answers to the following On-the-  
Record Data Requests upon the active participants listed below, in accordance  
with the requirements of § 1.54 (relating to service by a participant):

DR-OCA-1, 2  
DR-PPLICA-1  
DR-OTS-1, 2, 3  
DR-BS-1  
DR-EE-1, 2, 3, 5

HAND DELIVERED

DOCKETED  
APR 11 1995

Irwin A. Popowsky, Esquire  
Office of Consumer Advocate  
Office of Consumer Advocate  
1425 Strawberry Square  
Harrisburg, Pennsylvania 17120

Bernard A. Ryan, Jr., Esquire  
Office of Small Business Advocate  
Suite 1102, Commerce Building  
300 North Second Street  
Harrisburg, Pennsylvania 17101

Johnnie E. Simms, Esquire  
Office of Trial Staff  
Pennsylvania Public Utility Commission  
P. O. Box 3265  
Harrisburg, Pennsylvania 17105-3265

David M. Kleppinger, Esquire  
McNees, Wallace & Nurick  
P. O. Box 1166  
100 Pine Street  
Harrisburg, Pennsylvania 17108

**OVERNIGHT MAIL**

D. Jane Drennan, Esquire  
Sarah E. Tomalty, Esquire  
Drennan & Associates  
1216 16th Street, N.W.  
Washington, DC 20036

David A. McCormick, Esquire  
Department of the Army  
Office of the Judge Advocate General  
901 North Stuart Street  
Arlington, Virginia 22203-1837

Robert D. Knecht  
Industrial Economics Incorporated  
2067 Massachusetts Avenue  
Cambridge, Massachusetts 02140

Thomas S. Catlin  
Exeter Associates, Inc.  
12510 Prosperity Drive  
Suite 350  
Silver Spring, Maryland 20904

Stephen J. Baron, President  
J. Kennedy and Associates, Inc.  
Suite 475  
35 Glenlake Parkway  
Atlanta, Georgia 30328

Joan O. Brandeis, Esquire  
Schnader, Harrison, Segal & Lewis  
Suite 3600  
1600 Market Street  
Philadelphia, Pennsylvania 19103-4252

Alan J. Barak, Esquire  
Mid-Atlantic Energy Project  
3700 Vartan Way  
Harrisburg, Pennsylvania 17110

Mr. Maurice Brubaker  
Drazen-Brubaker & Assoc.  
P. O. Box 16140  
St. Louis, Missouri 63105-0840

Mr. Jeffrey J. Pyros  
Pyros Financial Group  
One South Main Street  
Wilkes-Barre, Pennsylvania 17801

James Melia, Esquire  
Kirkpatrick & Lockhart  
The Payne Shoemaker Building  
240 North Third Street  
Harrisburg, Pennsylvania 17101-1507

Mr. Craig R. Kuennen  
Energy Services Manager  
Commission on Economic Opportunity  
211 South Main Street  
Wilkes-Barre, Pennsylvania 18701-1596

Robert P. Haynes, Esquire  
Mette, Evans & Woodside  
3401 North Front Street  
Harrisburg, Pennsylvania 17110-0950

Mr. Eric Epstein  
2308 Brandywine Drive  
Harrisburg, Pennsylvania 17110

  
Paul E. Russell

Dated: April 4, 1995  
at Allentown, Pennsylvania

R-943271

The following problems were documented after this chronology was initially prepared:

- September 22, 1982 - An emergency was declared at the plant. (UPI, September 22, 1982.)

- August 6, 1982 - UPI reported PP&L announced it was investigating nuclear plant allegations; however, the utility initially denied the complaints on December 29, 1981. (UPI, December 29, 1981.)

- January 21, 1983 - UPI reported "Another spill at the Susquehanna nuclear plant."

- March 29, 1983 - UPI reported, "Nuclear plant workers evacuated, Berwick, Pa."

- June 14, 1983 - Susquehanna was forced to shut down. The incident was termed "minor." (UPI, June 14, 1983.)

- April 26, 1984 - "Nuclear plant water discharges studied" (UPI, April 26, 1984.)

- July 26, 1984 - An "unusual event" was declared. (UPI, July 26, 1984.)

- October 1, 1987 - "Four workers contaminated, Berwick, Pa." (UPI, October 1, 1987.)

April 11, 1989 - An "unusual event" was declared at the plant. (UPI, April 11, 1989.)

- November 28, 1990 - "The Nuclear Regulatory Commission Wednesday fined Pennsylvania Power & Light \$25,000 for failing to promptly certify that components at its Susquehanna nuclear power plant would continue to function during an accident. The Allentown-based utility said it would no contest the fine." (UPI, November 28, 1990.)

March 5 and 9, 1992 - PP&L received \$55 million in a settlement with general Electric over the Mark II containment structure. ("Electric Utility Week" and Nucleonics Week.")

Unless otherwise stipulated, all information in this document was derived from reports prepared by the Nuclear Regulatory Commission.

DOCKETED  
APR 06 1995

DOCUMENT  
FOLDER

RECEIVED  
65 APR 14 PM 2:03  
P. U. C. CONTROL  
INFO

## GLOSSARY

ALARA - As Low As Reasonably Achievable. (Radiation Standards.)

EDG - Emergency Diesel Generator.

INPO - Institute for Nuclear Power Operations.

IR - Inspection Report (Prepared by the Nuclear Regulatory Commission.)

LER - License Event Report. (Prepared by Pennsylvania Power and Light Company.)

SALP - Systematic Assessment of Licensee Performance. (Prepared by the Nuclear Regulatory Commission.)

- February 16, 1979 - A Nuclear Regulatory Commission (NRC) inspection noted a non-compliance: Pennsylvania Power and Light (PPL) failed to control structural steel arc strikes. (NRC inspection 50-387/79-03)

- March 1, 1979 - An NRC inspection reported a non-compliance: The Susquehanna Plant failed to meet ASME III code requirements for a pipe weld joint alignment. (NRC inspections 50-387/79-04 and 50-388/79-03.)

- March 3, 1979 - The NRC cited PPL again for a non-compliance involving a failure to remove arc strikes per established procedures. (See February 16, 1979 for a related event.) (NRC inspections 50-387/79-01 and 50/388/79-01.)

- April 6, 1979 - During an NRC inspection, a non-compliance was identified relating to PPL's failure to properly prepare an electrical cable termination prior to installation. (NRC inspections 50-387/79-11 and 50-388/79-07.)

- April 19, 1979 - The NRC noted two non-compliances items: PPL failed to specify supplementary essential variables in welding procedure specs and the utility failed to assure piping cleanliness before closure. (NRC inspections 50-387/79-14 and 50-388/79-08.)

- May 5, 1979 - The NRC observed a non-compliance item: PPL failed to follow documented procedures for control of nonconfirming items. (NRC inspections 50-387/79-10 and 50-388/79-06.)

- June 8, 1979 - The NRC identified two non-compliance items: PPL failed to inspect purging for tack welds and also failed to provide documented instruction to control storage and maintenance of the reactor pressure vessel. (NRC inspections 50-387/79-15 and 50-388/79-09.)

July 11, 1979 - The NRC identified a safety related issue: PPL failed to provide a described weld profile transition on safety related piping. (NRC Inspection 50-387/79-19.)

- September 11, 1979 - PPL failed to control their drawings. (NRC Inspections 50-387/79-21 and 50-388/79-12.)

- September 14, 1979 - PPL failed to comply with applicable codes when burning and welding structural steel. (See February 16 and March 3, 1979, for related events.)

- September 21, 1979 - PPL failed to control erosion-sedimentation. (NRC Inspections 50-387/79-25 and 50-388/79-13.)

- October 10, 1979 - PPL failed to apply design control measures relating to field models in order to demonstrate that inservice inspection requirements could be met. (NRC Inspection 50-387/79-30.)

- November 15, 1979 - PPL failed to follow instrument procedures' instructions. (NRC Inspections 50-387/79-32 and 50-388/79-17.)

- December 26, 1979 - The NRC noted that PPL incorrectly identified a safety-related conduit. (NRC Inspection 50-387/79-35.)

- January 9, 1980 - The following non-compliance item was identified by the NRC: PPL failed to review their tech specs and provide documented instruction to control completion of related water quenching of a weld. (NRC Inspections 50-387/79-31 and 50-388/79-16.)

- January 11, 1980 - The NRC recorded the following non-compliance issues: PPL failed to provide adequate design review resulting in non-conforming installation, and the licensee also failed to follow procedure for tagging non-conforming items. (See August 18, 1980 and June 30, 1981, for related issues.) (NRC Inspections 50-387/79-36 and 50-388/79-19.)

- January 30, 1980 - The NRC observed non-compliances related to uncontrolled documents and inappropriate documents. (NRC Inspections 50-387/79-41 and 50-388/79-22.)

- March 3, 1980 - PPL failed to provide "independence" to employees performing Quality Assurance functions. (NRC inspection 50-387/79--20.)

- April 9, 1980 - The NRC noted that PPL failed to follow approved procedures during preventive maintenance and establish a proper test program for hydrostatic testing. (NRC inspections 50-387/80-01 and 50-388/80-01.)

- April 20, 1980 - PPL failed to identify a nonconforming plant condition. (NRC inspections 50-387/80-05 and 50-388/80-03.)

- May 28, 1980 - PPL failed to document a chemical analysis of weld filler material. (NRC inspections 50-387/80-04 and 50-388/80-02.)

- June 2, 1980 - The NRC observed a failure by PPL to follow approved procedure during ultrasonic examination of piping welds. (NRC inspection 50-387/80-09.)

- June 16, 1980 - Two non-compliance items associated with PPL's failure to establish controls for Quality Control were identified. Additionally, PPL failed to establish controls for field fabrication of incorrect parts. (NRC inspections 50-387/80-06 and 50-388/80-04.)

- July 8, 1980 - A non-compliance item in PPL's program for the nondestructive examination of personnel certification was identified. (NRC inspections 50-387/80-12 and 50-388/80-08.)

- August 13, 1980 - In the Unit-2 primary containment, the NRC found "loose debris" in the construction joint of a concrete placement. (NRC inspections 50-387/80-17 and 50-388/80-11.)

- August 18, 1980 - PPL failed to follow approved procedures for reporting nonconforming items. (See January 11, 1980 and June 30, 1981, for related issues.) (NRC inspection 50-387/80-14.)

- August 19, 1980 - The NRC noted that PPL failed to supply cable tray softeners. (NRC inspections 50-387/80-19 and 50-388/80-13.)

- September 8, 1980 - PPL failed to incorporate recirculation system flow testing into preoperational testing. (NRC Inspection 50-387/80-16.)

- September 12, 1980 - PPL failed to control weld filter material. (See May 28, 1980, for a related incident.) (NRC inspections 50-387/80-21 and 50-388/80-14.)

- October 16, 1980 - PPL used a field procedure which did not contain quantitative or qualitative acceptance criteria. (NRC inspections 50-387/80-25 and 50-388/80-16.)

- January 21, 1981 - PPL was chastized for failing to have properly approved test procedure changes. (NRC Inspection 50-387/80-32.)

- January 26, 1981 - PPL failed to follow Quality Control instructions for inspection cable terminations prior to taping connections. (NRC inspections 50-387/81-01 and 50-388/81-01.)

- April 13, 1981 - PPL failed to complete design testing before placing a crane system in operation. (NRC Inspection 50-387/81-04.)

- May 25, 1981 - The NRC noted shortcomings in auditor certification, inservice inspection design accessibility and a Quality Assurance procedure. (NRC inspections 50-387/81-08 and 50-388/81-04.)

- June 30, 1981 - Among the non-compliance items reported by the NRC: Placement of an electrical ground between a tray and a conduit and failure to tag nonconforming items. (See August, 18 and January 11, 1980 for related issues.) (NRC inspection (50-387/81-12 and 50-388/81-06.)

- July 14, 1981 - The NRC noted that PPL operators were using an "unapproved" and "unsigned" document in the control room. (NRC Inspection 50/387/81-10.)

- August 31, 1981 - An electrical component was installed without proper certification. (NRC inspections 50-387/81-14 and 50-388/81-07.)

- October 22, 1981 - PPL's NSSS data sheet specified "insufficiently accurate" turbine trip switches. (NRC inspection 50-387/81-19.)

- November 25-27, 1981 - PPL failed to follow written procedures during a maintenance test. (NRC inspection 50-387/81-25.)

- January 7, 1982 - Unit-1 failed to maintain control over modification of electrical equipment. (NRC inspection 50-387/81-26 and 50-388/81-13.)

- March 3, 1982 - The NRC reported that PPL improperly incorporated test requirements in their preoperational tests and exercised inadequate control of environmental conditions activities "affecting quality." (NRC inspection 50-387/82-04.)

- April 8, 1982 - PPL failed to witness a test involving the Reactor Coolant System, and the utility also failed to follow preoperational test procedures. (NRC inspection 50-387/82-08.)

- April 23, 1982 - PPL failed to incorporate all test requirements in a preoperational test failure. Problems relating to surveillance testing and housekeeping were also identified. (NRC inspection 50-387/82-10.)

- May 27, 1982 - PPL failed to obtain proper authorization prior to work on a safety-related system and failed to conduct comprehensive audits of preoperational testing. (NRC inspection 50-387/82-09.)

- September 10, 1982 - PPL failed to provide a second verification on safety-system check lists. (NRC inspections 50-387/82-33 and 50-388/82-10.)

- October 4, 1982 - The following non-compliance items were recorded: PPL failed to provide "adequate training," failed to distribute current and approved design documents and failed to provide suitable design for a small bore pipe anchors. (See January 6, March 14 and April 4, 1984; last entry for 1987; February 18, 1985; and December 13, 1989 for related issues.) (NRC inspection 50-387/82-31.)

- October 14, 1982 - PPL failed to follow written procedures for control of "safety or quality-related" computer software. (NRC inspection 50-387/82-39.)

- November 2, 1982 - PPL failed to issue a field change request for modification of pipe clamp flanges for pipe supports and failed to transmit design information to field. As a result, PPL installed malfunctioning pipe snubbers. (NRC inspection 50-387/82-34.)

- November 3, 1982 - The NRC identified a security violation and observed that requirements for operable fire protection equipment were not met. (NRC inspections 50-387/82-32 and 50-388/82-05.)

- November 4, 1982 - PPL failed to properly interpret radiographs. (NRC inspection 50-387/82-36.)

- December 6, 1982 - The NRC reported that PPL was using an "unqualified material" in the emergency diesel generator lube oil system. (NRC inspections 50-335/82-36 and 50-389/82-55.)

- December 10, 1982 - During RCIC system testing, PPL did not keep a record of average suppression chamber water temperatures. (See March 8 and June 28, 1984 and August 14, 1985 for related issues.) (50-387/82-40 and 50-388/82-12.)

- In 1982, Susquehanna had 39 "human" errors; 13 "design/manufacturing" errors; 28 "equipment failures;" 1 "significant mishap" and 80 total "mishaps." Berwick-1 also lost emergency diesel generator power in this year (Public Citizen, 1983.)

- February 22, 1983 - Several non-compliances were identified relating to radiological controls: PPL failed to determine low level dose for 24-H iodine and particulate samples and the licensee also failed to keep a log for gamma spectrometry system. In addition, PPL failed to approve contractor procedures prior to implementation. (See August 8 and December 19, 1983, for related issues.) (NRC inspection 50-387/83-02.)

- March 14, 1983 - The standby gas treatment system was improperly tagged out leading to its inoperability. (NRC Inspections 50-387/83-03 and 50-388/83-01.)

- March 23, 1983 - PPL failed to establish a separate log to record safeguard event reports. ((NRC Inspection 50-387/83-04.)

- May 13, 1983 - The NRC found that numerous fuses had one terminal disconnected on the temporary, modification control panels. (NRC Inspections 50-387/83-11 and 50-388/83-04.)

- June 13, 1983 - PPL was caught using an unapproved handbook for acceptance of pipe supports. The NRC also noted that intermittent breaches of secondary containment field changes were not implemented. (NRC Inspections 50-387/83-12 and 50-388/83-06.)

- June 25, 1983 - Susquehanna was shut down due to electrical problems, and on July 26, maintenance found two leads reversed in a control circuit cabinet, preventing the opening of a safety-related valve. (Nuclear Regulatory Commission).

- July 12, 1983 - PPL was operating Susquehanna with a mode switch in run position, while the high-reactor, vessel water level trip to main turbine was bypassed. (NRC Inspection 50-387/83-14.)

- July 14, 1983 - PPL failed to remove from access authorization list four employees who were no longer employed at the site. (NRC Inspection 50-387/83-16.)

- August 18, 1983 - PPL failed to maintain an updated safety-related drawing file. (50-387/83-29, 50-388/83-01 and 50/388-83-11.)

- August 26, 1983 - PPL failed to "adhere to radiation protection procedures" as required by their tech specs. (See February 22 and December 19, 1983, for related issues.) (NRC Inspection 50-387/83-18.)

- September 2, 1983 - Several non-compliance items were identified by the NRC: PPL failed to conduct 15 surveillance tests due to inadequate procedures, the utility failed to test when equipment was operable and several procedures were reported to be "missing." (NRC inspection 50-387/83-20.)

- November 18, 1983 - At Unit-1, the FSAR was not updated prior to completion of construction. Also, as required, a 31-day surveillance was not performed on a valve. (NRC inspections 50-387/83-23, 50-388/83-21 and 50-388/83-23.)

- November 21, 1983 - PPL failed to maintain two independent off-site power sources. Also, both trains of the main condenser off-gas treatment system was inoperable. Both issues were non-compliance items. (NRC inspection 50-387/83-24.)

- December 19, 1983 - The NRC issued a violation for PPL's failure to take weekly iodine samples of the reactor building. (See February 22 and August 26, 1983, for related issues.) (NRC inspection 50-387/83-17.)

- December 29, 1983 - PPL failed to maintain average reactor coolant temperatures. (NRC inspections 50-387/83-25, 50-38883-24 and 50-388836-24.)

- January 5, 1984 - PPL failed to follow procedures for liquid, radwaste monitor calibration. (NRC inspections 50-387/83-27 and 50-388/83-26.)

- January 6, 1984 - The NRC recorded violation regarding PPL's failure to provide training to personnel to control temporary setpoint changes and to assess effectiveness of Quality Assurance audits. (See October 4, 1982; March 14 and April 4, 1984; February 18, 1985; last entry for 1987; and, December 13, 1989 for related issues.) (NRC inspections 50-387/83-30 and 50-388/83-25.)

- January 25, 1984 - The NRC noted the following violation: PPL failed to follow Quality Assurance/Quality Control Interface procedures in nonconformance reporting areas. (NRC inspections 50-387/83-31 and 50-388/83-31.)

- February 24, 1984 - The NRC issued a violation for PPL's failure to promptly identify and correct "conditions adverse to quality." The NRC identified the following "deviation:" PPL failed to meet FSAR commitments for the automatic depressurization system. (NRC inspections 50-387/83-29, 50-388/83-22 and 50-388/83-32.)

- February 27, 1984 - The NRC identified the following violations: Inadequate preparation of the welds for ultrasonic inspection and a small bore piping flex leg was not installed per engineering design calculation. (NRC Inspection 50-387/84-05.)

- March 7, 1984 - PPL failed to follow a Quality Control procedure for radiochemistry to determine instrument operating voltage. (NRC inspections 50-387/84-05 and 50-388/84-06.)

- March 8, 1984 - The NRC inspected system lineup problems that resulted in the HPCI system and the RCIC system's inoperability. (See December 10, 1982 and June 28, 1984 and August 14, 1985 for related issues.) (NRC inspection 50-387/84-11.)

- March 14, 1984 - The NRC reported a violation relating to PPL's failure to follow documentation procedures regarding health physics personnel training. (See October 4, 1982; January 6 and April 4, 1984; February 18, 1985; last entry for 1987; and, December 13, 1989 for related issues.) (50-387/84-01.)

- April 4, 1984 - Another violation was recorded relating to worker training. PPL failed to follow radwaste training and training qualification and certification of personnel procedures. (See October 4, 1982; January 6 and March 15, 1984, February 18, 1985, last entry for 1987; and, December 13, 1989 for related issues.) (50-387/84-09.)

April 16, 1984 - A violation was issued for PPL's failure to take a dose rate instrument into a high radiation area and the Licensee also operated logs that lacked quantitative data. (NRC inspections 50-387/84-07 and 50-388/84-08.)

- April 20, 1984 - The NRC inspected an event involving the inoperability of a source range monitor "while loading fuel in core quadrant "A." (NRC inspection 50-388/84-19.)

- May 14, 1984 - Local, leak-rate test valves in Unit-1 were closed instead of closed and locked as required. PPL was issued a violation due to this incident. (NRC inspections 50-387/84-14 and 50-388/84-16.)

- June 19, 1984 - The NRC and PPL met to discuss a power level transient which apparently exceeded the 5% licensed limit. (Meeting report 50-388/84-25.)

- June 28, 1984 - The RCIC flow controller on Unit-2 was not returned to automatic following surveillance and the secondary containment integrity on Unit-1 was not maintained for two days. Violations was issued by the NRC. (See December 10, 1982 and March 8, 1984 and August 14, 1985 for related issues.) (NRC inspection reports 50-387/84-18 and 50-388/84-22.)

- July 23, 1984 - Among the non-compliances observed by the NRC: Two chemistry grab samples missed a fire detection, instrumentation surveillance not performed with tech spec limit. (NRC inspections 50-387/84-22 and 50-388/84-28.)

- August 21, 1984 - PPL failed to complete required emergency training. (NRC inspection 50-387/84-27.)

- August 23, 1984 - Bracing was not provided to prevent shift of loading under normal transportation conditions. A violation was issued. (NRC inspections 50-387/84-31 and 50-388/84-37.)

- September 17, 1984 - Violations were issued due to inadequate corrective action for plant operator manipulation of DC auxiliary relay and bus-control, knife switches. (NRC inspection 50-388/84-34.)

- October, 1984 - Four control rods failed to insert and nine others hesitated before scrambling. Testing which should brought the problem to light was 15 months overdue. (See November 15, 1985 for a related event.) (Public Citizen, May 3, 1986.)

- November 15, 1984 - A deficiency was noted when two of four control rods failed to scram during rod scram testing and were in control array that exceeded insertion time. (See October, 1984 for a related event.) (NRC Inspections 50-387/84-35 and 50-388/84-44.)

- November 16, 1984 - A violation was issued for PPL's inadequate surveillance procedures for end-of-cycle recirculation pump trip instrumentation. (NRC Inspection 50-388/84-42.)

- November 28, 1984 - A violation was issued by the NRC relating to security issues. (NRC Inspections 50-387/84-34 and 50-388/84-41.)

- In 1984, Susquehanna had 49 (the seventh highest in the nation) accidents or Licensee Event Reports in the nation. Also, an event that took place at Susquehanna-2 in July, resulted in the plant losing all of its AC power, including its back-up emergency diesel generators resulting in the deterioration of crucial instrumentation.

In the 1984 Nuclear Power Safety Report (Public Citizen) Susquehanna had the second highest number of mishaps in the industry and was tied for fifth for the number of "significant" incidents at a reactor.

- February 18, 1985 - The NRC issued violations for inadequate control of combustible gas cylinders and for four, fire brigade members who had not completed initial fire brigade training. (See October 4, 1982; January 6, March 14 and April 4, 1984; last entry for 1987; and, and December 13, 1989 for related issues.) (NRC Inspections 50-387/84-38 and 50-388/84-47.)

- February 25, 1985 - PPL received a violation for failing to analyze post-fuel loading initial program test results per administrative procedure requirements. (NRC Inspection 50-388/85-02.)

- March 27, 1985 - PPL failed to adhere to radiation protection procedures for all operations involving personnel radiation exposure. (NRC Inspections 50-387/85-07 and 50-388/85-07.)

- April 10, 1985 - The NRC recorded a deviation and violation for a failure to maintain and functionally test fire barriers and for failing to perform duct failure analysis. (NRC inspection 50-387/85-06 and 50-388/85-06.)

- May, 1985, the PUC allowed only a 9% rate increase of \$121 million, rather than the 23% or \$330 million PPL requested for costs associated with Susquehanna Unit-2. PUC Chairperson Linda Tallafiero told PPL: "You took the risk. You lost."

- May 16, 1985 - A violation and deviation were reported on a late surveillance identified on emergency SVC water system and a lack of indication identified in FSAR and the regulatory guide. An enforcement conference was scheduled for July 8, 1985. (NRC inspections 50-387/85-16 and 50-388/85-15.)

- May 30, 1985 - Fire dampers in the standby gas treatment system was not included in applicable surveillance procedures. A violation was issued. (NRC inspections 50-387/85-12 and 50-388/85-12.)

- July 23, 1985 - The NRC reviewed an "allegation" concerning drywell average air temperatures and found "discrepancies" in associated procedures. (NRC inspections 50-387/85-18 and 50-388/85-16.)

- August 14, 1985 - The NRC found the manual containment isolation valve for the RCIC was closed but not locked. A violation was issued. (See December 10, 1982 and March 8 and June 28, 1984 for related issues.) (NRC inspections 50-387/85-21 and 50-388/85-17.)

- October 10, 1985 - PPL was issued a violation for failing to test entire HPCI channel. (NRC inspections 50-387/85-28 and 50-388/85-23.)

- November 1, 1985 - The NRC convened an enforcement conference to discuss PPL's ability to safely shutdown Susquehanna in the event of a fire.

- February 19, 1986 - PPL was issued a violation for failing to test creosol isolation dampers. (NRC inspections 50-387/85-36 and 50-388/85-32.)

- March 27, 1986 - The RHR pump operated without without cooling water due to valve misalignment and installation of expired squib valve in standby liquid control system. A violation was issued. (NRC inspections 50-387/86-02 and 50-388/86-01.)

- April 30, 1986 - PPL failed to include longitudinal seam welds in inservice inspection program and also failed to respond to audit findings. A violation was issued by the NRC. (NRC inspection 50-387/86-05.)

- May 2, 1986 - Violations were issued when PPL improperly controlled maintenance work in reactor building recirculation plenum and when two, scram, discharge volume level transmitters were found to be inoperable. (NRC inspections 50-387/86-06 and 50-388/86-04.)

- May 24, 1986 - With both reactors at full power, all four emergency cooling water pumps were declared inoperable. Both reactors had to be shut down. (Public Citizen, September 8, 1987.)

- August 13, 1988 - One deviation and three unresolved items were reported in the NRC's emergency response appraisal. (NRC reports 50-387/86-10 and 50-388/86-10.)

- September 24, 1986 - Tech specs limiting the condition for operation transversing incore probes were not met. A violation was issued. (NRC inspections 50-387/86-14 and 50-388/86-14.)

- October 22, 1986 - The NRC issued violations when PPL used unqualified terminal blocks in limitorque motor valve operators and failed to follow procedures for sealing conduit entry into components. (NRC inspections 50-387/86-21 and 50-388/86-22.)

- In 1986, the Susquehanna Nuclear Generating Station had the eighth highest number of "scrams" at Unit-1. January 30, 1987 - The following "deficiencies" were recorded by the NRC: PPL failed to demonstrate qualification of valcor, high temperature wire rockbestos cables and raychem cable splices. (See August 16, 1988 for a related development.) (NRC inspections 50-387/86-25 and 50-388/86-28.)

- February 9, 1987 - Due to the inoperability of the station battery supplying common loads, the NRC issued a violation. (NRC inspections 50-387/86-27 and 50-388/86-30.)

- August 8, 1987 - PPL removed a shift supervisor (the person in charge of the plant) because he repeatedly fell asleep while on duty. (Public Citizen, October 19, 1988.)

- September 4, 1987 - The NRC identified several violations. Major areas inspected included plant operations, radiation protection, physical security, plant events, surveillance and maintenance and previous inspection findings. (NRC inspections 50-387/87-12 and 50-388/87-12.)

- September 23, 1987 - A significant event was reported when a steam line plug blew into the reactor vessel.

- November 16, 1987 - One violation was recorded during this inspection. (NRC inspections 50-387/87-16 and 50-388/87-16.)

- November 25, 1987 - The NRC identified several violations. Major areas inspected were training and qualification, ALARA external and internal exposure controls and radioactive and contaminated materials control. (NRC inspections 50-387/87-19 and 50-388/87-19.)

- In 1987, at least 40% of the applicants for reactor operations failed their licensing tests at Susquehanna-1. Only 12% of the licensed operators at Susquehanna-1&2 have a bachelor's degree. Only 56% of licensed operators passed their written licensing exams (The industry average is: 86%). (Public Citizen, October 19, 1988). (For other training problems see October 4, 1982; January 6, March 14 and April 4, 1984; February 18, 1985; last entry for 1987; and, December 13, 1989.)

In 1987, Susquehanna-1 was ninth out of 83 reactors in the number of Licensee Event Reports.

- February 24, 1988 - The NRC convened a meeting to discuss, "Licensee beliefs as to causes of weaknesses identified and licensee corrective actions." (NRC inspections 50-387/87-19 and 50-388/87-19.)

- March 11, 1988 - Several violations were reported during an inspection that included plant operations, physical security, plant events, surveillance and maintenance and licensee posting of radiation areas. (NRC Inspections 50-387/88-04 and 50-388/88-03.)

- March 16, 1988 - The NRC discussed with PPL "Inattentiveness of [a] licensed operator." (50-387/88-08 and 50-388/88-08.)

- April 25, 1988 - Several violations were identified during an inspection which included plant operations, physical security, plant events, surveillance scram discharge volume capability and fitness for duty. (NRC Inspections 50-387/88-07 and 50-388/88-08.)

- July 7, 1988 - Several violations were noted during this inspection. Major areas inspected included corrective and preventive maintenance, engineering and surveillance programs. (NRC Inspection 50-388/88-10.)

- August 15, 1988 - A violation was reported during an inspection of the operability of the main, steam tunnel differential temperature isolation modules. (NRC Inspections 50-387/88-15 and 50-388/88-18.)

- August 16, 1988 - The NRC held an enforcement conference to discuss the results of a previous inspection on January 30, 1987.

- September, 1988 - The NRC fined PPL \$50,000 for safety violations at the Susquehanna Nuclear Generating Station.

- November 16, 1988 - A violation and unresolved item were identified. The major area of inspection was Unit-2's unplanned ESF actuations in which the RWCU system isolated when a "large" Unit-1 pump started. (NRC Inspections 50-387/88-18 and 50-388/88-21.)

- December 20, 1988 - An unresolved item was identified during an inspection which included plant operations, physical security, plant events and surveillance and maintenance activities. (NRC inspections 50-387/88-19 and 50-388/88-22.)

- February 2, 1989 - Several violations were recorded during an inspection which included plant operations, physical security, plant events and surveillance and maintenance activities. (NRC inspections 50-387/88-20 and 50-388/88-23.)

- March 8, 1989 - "Events noted indicate need for increased management attention to weaknesses." The NRC inspected physical security, plant events and surveillance and maintenance activities. (NRC inspections 50-387/89-01 and 50-388/89-01.)

- March 24, 1989 - The NRC met with PPL's management to discuss "reactor building post-accident temperature profile and environmental qualification of electrical equipment." (NRC inspections 50-387/89-03 and 50-388/89-03.)

- June 1, 1989 - The NRC raised concerns about the "adequacy of [the] carbon dioxide system." (NRC inspections 50-387/89-09 and 50-388/89-09.)

- June 16, 1989 - Several violations were reported during an inspection of radiological controls, organization and staffing personnel qualifications and training corrective action system performance monitoring and audits. (NRC inspections 50-387/89-12 and 50-388/89-12.)

- July 26, 1989 - Several violations were observed by the NRC during an inspection of plant operations, physical security, plant events, surveillance and maintenance and Unit-1, refueling outage activities. (NRC inspections 50-387/89-15 and 50-388/89-13.)

- August 8, 1989 - Violations and deviations were identified during an inspection of the emergency diesel generator fuel supply equipment and related procedures. (NRC inspections 50-387/89-18 and 50-388/89-16.)

- August 28, 1989 - During this inspection period, two recirculation pump trips occurred at Unit-2. (NRC inspections 50-387/89-21 and 50-388/89-19.)

- August 31, 1989 - A contractor performing reactor coolant sampling had an "unplanned exposure." (See September 31 and October 18, 1989 for follow up.)

- September 13, 1989 - Violations were noted during an inspection which reviewed, "Licensee evaluations and corrective actions associated with unplanned exposure to contractor performing reactor coolant sampling activities." (See August 31 and October 18, 1989 for more information.) (NRC inspection 50-388/89-25.)

- September 19, 1989 - A violation was issued during a review of a, "Chronology of events and reasons that led to starting up plant with potentially unacceptable ultrasonic indications in reactor vessel." (NRC inspections 50-387/89-26.)

- October 10, 1989 - One unresolved item remained after an inspection which reviewed the, "... adequacy of licensee actions to resolve items." (NRC inspections 50-387/89-27 and 50-388/89-24.)

- October 18, 1989 - The NRC held an enforcement conference to discuss an "unplanned occupational exposure of contractor employee on August 31, 1989." (See August 31 and September 13, 1989 for more information.) (NRC report 50-388/89-25.)

- October 23, 1989 - Several violation were recorded during an inspection of plant operations, physical security, plant events and surveillance and maintenance. (NRC inspections 50-387/89-24 and 50-388/89-22.)

- November 22, 1989 - Violations were reported during an inspection of radiological controls, ALARA and housekeeping. (NRC inspections 50-387/89-28 and 50-388/89-26.)

- November 24, 1989 - Several violations were observed by the NRC during an inspection of plant operations, physical security, plant events and maintenance and surveillance. (NRC inspections 50-387/89-30 and 50-388/89-27.)

- December 13, 1989 - An enforcement conference issued a violation and discussed, "NR findings [on] root cause of inadequate program provisions and safety significance of nonproficient operators (For other training problems see October 4, 1982; January 6, March 14, April 4, 1984; February 18, 1985; and, the last entry in 1987.) (NRC reports 50-387/89-90 and 50-388/89-27.)

- December 24, 1989 - Several violation were reported during an inspection of PPL's action on previous NRC inspections. (NRC inspections 50-387/89-33 and 50-388/89-31.)

- January 19, 1990 - The NRC cited PPL for violations during this inspection. This report reviewed, "licensee actions in response to contractor employee allegation" relating to a "noncompliance with penetration, fire seal requirements." (NRC inspections 50-387/89-35 and 50-388/89-34.)

- January 19, 1990 - The NRC and PPL met to discuss "preliminary root cause findings for recent emergency diesel generator crankcase explosions at plant, along with possible corrective actions to prevent recurrence." NRC inspections 50-387/89-37 and 50-388/89-36.)

- February 3, 1990 - Unit-1 lost "shutdown cooling." (See February 23, 1990 for follow up.)

- February 4, 1990 - A low-level event was announced due to an electrical function at Susquehanna-2. The Plant was shut down.

- February 23, 1990 - The NRC reviewed PPL's actions in response to the loss of shutdown cooling at Unit-1 on February 3, 1990. (NRC inspections 50-387/90-05 and 50-388/90-05.)

- May 31, 1990 - Several unresolved items remained after a, "Comparison of EOPs [emergency operating procedures] with BWR [boiling water reactors] owners' group emergency procedure guidelines and plant-specific emergency procedure guidelines." (NRC inspections 50-387/90-80 and 50-388/90-80.)

- June 12, 1990 - One violation was noted after an inspection of operations, radiological controls, maintenance surveillance testing, emergency preparedness, security and engineering-technical support. (NRC inspections 50-387/90-08 and 50-388/90-08.)

- June 13, 1990 - The NRC inspected PPL's, "Compliance with ATWS rule including design implementation verification and surveillance test procedure and results review." A deviation was reported. (NRC inspection reports 50-387/90-11 and 50-388/90-11.)

- September 6, 1991 - Several violations were reported during an inspection of, "Transportation and solid radwaste programs." (NRC inspections 50-387/90-16 and 50-388/90-16.)

- September 13, 1990 - Several violations were recorded during an inspection of the qualification of polyurethane seals. (NRC inspections 50-387/90-17 and 50-388/90-17.)

- September 28, 1990 - One unresolved item was observed during an inspection of operations, radiological controls, maintenance-surveillance testing, emergency preparedness, security and engineering technical support. (NRC inspections 50-387/90-15 and 50-388/90-15.)

- October 11, 1990 - The NRC convened an enforcement conference to discuss, "Environmental qualification deficiencies and noncomformance report system concerns." (NRC inspections 50-387/90-17 and 50-388/90-17.)

- November 7, 1990 - One violation was reported during an inspection of written policies and procedures, program administration, key program processes and onsite testing facility. (NRC inspections 50-387/90-14 and 50-388/90-14.)

- November 8, 1990 - One violation was recorded during an inspection of operations, radiological controls, maintenance-surveillance testing, emergency preparedness, security and engineering-technical support. (NRC inspections 50-387/90-20 and 50-388/90-20.)

- January 22, 1991 - The SALP reported, "Overall control of radiological controls effective but weaknesses in contractor and contamination controls noted." (NRC inspections 50-387/89-99 and 50-388/89-99.)

- January 27, 1991 - Several violations were noted during an inspection of, "Maintenance program and implementation of program personnel interviews and observation of maintenance work being performed." (NRC inspections 50-387/90-81 and 50-388/90-81.)

- March 19, 1991 - One violation was observed during an inspection of operations, radiological controls, maintenance-surveillance testing, emergency preparedness, security and engineering-technical support. (NRC inspections 50-387/90-26 and 50-388/90-26.)

- Spring 1991 - PPL filed the final environmental report on a \$23 million, 12,000 square foot radioactive waste holding facility. The building is constructed of steel and has movable interior concrete walls. It is designed to receive a total of 60,000 cubic feet of cement-solidified and dry trash bins per year from the Susquehanna nuclear power plants, it has a four-year, 240,000 cubic foot capacity. This facility has transformed the Susquehanna plant into a nuclear waste facility.

- May 30, 1991 - While Unit was at 100% power, "the primary power supply to the "A" Reactor Protection System (RPS) power distribution panel was lost when its Electrical Protection Assembly (EPA) breakers tripped" (Licensee Event Report 50-388.)

- January 22, 1991 - The SALP reported, "Overall control of radiological controls effective buy weaknesses in contractor and contamination controls noted." (NRC inspections 50-387/89-99 and 50-388/89-99.)

- January 27, 1991 - Several violations were noted during an inspection of, "Maintenance program and implementation of program personnel interviews and observation of maintenance work being performed." (NRC inspections 50-387/90-81 and 50-388/90-81.)

- March 19, 1991 - One violation was observed during an inspection of operations, radiological controls, maintenance-surveillance testing, emergency preparedness, security and engineering-technical support. (NRC inspections 50-387/90-26 and 50-388/90-26.)

- Spring 1991 - PPL filed the final environmental report on a \$23 million, 12,000 square foot radioactive waste holding facility. The building is constructed of steel and has movable interior concrete walls. It is designed to receive a total of 60,000 cubic feet of cement-solidified and dry trash bins per year from the Susquehanna nuclear power plants, it has a four-year, 240,000 cubic foot capacity. This facility has transformed the Susquehanna plant into a nuclear waste facility.

- May 30, 1991 - While Unit was at 100% power, "the primary power supply to the "A" Reactor Protection System (RPS) power distribution panel was lost when its Electrical Protection Assembly (EPA) breakers tripped" (Licensee Event Report 50-388.)

- October 4, 1991 - Kemp Houck, editor of "Atoms & Waste," reviewed Susquehanna's 1990 "Radiological Environmental Program." Houck concluded: "The plant has been showing up some very strange environmental data, and they [PPL] keep blaming the anomalies on lab malfunctions." PPL's report concluded: "In 1990, REMP detected the naturally occurring radionuclides beryllium-7, potassium-40, radium-226 and thorium-232 in the environment...The 1990 REMP also reported the following eight man-made radionuclides in the environment: tritium, manganese-54, cobalt-60, zinc-65, strontium-89, iodine-131, and cesium 137" (Susquehanna Steam Electric Station Units 1 & 2, "Radiological Monitoring Program: 1990 Annual Report," April 1991.)

- January 19, 1992 - An explosion injured two workers. One man was burned and contaminated with dust particles. According to PPL: "The accident occurred in the basement of the plant's turbine building during work on an out-of-service recombiner -- equipment that combines hydrogen and oxygen to make water. A review team has found that a leak in a valve on the system allowed the hydrogen gas to build up in the pipe where the employee was working with a grinding wheel. New work procedures have been put into place to more clearly label hazards, and to institute safeguards aimed at preventing such incidents in the future" (PPL's "Shareowners' Newsletter," February 3, 1992.)

- March 7, 1992 - The NRC issued two violations for an accident on January 19, 1992. "The NRC reported that the company did not adequately investigate an incident that may have been a precursor to an accident. In the second case, the NRC found fault with parts of the company's record keeping practices" (Patriot, A5, March 7, 1992.)

- June 6, 1992 - Unit-1 was shut down due to the damage of a large pump and "some associated valves" (Patriot, June 8, 1992.)

- July 30, 1992 - Federal regulators say that a safety mechanism used by three Pennsylvania nuclear power plants [including Susquehanna] might fail to alert operators about a drop in the water level -- a condition which could lead to a nuclear accident." (States News Service, July 30, 1992.)

- December 31, 1992 - Two PP&L engineers charged that Susquehanna's highly radioactive spent fuel pools are unsafe and that if emergency cooling systems fail, a meltdown of spent fuel elements could occur. They told the NRC they reported their concerns to PP&L in March, 1992, and the company dismissed the matter and then tried to fire the engineers. The engineers, Donald Prevatte and David Lochbaum, are consultants for several companies. PP&L's spent fuel pool design is utilized by 1/3 of the nation's 109 nuclear power plants. (See October 1, 1993.)

- May 26, 1993 - PP&L "determined that the 'C' EDG level indicating instrument had drifted in a nonconservative direction." (LER, 93-003.)

- July 1, 1993 - An INPO inspection "pointed out some areas for improvement at the plant, and we're taking appropriate action." (Shareowners' Newsletter, July 1, 1993.)

- July 12, 1993 - While Unit -1 was operating at 100% power, a reactor scram occurred when the Main Turbine tripped. (LER, 93-008.)

- July 12 to August 1, 1993 - Mechanical problems forced Unit-1 out of service for seven weeks. "The unit shut down automatically July 12 when vibrations caused two large turbine blades to break loose, damaging the turbine and other non-nuclear components of the unit." (PPL, Shareowners' Newsletter, October 1, 1993.)

- September 10, 1993 - Power at Unit-2 was reduced to 40% for "control rod sequence" and "reactor recirc motor generator set brush change outs."

- September 24, 1993 - A power reduction was initiated at Unit-1 due to the inoperability of RHR instrumentation; power was held at 26%.

- October 1, 1993 - During an NRC presentation, David Lochbaum and Donald Prevatte postulated that failure in spent fuel pool cooling could possibly lead to safety-related equipment failure and a full core meltdown. (See July 30, 1992.)

- October 28, 1993 - At Unit-1, "PP&L suspended [fuel] loading after experiencing three fuel-loading problems in a 36 hour period" ("Patriot," February 2, 1994.) Unit-1 was due to be back on line by November but not return to service until January 22, 1994; four days after a record demand for electric.

- January 1, 1994 - "Unit-1 at our Susquehanna nuclear plant, out of service since Sept. 25 for refueling and maintenance, is expected to resume operation in early January. Its return was delayed by a series of problems with our fuel-loading operations...In an unrelated development, we further extended the refueling outage to replace metal support beams for pumps that circulate water inside the reactor. We took the action after problems developed with the components at a similar nuclear plant in Mississippi" (PPL, Shareowners' Newsletter, January 1, 1994.)

- January 22, 1994 - Unit-2 tripped and created further problems for the PJM depleted grid.

- July 1, 1994 - "The extended refueling outage at Unit-1 last October resulted in two citations from the NRC, but the agency decided that a fine was not appropriate, noting the prompt and effective actions we took to prevent future fuel-handling problems...The citations dealt with violations of certain NRC requirements during portions of the refueling outage" (PPL Shareowners Newsletter, July 1, 1994.)

- August 1994 - "Safety is our first priority at Susquehanna, and the NRC evaluation [SALP] reflects our continuing emphasis on it. It also points out some areas where we can improve, including refueling activities and corrective action programs" (PPL, Connect August 1994.)

- September 29, 1994 - "Thermal Science Inc. and its president, Rubin Feldman, were indicted September 29 by a federal grand jury on seven criminal charges, including willful violations of the Atomic Energy Act, a decade-long conspiracy to defraud the US government, false statements, and more. The charges are the culmination of a nearly two-year grand jury investigation of the company, which manufactures Thermo-Lag, the ineffective fire barrier material used in more than 70 nuclear reactors [including Susquehanna]" (The Nuclear Monitor, October 17, 1994.)

December 1994 - PP&L joined a consortium of 33 nuclear utilities actively pressuring the Mescalero Apaches to accept high-level radioactive waste.

This chronology does not include the cost to the rate payer to build Susquehanna-1 and -2. PP&L asked the Public Utility Commission (PUC) for \$315 million to recover the cost of building Unit-1. The PUC granted \$203 million on August 22, 1983, or a 16% increase to the customer. The company asked for \$330 million for Unit-2 but was allowed \$121 million in April, 1985; an 8% increase to rate payers. In addition, PP&L consumers have "contributed" approximately \$4.6 million annually (since 1985) to the decommissioning fund.

DOCUMENT FOLDER

PUC PUBLIC HEARING STATEMENT

RECEIVED

R-943271 CMB  
KJR

Mr. Presiding Officer, members of the Public Utility Commission and attendees at the public hearing:

I am Arthur Taylor, President of Muhlenberg College located in Allentown, Pennsylvania. I am grateful for this opportunity to describe to the Presiding Officer and the Commissioners present the impact of the proposed PP&L rate increase on my institution and our 1,600 students and their families, a number of whom reside in the PP&L service area, as well as similarly situated independent colleges who are a part of the University/College Coalition in this proceeding.

former CEO CBS

Presently before the Commission is the Company's Supplement Number 50 to its Tariff Electric Pennsylvania PUC Number 200. This supplement requests an increase in total annual operating revenues in excess of \$260 million dollars or approximately 11.7% over the present level of revenues. As part of this filing, PP&L is requesting a minimum rate of return on its common equity of 13%. The return of 13% has been stated by the Company to be necessary to position it more favorably in the financial markets.

will later testify to appropriate 13%

We are aware that the Commission will be considering the appropriateness of this request during the period of suspension of the increase until September 1995. We are also aware that there have been approximately 103 formal complaints filed against the proposed increase and that the Company's justification and statement of reasons for the proposed rate increase will be tested during these proceedings. The purpose of this statement is to advise the Presiding Officer and the Commission of the impact of this proposed increase upon Muhlenberg College and similar independent universities and colleges.

We will indeed feel the impact of the proposed rate increase. Muhlenberg's electric expense for the one year period of March 1994 through February 1995 was \$675,000. That usage of power places Muhlenberg under rate schedules LP-4 and GS-3 for our main campus account and we have several residential accounts. The total increase to Muhlenberg will be a minimum of \$65,700 in the first year according to the PP&L representative who services our account.

Muhlenberg and other colleges in our University/College Coalition -- Elizabethtown, Messiah, Dickinson, Kings, Wilkes University, The University of Scranton, and Keystone Junior College -- find themselves in rate classes where the vast majority of users are commercial or industrial businesses. These entities are usually able to pass along cost increases directly to customers who use their products. With the tremendous resource needs now and in the future to continue our mission of educating students, Muhlenberg and its coalition partners with limited resources will have to make major sacrifices to sustain quality education in the face of these increases in costs. We are not in the business of making a profit. We are in the business of educating students, and cost increases such as these inevitably impact students.

"In the business of losing money"

DUCKETED  
APR 06 1995

Let me profile our operations, which are not dissimilar from those of our fellow coalition members. At Muhlenberg, approximately 90% of our total annual revenues are the result of tuition, room and board charges to students. Philanthropy and endowment earnings account for the remaining approximately 10%. Unlike state-supported universities, where subsidies might help to temper the effect of this proposed rate increase, we receive limited help from federal and state sources.

Our independent colleges are receiving pressure from other directions as well. In certain communities, attacks have been made upon our tax exempt status. We are further threatened at the national level with proposed cutbacks in financial aid programs to students which could affect nearly half of Muhlenberg College's enrollment. Institutional financial aid at colleges such as Muhlenberg ranges from 20% to 30% of our annual budgets. Through institutional aid, we subsidize over 50% of our students and their need continues to increase.

If we attempt to absorb these additional costs for electric power, valuable education programs would necessarily be impacted; if we pass along increases such as these to students in the form of raised tuition, the College would not gain ground because it will be required to provide increased student aid. The fact is that we have little choice. Our ability to raise additional revenue at this time either through increased tuition and fees or philanthropy is severely limited, and, therefore, cost increases such as the proposed rate increase are particularly harsh.

Let me say, parenthetically, that my institution has taken steps to conserve electricity where possible. We have installed energy efficient systems in our new buildings and renovation projects. We have computerized monitoring of our controls on a round-the-clock, seven-day-a-week basis. Most challenging of all, we are attempting to change the behavior of our students and staff and encouraging them to conserve through environmental classes. We want to increase these efforts, hopefully with help from PP&L. However, these efforts alone will not do it. Electricity usage for our colleges and universities will continue to be a significant expense as we meet student and faculty needs for computer access from living spaces and offices to campus networks and libraries.

In conclusion, we implore the Commission to recognize that independent colleges and other non-profit institutions in our rate class cannot react to these increases just simply by passing along the cost. We ask that, in considering this request for increased electric rates, we be treated in a manner which recognizes what we do, even if this means establishing a separate rate class to protect the financial health of our state's higher educational institutions.

END

DRAFT #2 3/29/95

R-94327/KJR

RECEIVED  
95 APR -4 PM 2:03  
PA. P. U. C. DIV.  
INFO. CONTROL

DOCUMENT  
FOLDER

TESTIMONY

OF

EDWARD A. ESSL, JR.  
CAPITAL CITY TASK FORCE COORDINATOR  
PENNSYLVANIA STATE LEGISLATIVE COMMITTEE  
OF THE  
AMERICAN ASSOCIATION OF RETIRED PERSONS

BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

PUBLIC INPUT HEARINGS  
RE: PENNSYLVANIA POWER & LIGHT CO.

**DOCKETED**  
APR 06 1995

Pennsylvania State Museum  
3rd and North Streets  
Harrisburg, PA  
Thursday, March 30, 1995

I AM PLEASED TO APPEAR HERE TODAY AND PRESENT TESTIMONY OPPOSING THE PENNSYLVANIA POWER AND LIGHT COMPANY PROPOSAL TO INCREASE RESIDENTIAL RATES IN 24 COUNTIES IN PENNSYLVANIA.

I SHOULD LIKE TO BEGIN WITH SOME PERSONAL DATA BEARING UPON THE ISSUE.

I AM A RESIDENT OF CUMBERLAND COUNTY AND A PP & L CUSTOMER. I LIVE IN AN ALL ELECTRIC "POWER HOUSE" WHICH BEARS AN ADDRESS PLAQUE SHOWING PP & L LOGO. I HEAT, COOL, COOK, ILLUMINATE, AND ENTERTAIN ELECTRICALLY.

I BOUGHT THE HOUSE USED IN 1976 AND THAT TIME MY ENERGY BILLS WERE \$55.00 MONTHLY. SINCE THEN I HAVE REPLACED A DRAFTY DOOR WITH A STEEL AIR TIGHT DOOR, REPLACED ALL THE WINDOWS WITH DUAL PANE ARGON GAS INSULATED VINYL, AND REPLACED THE AGING HEAT PUMP WITH A MORE EFFICIENT UNIT. I HAVE ALSO REDUCED AIR LEAKAGE THROUGH THE PATIO DOOR BY BUILDING AN INSULATED SUN ROOM, AND I INSTALLED AN INSULATED DRAFT FREE GARAGE DOOR.

ADDITIONALLY MY ONCE 72 DEGREE HOUSE IS NOW KEPT AT 68 DEGREES DURING THE WINTER MONTHS (60 DEGREES AT NIGHT), AND 75 DEGREES IN

THE SUMMER. TEMPERATURE CHANGES ARE MADE AUTOMATICALLY BY MY ENERGY SAVING SET BACK THERMOSTAT. MOST LIGHT BULBS ARE 60 WATT AND I'VE INSTALLED FLUORESCENT LIGHTS WHEREVER POSSIBLE.

DESPITE THESE EFFORTS I HAVE SEEN MONTHLY BILLS IN EXCESS OF \$300.00 AND LATELY AVERAGING \$135.00. I AM TOLD MY RATE OF INCREASE WOULD BE 11% RAISING MY COST TO \$150.00.

ALTHOUGH I HAVE GREATLY IMPROVED THE EFFICIENCY OF MY ENERGY USAGE. I HAVE FAILED TO REDUCE MY COSTS OR EVEN CONTAINED THEM. I MIGHT ADD THAT THERE ARE ALSO THREE FEWER PERSONS IN THE HOUSEHOLD SINCE 1990.

UNLIKE MANY, I CANNOT SAY THAT THE REQUESTED INCREASE WILL CAUSE ME ANY SERIOUS PROBLEM, HOWEVER, AS I BELIEVE YOU WILL SEE FROM THE FOLLOWING DATA, THERE ARE THOSE WHO CAN ILL AFFORD TO MAKE THE ENERGY SAVING INVESTMENTS I HAVE MADE. WORSE THERE ARE THOSE WHO CANNOT AFFORD THEIR CURRENT UTILITY COSTS WHO LIVE IN WINTER COLD, SUMMER HEAT, AND NIGHTLYT GLOOM AND MUST DECIDE BETWEEN HEAT, FOOD OR MEDICATIONS. I STAND HERE TODAY TO GIVE VOICE TO THEIR MISERY.

IN PENNSYLVANIA THE AVERAGE LOW-INCOME ENERGY EXPENDITURE IS \$93.55 (1992 FIGURES), WHEREAS THE SOCIAL SECURITY MONTHLY INCOME FOR WIDOWS AND WIDOWERS WAS \$640.30 AND FOR RETIRED WORKERS \$671.80 LEAVING A MERE \$546.75 AND \$578.25 RESPECTIVELY FOR ALL OTHER EXPENSES. DOING THE MATHEMATICS WE FIND THAT ENERGY COSTS ARE 14.6% AND 13.9% RESPECTIVELY FOR EACH GROUP.

OLDER AMERICANS CONSUME ABOUT 21% OF ALL ENERGY IN THE RESIDENTIAL SECTOR. FIFTY-FOUR (54) PERCENT OF ALL OLDER HOUSEHOLDS HEAT WITH NATURAL GAS AND 14.9% USE ELECTRICITY FOR HEATING AND COOLING. SINCE, AS WE HAVE INDICATED, OLDER HOUSEHOLDS SPEND A LARGE PORTION (14.6 AND 13.9 PERCENT) OF THEIR INCOME ON ENERGY THEY ARE PUT AT SERIOUS RISK WHEN ENERGY MARKETS INCREASE RATES.

IN PENNSYLVANIA THE AARP REPRESENTS 1,900,000 MEMBERS OVER AGE 50. MOST OF OUR MEMBERS ARE SOCIAL SECURITY RECIPIENTS AND IT IS ESTIMATED THE 1,925,456 SENIORS OVER AGE 65 AND 1,182,276 AARP MEMBERS RESIDING IN THE 24 EFFECTED COUNTIES WOULD BE SERIOUSLY EFFECTED BY ANY RATE INCREASE. ADDITIONALLY, OUR RECORDS INDICATE 172,869 PERSONS OVER AGE 65 AND BELOW THE POVERTY LEVEL RESIDE IN THE EFFECTED COUNTIES.

NATIONALLY THE AVERAGE COST PER KW HAS RISEN ANNUALLY SINCE 1979 FROM 4.6 CENTS TO 8 CENTS IN 1993, A 73.9% INCREASE IN A MERE 14 YEARS.

BUT AVERAGES MASK THE TRUE INCREASES; FOR EXAMPLE: COMPARING THE YEARS 1980 TO 1991, FOR THE SAME PERIOD THE RATE OF INFLATION WAS 77% WHILE ENERGY PRICES ROSE IN

CALIFORNIA	103%
GEORGIA	78%
KANSAS	82%
LOUISIANA	86%
AND WASHINGTON	80%

PENNSYLVANIA ROSE 72%, A SEEMINGLY CONSERVATIVE RISE, HOWEVER WHEN COMPARED TO THE NATIONAL AVERAGE INCREASE PER KW FOR THE SAME PERIOD IT WAS A HEALTHY 1.9% AHEAD OF THE NATION'S 73.9%.

COMPARING ENERGY PRICES TODAY WITH THOSE OF 1979, ONE SEES THAT ENERGY PRICES HAVE INCREASED, ALTHOUGH NOT ALWAYS AT THE RATE OF INFLATION. YET BECAUSE OF THE LACK OF SIMILAR INCREASES IN INCOME, THE BURDEN OF ENERGY COSTS ON LOW-INCOME HOUSEHOLDS HAS NOT DECREASED. FURTHER BECAUSE THE INCOME OF THE POOR HAS NOT KEPT

PACE WITH INFLATION, ENERGY COST INCREASES CAN ONLY RESULT IN FURTHER HARDSHIP.

BECAUSE AARP BELIEVES ENERGY RATES SHOULD BE REASONABLE AND AFFORDABLE WE OPPOSE ANY PP&L INCREASE AT THIS TIME.

Attach: Demographic Data

DEMOGRAPHIC DATA BY COUNTY  
PENNSYLVANIA

COUNTY	TOTAL AGE 65+	POVERTY AGE 65+	MINORITY AGE 65+	SPANISH ORIGIN AGE 65+	AARP MEMBERS	AARP CHAPTERS	SENIOR CENTERS
Adams	4748	794	48	25	7054	3	5
Allegheny	199566	19403	16112	709	155545	107	80
Armstrong	11093	1466	97	40	7663	1	9
Beaver	24305	2278	1113	119	19033	1	4
Bedford	5893	1141	28	25	4037	0	5
Berks	441671	4788	574	257	28536	2	15
Blair	19482	2238	134	45	13149	4	10
Bradford	7653	1181	29	18	5833	1	6
Bucks	38299	3085	711	185	48686	3	13
Butler	15793	1588	84	41	14105	5	6
Cambria	25039	2556	345	101	15000	1	10
Cameron	953	90	1	3	751	0	2
Carbon	8327	797	4	45	5936	1	5
Centre	8542	849	42	28	8040	0	6
Chester	28686	2128	1859	142	33894	3	8
Clarion	5067	646	4	28	3550	0	4
Clearfield	10933	1484	48	20	8098	2	9
Clinton	4723	580	9	13	3446	0	4
Columbia	8262	1008	15	11	6301	2	6
Crawford	11481	1515	136	30	7187	2	6
Cumberland	19086	1639	201	61	21841	7	5
Dauphin	29145	3436	2597	163	22490	3	22
Delaware	71322	5304	4742	294	58003	12	14
Elk	4765	457	8	4	4021	1	9
Erie	30536	3020	656	94	16226	4	9
Fayette	22693	3762	814	89	13186	1	8
Forest	842	99	1	1	918	0	3
Franklin	13705	1626	213	45	11891	7	7
Fulton	1457	298	8	8	1025	0	2
Greene	5598	927	60	23	2997	0	3
Huntingdon	5275	796	62	13	5181	0	7
Indiana	10167	1408	68	29	7344	2	7
Jefferson	7037	1058	9	15	4081	0	5
Juniata	2417	346	1	17	1934	0	4
Lackawanna	37235	3816	106	82	45501	1	7
Lancaster	42338	3866	461	258	45501	5	9
Lawrence	14440	1521	274	50	9815	5	3
Lebanon	13634	1312	66	44	10541	1	1
Lehigh	35404	3356	199	185	26093	6	21
Luzerne	56119	6097	173	160	26045	1	13
Lycoming	15110	1763	157	41	11450	1	7
McKean	7771	808	26	15	5712	3	4
Mercer	16681	1504	516	34	12412	5	5
Mifflin	6318	864	28	20	3843	0	5
Monroe	9067	904	98	24	9306	2	4
Montgomery	80879	4701	2832	316	74516	10	12
Montour	2684	346	7	7	1496	0	2
Northampton	28301	3001	312	294	23487	5	11

DEMOGRAPHIC DATA BY COUNTY  
PENNSYLVANIA

COUNTY	TOTAL AGE 65+	POVERTY AGE 65+	MINORITY AGE 65+	SPANISH ORIGIN AGE 65+	AARP MEMBERS	AARP CHAPTERS	SENIOR CENTERS
Northumberland	16150	2445	43	38	8758	1	9
Perry	3707	446	3	6	3019	1	6
Philadelphia	237370	39042	60405	2528	137848	13	30
Pike	3292	310	15	29	4037	1	2
Potter	2302	420	8	3	3032	0	4
Schuylkill	26955	3623	59	69	16172	0	5
Snyder	3544	442	5	7	2795	1	4
Somerset	10830	1614	26	32	6264	0	6
Sullivan	1036	125	0	2	576	0	1
Susquehanna	4922	679	24	14	4108	1	8
Tioga	4909	777	9	13	3785	1	4
Union	3531	404	8	10	2937	1	2
Venango	8083	939	43	18	7692	3	4
Warren	6467	556	24	6	5042	1	6
Washington	28742	2985	1046	205	20101	9	15
Wayne	5460	713	12	12	4254	1	3
Westmoreland	48711	5359	739	127	39143	10	12
Wyoming	2959	381	12	4	2450	0	2
York	35944	3959	620	120	37563	14	17
*** Total ***	1925456	172869	99189	7514	1182276	278	562

ORIGINAL

KIRKPATRICK & LOCKHART

THE PAYNE SHOEMAKER BUILDING  
240 NORTH THIRD STREET  
HARRISBURG, PENNSYLVANIA 17101-1507  
TELEPHONE (717) 231-4500

BOSTON, MA  
MIAMI, FL  
NEW YORK, NY  
PITTSBURGH, PA  
WASHINGTON, D.C.

April 4, 1995

WRITER'S DIRECT DIAL NUMBER  
(717) 231-4500

John G. Alford, Secretary  
Pennsylvania Public Utility Commission  
Room G-23; North Office Building  
P.O. Box 3265  
Harrisburg, PA 17105-3265

RECEIVED  
95 APR -4 PM 3:55  
PA. P. U. C. DIV.  
INFO. CONTROL DIV.

In Re: **Pennsylvania Public Utility Commission v.  
Pennsylvania Power & Light Company.  
Docket No. P-00943271.**

Dear Secretary Alford: *R*

Enclosed for filing, please find an original and two copies of a Certificate evidencing service of the University/College Coalition's motion to compel responses to the UCC Set I Interrogatory. Copies of these materials are being served upon the parties of record as indicated on the enclosed Certificate.

Very truly yours,

*[Handwritten Signature]*  
Daniel P. Delaney  
Counsel for University/College Coalition

Enclosures

cc: Parties of Record  
Hon. Robert A. Christianson, ALJ

DOCUMENT  
FOLDER

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY  
COMMISSION, et al.

v.

PENNSYLVANIA POWER & LIGHT  
COMPANY

Docket No. R-00943271

RECEIVED  
95 APR -4 PM 3:55  
PA. P. U. C.  
INFO. CONTROL DIV.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of UCC's motion to compel responses to its Set I Interrogatory, upon the parties identified below in accordance with the requirements of Section 1.54 (relating to service by a participant).

SERVICE BY FIRST-CLASS MAIL ON THE FOLLOWING:

Irwin A. Popowsky, Esq.  
Mary C. Kenney, Esq.  
Office of the Consumer Advocate  
1425 Strawberry Square  
Harrisburg, PA 17101

Bernard Ryan, Esq.  
Office of Small Business Advocate  
Suite 1102, Commerce Building  
300 North Second Street  
Harrisburg, PA 17101

David M. Kleppinger, Esq.  
McNees, Wallace & Nurick  
100 Pine Street  
P.O. Box 1166  
Harrisburg, PA 17108-1166

Johnnie Simms, Esq.  
Kenneth Mickens, Esq.  
Office of Trial Staff  
Pitnick Building - 3rd Floor  
901 North 7th Street  
Harrisburg, PA 17102

James R. Brokenshire  
599 Eisenhower Boulevard  
Harrisburg, PA 17111-2397

Robert D. Knecht  
Industrial Economics Incorporated  
2067 Massachusetts Avenue  
Cambridge, Massachusetts 02140

David A. McCormick, Esq.  
Department of the Army  
Office of the Judge Advocate  
General  
901 North Stuart Street  
Arlington, VA 22203-1837

D. Jane Drennan, Esq.  
Sarah E. Tomalty, Esq.  
Drennan & Associates  
1216 16th Street, N.W.  
Washington, PA 20036

**DOCKETED**  
APR 10 1995

**DOCUMENT  
FOLDER**

Thomas S. Catlin  
Exeter Associates, Inc.  
12510 Prosperity Drive  
Suite 350  
Silver Spring, Md. 20904

Stephen J. Baron, President  
J. Kennedy and Associates, Inc.  
35 Glenlake Parkway; Suite 475  
Atlanta, Georgia 30328

Alan J. Barak, Esq.  
Mid-Atlantic Energy Project  
Widener University Energy Law  
Clinic  
3700 Vartan Way  
Harrisburg, PA 17110

David L. Pennington  
Catherine Panchou Cox  
Harvey, Pennington, Herting &  
Renneisen, Ltd.  
Eleven Penn Center  
1835 Market Street, 29th Floor  
Philadelphia, PA 19103

Eugene M. Brady  
Executive Director  
Commission on Economic  
Opportunity  
211 South Main Street  
Wilkes-Barre, PA 18701-1596

Mr. Maurice Brubaker  
Drazen-Brubaker & Associates,  
Inc.  
7730 Forsyth Boulevard  
Suite 200  
St. Louis, MO 63105-0840

Wayne M. Thomas  
Kohn, Nast & Graf, P.C.  
1101 Market Street; 24th Floor  
Philadelphia, PA 19107

Robert P. Haynes, III, Esq.  
3401 North Front Street  
P.O. Box 5950  
Harrisburg, PA 17110-0950

Joan O. Brandeis  
Schnader, Harrison, Segal &  
Lewis  
Suite 3600  
1600 Market Street  
Philadelphia, PA 19103-4252

Kenneth E. Zielonis  
Stevens & Lee  
208 North Third Street  
Suite 310  
Harrisburg, PA 17101

**VIA FACSIMILE AND OVERNIGHT DELIVERY AS FOLLOWS:**

Paul E. Russell, Esq.  
Pennsylvania Power & Light  
2 North 9th Street  
Allentown, PA 19101-1179

Thomas P. Gadsen, Esq.  
Anthony C. DeCusatis, Esq.  
David B. MacGregor, Esq.  
Morgan, Lewis & Bockius  
2000 One Logan Square  
Philadelphia, PA 19103

KIRKPATRICK & LOCKHART  
240 North Third Street  
Harrisburg, PA 17101  
(717) 231-4500  
(717) 231-4501 (Facsimile)

  
Daniel P. Delaney, Esq.  
Counsel For University/College  
Coalition

DATED: April 4, 1995

4/14/25

①

KJR

**Testimony Sign-In Sheet** (Please Print)

Name	Address	Representing (e.g., organization, self, etc.)
Matilda Zdravicky ✓	121 Masters St Scranton	Jaspazee
Richard Volby ✓	RR, Box 400 Jermyr	Self
Gene Molino ✓	1613 Farr St. Scranton Pa.	Sern. Council of neighborhoods - & Tripp Civic Assn.
Gard J. Paracino ✓	318 Main St Del Forge Pa	Self
Ross W. Negel ✓	1508 Rush St	Self
Sr. Mary Rose Mitchell ✓	RP, Box 130 Pleasant Mt	Dept of Aging Honesdale
Catherine Gurni ✓	1207 East St Honesdale PA 18431	Self
B. Dymarkewicz ✓	2 Marion Circle Throop P.A.	Self
John Cawley ✓		City of Scranton

Public Input Hearing for: Pennsylvania Public Utility Commission v. Pennsylvania Power & Light

Docket No.: R-00943271

Date: April 4, 1995

Location: Scranton

②

**Testimony Sign-In Sheet** (Please Print)

Name	Address	Representing (e.g., organization, self, etc.)
ERIC WARHOLAK LEG. AIDE TO REP. FRANK SERAFINI	919 SOUTH MAIN ST OLD FORGE, PA 18518	STATE REP. FRANK SERAFINI
PETER J. WADKA GEN PUBLIC	P.O. BOX 615 SCRANTON, PA 18501	E.M.F.'S CITIZENS CONCERNED ABOUT GAUS'S & TESLAS
NANCY KAY HOLMES	Scranton City Council	

**APPEARANCE SHEET**

**ALJ HEARING REPORT**

Docket No. R-00943271  
R-00943271C0001-C0130  
 Case Name PA PUC v. Pennsylvania Power  
and Light Company  
 Location Wilkes-Barre  
 Date April 4, 1995  
 ALJ Christianson  
 Reporting Firm Commonwealth

CHECK THOSE BLOCKS WHICH APPLY:

Prehearing held YES  NO   
 Hearing held YES  NO   
 Testimony taken YES  NO   
 Transcript due YES  NO   
 Hearing concluded YES  NO   
 Further hearing needed YES  NO   
 Estimated add'l days RECORDED  
 RECORD CLOSED YES  NO   
 APR 19 1995  
 DATE \_\_\_\_\_

**RECEIVED**

APR 7 1995

OFFICE OF C.A.L.J  
 PUBLIC UTILITY COMMISSION

Briefs to be Filed YES  NO   
 BENCH DECISION YES  NO   
 REMARKS:  
**DOCUMENT FOLDER**  
 DATE INFO. CONTROL DIV. 25 APR 8 AM 10:17 RECEIVED

NAMES, ADDRESSES AND TELEPHONE NUMBERS OF PARTIES OR COUNSEL OF RECORD  
 PLEASE PRINT CLEARLY  
 INCOMPLETE INFORMATION MAY RESULT IN DELAY OF PROCESS

NAME and TELEPHONE NUMBER	ADDRESS	APPEARING FOR
STEPHEN GORKA CHARLES F HOFFMAN Telephone No. 717 787-1976	BOX 3265 City HBG State PA Zip 17105	OFFICE OF TRIAL STAFF
GILCINE BRIGUOLA MARY KENNEY Telephone No. (717) 783-5048	1425 STRAWBERRY SQ. City HRG State PA Zip 17120	OFFICE OF CONSUMER ADVOCATE
KAREN O'ILL MOURY Telephone No. 717-783-2525	Suite 1102, Commerce Bldg 300 N. and St City Hbg State PA Zip 17101	Office of Small Business Advocate

CHECK THIS BOX IF ADDITIONAL PARTIES OR COUNSEL OF RECORD APPEAR ON BACK.

REPORTER

NAME and TELEPHONE NUMBER	ADDRESS			APPEARING FOR	
PAUL E. RUSSELL Telephone No. (610) 774-4254	2 NORTH 9TH ST	City	State	Zip	PA. POWER & LIGHT CO.
	ALLEN TOWN	PA	18101		
Telephone No.	City	State	Zip		
Telephone No.	City	State	Zip		
Telephone No.	City	State	Zip		
Telephone No.	City	State	Zip		
Telephone No.	City	State	Zip		
Telephone No.	City	State	Zip		
Telephone No.	City	State	Zip		
Telephone No.	City	State	Zip		
Telephone No.	City	State	Zip		

**APPEARANCE SHEET**

**ALJ HEARING REPORT**

Docket No. R-00943271

---

R-00943271C0001-C0130

---

Case Name PA PUC v. Pennsylvania Power  
and Light Company

---

Location Scranton

---

Date April 4, 1995

---

ALJ Christianson

---

Reporting Firm Commonwealth

CHECK THOSE BLOCKS WHICH APPLY:

Prehearing held YES  NO

Hearing held YES  NO

Testimony taken YES  NO

Transcript due YES  NO

Hearing concluded YES  NO

Further hearing needed YES  NO

Estimated add'l days \_\_\_\_\_

RECORD CLOSED YES  NO

**RECEIVED**

APR 7 1995

OFFICE OF C.A.L.J  
PUBLIC UTILITY COMMISSION

DATE \_\_\_\_\_

Briefs to be Filed **DOCKETED** YES  NO

APR 19 1995 DATE

BENCH DECISION YES  NO

REMARKS:

**DOCUMENT FOLDER**

PA. P. U. C.  
INFO. CONTROL DIV.  
APR 8 11:31  
RECEIVED

NAMES, ADDRESSES AND TELEPHONE NUMBERS OF PARTIES OR COUNSEL OF RECORD  
PLEASE PRINT CLEARLY  
INCOMPLETE INFORMATION MAY RESULT IN DELAY OF PROCESS

NAME and TELEPHONE NUMBER	ADDRESS	APPEARING FOR
Telephone No. _____	City _____ State _____ Zip _____	
<u>Mary C Kenney</u> <u>Gloria P. Bogdala</u> Telephone No. <u>717-783-5048</u>	<u>1425 Strawberry St</u> City <u>Hwy</u> State <u>PA</u> Zip <u>17102</u>	<u>Office of</u> <u>Consumer</u> <u>Advocate</u>
<u>PAUL E.</u> <u>RUSSELL</u> Telephone No. <u>(610) 774-4254</u>	<u>2 NORTH 9TH ST.</u> City <u>ALLENTOWN</u> State <u>PA.</u> Zip <u>18101</u>	<u>PA. Power &amp;</u> <u>LIGHT CO.</u>

CHECK THIS BOX IF ADDITIONAL PARTIES  
 OR COUNSEL OF RECORD APPEAR ON BACK.

REPORTER

NAME and TELEPHONE NUMBER	ADDRESS			APPEARING FOR
Karen Dill Moury Telephone No. (717)-783-2525	300 N. Second St Commerce Bldg, Suite 1102 City: N. Ha      State: PA      Zip: 17101			Office of Small Business Advocate
STEPHEN GORKA Telephone No. 717-787-1976	BOX 3265 City: HBS      State: PA      Zip: 17005			OFFICE OF TRUL STAFF.
Telephone No.	City      State      Zip			
Telephone No.	City      State      Zip			
Telephone No.	City      State      Zip			
Telephone No.	City      State      Zip			
Telephone No.	City      State      Zip			
Telephone No.	City      State      Zip			
Telephone No.	City      State      Zip			
Telephone No.	City      State      Zip			
Telephone No.	City      State      Zip			



**Pennsylvania Power & Light Company**

Two North Ninth Street • Allentown, PA 18101-1179 • 610/774-5151

ORIGINAL

Paul E. Russell  
Associate General Counsel  
610/774-4254

FAX: 610/774-6726

April 5, 1995

RECEIVED  
95 APR - 7 AM 9:06  
PA. P. U. C.  
INFO. CONTROL DIV.

Mr. John G. Alford, Secretary  
Pennsylvania Public Utility Commission  
P. O. Box 3265  
Harrisburg, Pennsylvania 17105-3265

**Re: Pennsylvania Public Utility Commission  
v.  
Pennsylvania Power & Light Company  
Docket No. R-00943271**

Dear Mr. Alford:

Attached for filing, pursuant to the Commission's regulations, 52 Pa. Code § 5.342(d), is a Certificate of Service identifying answers to On-the-Record Data Requests that Pennsylvania Power & Light Company served today on the active participants in this proceeding.

If you have any questions regarding this matter, please call.

Very truly yours,

Paul E. Russell

DOCUMENT  
FOLDER

Attachment

cc: The Honorable Robert A. Christianson

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Re: Docket No. R-00943271

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a true copy of  
Pennsylvania Power & Light Company's answers to the following On-the-  
Record Data Requests upon the active participants listed below, in accordance  
with the requirements of § 1.54 (relating to service by a participant):

DR-EE-4

**HAND DELIVERED**

Irwin A. Popowsky, Esquire  
Office of Consumer Advocate  
Office of Consumer Advocate  
1425 Strawberry Square  
Harrisburg, Pennsylvania 17120

Bernard A. Ryan, Jr., Esquire  
Office of Small Business Advocate  
Suite 1102, Commerce Building  
300 North Second Street  
Harrisburg, Pennsylvania 17101

**DOCKETED**  
APR 11 1995

**DOCUMENT  
FOLDER**

Johnnie E. Simms, Esquire  
Office of Trial Staff  
Pennsylvania Public Utility Commission  
P. O. Box 3265  
Harrisburg, Pennsylvania 17105-3265

David M. Kleppinger, Esquire  
McNees, Wallace & Nurick  
P. O. Box 1166  
100 Pine Street  
Harrisburg, Pennsylvania 17108

**OVERNIGHT MAIL**

D. Jane Drennan, Esquire  
Sarah E. Tomalty, Esquire  
Drennan & Associates  
1216 16th Street, N.W.  
Washington, DC 20036

David A. McCormick, Esquire  
Department of the Army  
Office of the Judge Advocate General  
901 North Stuart Street  
Arlington, Virginia 22203-1837

Robert D. Knecht  
Industrial Economics Incorporated  
2067 Massachusetts Avenue  
Cambridge, Massachusetts 02140

Thomas S. Catlin  
Exeter Associates, Inc.  
12510 Prosperity Drive  
Suite 350  
Silver Spring, Maryland 20904

Stephen J. Baron, President  
J. Kennedy and Associates, Inc.  
Suite 475  
35 Glenlake Parkway  
Atlanta, Georgia 30328

Joan O. Brandeis, Esquire  
Schnader, Harrison, Segal & Lewis  
Suite 3600  
1600 Market Street  
Philadelphia, Pennsylvania 19103-4252

Alan J. Barak, Esquire  
Mid-Atlantic Energy Project  
3700 Vartan Way  
Harrisburg, Pennsylvania 17110

Mr. Maurice Brubaker  
Drazen-Brubaker & Assoc.  
P. O. Box 16140  
St. Louis, Missouri 63105-0840

Mr. Jeffrey J. Pyros  
Pyros Financial Group  
One South Main Street  
Wilkes-Barre, Pennsylvania 17801

James Melia, Esquire  
Kirkpatrick & Lockhart  
The Payne Shoemaker Building  
240 North Third Street  
Harrisburg, Pennsylvania 17101-1507

Mr. Craig R. Kuennen  
Energy Services Manager  
Commission on Economic Opportunity  
211 South Main Street  
Wilkes-Barre, Pennsylvania 18701-1596

Robert P. Haynes, Esquire  
Mette, Evans & Woodside  
3401 North Front Street  
Harrisburg, Pennsylvania 17110-0950

Mr. Eric Epstein  
2308 Brandywine Drive  
Harrisburg, Pennsylvania 17110

A handwritten signature in black ink, appearing to read "Paul E. Russell", written over a horizontal line.

Paul E. Russell

Dated: April 5, 1995  
at Allentown, Pennsylvania

ORIGINAL



**Pennsylvania Power & Light Company**

Two North Ninth Street • Allentown, PA 18101-1179 • 610/774-5151

RECEIVED  
95 APR -7 AM 9:06  
PA. P. U. C.  
INFO. CONTROL DIV.

Paul E. Russell  
Associate General Counsel  
610/774-4254

FAX: 610/774-6726

April 5, 1995

Mr. John G. Alford, Secretary  
Pennsylvania Public Utility Commission  
P. O. Box 3265  
Harrisburg, Pennsylvania 17105-3265

**Re: Pennsylvania Public Utility Commission  
v.  
Pennsylvania Power & Light Company  
Docket No. R-00943271**

Dear Mr. Alford:

Attached for filing, pursuant to the Commission's regulations, 52 Pa. Code § 5.342(d), is a Certificate of Service identifying answers to interrogatories that Pennsylvania Power & Light Company served today on the active participants in this proceeding.

If you have any questions regarding this matter, please call.

Very truly yours,

Paul E. Russell

DOCUMENT  
FOLDER

Attachment

cc: The Honorable Robert A. Christianson

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Re: Docket No. R-00943271

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a true copy of  
Pennsylvania Power & Light Company's answers to the Central Eastern  
Pennsylvania Fuel Oil Dealer's Interrogatories numbered 48 through 62 and 65  
upon the active participants listed below, in accordance with the requirements  
of § 1.54 (relating to service by a participant):

**HAND DELIVERED**

Irwin A. Popowsky, Esquire  
Office of Consumer Advocate  
Office of Consumer Advocate  
1425 Strawberry Square  
Harrisburg, Pennsylvania 17120

Bernard A. Ryan, Jr., Esquire  
Office of Small Business Advocate  
Suite 1102, Commerce Building  
300 North Second Street  
Harrisburg, Pennsylvania 17101

**DOCKETED**  
APR 11 1995

**DOCUMENT  
FOLDER**

Johnnie E. Simms, Esquire  
Office of Trial Staff  
Pennsylvania Public Utility Commission  
P. O. Box 3265  
Harrisburg, Pennsylvania 17105-3265

David M. Kleppinger, Esquire  
McNees, Wallace & Nurick  
P. O. Box 1166  
100 Pine Street  
Harrisburg, Pennsylvania 17108

**OVERNIGHT MAIL**

D. Jane Drennan, Esquire  
Sarah E. Tomalty, Esquire  
Drennan & Associates  
1216 16th Street, N.W.  
Washington, DC 20036

David A. McCormick, Esquire  
Department of the Army  
Office of the Judge Advocate General  
901 North Stuart Street  
Arlington, Virginia 22203-1837

Robert D. Knecht  
Industrial Economics Incorporated  
2067 Massachusetts Avenue  
Cambridge, Massachusetts 02140

Thomas S. Catlin  
Exeter Associates, Inc.  
12510 Prosperity Drive  
Suite 350  
Silver Spring, Maryland 20904

Stephen J. Baron, President  
J. Kennedy and Associates, Inc.  
Suite 475  
35 Glenlake Parkway  
Atlanta, Georgia 30328

Joan O. Brandeis, Esquire  
Schnader, Harrison, Segal & Lewis  
Suite 3600  
1600 Market Street  
Philadelphia, Pennsylvania 19103-4252

Alan J. Barak, Esquire  
Mid-Atlantic Energy Project  
3700 Vartan Way  
Harrisburg, Pennsylvania 17110

Mr. Maurice Brubaker  
Drazen-Brubaker & Assoc.  
P. O. Box 16140  
St. Louis, Missouri 63105-0840

Mr. Jeffrey J. Pyros  
Pyros Financial Group  
One South Main Street  
Wilkes-Barre, Pennsylvania 17801

James Melia, Esquire  
Kirkpatrick & Lockhart  
The Payne Shoemaker Building  
240 North Third Street  
Harrisburg, Pennsylvania 17101-1507

Mr. Craig R. Kuennen  
Energy Services Manager  
Commission on Economic Opportunity  
211 South Main Street  
Wilkes-Barre, Pennsylvania 18701-1596

Robert P. Haynes, Esquire  
Mette, Evans & Woodside  
3401 North Front Street  
Harrisburg, Pennsylvania 17110-0950

Mr. Eric Epstein  
2308 Brandywine Drive  
Harrisburg, Pennsylvania 17110

  
Paul E. Russell

Dated: April 5, 1995  
at Allentown, Pennsylvania

ORIGINAL



**Pennsylvania Power & Light Company**

Two North Ninth Street • Allentown, PA 18101-1179 • 610/774-5151

Paul E. Russell  
Associate General Counsel  
610/774-4254

FAX: 610/774-6726

RECEIVED  
95 APR - 7 AM 9:06  
PA. P. U. C.  
INFO. CONTROL DIV.

April 5, 1995

Mr. John G. Alford, Secretary  
Pennsylvania Public Utility Commission  
P. O. Box 3265  
Harrisburg, Pennsylvania 17105-3265

**Re: Pennsylvania Public Utility Commission  
v.  
Pennsylvania Power & Light Company  
Docket No. R-00943271**

Dear Mr. Alford:

Attached for filing, pursuant to the Commission's regulations, 52 Pa. Code § 5.342(d), is a Certificate of Service identifying answers to interrogatories that Pennsylvania Power & Light Company served today on the active participants in this proceeding.

If you have any questions regarding this matter, please call.

Very truly yours,

Paul E. Russell

DOCUMENT  
FOLDER

Attachment

cc: The Honorable Robert A. Christianson

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Re: Docket No. R-00943271

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a true copy of Pennsylvania Power & Light Company's answers to the Office of Consumer Advocate's Interrogatories, Set XIV numbered 1 upon the active participants listed below, in accordance with the requirements of § 1.54 (relating to service by a participant):

**HAND DELIVERED**

Irwin A. Popowsky, Esquire  
Office of Consumer Advocate  
Office of Consumer Advocate  
1425 Strawberry Square  
Harrisburg, Pennsylvania 17120

Bernard A. Ryan, Jr., Esquire  
Office of Small Business Advocate  
Suite 1102, Commerce Building  
300 North Second Street  
Harrisburg, Pennsylvania 17101

**DOCKETED**  
APR 11 1995

**DOCUMENT  
FOLDER**

Johnnie E. Simms, Esquire  
Office of Trial Staff  
Pennsylvania Public Utility Commission  
P. O. Box 3265  
Harrisburg, Pennsylvania 17105-3265

David M. Kleppinger, Esquire  
McNees, Wallace & Nurick  
P. O. Box 1166  
100 Pine Street  
Harrisburg, Pennsylvania 17108

**OVERNIGHT MAIL**

D. Jane Drennan, Esquire  
Sarah E. Tomalty, Esquire  
Drennan & Associates  
1216 16th Street, N.W.  
Washington, DC 20036

David A. McCormick, Esquire  
Department of the Army  
Office of the Judge Advocate General  
901 North Stuart Street  
Arlington, Virginia 22203-1837

Robert D. Knecht  
Industrial Economics Incorporated  
2067 Massachusetts Avenue  
Cambridge, Massachusetts 02140

Thomas S. Catlin  
Exeter Associates, Inc.  
12510 Prosperity Drive  
Suite 350  
Silver Spring, Maryland 20904

Stephen J. Baron, President  
J. Kennedy and Associates, Inc.  
Suite 475  
35 Glenlake Parkway  
Atlanta, Georgia 30328

Joan O. Brandeis, Esquire  
Schnader, Harrison, Segal & Lewis  
Suite 3600  
1600 Market Street  
Philadelphia, Pennsylvania 19103-4252

Alan J. Barak, Esquire  
Mid-Atlantic Energy Project  
3700 Vartan Way  
Harrisburg, Pennsylvania 17110

Mr. Maurice Brubaker  
Drazen-Brubaker & Assoc.  
P. O. Box 16140  
St. Louis, Missouri 63105-0840

Mr. Jeffrey J. Pyros  
Pyros Financial Group  
One South Main Street  
Wilkes-Barre, Pennsylvania 17801

James Melia, Esquire  
Kirkpatrick & Lockhart  
The Payne Shoemaker Building  
240 North Third Street  
Harrisburg, Pennsylvania 17101-1507

Mr. Craig R. Kuennen  
Energy Services Manager  
Commission on Economic Opportunity  
211 South Main Street  
Wilkes-Barre, Pennsylvania 18701-1596

Robert P. Haynes, Esquire  
Mette, Evans & Woodside  
3401 North Front Street  
Harrisburg, Pennsylvania 17110-0950

Mr. Eric Epstein  
2308 Brandywine Drive  
Harrisburg, Pennsylvania 17110

  
Paul E. Russell

Dated: April 5, 1995  
at Allentown, Pennsylvania

**APPEARANCE SHEET**

**ALJ HEARING REPORT**

Docket No. R-00943271

R-00943271C0001-C0130

Case Name PA PUC v. Pennsylvania Power and Light Company

---

Location Hazleton

Date April 5, 1995

ALJ Christianson

Reporting Firm Commonwealth

CHECK THOSE BLOCKS WHICH APPLY:

Prehearing held YES  NO

Hearing held YES  NO

Testimony taken YES  NO

Transcript due YES  NO

Hearing concluded YES  NO

Further hearing needed YES  NO

Estimated add'l days \_\_\_\_\_

RECORD CLOSED YES  NO

APR 19 1995  
DATE \_\_\_\_\_

Briefs to be Filed YES  NO

DATE \_\_\_\_\_

BENCH DECISION YES  NO

REMARKS: DOCUMENT FOLDER

RECEIVED  
95 APR 8 11:16:37  
INFO. CONTROL DIV.

**RECEIVED**

APR 7 1995

OFFICE OF C.A.L.J.  
PUBLIC UTILITY COMMISSION

NAMES, ADDRESSES AND TELEPHONE NUMBERS OF PARTIES OR COUNSEL OF RECORD  
PLEASE PRINT CLEARLY  
INCOMPLETE INFORMATION MAY RESULT IN DELAY OF PROCESS

NAME and TELEPHONE NUMBER	ADDRESS	APPEARING FOR
<u>Kenneth L. Micker</u> Telephone No. <u>(717) 787-1976</u>	<u>P.O. Box 3265</u> City <u>Hbz.</u> State <u>PA</u> Zip <u>17120</u>	<u>Office of Trial Staff</u>
<u>Giacine P. Briguela</u> Telephone No. _____	<u>1425 Strawberry Sq.</u> City <u>Hbz</u> State <u>PA</u> Zip <u>17120</u>	<u>Office of Consumer Advocate</u>
<u>Kareil Oll Moury</u> Telephone No. <u>(717) 783 2525</u>	<u>Suite 1102, Communications Bldg</u> <u>300 N. 2nd St</u> City <u>Hbz</u> State <u>PA</u> Zip <u>17101</u>	<u>Office of Small Business Advocate</u>

CHECK THIS BOX IF ADDITIONAL PARTIES OR COUNSEL OF RECORD APPEAR ON BACK.

REPORTER

NAME and TELEPHONE NUMBER	ADDRESS			APPEARING FOR
PAUL E. RUSSELL Telephone No. (610) 774-4254	2 NORTH 9TH ST City ALLENTOWN State PA Zip 18101			PA. POWER & LIGHT CO.
Telephone No.	City State Zip			
Telephone No.	City State Zip			
Telephone No.	City State Zip			
Telephone No.	City State Zip			
Telephone No.	City State Zip			
Telephone No.	City State Zip			
Telephone No.	City State Zip			
Telephone No.	City State Zip			
Telephone No.	City State Zip			
Telephone No.	City State Zip			
Telephone No.	City State Zip			

**APPEARANCE SHEET**

**ALJ HEARING REPORT**

Docket No. R-00943271  
R-00943271C0001-C0130  
 Case Name PA PUC v. Pennsylvania Power  
and Light Company  
 Location Pottsville  
 Date April 5, 1995  
 ALJ Christianson  
 Reporting Firm Commonwealth

CHECK THOSE BLOCKS WHICH APPLY:

Prehearing held YES  NO   
 Hearing held YES  NO   
 Testimony taken YES  NO   
 Transcript due YES  NO   
 Hearing concluded YES  NO   
 Further hearing needed YES  NO   
 Estimated add'l days \_\_\_\_\_  
 Briefs to be Filed YES  NO   
 BENCH DECISION YES  NO

RECEIVED  
 APR 18 11:10:31  
 INFO. CO. CONTROL DIV.

RECORD CLOSED  
 DOCUMENTED  
 APR 19 1995 DATE

RECEIVED  
 APR 7 1995  
 OFFICE OF C.A.L.J  
 PUBLIC UTILITY COMMISSION

REMARKS: The undersigned  
area door was closed  
 DOCUMENT  
 FOLDER

NAMES, ADDRESSES AND TELEPHONE NUMBERS OF PARTIES OR COUNSEL OF RECORD  
 PLEASE PRINT CLEARLY  
 INCOMPLETE INFORMATION MAY RESULT IN DELAY OF PROCESS

NAME and TELEPHONE NUMBER	ADDRESS	APPEARING FOR
<u>Kenneth L. Mickens</u> Telephone No. <u>(717) 787-1976</u>	<u>P.O. Box 3265</u> City <u>Hbg.</u> State <u>PA</u> Zip <u>17120</u>	<u>Office of</u> <u>Trial Staff</u>
<u>PAUL E. RUSSELL</u> Telephone No. <u>(610) 774-4254</u>	<u>2 NORTH 9TH ST</u> City <u>ALLENTOWN</u> State <u>PA.</u> Zip <u>18101</u>	<u>PA. POWER &amp;</u> <u>LIGHT CO.</u>
<u>GIUM Brignola</u> Telephone No. <u>(717) 783-5248</u>	<u>1425 Strawberry St</u> City <u>Hbg</u> State <u>PA</u> Zip <u>17120</u>	<u>Office of</u> <u>Consumer</u> <u>Advocate</u>

CHECK THIS BOX IF ADDITIONAL PARTIES  
 OR COUNSEL OF RECORD APPEAR ON BACK.

REPORTER

NAME and TELEPHONE NUMBER	ADDRESS			APPEARING FOR
Karen Oill Mowry Telephone No. (717) 783-2525	Suite 1102, Commerce Bldg 300 N. 2nd St. City: Hbg      State: PA      Zip: 17101			Office of Small Business Advocate
Telephone No.	City      State      Zip			
Telephone No.	City      State      Zip			
Telephone No.	City      State      Zip			
Telephone No.	City      State      Zip			
Telephone No.	City      State      Zip			
Telephone No.	City      State      Zip			
Telephone No.	City      State      Zip			
Telephone No.	City      State      Zip			
Telephone No.	City      State      Zip			
Telephone No.	City      State      Zip			

ORIGINAL



DEPARTMENT OF THE ARMY  
OFFICE OF THE JUDGE ADVOCATE GENERAL  
901 NORTH STUART STREET  
ARLINGTON, VA 22203-1837



REPLY TO  
ATTENTION OF

April 6, 1995

Regulatory Law Office  
U 3848

SUBJECT: Pennsylvania Public Utility Commission vs. Pennsyl-  
vania Power and Light Company, Pennsylvania P.U.C.  
Docket No. R 0094-3271

Hon. John G. Alford  
Secretary  
Pennsylvania Public Utility Commission  
North Office Building Room G-23  
Commonwealth Avenue & North Street  
Harrisburg, PA 17120

RECEIVED

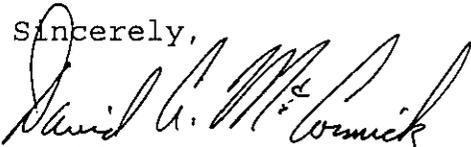
APR 6 1995

PUBLIC UTILITY COMMISSION  
SECRETARY BUREAU

Dear Mr. Alford:

Enclosed for filing are the original and ten copies of  
the prepared direct testimony of Thomas J. Prisco on behalf  
of the consumer interest of the United States Department of  
Defense and other affected Executive Agencies in the above  
referenced proceeding.

Copies of this document are being sent in accord with  
the Certificate of Service. Inquiries to this office regard-  
ing this proceeding should be directed to the undersigned at  
(703) 696-1646.

Sincerely,  
  
David A. McCormick  
General Attorney  
Regulatory Law Office

DOCUMENT  
FOLDER

RECEIVED

APR 6 1995

BEFORE THE PUBLIC UTILITY COMMISSION  
PENNSYLVANIA PUBLIC UTILITY COMMISSION SECRETARY BUREAU

-----  
PENNSYLVANIA PUBLIC UTILITY )  
COMMISSION, et al. )  
 )  
v. )  
 )  
PENNSYLVANIA POWER & LIGHT )  
COMPANY )  
-----

DOCKET NO. R-00943271

DIRECT TESTIMONY AND EXHIBITS  
OF THOMAS J. PRISCO

For

THE DEPARTMENT OF DEFENSE AND  
THE FEDERAL EXECUTIVE AGENCIES

**DOCKETED**

APR 11 1995

Date Due: 7 April 1995

DOCUMENT  
FOLDER

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

3 A. My name is Thomas J. Prisco. My office address is U.S.  
4 Army Litigation Center, JALS-RL, Suite 400, 901 North  
5 Stuart Street, Arlington, VA 22203-1837.

6 Q. BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?

7 A. I am employed by the Regulatory Law Office, United  
8 States Army Office of The Judge Advocate General,  
9 Department of the Army, as a Staff Accountant and  
10 Financial Advisor.

11 Q. PLEASE SUMMARIZE YOUR PAST WORK EXPERIENCE.

12 A. Prior to assuming my present position in October,  
13 1987, I had been employed by the United States Army  
14 Information Systems Command as a Systems Accountant,  
15 responsible for developing and implementing a cost  
16 chargeback system for information services. From 1978  
17 to 1983, I held various positions with the U.S. Army  
18 Computer Systems Command, including Staff Accountant,  
19 Contract Officer Representative, and Chief, Accounting  
20 Operations.

21 Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND.

22 A. I received a Bachelor of Science degree with a major in  
23 Accounting from the University of Scranton in December,  
24 1977. Additionally, I have taken numerous

1 professional courses which include Price and Cost  
2 Analysis, U.S. Army Financial Management, and Computer  
3 Performance and Capacity Management. I completed the  
4 NARUC Annual Regulatory Studies Program. I am a member  
5 of American Society of Military Comptrollers.

6 Q. WHAT ARE THE RESPONSIBILITIES AND DUTIES ASSOCIATED  
7 WITH YOUR PRESENT POSITION?

8 A. As Staff Accountant and Financial Advisor with the  
9 Regulatory Law Office, I analyze testimony, exhibits,  
10 and supporting data submitted by utilities to  
11 regulatory bodies in justification of proposed rate  
12 increases/decreases; advise office attorneys in  
13 accounting matters; draft proposed cross-examination of  
14 company witnesses; prepare statements and exhibits for  
15 use in regulatory proceedings; and present testimony  
16 before utility commissions to protect the consumer  
17 interests of the Federal Government.

18 Q. HAVE YOU PREVIOUSLY TESTIFIED IN RATE PROCEEDINGS  
19 BEFORE REGULATORY COMMISSIONS?

20 A. Yes. I have participated in regulatory proceeding as  
21 outlined on attached Exhibit TJP-1.

22  
23 Q. WOULD YOU OUTLINE THE SUBJECT MATTER OF THE EXPERT  
24 TESTIMONY YOU HAVE PRESENTED BEFORE REGULATORY

1 COMMISSIONS?

2 A. My testimony has addressed the overall revenue  
3 requirements, depreciation, capital structure, cost of  
4 capital, integrated resource planning, rate design,  
5 incentive rates, rate base and appropriate tariffs of  
6 communications, electric, gas, and water utilities.

7  
8 Q. WHOM ARE YOU REPRESENTING IN THIS PROCEEDING?

9 A. I am presenting testimony on behalf of the consumer  
10 interest of Department of Defense and All Other Federal  
11 Executive Agencies (hereinafter called "DOD").

12 Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS  
13 PROCEEDING?

14 A. I have reviewed the rate filing of Pennsylvania Power  
15 and Light Company (PP&L) and have addressed a number of  
16 revenue requirements issues which result in a decrease  
17 to the proposed \$261,635,000 by \$183,436,000. See  
18 DOD Adjustments to Operating Income, Exhibit TJP-4.

19  
20 Q. PLEASE DESCRIBE IN GENERAL TERMS HOW THE FEDERAL  
21 GOVERNMENT BUYS ELECTRIC UTILITY SERVICE IN  
22 PENNSYLVANIA, PRESENTLY?

23 A. At the current time most of the electricity procured  
24 by federal facilities in Pennsylvania is purchased  
25 under contracts which make reference to, or

1 incorporate utility rates regulated by the Commission.  
2 Exhibit TJP-2, is a two page exhibit consisting of the  
3 delegation of authority from the GSA, to the Secretary  
4 of Defense, dated February 15, 1995, to provide  
5 representation of the consumer interest of federal  
6 civilian agencies in this proceeding.

7 Q. WHAT RATE SCHEDULES ARE USED BY FEDERAL INSTALLATIONS  
8 TO PROCURE POWER FROM PP&L?

9 A. Most billings to federal agencies for electric service  
10 were on Rate LP-5 for service to military and naval  
11 installations. Federal civilian agencies procure  
12 electricity from PP&L on several rate schedules. Small  
13 federal facilities such as postal buildings and  
14 civilian agencies purchase electricity on commercial  
15 rates administered by the GSA. Post offices procured  
16 about \$1,100,000 in electric service in the 12 months  
17 ending September 30, 1994. Federal prisons purchased  
18 about \$660,000 in electric service. The Veteran's  
19 Hospital facilities procured about \$490,000 of electric  
20 service. Other civilian federal agency purchases of  
21 electric service were about \$670,000 for the 12 months  
22 ending September 30, 1994.

23  
24 Q. TELL US MORE ABOUT THE POWER BILLINGS INCURRED BY  
25 MILITARY AND NAVAL FACILITIES.

1 A. Total billings to the Army by PP&L were about \$7.8  
2 million for service during the 12 months ending  
3 September 30, 1994. Billings to the Navy at  
4 Mechanicsburg were about \$3.5 million. Again, the bulk  
5 of these power purchases were on rate LP-5. Attached  
6 is my Exhibit TJP-3 summarizing LP-5 usage by selected  
7 military installations.

8 Q. ARE YOU RECOMMENDING ANY CHANGES IN PP&L'S PROPOSED  
9 CLASS COST OF SERVICE STUDY?

10 A. No.

11  
12 Q. ARE YOU MAKING ANY RECOMMENDATIONS REGARDING PP&L'S  
13 PROPOSED RATED DESIGN IN THIS PROCEEDING?

14 A. No.

15  
16 Q. WHICH TOPICS WILL YOUR DIRECT TESTIMONY ADDRESS IN THIS  
17 PROCEEDING?

18 A. The testimony which I am filing will addresses the  
19 following topics:

- 20 a. Rate Case Expenses
- 21 b. Interest on Customer Deposits
- 22 c. Voluntary Early Retirement Program (VERP)
- 23 d. Decommissioning Expenses for Fossil Fuel
- 24 Facilities
- 25 e. Adjustments to the Annual Accrual for

1                   Decommissioning Nuclear Facilities

2                   f.   Adjustment to Shorten Fossil Fuel Plant

3                   g.   Levelizing Amortization of Nuclear Power Plants

4                   As can be concluded from the list above, I have  
5                   not addressed a number of components from the  
6                   PP&L filing.  However, this does not constitute  
7                   and endorsement of PP&L's position.

8  
9                   Q.   PP&L HAS NORMALIZED THEIR RATE CASE EXPENSES IN THIS  
10                   PROCEEDING DO YOU AGREE?

11                   A.   No.  PP&L has not filed a rate base case since 1985,  
12                   and it would not be unreasonable for the Commission to  
13                   spread recovery of rate case expenses over a period  
14                   of time.  A number of jurisdictions in which I have  
15                   appeared (Maryland, New Jersey, Texas, etc.) use a  
16                   three year average to determine the proper level of  
17                   rate case expenses.  I recommend that PP&L recover  
18                   expenses for rate cases based on a three average.  Use  
19                   of a three year average in this proceeding will result  
20                   in an additional decrease in rate case expenses of  
21                   \$249,000.  See Exhibit TJP-5.

22  
23                   Q.   PLEASE EXPLAIN YOUR ADJUSTMENT TO INTEREST ON CUSTOMER  
24                   DEPOSITS?

1 A. PP&L is paying an excessive interest rate on customer  
2 deposits. The Company in this proceeding is using an  
3 11 percent interest rate on customer deposits. This is  
4 the same rate authorized by the Commission in 1981.  
5 Interest rates have declined substantially since that  
6 period, and PP&L's filing should have requested an  
7 appropriate adjustment. I do not object to customers  
8 receiving a return on their deposits. However, the  
9 interest rate should be commensurate with current  
10 market rates. I believe a fitting rate for  
11 customers deposits could be tied to the current  
12 interest rate paid on United States Savings Bonds.  
13 This would fairly compensate customers who loose the  
14 use of their deposit. At the same time it will be fair  
15 to all customers who pay the interest. I have used the  
16 7.5% rate which is the approximate of U.S. Savings (EE)  
17 Bonds. The use of a 7.5% would result in a decrease in  
18 interest expense of \$39,000. See Exhibit TJP-6.

19  
20 Q. HAVE YOU REVIEWED PP&L'S ADJUSTMENT FOR VOLUNTARY EARLY  
21 RETIREMENT PROGRAM (VERP)?

22 A. Yes

23  
24 Q. DO YOU AGREE WITH PP&L CALCULATION OF THE ADJUSTMENT  
25 FOR VERP WHICH RESULTS IN A DECREASE OF \$13,917,000?

26 A. No. According to Mr. Berish's testimony on page 13,

1 lines 12 and 13, 580 employees in addition to those  
2 employee reductions which were already anticipated for  
3 the Company's 1995 budget volunteered for the program.  
4 Taking this information into consideration and using  
5 Company witness Bernini's average monthly wage  
6 per employee of \$4,523 from PP&L's wage  
7 adjustment in Exhibit Future 1, Schedule D-5, I  
8 calculated the different wage savings. I used the same  
9 logic to calculate the VERP savings that Mr. Bernini  
10 utilized to arrive at his September 1995 wage expense.  
11 As shown on Exhibit TJP-7, this will result in a  
12 annual payroll savings above Mr. Berish's estimate of  
13 \$3.2 million.

14  
15 Q. IS THE USE OF AN AVERAGE WAGE UNFAIR TO THE  
16 COMPANY?

17 A. I do not believe so. I anticipate that a  
18 substantial number of employees who are waiting to take  
19 advantage of the early retirement program are at the  
20 upper end of the pay scale. Removing these higher paid  
21 employees from the payroll will reduce the average  
22 pay.

23  
24 Q. PP&L IS REQUESTING THAT A FUND BE ESTABLISHED TO  
25 DECOMMISSION FOSSIL FUEL FACILITIES HAVE YOU LOOKED AT  
26 THIS ISSUE?

1 A. Yes. This Commission should reject PP&L proposal for  
2 decommissioning of their fossil fuel facilities. The  
3 Company is requesting \$52,818,000 in decommissioning cost  
4 related to fossil fuel facilities. See Exhibit TJP-8.  
5 At this time there is no reason to believe that  
6 existing plants will not receive life extending  
7 upgrades. Also there is no reason to believe that PP&L  
8 (or some third party) may not build a future plant on  
9 the same site, given the (environmental) difficulty  
10 sometimes incurred in siting all power plants. The TLG  
11 decommissioning study also incorporates the shortened  
12 lives of the fossil fuel facilities for which the  
13 Company has yet to make a determination if they will  
14 close. Should the Commission decide not to shorten the  
15 lives of the steam plants the study by TLG will be  
16 flawed.

17  
18 Q. HAVE YOU REVIEWED THE COMPANY'S REQUEST FOR  
19 DECOMMISSIONING EXPENSE FOR THEIR NUCLEAR POWER  
20 FACILITIES?

21 A. Yes. There is no reason to believe that the costs  
22 required for decommissioning by the Nuclear Regulatory  
23 Commission are faulty. At the present time there is no  
24 way to know what technological advances the industry  
25 will make over the next 25 years. Considering that  
26 the Susquehanna units are not to be deactivated until

1 the 2020's the probability is that costs will decrease  
2 as more experience is gained by the industry about  
3 nuclear plant decommissioning. There is also the  
4 possibility that life extension methods will be  
5 developed to lengthen the life of the nuclear  
6 facilities. At this time I would recommend that the  
7 Commission not change its present practice for  
8 recouping decommissioning costs. See Exhibit TJP-9.

9  
10 Q. MR. PRISCO, PP&L IS PROPOSING IN THIS FILING A  
11 CHANGE IN THE DEPRECIABLE LIFE OF SOME OF THEIR FOSSIL  
12 FUEL FACILITIES. HAVE YOU LOOKED AT THE COMPANY'S  
13 REQUEST?

14 A. Yes.

15  
16 Q. BASED ON THE INFORMATION PRESENTED BY PP&L DO YOU AGREE  
17 THAT THIS CHANGE IS APPROPRIATE?

18 A. No. PP&L's proposal to revise the deactivation dates  
19 for several of their steam production plants should be  
20 rejected by the Commission. The new deactivation date  
21 decreases the life for Martins Creek 1 & 2 by 12 years.  
22 Currently the deactivation date for these units is June  
23 30, 2015, and PP&L has proposed a deactivation date of  
24 June 30, 2003. The deactivation date for Holtwood is  
25 changed from June 30, 2009 to June 30, 2003, a six year  
26 decrease. Sunbury's deactivation date has changed from

1 June 30, 2010 to June 30, 2003 a seven year decrease.  
2 Writing off these plants by 2003 will increase revenue  
3 requirements in this case ostensibly out of concern  
4 for unidentified changes in environmental  
5 regulations. PP&L's response (paragraph 2) to  
6 interrogatory QTS-RB-23D, submitted by the Office of  
7 Trial Staff dated January 13, states:

8 Referring to the analyses for Sunbury (Section 5),  
9 Martins Creek (Section 6), and Holtwood (Section  
10 7), the dominant feature of each is that, while  
11 continued operation is favored over retirement  
12 (emphasis added), the margin by which continued  
13 operation is favored is relatively small. This  
14 implies greater exposure to shutdown for units at  
15 these stations than for units at Montour (Section  
16 3) or Brunner Island (Section 4) as a result of  
17 uncertainties in the estimates used in the analyses  
18 and events which cannot currently be foreseen  
19 (emphasis added). In particular, the Company is  
20 concerned that the need for significant reductions  
21 of NOx emissions under Title I of the 1990 Clean  
22 Air Act Amendments and reductions of emissions of  
23 air toxics under Title III of the 1990 Amendments  
24 are two cost exposures, not included in the May,  
25 1994 analyses, which could erode (emphasis added)  
26 the economic benefit of continued operation through  
27 2013.

28 PP&L state in paragraph three of the same  
29 interrogatory states:  
30

31 Attachment 2 provides copies of Section 184 of  
32 Title I of the 1990 Clean Air Act Amendments and  
33 the Memorandum of Understanding among the states of  
34 the Ozone Transport Region which form the basis for  
35 PP&L's concern regarding NOx controls. Attachment  
36 3 is a copy of Section 112(n)(1) of Title III of  
37 the Amendments which is the basis of PP&L's concern  
38 regarding air toxics. The Company's current  
39 estimate of the exposure for NOx is that Selective  
40 Catalytic Reduction (SCR) systems could required  
41 (emphasis added). This technology is not  
42 commercially proven on the types of coal PP&L units  
43 burn, but an estimate of the cost exposure (in 1994  
44 dollars) for units like Martins Creek 1 and 2 is

1                   \$24 million in capital with annual operating costs  
2                   of \$6 million. Although it is not clear what  
3                   pollutants, if any (emphasis added), are to be  
4                   controlled and what control strategy might be  
5                   required until air toxics studies are complete, the  
6                   Company estimates that the exposure might be  
7                   (emphasis added) the need to install high-  
8                   efficiency bag filters with a cost exposure for  
9                   units like Martins Creek 1 and 2 of \$60 million in  
10                  capital (2003 vintage dollars).

11  
12                  The Commission could see from the areas emphasized that  
13                  there is considerable uncertainty as to what the future  
14                  cost will be for these plants. These cost are not  
15                  "known and measurable" and the commission should  
16                  reject PP&L's request for decommissioning of fossil  
17                  fuel plants. While some regulations of NOx may be  
18                  issued in the near future, it is uncertain what if any  
19                  cost impact compliance would have on PP&L operations.  
20                  PP&L customers should not be required to annually fund  
21                  \$28 million based on speculative costs.  
22                  See Exhibit TJP-10.

23  
24                  Q. DO YOU HAVE ANY ADDITIONAL COMMENTS CONCERNING  
25                  SHORTENING THE LIVES OF THE ABOVE MENTIONED PLANTS?

26                  A. Yes. As recently as May 1994, PP&L projected  
27                  retirement of these plants no sooner than 2009. No  
28                  PP&L document dated before this filing shows that  
29                  anyone in top management was aware of the projected  
30                  "deactivation". of these coal plants (total capacity  
31                  735 MW). The Company in this filing has reduced the  
32                  lives based on studies, but has not officially stated

1 that the plants will be deactivated. PP&L has not  
2 stated how they plan to replace the 735 MW.  
3

4 Q. PP&L IS RECOMMENDING IN THIS PROCEEDING TO LEVELIZE THE  
5 SUSQUEHANNA SINKING FUND DEPRECIATION. WHAT IS YOUR  
6 OPINION ON THIS ISSUE?

7 A. PP&L in Attachment A, Exhibit Future 1, identifies \$33  
8 million for levelizing the Susquehanna sinking fund.  
9 The Company has not justified the need to change from  
10 the current sinking fund method of depreciation for  
11 Susquehanna. Recommend the Commission reject PP&L's  
12 request for levelizing the sinking fund. See Exhibit  
13 TJP-11.  
14  
15

16 Q. MR. PRISCO, DID YOU MAKE ANY RECOMMENDATION REGARDING  
17 PP&L'S PROPOSED CAPITAL STRUCTURE OR COST OF CAPITAL?

18 A. I have made no changes in my exhibits regarding the  
19 proposed capital structure, and I have used the figures  
20 for preferred stock and debt proposed by PP&L. I did  
21 use a different cost of equity than proposed by PP&L,  
22 capital market conditions changed since the last base  
23 rate case nearly a decade ago. For purposes of  
24 calculating a revenue requirement on Exhibit TJP-4, I  
25 used the cost of equity capital found reasonable by  
26 the Pennsylvania Public Utility Commission in a recent

1 electric utility case, decided on the day before this  
2 proceeding was filed by PP&L. In the Order entered  
3 December 29, 1994, in Pennsylvania Public Utility  
4 Commission ET Al. vs. West Penn Power Company PA PUC  
5 Docket No. R-00942986. The Commission awarded that  
6 electric utility a return on equity of 11.5 percent.  
7 For purposes of calculation of revenues, this return on  
8 equity affords PP&L a return similar to that currently  
9 available to an enterprise of similar risk in this part  
10 of the nation.

11  
12 Q. HAVE YOU CONDUCTED ANY INDEPENDENT STUDIES TO SUPPORT  
13 THAT RECOMMENDED RETURN ON EQUITY?

14 A. No. Time and resource constraints made it impractical  
15 for me to address other issues and to conduct such  
16 independent studies. I also did not conduct an  
17 independent study regarding PP&L's proposed capital  
18 structure. It is possible that such independent  
19 studies of the cost of capital and capital structure  
20 would have resulted in a lower overall recommended  
21 return. See Exhibit TJP-12.

22  
23 Q. MR. PRISCO, DO YOU HAVE ANY RECOMMENDATIONS REGARDING  
24 THE PP&L PROPOSAL THAT THE ECR BE MODIFIED TO PERMIT  
25 RECOVERY OF THE PENNSYLVANIA JURISDICTIONAL PORTION OF  
26 NON-ENERGY REVENUE REQUIREMENTS ASSOCIATED WITH OFF

1 SYSTEM BULK POWER AND CAPACITY SALES?

2 A. This PP&L proposal was initially discussed in the  
3 direct testimony of PP&L witness Joseph M. Kleha,  
4 Exhibit I, Statement. If the Commission wants to give  
5 PP&L the incentive to increase system efficiency by  
6 better use of available capacity, the Commission should  
7 modify the ECR by returning to a method of treating  
8 non-energy revenues and revenue requirements in the  
9 manner employed prior to the decision in PA PUC Docket  
10 Nos. M-00910273, M-00910273, M-00920312 and M-00930406  
11 effective April 7, 1994. PP&L's proposal shifts  
12 the risk to ratepayers that off system non-energy  
13 related sales revenues at current prices will be made  
14 in the future.

15 If the Commission wants to increase PP&L's incentive to  
16 procure fuel and/or purchased power effectively,  
17 consideration should be given to eliminating the ECR  
18 and collecting all ECR revenue requirements in base  
19 rates. The ECR mechanism was adopted by utilities and  
20 regulators to address volatility in utility fuel costs  
21 many years ago. In recent years, and in the future, if  
22 forecasters of fuel prices are to be believed, fuel  
23 prices may be much less volatile. Collecting all  
24 utility costs of service, including projected fuel  
25 costs, in the base rate proceeding would give PP&L  
26 added incentive to control fuel costs incurred.

1 Therefore, I recommend that PP&L proposal be rejected.

2 I recommend that all non-energy revenues and revenue  
3 requirements related to off-system sales be given  
4 treatment in base rates in accord with the method used  
5 prior to the order approving the "Joint Petition For  
6 Settlement of Consolidated Proceedings" in PA PUC  
7 Docket Nos. M-00910273, M-00910273, M-00920312 and  
8 M-00930406 effective April 7, 1994.

9 Further, I recommend eliminating the ECR and that all  
10 of PP&L's costs of service, including energy related  
11 fuel costs, be included in the rates proposed in PP&L's  
12 next rate proceeding.

13  
14 Q. HOW WOULD YOUR RECOMMENDATION AFFECT PP&L'S PROPOSED  
15 REVENUE REQUIREMENTS IN THIS CASE?

16 A. Overall there would be no change for both the ECR and  
17 base rates are under consideration. However, the  
18 amount collected in the ECR and the amount collected in  
19 base rates would be adjusted by the proposed non-energy  
20 related off-system revenues and revenue requirements.

21  
22 Q. MR. PRISCO, HAVE YOU MADE ANY STUDIES AS TO WHETHER ALL  
23 THE GENERATING CAPACITY OF PP&L IS USED AND USEFUL IN  
24 PROVIDING JURISDICTIONAL SERVICE?

25 A. No. I have made no such study. I have made no

1                    recommendation as to accounting adjustment to rate base  
2                    or revenue requirements regarding any disallowance of  
3                    excess capacity.

4

5                    Q. MR. PRISCO, DOES THIS CONCLUDE YOUR TESTIMONY?

6                    A. Yes.

7

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

-----  
PENNSYLVANIA PUBLIC UTILITY )  
COMMISSION, et al. )  
 )  
v. )  
 )  
PENNSYLVANIA POWER & LIGHT )  
COMPANY )  
-----

DOCKET NO. R-00943271

EXHIBITS  
OF THOMAS J. PRISCO

For

THE DEPARTMENT OF DEFENSE AND  
THE FEDERAL EXECUTIVE AGENCIES

**DOCKETED**  
APR 11 1995

**DOCUMENT  
FOLDER**

Date Due: 7 April 1995

TESTIMONY OF THOMAS J. PRISCO  
BEFORE REGULATORY AGENCIES  
1989 TO PRESENT

COMPANY	PROCEEDING	JURISDICTION	ACTION & SUBJECT
LOUISVILLE GAS & ELECTRIC COMPANY	CASE NO. 10064	KENTUCKY	TESTIMONY REV REQMT
SOUTHWESTERN BELL TELEPHONE COMPANY	CASE NO. TC-89-14	MISSOURI	TESTIMONY REV REQMT
MOUNTAIN STATES TELEPHONE AND TELEGRAPH COMPANY	DOCKET NO. E-1051-88-146	ARIZONA	TESTIMONY REV REQMT
BALTIMORE GAS AND ELECTRIC COMPANY	CASE NO. 8910	MARYLAND	TESTIMONY REV REQMT
BALTIMORE GAS AND ELECTRIC COMPANY	CASE NO. 8251	MARYLAND	TESTIMONY REV REQMT
JERSEY CENTRAL POWER AND LIGHT COMPANY	BRC DOCKET NO. ER89110912J	NEW JERSEY	TESTIMONY REV REQMT
NEW JERSEY-AMERICAN WATER COMPANY	BRC DOCKET NO. WR91081399J	NEW JERSEY	SETTLEMENT NEGOTIATION
NEW JERSEY-AMERICAN WATER COMPANY	BRC DOCKET NO. WR92090908J	NEW JERSEY	TESTIMONY REV REQMT
TUCSON ELECTRIC POWER COMPANY	DOCKET NO. U1993-90-270	ARIZONA	SETTLEMENT NEGOTIATION
BALTIMORE GAS AND ELECTRIC COMPANY	CASE NO. 8478	MARYLAND	TESTIMONY REV REQMT

TESTIMONY OF THOMAS J. PRISCO  
BEFORE REGULATORY AGENCIES  
1989 TO PRESENT

COMPANY	PROCEEDING	JURISDICTION	ACTION & SUBJECT
POTOMAC ELECTRIC POWER COMPANY	CASE NO. 912	DISTRICT OF COLUMBIA	TESTIMONY REV REQMT
POTOMAC ELECTRIC POWER COMPANY	CASE NO. 929	DISTRICT OF COLUMBIA	TESTIMONY REV REQMT
POTOMAC ELECTIC POWER COMPANY	CASE NO. 8251	MARYLAND	SETTLEMENT NEGOTIATION
POTOMAC ELECTRIC POWER COMPANY	CASE NO. 8466	MARYLAND	SETTLEMENT NEGOTIATION
POTOMAC ELECTRIC POWER COMPANY	CASE NO. 8565	MARYLAND	SETTLEMENT NEGOTIATION
INTEGRATED RESOURCE PLANNING RULE MAKING FOR GAS UTILITIES	DOCKET NO. 91-677-G	SOUTH CAROLINA	TESTIMONY DSM
DEMAND SIDE OPTIONS & CONSERVATION PROCEEDING	DOCKET NO. 900834-EI	FLORIDA	ASSISTED COUNSEL
ATLANTA GAS LIGHT COMPANY	DOCKET NO. 4451-U	GEORGIA	TESTIMONY REV REQMT
UNITED GAS PIPELINE COMPANY	DOCKET NO. RS-92-26000	F.E.R.C.	ASSISTED COUNSEL
UNITED CITIES GAS COMPANY	DOCKET NO. 4188-U	GEORGIA	TESTIMONY REV REQMT

TESTIMONY OF THOMAS J. PRISCO  
BEFORE REGULATORY AGENCIES  
1989 TO PRESENT

COMPANY	PROCEEDING	JURISDICTION	ACTION & SUBJECT
EL PASO ELECTRIC COMPANY	DOCKET NO. 12700	TEXAS	TESTIMONY REV REQMT
NIAGARA MOHAWK POWER CORPORATION	CASE NOS. 94-E-0098 94-E-0099, 94-E-0100	NEW YORK	REV REQMT PRICE CAPS
ENERGY POLICY ACT OF 1992 SEC 115 CONSERVATION EFFORTS BY GAS UTILITIES	DOCKET NO. 93-730-G	SOUTH CAROLINA	TESTIMONY DSM
WHEELING & LAKE ERIE RWY ABANDONMENT	DOCKET NO. AB-227 (Sub-No. 2X)	I.C.C.	ASSISTED COUNSEL
INVESTIGATION OF SELF GENERATION AND ECONOMIC INCENTIVE RATES	DOCKET NO. E100, (Sub 73)	NORTH CAROLINA	TESTIMONY RATE DESIGN
INVESTIGATION INTO ELECTRIC POWER COMPETITION	DOCKET NO. I 94=0032	PENNSYLVANIA	TESTIMONY
RECOVERY OF STRANDED COSTS BY PUBLIC AND TRANSMITTING UTILITIES	DOCKET NO. RM 94-007-000	F.E.R.C.	TESTIMONY
INVESTIGATION OF ELECTRIC SERVICE COMPETITION AND REGULATORY POLICIES	CASE NO. 8678	MARYLAND	TESTIMONY
ALTERNATIVE POWER POOLING INSTITUTIONS	DOCKET NO. RM 94-20-000	F.E.R.C.	TESTIMONY
ECONOMIC DEVELOPMENT INCENTIVE POLICY (GAS, ELECTRIC, TELEPHONE)	DOCKET NO. 4697-U	GEORGIA	TESTIMONY RATE DESIGN



FEB 15 1995

General Services Administration  
Public Buildings Service  
Washington, DC 20405

The Honorable William J. Perry  
Secretary of Defense  
Washington, DC 20301

Dear Mr. Secretary:

By letter dated January 17, 1995, to the Assistant Commissioner, Office of Procurement, General Services Administration, Robert N. Kittel, Chief, Regulatory Law Office, Office of the Judge Advocate General, Department of the Army, requested the enclosed delegation of authority.

The delegation is made to the Secretary of Defense in accordance with section 205(d) of the Federal Property and Administrative Services Act of 1949, as amended (40 U.S.C. 486(d)), which provides that the Administrator of General Services may make such a delegation to the head of any other Federal agency.

The delegation of authority authorizes the Secretary of Defense to represent the consumer interests of the executive agencies of the Federal Government, consistent with Administration policy, in proceedings before the Pennsylvania Public Utility Commission concerning Pennsylvania Power and Light Company's request for an increase in electric rates, Docket No. R 94-3271.

We understand that the Department of the Army, Office of the Judge Advocate General, will perform the functions being delegated to the Secretary of Defense by the enclosed delegation of authority, and that the Office of General Counsel, General Services Administration, will be kept fully advised of the progress of the proceeding.

Sincerely,

Handwritten signature of Robert J. Diluchio in cursive.

ROBERT J. DILUCHIO  
Assistant Commissioner for  
Governmentwide Real Property Policy

Enclosure

cc: Honorable Togo D. West, Jr.  
Secretary of the Army  
Washington, DC 20310

Robert N. Kittel  
Chief, Regulatory Law Office  
901 North Stuart Street  
Arlington, VA 22203-1837

GENERAL SERVICES ADMINISTRATION  
PUBLIC BUILDINGS SERVICE

D - 95-06

DELEGATION OF AUTHORITY TO THE SECRETARY OF DEFENSE

1. Purpose. This delegation authorizes the Secretary of Defense to represent the consumer interests of the executive agencies of the Federal Government in proceedings before the Pennsylvania Public Utility Commission.

2. Effective date. This delegation is effective immediately.

3. Delegation.

a. Pursuant to the authority vested in the Administrator of General Services by sections 201(a)(4) and 205(d) of the Federal Property and Administrative Services Act of 1949, as amended (40 U.S.C. 481(a)(4) and 486(d)), authority is delegated to the Secretary of Defense to represent the consumer interests of the executive agencies of the Federal Government in proceedings before the Pennsylvania Public Utility Commission concerning Pennsylvania Power and Light Company's request for an increase in electric rates, Docket No. R 94-3271.

b. The Secretary of Defense may redelegate this authority to any officer, official, or employee of the Department of Defense.

c. This authority shall be exercised in accordance with Administration policy and the policies, procedures, and controls prescribed by the General Services Administration (GSA), and shall be exercised in cooperation with the responsible officers, officials, and employees thereof.

d. This authority will expire 2 years from the date of issuance.

Dated: FEB 15 1995

  
ROBERT J. DILUCHIO  
Assistant Commissioner for  
Governmentwide Real Property Policy

USAGE AT SELECTED MILITARY FACILITIES  
SERVED UNDER RATE LP-5

<u>BILL MONTH</u>	<u>FACILITY</u>	<u>KWH USAGE</u>	<u>BILLING PEAK KW USAGE</u>	<u>DAYS</u>	<u>MONTHLY BILLING</u>	<u>RATE</u>
10/93	SCRANTON AAP	2,284,000	5731	32	\$145,925.00	LP5
11/93	SCRANTON AAP	2,166,000	5357	29	137,752.61	LP5
12/93	SCRANTON AAP	2,440,000	6278	29	156,943.46	LP5
1/94	SCRANTON AAP	2,452,000	5904	32	154,562.78	LP5
2/94	SCRANTON AAP	2,638,000	6173	31	164,792.36	LP5
3/94	SCRANTON AAP	2,724,000	6163	29	168,303.80	LP5
4/94	SCRANTON AAP	2,694,000	5933	32	165,056.12	LP5
5/94	SCRANTON AAP	2,444,000	5933	30	152,761.45	LP5
6/94	SCRANTON AAP	2,084,000	5170	29	129,809.11	LP5
7/94	SCRANTON AAP	2,181,000	5098	32	115,239.66	LP5
8/94	SCRANTON AAP	2,073,000	5486	30	113,508.40	LP5
9/94	SCRANTON AAP	2,124,000	5357	29	<u>114,301.30</u>	LP5

ANNUAL TOTAL \$1,718,956.05

<u>BILL MONTH</u>	<u>FACILITY</u>	<u>KWH USAGE</u>	<u>BILLING PEAK KW USAGE</u>	<u>DAYS</u>	<u>MONTHLY BILLING</u>	<u>RATE</u>
10/93	TOBYHANNA AD	2,963,000	7523	30	\$179,761.83	LP5
11/93	TOBYHANNA AD	2,727,000	7212	29	170,080.97	LP5
12/93	TOBYHANNA AD	3,059,000	7517	31	182,396.32	LP5
1/94	TOBYHANNA AD	3,306,000	7867	30	193,883.03	LP5
2/94	TOBYHANNA AD	3,606,000	8042	33	204,560.85	LP5
3/94	TOBYHANNA AD	3,317,000	8191	29	200,853.92	LP5
4/94	TOBYHANNA AD	3,380,000	8061	30	198,383.80	LP5
5/94	TOBYHANNA AD	3,520,000	7834	32	200,521.54	LP5
6/94	TOBYHANNA AD	2,985,000	7601	29	176,702.05	LP5
7/94	TOBYHANNA AD	3,037,000	7951	30	181,990.85	LP5
8/94	TOBYHANNA AD	3,309,000	8106	32	193,679.42	LP5
9/94	TOBYHANNA AD	3,265,000	8256	29	<u>190,640.79</u>	LP5

ANNUAL TOTAL \$,2,273,455.37

USAGE AT SELECTED MILITARY FACILITIES  
SERVED UNDER RATE LP-5

<u>BILL MONTH</u>	<u>FACILITY*</u>	<u>KWH USAGE</u>	<u>BILLING PEAK KW USAGE</u>	<u>DAYS</u>	<u>MONTHLY BILLING</u>	<u>RATE</u>
10/93	CARLISLE BKS	2,020,800	4344	30	\$122,895.45	LP5
11/93	CARLISLE BKS	1,562,400	3959	29	100,083.07	LP5
12/93	CARLISLE BKS	1,584,000	3080	29	93,536.37	LP5
1/94	CARLISLE BKS	1,718,400	3275	32	100,902.39	LP5
2/94	CARLISLE BKS	1,548,000	3004	31	91,358.94	LP5
3/94	CARLISLE BKS	1,600,800	3046	31	93,955.15	LP5
4/94	CARLISLE BKS	1,569,600	2989	30	92,144.30	LP5
5/94	CARLISLE BKS	1,632,000	3264	30	96,459.50	LP5
6/94	CARLISLE BKS	1,896,000	3665	31	109,179.49	LP5
7/94	CARLISLE BKS	2,055,000	4981	30	126,997.48	LP5
8/94	CARLISLE BKS	2,450,000	5219	30	145,132.63	LP5
9/94	CARLISLE BKS	2,447,000	4890	31	<u>142,044.13</u>	LP5

ANNUAL TOTAL \$1,314,688.90

\* Carlisle Barracks has a much smaller electric service billing under rate LP-4, also.

<u>BILL MONTH</u>	<u>FACILITY</u>	<u>KWH USAGE</u>	<u>BILLING PEAK KW USAGE</u>	<u>DAYS</u>	<u>MONTHLY BILLING</u>	<u>RATE</u>
10/93	NEW CUMBERLAND AD	4,632,000	9716	32	\$255,987.00	LP5
11/93	NEW CUMBERLAND AD	3,546,000	9318	29	221,314.69	LP5
12/93	NEW CUMBERLAND AD	3,426,000	7605	29	203,849.84	LP5
1/94	NEW CUMBERLAND AD	3,638,400	7115	32	209,509.65	LP5
2/94	NEW CUMBERLAND AD	3,511,200	7258	31	205,915.59	LP5
3/94	NEW CUMBERLAND AD	3,423,600	7335	29	207,379.96	LP5
4/94	NEW CUMBERLAND AD	3,856,800	7420	32	218,613.72	LP5
5/94	NEW CUMBERLAND AD	3,570,000	7379	30	208,628.63	LP5
6/94	NEW CUMBERLAND AD	3,450,800	8020	29	203,512.92	LP5
7/94	NEW CUMBERLAND AD	4,006,800	9398	32	231,729.45	LP5
8/94	NEW CUMBERLAND AD	4,446,400	9996	30	252,571.85	LP5
9/94	NEW CUMBERLAND AD	4,209,600	9582	29	<u>242,343.60</u>	LP5

ANNUAL TOTAL \$2,661,356.98

GRAND TOTAL FOR SELECTED MILITARY INSTALLATIONS \$7,968,457.30

DOD ADJUSTMENTS TO OPERATING INCOME  
 PPUC JURISDICIONAL PRO FORMA AT PRESENT AND PROPOSED RATES  
 YEAR ENDING SEPTEMBER 30, 1995  
 (Thousands of Dollars)

EXHIBIT TJP-4

LINE NO.	PP&L PROPOSED RATES	DOD ADJUSTMENTS	ADJUSTED AT PRESENT RATES	ADJUSTMENT TO RATE INCREASE	DOD PROPOSED PRO FORMA RATES
	=====				=====
1. Operating Revenues	\$2,663,890		\$2,663,890	(\$183,436)	\$2,480,454
Operating Expenses					
2. Operation and Maintenance	1,372,927	(64,817)	1,308,110		1,308,110
3. Depreciation	320,797	(61,000)	259,797		259,797
4. Regulatory Debits/Credits	(29,208)		(29,208)		(29,208)
Provision for Taxes					
5. Taxes Other Than Income	199,897	6,417	206,314	(9,356)	196,958
Income Taxes					
6. Federal Tax	231,952	37,197	269,149	(54,232)	214,917
7. State Tax	81,765	13,122	94,887	(19,131)	75,756
8. Deferred Income Taxes	(15,424)		(15,424)		(15,424)
9. Investment Tax Credit	(8,625)		(8,625)		(8,625)
10. Total Taxes	489,565	56,736	546,301	(82,719)	463,582
11. Gain from Disposition of Emmission All	(466)	0	(466)		(\$466)
12. Total Operating Expenses	2,153,615	(69,081)	2,084,534	(82,719)	2,001,815
13. Operating Income	\$510,275	\$69,081	\$579,356	(\$100,717)	\$478,639
	=====				=====

PENNSYLVANIA POWER AND LIGHT COMPANY

EXHIBIT TJP-5

ADJUSTMENT TO RATE CASE EXPENSE  
 YEAR ENDED SEPTEMBER 30, 1995  
 (Thousands of Dollars)

Line NO.	<u>DESCRIPTION</u>	AMOUNT
1	PP&L PROPOSED NORMALIZED ADJUSTMENT	(\$745) =====
2	TOTAL RATE CASE EXPENSES	\$1,491 =====
3	DOD PROPOSED THREE YEAR AVERAGE	\$497
4	LESS: PPUC RATE CASE EXPENSE PER BUDGET	1,491 -----
5	DOD PROPOSED DECREASE	(\$994) -----
6	DOD ADJUSTMENT TO RATE FILING	(\$249) =====

PENNSYLVANIA POWER AND LIGHT COMPANY EXHIBIT TJP-6

ADJUSTMENT TO INTEREST ON CUSTOMER DEPOSITS  
 YEAR ENDED SEPTEMBER 30, 1995  
 (Thousands of Dollars)

<u>Line NO.</u>	<u>DESCRIPTION</u>	AMOUNT
1	COMPANY PROPOSED	\$122 =====
2	CUSTOMER DEPOSITS	\$1,106
3	INTEREST RATE	7.5% -----
4	DOD PROPOSED INTEREST	----- \$83
5	DOD ADJUSTMENT (Ln 4 - Ln 1)	----- (\$39) =====

## PENNSYLVANIA POWER AND LIGHT COMPANY

ADJUSTMENT FOR VOLUNTARY EARLY RETIREMENT PROGRAM (VERP)  
 YEAR ENDED SEPTEMBER 30, 1995  
 (Thousands of Dollars)

Line NO.		AMOUNT
1	COMPANY PROPOSED	(\$13,917) =====
2	ESTIMATED COST OF THE VERP	\$65,800 =====
3	AMORTIZATION OVER FIVE YEARS	\$13,160
4	DOD PROPOSED VERP WAGE SAVINGS	
5	AVERAGE MONTHLY WAGE PER EMPLOYEE	\$4.5
6	ANNUAL PAY PER EMPLOYEE (Ln 5 * 12)	\$54.3
7	PARTICIPANTS NOT PREVIOUSLY COUNTED	580
8	DOD PROPOSED VERP WAGE SAVINGS	----- (\$31,480) =====
9	WAGES TO EXPENSE (Ln 8 * 73.3%)	(\$23,075)
10	BENEFITS	(\$10,500) =====
11	BENEFITS TO EXPENSE (Ln 10 * 68.7%)	(\$7,213)
12	DOD PROPOSED VERP SAVINGS	----- (\$17,128) =====
13	DOD ADJUSTMENT (Ln 12 - Ln 1)	(\$3,211) =====

PENNSYLVANIA POWER AND LIGHT COMPANY

EXHIBIT TJP-8

ADJUSTMENT TO DECOMMISSION FOSSIL UNITS  
YEAR ENDED SEPTEMBER 30, 1995  
(Thousands of Dollars)

<u>Line NO.</u>		AMOUNT
1	COMPANY PROPOSED	\$52,818 =====
2	DOD PROPOSED	\$0 =====
3	DOD ADJUSTMENT (Ln 2 - Ln 1)	(\$52,818) =====

PENNSYLVANIA POWER AND LIGHT COMPANY

EXHIBIT TJP-9

ADJUSTMENT TO ANNUAL ACCRUAL FOR DECOMMISSIONING EXPENSE  
 YEAR ENDED SEPTEMBER 30, 1995  
 (Thousands of Dollars)

<u>Line NO.</u>		AMOUNT
1	COMPANY PROPOSED INCREASE	\$22,916
2	AMOUNT PER BUDGET	7,126
3	TOTAL COMPANY PROPOSED	----- \$30,042 =====
4	DOD PROPOSED INCREASE	\$0
5	AMOUNT PER BUDGET	7,126
6	TOTAL DOD	----- \$7,126 =====
7	DOD ADJUSTMENT (Ln 6 - Ln 3)	(\$22,916) =====

PENNSYLVANIA POWER AND LIGHT COMPANY

EXHIBIT TJP-10

ADJUSTMENT TO SHORTEN FOSSIL PLANT  
YEAR ENDED SEPTEMBER 30, 1995  
(Thousands of Dollars)

<u>Line</u> <u>NO.</u>		AMOUNT
1	COMPANY PROPOSED INCREASE (COMPANY ATTACHMENT A, EXHIBIT FUTURE 1)	\$28,000 =====
2	DOD PROPOSED	0 -----
3	DOD ADJUSTMENT	(\$28,000) =====

PENNSYLVANIA POWER AND LIGHT COMPANY

EXHIBIT TJP-11

ADJUSTMENT TO LEVELIZE SUSQUEHANNA SINKING FUND DEPRECIATION  
 YEAR ENDED SEPTEMBER 30, 1995  
 (Thousands of Dollars)

<u>Line</u> <u>NO.</u>		AMOUNT
1	COMPANY PROPOSED INCREASE (COMPANY ATTACHMENT A, EXHIBIT FUTURE 1)	\$33,000
		=====
2	DOD PROPOSED	0
		-----
3	DOD ADJUSTMENT	(\$33,000)
		=====

PENNSYLVANIA POWER AND LIGHT COMPANY

EXHIBIT TJP-12

RATE OF RETURN AT  
YEAR ENDED SEPTEMBER 30, 1995

<u>Line NO.</u>		CAPITALIZATION RATIO	EMBEDDED COST	RETURN
1	LONG-TERM DEBT	46.53%	7.97%	3.71%
2	PREFERRED STOCK	7.59	7.31	0.55%
3	DOD PROPOSED	45.88	11.5%	5.28%
		-----	-----	-----
4	TOTAL	100%		9.54%
		=====		=====

PENNSYLVANIA POWER AND LIGHT COMPANY  
MEASURES OF VALUE AND RATE OF RETURN  
YEAR ENDED SEPTEMBER 30, 1995

EXHIBIT TJP-13

Line  
NO.

1	COMPANY MEASURE OF VALUE (NET)	\$5,017,178 =====
2	PRO FORMA RETURN AT ADJUSTED RATES	
3	PERCENT	9.54%
4	AMOUNT	\$478,639 =====

PENNSYLVANIA POWER AND LIGHT COMPANY

EXHIBIT TJP-14

ADJUSTMENT TO RATE CASE EXPENSE  
 YEAR ENDED SEPTEMBER 30, 1995  
 (Thousands of Dollars)

Line NO.		AMOUNT
1	OPERATION AND MAINTENANCE ADJUSTMENTS	(\$64,817) =====
2	DEPRECIATION ADJUSTMENTS	(\$61,000) =====
3	TOTAL OPERATING EXPENSE ADJUSTMENT	(\$125,817) =====
4	TAXES OTHER THAN INCOME ADJUSTMENT	\$6,417 =====
5	INCOME TAXES	
6	FEDERAL	\$37,197 =====
7	STATE	\$13,122 =====
8	TOTAL TAXES	\$56,736 =====

AFFIDAVIT OF THOMAS J. PRISCO

COUNTY OF ARLINGTON            )  
  )        SS:  
COMMONWEALTH OF VIRGINIA    )

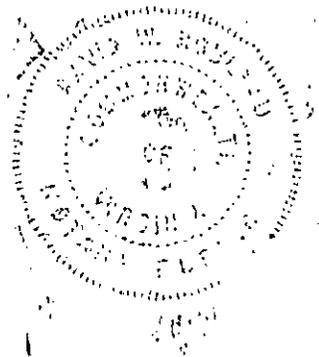
I, Thomas J. Prisco, Staff Accountant, U.S. Army Legal Services Agency, depose and say under oath that the foregoing direct testimony and exhibits were prepared by me or under my direct supervision and control; I have knowledge of the matters set forth in said testimony and exhibits; and that such matters are true and correct to the best of my knowledge, information, and belief.

Thomas J. Prisco  
Thomas J. Prisco

Subscribed and sworn to before me this 6th day of April, 1995, in the County of Arlington, Commonwealth of Virginia.

David W. Kaulan  
Notary Public

My Commission Expires: Nov 30, 1995



CERTIFICATE OF SERVICE

I certify that I have caused a copy of the foregoing testimony and exhibits to be sent this day, by OVER-NIGHT delivery to counsel for ACTIVE PARTIES, and by postage prepaid, first class U.S. Mail to the other addressees:

PAUL E. RUSSELL, ESQUIRE  
LAW DEPARTMENT  
PENNSYLVANIA POWER & LIGHT COMPANY  
2 North Ninth Street  
ALLENTOWN, PA 18101-1179

DAVID M. KLEPPINGER, ESQUIRE  
JAMES P. DOUGHERTY, ESQUIRE  
McNEES, WALLACE & NURICK  
P.O. BOX 1166  
100 PINE STREET  
HARRISBURG, PA 17108-1166

JOHNNIE E. SIMMS, ESQUIRE  
KENNETH L. MICKENS, ESQUIRE  
OFFICE OF TRIAL STAFF  
PENNSYLVANIA PUBLIC UTILITY COMMISSION  
NORTH OFFICE BUILDING - THIRD FLOOR  
COMMONWEALTH AVENUE & NORTH STREET  
HARRISBURG, PA 17120

MR. ROBERT D. KNECHT  
INDUSTRIAL ECONOMICS, INC.  
2067 MASSACHUSETTS AVENUE  
CAMBRIDGE, MA 02140

KAREN OILL MOURY, ESQUIRE  
OFFICE OF THE SMALL BUSINESS ADVOCATE  
SUITE 1102, COMMERCE BUILDING  
300 N. SECOND STREET  
HARRISBURG, PA 17101

CRAIG KUENNEN, ESQUIRE  
COMMISSION ON ECONOMIC  
OPPORTUNITY  
211 S. MAIN STREET  
WILKES BARRE, PA 18701-1596

THOMAS P. GADSEN, ESQUIRE  
ANTHONY C. DeCUSATIS, ESQUIRE  
DAVID B. MacGREGOR, ESQUIRE  
MORGAN, LEWIS & BOKIUS  
2000 ONE LOGAN SQUARE  
PHILADELPHIA, PA 19103

JOAN O. BRANDEIS, ESQUIRE  
SCHNADER, HARRISON, SEGAL,  
AND LEWIS  
1600 MARKET STREET, SUITE 3600  
PHILADELPHIA, PA 19103-4252

DANIEL P. DELANEY, ESQUIRE  
JAMES MELIA, ESQUIRE  
KIRKPATRICK & LOCKHART  
240 NORTH THIRD STREET  
HARRISBURG, PA 17101-1507

MARY C. KENNEY, ESQUIRE  
ASSISTANT CONSUMER ADVOCATE  
OFFICE OF THE CONSUMER ADVOCATE  
1425 STRAWBERRY SQUARE  
HARRISBURG, PA 17120

D. JANE DRENNAN, ESQUIRE  
DRENNAN & ASSOCIATES  
1216 16TH STREET, N.W.  
WASHINGTON, DC 20036

ALAN J. BARAK, ESQUIRE  
MID ATLANTIC ENERGY PROJECT  
WIDENER ENERGY LAW CLINIC  
3700 VARTAN WAY  
HARRISBURG, PA 17110-9450

ROBERT P. HAYNES III, ESQUIRE  
METTE, EVANS & WOODSIDE  
3401 FRONT STREET  
HARRISBURG, PA 17110-0950

MR. THOMAS S. CATLIN  
EXETER ASSOCIATES, INC.  
12510 PROSPERITY DRIVE, SUITE 350  
SILVER SPRING, MD 20904

STEPHEN J. SELDEN, ESQUIRE  
LAW DEPARTMENT  
BETHLEHEM STEEL CORPORATION  
BETHLEHEM, PA 18016

MR. STEPHEN J. BARON  
J. KENNEDY & ASSOCIATES. INC.  
35 GLENLAKE PARKWAY, SUITE 475  
ATLANTA, GA 30328

MR. KENNETH EISDORFER  
COOK, EISDORFER & ASSOCIATES  
2258 SCHUEZ ROAD, SUITE 205  
ST. LOUIS, MO 63146

STAFF JUDGE ADVOCATE  
TOBYHANNA ARMY DEPOT  
ATTN: SDSSTO-JD  
TOBYHANNA, PA 18446-5054

MR. RAY VERBISH  
ENGINEERING PLANS & SERVICES  
US ARMY GARRISON  
CARLISLE BARRACKS  
CARLISLE, PA 17013-5022

MR. SAM DE FRAWI  
NAVY RATE INTERVENTION  
CHESNAVFACENGCOM - NAVY YARD  
BUILDING 212, 4TH FLOOR  
902 M STREET, S.E.  
WASHINGTON, DC 20374-5018

MR. DALE BRIDENBAUGH  
MHB TECHNICAL ASSOCIATES  
1723 HAMILTON AVENUE, SUITE K  
SAN JOSE, CA 95125

STEVEN ANDERSON, PHD.  
ECONOMIC & POLICY ANALYSIS  
13300 COUNCIL BLUFF DRIVE  
AUSTIN, TX 78727

WAYNE M. THOMAS, ESQUIRE  
KOHN, NAST & GRAF  
1101 MARKET STREET, 24th FLOOR  
PHILADELPHIA, PA 19107-2924

KENNETH ZIELONIS, ESQUIRE  
STEVENS & LEE  
210 NORTH THIRD STREET, SUITE 310  
HARRISBURG, PA 17108-2090

STAFF JUDGE ADVOCATE  
US ARMY GARRISON (ATZE-JA)  
CARLISLE BARRACKS  
CARLISLE, PA 17103-5002

MR. MAURICE BRUBAKER  
DRAZEN-BRUBAKER & ASSOCIATES, INC.  
7730 FORSYTH BOULEVARD, SUITE 200  
ST. LOUIS, MO 63105-1819

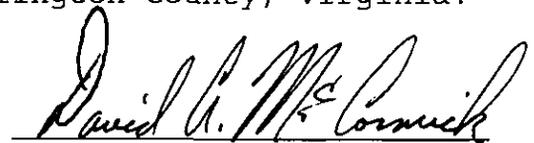
MR. DONALD STITLER  
GENERAL SERVICES ADMINISTRATION  
WANNAMAKER BUILDING, ROOM 719  
100 PENN SQUARE WEST  
PHILADELPHIA, PA 19107

DAVID L. PENNINGTON, ESQUIRE  
CATHERINE PANCHOU COX, ESQUIRE  
HARVEY, PENNINGTON, HERTING &  
RENNEISEN  
ELEVEN PENN CENTER PLAZA  
1835 MARKET STREET, 29TH FLOOR  
PHILADELPHIA, PA 19103

MR. ERIC JOSEPH EPSTEIN  
2308 BRANDYWINE DRIVE  
HARRISBURG, PA 17110

HON. MICHAEL C. SCHNIERLE  
ADMINISTRATIVE LAW JUDGE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION  
NORTH OFFICE BUILDING - ROOM B-18  
COMMONWEALTH AVENUE & NORTH STREET  
HARRISBURG, PA 17120

Dated this 6th day of April 1995, at Arlington County, Virginia.



**APPEARANCE SHEET**

**ALJ HEARING REPORT**

Docket No. R-00943271  
R-00943271C0001-C0130  
 Case Name PA PUC v. Pennsylvania Power  
and Light Company  
 Location Bethlehem  
 Date April 6, 1995  
 ALJ Christianson  
 Reporting Firm Commonwealth

CHECK THOSE BLOCKS WHICH APPLY:

Prehearing held YES  NO   
 Hearing held YES  NO   
 Testimony taken YES  NO   
 Transcript due YES  NO   
 Hearing concluded YES  NO   
 Further hearing needed YES  NO   
 Estimated add'l days \_\_\_\_\_  
 Briefs to be Filed \_\_\_\_\_  
 BENCH DECISION YES  NO

**RECORDED & INDEXED**

APR 19 1995

REC'D  
 APR 18 11:31 AM '95  
 INFO. CONT. DIV.  
 YES  
 PA PUC  
 YES  
 INFO. CONT. DIV.  
 NO

**RECEIVED**

APR 7 1995

OFFICE OF C.A.L.J  
 PUBLIC UTILITY COMMISSION

REMARKS: **DOCUMENT FOLDER**

NAMES, ADDRESSES AND TELEPHONE NUMBERS OF PARTIES OR COUNSEL OF RECORD  
 PLEASE PRINT CLEARLY  
 INCOMPLETE INFORMATION MAY RESULT IN DELAY OF PROCESS

NAME and TELEPHONE NUMBER	ADDRESS	APPEARING FOR
Johnnie E. Simms Telephone No. 717-787-1976	P.O. Box 3265 City Hbg State PA Zip 17105	Office of TRIAL Staff
Irwin Popowsky Telephone No. 717-783-5048	1425 Strawberry Sq City Hbg State PA Zip 17120	office of Consumer Advocate
Bernard A. Ryan Telephone No. (717) 783-2525	Suite 1102, Commerce Bldg 300 N. 2nd St City Hbg State PA Zip 17102	Office of Small Business Advocate

CHECK THIS BOX IF ADDITIONAL PARTIES

OR COUNSEL OF RECORD APPEAR ON BACK.

REPORTER

NAME and TELEPHONE NUMBER	ADDRESS			APPEARING FOR
PAUL E. RUSSELL Telephone No. (610) 774-4254	2 NORTH 9TH ST. City ALLENTOWN State PA Zip 18101			PA. POWER & LIGHT CO.
Telephone No.	City State Zip			
Telephone No.	City State Zip			
Telephone No.	City State Zip			
Telephone No.	City State Zip			
Telephone No.	City State Zip			
Telephone No.	City State Zip			
Telephone No.	City State Zip			
Telephone No.	City State Zip			
Telephone No.	City State Zip			
Telephone No.	City State Zip			

**APPEARANCE SHEET**

**ALJ HEARING REPORT**

Docket No. R-00943271

---

R-00943271C0001-C0130

---

Case Name PA PUC v. Pennsylvania Power  
and Light Company

---

Location Allentown

---

Date April 6, 1995

---

ALJ Christianson

---

Reporting Firm Commonwealth

CHECK THOSE BLOCKS WHICH APPLY:

Prehearing held YES  NO

Hearing held YES  NO

Testimony taken YES  NO

Transcript due YES  NO

Hearing concluded YES  NO

Further hearing needed YES  NO

Estimated add'l days \_\_\_\_\_

RECORD CLOSED YES  NO

**BUCKETED**  
DATE  
APR 19 1995

Briefs to be Filed YES  NO

BENCH DECISION YES  NO

DATE  
95 APR 18 11:10:37  
INFO. CONTROL DIV.

**RECEIVED**

APR 7 1995

OFFICE OF C.A.L.J.  
PUBLIC UTILITY COMMISSION

REMARKS:

**DOCUMENT FOLDER**

NAMES, ADDRESSES AND TELEPHONE NUMBERS OF PARTIES OR COUNSEL OF RECORD  
PLEASE PRINT CLEARLY  
INCOMPLETE INFORMATION MAY RESULT IN DELAY OF PROCESS

NAME and TELEPHONE NUMBER	ADDRESS			APPEARING FOR
Telephone No. <i>see rebuttal list</i>	City	State	Zip	
Telephone No.	City	State	Zip	
Telephone No.	City	State	Zip	

CHECK THIS BOX IF ADDITIONAL PARTIES  
OR COUNSEL OF RECORD APPEAR ON BACK.

REPORTER

ORIGINAL



**Pennsylvania Power & Light Company**

Two North Ninth Street • Allentown, PA 18101-1179 • 610/774-5151

Paul E. Russell  
Associate General Counsel  
610/774-4254

FAX: 610/774-6726

April 7, 1995

RECEIVED  
95 APR 10 AM 11:32  
PA. P. U. C.  
INFO. CONTROL DIV.

Mr. John G. Alford, Secretary  
Pennsylvania Public Utility Commission  
P. O. Box 3265  
Harrisburg, Pennsylvania 17105-3265

**Re: Pennsylvania Public Utility Commission  
v.  
Pennsylvania Power & Light Company  
Docket No. R-00943271**

Dear Mr. Alford:

Attached for filing, pursuant to the Commission's regulations, 52 Pa. Code § 5.342(d), is a Certificate of Service identifying answers to interrogatories that Pennsylvania Power & Light Company served today on the active participants in this proceeding.

If you have any questions regarding this matter, please call.

Very truly yours,

*Paul E. Russell/dlw*

Paul E. Russell

DOCUMENT  
FOLDER

Attachment

cc: The Honorable Robert A. Christianson

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Re: Docket No. R-00943271

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a true copy of  
Pennsylvania Power & Light Company's answers to the Office of Consumer  
Advocate's Interrogatories, Set XIII numbered 1 upon the active participants  
listed below, in accordance with the requirements of § 1.54 (relating to service  
by a participant):

**HAND DELIVERED**

Irwin A. Popowsky, Esquire  
Office of Consumer Advocate  
Office of Consumer Advocate  
1425 Strawberry Square  
Harrisburg, Pennsylvania 17120

Bernard A. Ryan, Jr., Esquire  
Office of Small Business Advocate  
Suite 1102, Commerce Building  
300 North Second Street  
Harrisburg, Pennsylvania 17101

**DOCKETED**  
APR 12 1995

**DOCUMENT  
FOLDER**

Johnnie E. Simms, Esquire  
Office of Trial Staff  
Pennsylvania Public Utility Commission  
P. O. Box 3265  
Harrisburg, Pennsylvania 17105-3265

David M. Kleppinger, Esquire  
McNees, Wallace & Nurick  
P. O. Box 1166  
100 Pine Street  
Harrisburg, Pennsylvania 17108

**OVERNIGHT MAIL**

D. Jane Drennan, Esquire  
Sarah E. Tomalty, Esquire  
Drennan & Associates  
1216 16th Street, N.W.  
Washington, DC 20036

David A. McCormick, Esquire  
Department of the Army  
Office of the Judge Advocate General  
901 North Stuart Street  
Arlington, Virginia 22203-1837

Robert D. Knecht  
Industrial Economics Incorporated  
2067 Massachusetts Avenue  
Cambridge, Massachusetts 02140

Thomas S. Catlin  
Exeter Associates, Inc.  
12510 Prosperity Drive  
Suite 350  
Silver Spring, Maryland 20904

Stephen J. Baron, President  
J. Kennedy and Associates, Inc.  
Suite 475  
35 Glenlake Parkway  
Atlanta, Georgia 30328

Joan O. Brandeis, Esquire  
Schnader, Harrison, Segal & Lewis  
Suite 3600  
1600 Market Street  
Philadelphia, Pennsylvania 19103-4252

Alan J. Barak, Esquire  
Mid-Atlantic Energy Project  
3700 Vartan Way  
Harrisburg, Pennsylvania 17110

Mr. Maurice Brubaker  
Drazen-Brubaker & Assoc.  
P. O. Box 16140  
St. Louis, Missouri 63105-0840

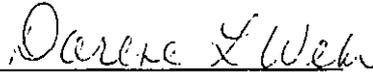
Mr. Jeffrey J. Pyros  
Pyros Financial Group  
One South Main Street  
Wilkes-Barre, Pennsylvania 17801

James Melia, Esquire  
Kirkpatrick & Lockhart  
The Payne Shoemaker Building  
240 North Third Street  
Harrisburg, Pennsylvania 17101-1507

Mr. Craig R. Kuennen  
Energy Services Manager  
Commission on Economic Opportunity  
211 South Main Street  
Wilkes-Barre, Pennsylvania 18701-1596

Robert P. Haynes, Esquire  
Mette, Evans & Woodside  
3401 North Front Street  
Harrisburg, Pennsylvania 17110-0950

Mr. Eric Epstein  
2308 Brandywine Drive  
Harrisburg, Pennsylvania 17110

  
Dorene L. Wehr  
Dorene L. Wehr

Dated: April 7, 1995  
at Allentown, Pennsylvania



**Pennsylvania Power & Light Company**

Two North Ninth Street • Allentown, PA 18101-1179 • 610/774-5151

Paul E. Russell  
Associate General Counsel  
610/774-4254

FAX: 610/774-6726

April 7, 1995

RECEIVED  
95 APR 10 AM 11:32  
PA. P. U. C. DIV.  
INFO. CONTROL

Mr. John G. Alford, Secretary  
Pennsylvania Public Utility Commission  
P. O. Box 3265  
Harrisburg, Pennsylvania 17105-3265

**Re: Pennsylvania Public Utility Commission  
v.  
Pennsylvania Power & Light Company  
Docket No. R-00943271**

Dear Mr. Alford:

Attached for filing, pursuant to the Commission's regulations, 52 Pa. Code § 5.342(d), is a Certificate of Service identifying answers to interrogatories that Pennsylvania Power & Light Company served today on the active participants in this proceeding.

If you have any questions regarding this matter, please call.

Very truly yours,

*Paul E. Russell/dlw*

Paul E. Russell

Attachment

cc: The Honorable Robert A. Christianson

DOCUMENT  
FOLDER

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Re: Docket No. R-00943271

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a true copy of  
Pennsylvania Power & Light Company's answers to the Sierra Club's  
Interrogatories, Set 2 numbered 29 upon the active participants listed below, in  
accordance with the requirements of § 1.54 (relating to service by a  
participant):

**HAND DELIVERED**

Irwin A. Popowsky, Esquire  
Office of Consumer Advocate  
Office of Consumer Advocate  
1425 Strawberry Square  
Harrisburg, Pennsylvania 17120

Bernard A. Ryan, Jr., Esquire  
Office of Small Business Advocate  
Suite 1102, Commerce Building  
300 North Second Street  
Harrisburg, Pennsylvania 17101

**DOCKETED**  
APR 12 1995

**DOCUMENT  
FOLDER**

Johnnie E. Simms, Esquire  
Office of Trial Staff  
Pennsylvania Public Utility Commission  
P. O. Box 3265  
Harrisburg, Pennsylvania 17105-3265

David M. Kleppinger, Esquire  
McNees, Wallace & Nurick  
P. O. Box 1166  
100 Pine Street  
Harrisburg, Pennsylvania 17108

Alan J. Barak, Esquire  
Mid-Atlantic Energy Project  
3700 Vartan Way  
Harrisburg, Pennsylvania 17110

**OVERNIGHT MAIL**

D. Jane Drennan, Esquire  
Sarah E. Tomalty, Esquire  
Drennan & Associates  
1216 16th Street, N.W.  
Washington, DC 20036

David A. McCormick, Esquire  
Department of the Army  
Office of the Judge Advocate General  
901 North Stuart Street  
Arlington, Virginia 22203-1837

Robert D. Knecht  
Industrial Economics Incorporated  
2067 Massachusetts Avenue  
Cambridge, Massachusetts 02140

Thomas S. Catlin  
Exeter Associates, Inc.  
12510 Prosperity Drive  
Suite 350  
Silver Spring, Maryland 20904

Stephen J. Baron, President  
J. Kennedy and Associates, Inc.  
Suite 475  
35 Glenlake Parkway  
Atlanta, Georgia 30328

Joan O. Brandeis, Esquire  
Schnader, Harrison, Segal & Lewis  
Suite 3600  
1600 Market Street  
Philadelphia, Pennsylvania 19103-4252

Mr. Maurice Brubaker  
Drazen-Brubaker & Assoc.  
P. O. Box 16140  
St. Louis, Missouri 63105-0840

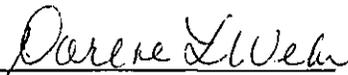
Mr. Jeffrey J. Pyros  
Pyros Financial Group  
One South Main Street  
Wilkes-Barre, Pennsylvania 17801

James Melia, Esquire  
Kirkpatrick & Lockhart  
The Payne Shoemaker Building  
240 North Third Street  
Harrisburg, Pennsylvania 17101-1507

Mr. Craig R. Kuennen  
Energy Services Manager  
Commission on Economic Opportunity  
211 South Main Street  
Wilkes-Barre, Pennsylvania 18701-1596

Robert P. Haynes, Esquire  
Mette, Evans & Woodside  
3401 North Front Street  
Harrisburg, Pennsylvania 17110-0950

Mr. Eric Epstein  
2308 Brandywine Drive  
Harrisburg, Pennsylvania 17110

  
Dorene L. Wehr  
Dorene L. Wehr

Dated: April 7, 1995  
at Allentown, Pennsylvania



**Pennsylvania Power & Light Company**

Two North Ninth Street • Allentown, PA 18101-1179 • 610/774-5151

Paul E. Russell  
Associate General Counsel  
610/774-4254

FAX: 610/774-6726

April 7, 1995

RECEIVED  
95 APR 10 AM 11:32  
PA. P. U. C.  
INFO. CONTROL DIV.

Mr. John G. Alford, Secretary  
Pennsylvania Public Utility Commission  
P. O. Box 3265  
Harrisburg, Pennsylvania 17105-3265

**Re: Pennsylvania Public Utility Commission  
v.  
Pennsylvania Power & Light Company  
Docket No. R-00943271**

Dear Mr. Alford:

Attached for filing, pursuant to the Commission's regulations, 52 Pa. Code § 5.342(d), is a Certificate of Service identifying answers to interrogatories that Pennsylvania Power & Light Company served today on the active participants in this proceeding.

If you have any questions regarding this matter, please call.

Very truly yours,

*Paul E. Russell/dlw*

Paul E. Russell

Attachment

cc: The Honorable Robert A. Christianson

DOCUMENT  
FOLDER

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Re: Docket No. R-00943271

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a true copy of Pennsylvania Power & Light Company's answers to the Central Eastern Pennsylvania Fuel Oil Dealer's Interrogatories numbered 40, 63 and 64 upon the active participants listed below, in accordance with the requirements of § 1.54 (relating to service by a participant):

**HAND DELIVERED**

Irwin A. Popowsky, Esquire  
Office of Consumer Advocate  
Office of Consumer Advocate  
1425 Strawberry Square  
Harrisburg, Pennsylvania 17120

Bernard A. Ryan, Jr., Esquire  
Office of Small Business Advocate  
Suite 1102, Commerce Building  
300 North Second Street  
Harrisburg, Pennsylvania 17101

**DOCKETED**  
APR 12 1995

**DOCUMENT  
-FOLDER**

Johnnie E. Simms, Esquire  
Office of Trial Staff  
Pennsylvania Public Utility Commission  
P. O. Box 3265  
Harrisburg, Pennsylvania 17105-3265

David M. Kleppinger, Esquire  
McNees, Wallace & Nurick  
P. O. Box 1166  
100 Pine Street  
Harrisburg, Pennsylvania 17108

**OVERNIGHT MAIL**

D. Jane Drennan, Esquire  
Sarah E. Tomalty, Esquire  
Drennan & Associates  
1216 16th Street, N.W.  
Washington, DC 20036

David A. McCormick, Esquire  
Department of the Army  
Office of the Judge Advocate General  
901 North Stuart Street  
Arlington, Virginia 22203-1837

Robert D. Knecht  
Industrial Economics Incorporated  
2067 Massachusetts Avenue  
Cambridge, Massachusetts 02140

Thomas S. Catlin  
Exeter Associates, Inc.  
12510 Prosperity Drive  
Suite 350  
Silver Spring, Maryland 20904

Stephen J. Baron, President  
J. Kennedy and Associates, Inc.  
Suite 475  
35 Glenlake Parkway  
Atlanta, Georgia 30328

Joan O. Brandeis, Esquire  
Schnader, Harrison, Segal & Lewis  
Suite 3600  
1600 Market Street  
Philadelphia, Pennsylvania 19103-4252

Alan J. Barak, Esquire  
Mid-Atlantic Energy Project  
3700 Vartan Way  
Harrisburg, Pennsylvania 17110

Mr. Maurice Brubaker  
Drazen-Brubaker & Assoc.  
P. O. Box 16140  
St. Louis, Missouri 63105-0840

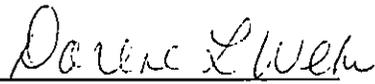
Mr. Jeffrey J. Pyros  
Pyros Financial Group  
One South Main Street  
Wilkes-Barre, Pennsylvania 17801

James Melia, Esquire  
Kirkpatrick & Lockhart  
The Payne Shoemaker Building  
240 North Third Street  
Harrisburg, Pennsylvania 17101-1507

Mr. Craig R. Kuennen  
Energy Services Manager  
Commission on Economic Opportunity  
211 South Main Street  
Wilkes-Barre, Pennsylvania 18701-1596

Robert P. Haynes, Esquire  
Mette, Evans & Woodside  
3401 North Front Street  
Harrisburg, Pennsylvania 17110-0950

Mr. Eric Epstein  
2308 Brandywine Drive  
Harrisburg, Pennsylvania 17110

  
Dorene L. Wehr  
Dorene L. Wehr

Dated: April 7, 1995  
at Allentown, Pennsylvania



**Pennsylvania Power & Light Company**

Two North Ninth Street • Allentown, PA 18101-1179 • 610/774-5151

Paul E. Russell  
Associate General Counsel  
610/774-4254

FAX: 610/774-6726

April 7, 1995

RECEIVED  
95 APR 10 AM 11:32  
PA. P. U. C.  
INFO. CONTROL DIV.

Mr. John G. Alford, Secretary  
Pennsylvania Public Utility Commission  
P. O. Box 3265  
Harrisburg, Pennsylvania 17105-3265

**Re: Pennsylvania Public Utility Commission  
v.  
Pennsylvania Power & Light Company  
Docket No. R-00943271**

Dear Mr. Alford:

Attached for filing, pursuant to the Commission's regulations, 52 Pa. Code § 5.342(d), is a Certificate of Service identifying answers to On-the-Record Data Requests that Pennsylvania Power & Light Company served today on the active participants in this proceeding.

If you have any questions regarding this matter, please call.

Very truly yours,

*Paul E. Russell/dlr*  
Paul E. Russell

DOCUMENT  
FOLDER

Attachment

cc: The Honorable Robert A. Christianson

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Re: Docket No. R-00943271

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a true copy of  
Pennsylvania Power & Light Company's answers to the following On-the-  
Record Data Requests upon the active participants listed below, in accordance  
with the requirements of § 1.54 (relating to service by a participant):

DR-OTS-4 through 11  
DR-OCA-3 through 9  
DR-OSBA-1, 2 and 4  
DR-BS-2 through 3  
DR-Fuel-1 through 2  
DR-PPLICA-2, 4 and 5  
DR-CEO-1

**DOCKETED**  
APR 12 1995

**HAND DELIVERED**

Irwin A. Popowsky, Esquire  
Office of Consumer Advocate  
Office of Consumer Advocate  
1425 Strawberry Square  
Harrisburg, Pennsylvania 17120

**DOCUMENT  
FOLDER**

Bernard A. Ryan, Jr., Esquire  
Office of Small Business Advocate  
Suite 1102, Commerce Building  
300 North Second Street  
Harrisburg, Pennsylvania 17101

Johnnie E. Simms, Esquire  
Office of Trial Staff  
Pennsylvania Public Utility Commission  
P. O. Box 3265  
Harrisburg, Pennsylvania 17105-3265

David M. Kleppinger, Esquire  
McNees, Wallace & Nurick  
P. O. Box 1166  
100 Pine Street  
Harrisburg, Pennsylvania 17108

**OVERNIGHT MAIL**

D. Jane Drennan, Esquire  
Sarah E. Tomalty, Esquire  
Drennan & Associates  
1216 16th Street, N.W.  
Washington, DC 20036

David A. McCormick, Esquire  
Department of the Army  
Office of the Judge Advocate General  
901 North Stuart Street  
Arlington, Virginia 22203-1837

Robert D. Knecht  
Industrial Economics Incorporated  
2067 Massachusetts Avenue  
Cambridge, Massachusetts 02140

Thomas S. Catlin  
Exeter Associates, Inc.  
12510 Prosperity Drive  
Suite 350  
Silver Spring, Maryland 20904

Stephen J. Baron, President  
J. Kennedy and Associates, Inc.  
Suite 475  
35 Glenlake Parkway  
Atlanta, Georgia 30328

Joan O. Brandeis, Esquire  
Schnader, Harrison, Segal & Lewis  
Suite 3600  
1600 Market Street  
Philadelphia, Pennsylvania 19103-4252

Alan J. Barak, Esquire  
Mid-Atlantic Energy Project  
3700 Vartan Way  
Harrisburg, Pennsylvania 17110

Mr. Maurice Brubaker  
Drazen-Brubaker & Assoc.  
P. O. Box 16140  
St. Louis, Missouri 63105-0840

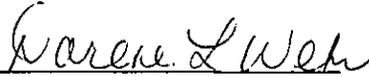
Mr. Jeffrey J. Pyros  
Pyros Financial Group  
One South Main Street  
Wilkes-Barre, Pennsylvania 17801

James Melia, Esquire  
Kirkpatrick & Lockhart  
The Payne Shoemaker Building  
240 North Third Street  
Harrisburg, Pennsylvania 17101-1507

Mr. Craig R. Kuennen  
Energy Services Manager  
Commission on Economic Opportunity  
211 South Main Street  
Wilkes-Barre, Pennsylvania 18701-1596

Robert P. Haynes, Esquire  
Mette, Evans & Woodside  
3401 North Front Street  
Harrisburg, Pennsylvania 17110-0950

Mr. Eric Epstein  
2308 Brandywine Drive  
Harrisburg, Pennsylvania 17110

  
Dorene L. Wehr

Dated: April 7, 1995  
at Allentown, Pennsylvania

**METTE, EVANS & WOODSIDE**

A PROFESSIONAL CORPORATION  
ATTORNEYS AT LAW

3401 NORTH FRONT STREET  
P.O. BOX 5950  
HARRISBURG, PA 17110-0950

HOWELL C. METTE  
JAMES W. EVANS  
ROBERT MOORE  
CHARLES B. ZWALLY  
PETER J. RESSLER  
LLOYD R. PERSUN  
CRAIG A. STONE  
JAMES A. ULSH  
DANIEL L. SULLIVAN  
STEVEN D. SNYDER  
CHRISTOPHER C. CONNER  
ELYSE E. ROGERS  
ANDREW H. DOWLING  
MICHAEL D. REED

ROBERT P. HAYNES III  
PAULA J. LEICHT  
GARY J. HEIM  
DAVID A. FITZSIMONS  
GUY P. BENEVENTANO  
MICHAEL D. PIPA  
KAREN N. CONNELLY  
ROBYN J. KATZMAN  
JAYSON R. WOLFGANG  
ANDREW J. OSTROWSKI  
ELIZABETH M. CALCAGNO  
EMILY L. HOFFMAN  
MATTHEW A. COSENZA

RETIRED  
ROBERT E. WOODSIDE  
TELEPHONE  
(717) 232-5000  
FAX  
(717) 236-1816  
IRS NO.  
23-1985005

April 7, 1995

RECEIVED  
95 APR 10 AM 9:47  
PA. P. U. C. DIV.  
INFO. CONTROL

Hon. Robert A. Christianson, Administrative Law Judge  
Pennsylvania Public Utility Commission  
Room G-08A North Office Building  
P. O. Box 3265  
Harrisburg, PA 17105-3265

RE: Pennsylvania Public Utility Commission et al. v.  
Pennsylvania Power & Light Company, Docket No.  
R-00943271 et. seq.

Dear Judge Christianson:

Enclosed please find the Direct Testimony and Exhibits of the Central Eastern Pennsylvania Fuel Oil Dealers consisting of CEPFOD Statement No. 1, the Prepared Direct Testimony of Steven Andersen, and CEPFOD Exhibits Nos. 1 through 16. Copies have been served on all parties pursuant to the attached Certificate of Service. If you have any questions, please do not hesitate to contact the undersigned.

Sincerely yours,  
*Robert P. Haynes/me*  
Robert P. Haynes

RPH/me

Enclosures

cc: All parties per Certificate of Service  
John G. Alford, Secretary (w/o enclosures)

RPH5760:7507.1

DOCUMENT  
FOLDER

CERTIFICATE OF SERVICE

RE: Pennsylvania Public Utility Commission et al. v. Pennsylvania Power & Light Company, Docket No. R-00943271 et. seq.

I hereby certify that I have this day served a true copy of the foregoing document identified in cover letter upon the parties of record and in the manner indicated below which satisfies the requirements of §1.54:

VIA FIRST CLASS MAIL

Thomas P. Gaddsdan, Esquire  
David B. MacGregor, Esquire  
Morgan, Lewis & Bockius  
2000 One Logan Street  
Philadelphia, PA 19103

Paul E. Russell, Esquire  
Pennsylvania Power & Light Company  
Two North Ninth Street  
Allentown, PA 18101

David A. McCormick, Esquire  
Regulatory Law Office  
Office of the Judge Advocate General  
Department of the Army, DAJA-RL 3848  
901 N Stuart Street, Room 713  
Arlington, VA 22203-1837

Karen Oill Moury, Assistant Advocate  
Office of Small Business Advocate  
Suite 1102 Commerce Building  
300 North 2nd Street  
Harrisburg, PA 17101

**DOCKETED**  
APR 12 1995

DOCUMENT  
FOLDER

James P. Melia, Esquire  
Daniel P. Delaney, Esquire  
Kirkpatrick & Lockhart  
240 North 3rd Street  
Harrisburg, PA 17101-1507

Stephen J. Selden, Esquire  
Assistant General Counsel  
Bethlehem Steel Corp.  
8th & Eaton Avenues  
Bethlehem, PA 18016

Joan O. Brandeis, Esquire  
Schnader, Harrison, Segal & Lewis  
1600 Market Street  
Philadelphia, PA 19103

Eugene M. Brady, Executive Director  
Commission on Economic Opportunity  
211 South Main Street  
Wilkes-Barre, PA 18701-1596

David M. Kleppinger, Esquire  
McNees, Wallace & Nurick  
100 Pine Street  
P. O. Box 1166  
Harrisburg, PA 17108-1166

Johnnie E. Simms, Esquire  
Kenneth L. Mickens, Esquire  
Stephen Gorka, Esquire  
Office of Trial Staff  
Pennsylvania Public Utility Commission  
P. O. Box 3265  
Harrisburg, PA 17105-3265

Tanya J. McCloskey, Assistant Consumer Advocate  
Office of Consumer Advocate  
1425 Strawberry Square  
Harrisburg, PA 17120

Eric J. Epstein  
2308 Brandywine Drive  
Harrisburg, PA 17110

Kenneth Zielonis, Esquire  
Stevens & Lee  
208 North 3rd Street, Suite 310  
Harrisburg, PA 17101

Alan J. Barak, Esquire  
Mid-Atlantic Energy Project  
Widener University Energy Law Clinic  
3700 Vartan Way  
Harrisburg, PA 17110

Robert D. Knecht  
Industrial Economics Incorporated  
2067 Massachusetts Avenue  
Cambridge, Massachusetts 02140

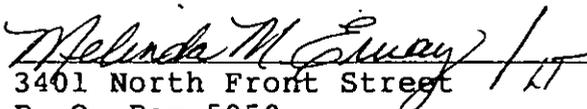
D. Jane Drennan, Esquire  
Sarah E. Tomalty, Esquire  
Drennan & Associates  
1216 16th Street, N.W.  
Washington, DC 20036

Stephen J. Baron, President  
J. Kennedy and Associates, Inc.  
Suite 475 35 Glenlake Parkway  
Atlanta, GA 30328

Mr. Maruice Brubaker  
Drazen-Brubaker & Associates, Inc.  
7730 Forsyth Boulevard, Suite 200  
St. Louis, MO 63105-0840

METTE, EVANS & WOODSIDE

By:

  
3401 North Front Street  
P. O. Box 5950  
Harrisburg, PA 17110-0950  
(717) 232-5000

DATED: April 7, 1995

**ORIGINAL**

KJR

**MCNEES, WALLACE & NURICK**  
ATTORNEYS AT LAW

100 PINE STREET  
P. O. BOX 1166

HARRISBURG, PA 17108-1166

TELEPHONE (717) 232-8000  
FAX (717) 237-5300

OF COUNSEL  
ROBERT H. GRISWOLD  
SAMUEL A. SCHRECKENGAUST, JR.

DAVID M. WATTS, JR.  
STEVEN J. WEINGARTEN  
NEAL S. WEST  
NORMAN I. WHITE  
LAWRENCE R. WIEDER  
GARY F. YENKOWSKI  
WILLIAM M. YOUNG, JR.

SCOTT A. GOULD  
P. NICHOLAS GUARNESCHELLI  
ROBERT G. HAAS  
BRIAN F. JACKSON  
DONALD B. KAUFMAN  
MICHAEL R. KELLEY  
PETER F. KRIETE  
JAMES W. KUTZ  
CAMILLE C. MARION  
PATRICK J. MURPHY  
SHARON R. PAXTON  
CHUONG H. PHAM  
JONATHAN H. RUDD  
BRUCE R. SPICER  
CAROL A. STEINOUR  
CATHERINE E. WALTERS  
DERRICK P. WILLIAMSON

ERIC N. ATHEY  
DAVID M. BAKER  
JONATHAN C. BERRY  
BRETT D. DAVIS  
JAMES P. D'ANGELO  
JAMES P. DOUGHERTY  
KATHLEEN A. DUNST  
ROBERT J. GODUTO

BRUCE D. BAGLEY  
TERRY R. BOSSERT  
ALAN R. BOYNTON, JR.  
ERIC L. BROSSMAN  
ROBERT M. CHERRY  
WILLIAM A. CHESNUTT  
DAVID B. DISNEY  
MICHAEL A. DOCTROW  
ELIZABETH A. DOUGHERTY  
HARVEY FREEDENBERG  
JAMES L. FRITZ  
FRANCIS B. HAAS, JR.  
W. JEFFREY JAMOUNEAU  
MICHAEL G. JARMAN  
DAVID M. KLEPPINGER  
BERNARD A. LABUSKES, JR.

DELANO M. LANTZ  
RICHARD R. LEFEVER  
DAVID E. LEHMAN  
CLYDE W. MCINTYRE  
FRANKLIN A. MILES, JR.  
ROBERT A. MILLS  
STEPHEN A. MOORE  
HERBERT R. NURICK  
JOHN S. OYLER  
TIMOTHY J. PFISTER  
GARY A. RITTER  
EDWARD W. ROTHMAN  
DANA STEVENS SCADUTO  
ROBERT D. STETS  
RICHARD W. STEVENSON  
DIANE M. TOKARSKY

April 7, 1995

John G. Alford, Secretary  
PA Public Utility Commission  
B-20 North Office Building  
P. O. Box 3265  
Harrisburg, PA 17120

**DOCUMENT  
FOLDER**

VIA HAND DELIVERY

In Re: Pennsylvania Public Utility Commission, et al.  
v. Pennsylvania Power & Light Company,  
Docket No. R-00943271

Dear Secretary Alford:

Enclosed please find an original and two (2) copies of the Direct Testimony and Exhibits of Richard A. Baudino on behalf of the PP&L Industrial Customer Alliance in the above-captioned proceeding.

As evidenced by the attached Certificate of Service, all parties of record have been duly served.

Please date stamp a copy of this transmittal letter and kindly return for our filing purposes.

Very truly yours,

MCNEES WALLACE & NURICK

By *David M. Kleppinger*

David M. Kleppinger

DMK/dt  
Enclosures  
cc: Certificate of Service

RECEIVED  
95 APR -7 11:10:38  
P.A. P.U.C. DIV.  
INFO. CONTROL

*SR*

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION  
PENNSYLVANIA POWER & LIGHT COMPANY

DOCKET NO. R-00943271

**DOCKETED**  
APR 11 1995

**DOCUMENT  
FOLDER**

**DIRECT TESTIMONY  
AND EXHIBITS  
OF  
RICHARD A. BAUDINO**

**ON BEHALF OF THE  
PP&L INDUSTRIAL CUSTOMER ALLIANCE**

**Air Products and Chemicals, Inc.  
Alumax Mill Products, Inc.  
Appleton Papers Inc.  
Armstrong World Industries, Inc.  
BOC Gases  
CertainTeed Corporation  
Chamberlain Manufacturing Corporation  
Cressona Aluminum Company  
ESSROC Materials, Inc.  
Grinnell Corporation  
Hercules Cement Company**

**Hershey Foods Corporation  
International Paper Company  
Lafarge Whitehall Cement  
Liquid Carbonic Industries  
Magee Carpet Inc.  
M&M/Mars, Inc.  
Praxair, Inc.  
R. R. Donnelley & Sons  
The Stroh Brewery Company  
Thomson Consumer Electronics, Inc.  
Victaulic Company of America**

**J. KENNEDY AND ASSOCIATES, INC.  
ATLANTA, GEORGIA**

**APRIL 1994**

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION  
PENNSYLVANIA POWER & LIGHT COMPANY

DOCKET NO. R-00943271

RECEIVED  
95 APR -7 AM 10:38  
PA. P. U. C. DIV.  
INFO. CONTROL

TABLE OF CONTENTS

I.	QUALIFICATIONS AND SUMMARY .....	1
II.	REVIEW OF ECONOMIC AND FINANCIAL CONDITIONS .....	4
III.	DETERMINATION OF FAIR RATE OF RETURN .....	14
	PP&L Analysis .....	23
	Comparison Group .....	30
	Mr. Moul's Barometer Group .....	33
	Conclusions and Recommendations .....	35
	Weighted Cost of Capital .....	36
IV.	RESPONSE TO PP&L WITNESS MOUL .....	39
	PP&L's DCF Method .....	40
	PP&L's Comparable Earnings Method .....	42
	PP&L's Risk Premium Method .....	45
	PP&L Capital Asset Pricing Model .....	47
	PP&L Voluntarily Increased Its Business Risk .....	55

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION  
PENNSYLVANIA POWER & LIGHT COMPANY  
DOCKET NO. R-00943271

DIRECT TESTIMONY OF RICHARD A. BAUDINO

I. QUALIFICATIONS AND SUMMARY

1    **Q.    Please state your name and business address.**

2

3    A.    Richard A. Baudino, J. Kennedy and Associates, Inc. ("Kennedy and Associates"),  
4           Suite 475, 35 Glenlake Parkway, Atlanta, Georgia 30328.

5

6    **Q.    What is your occupation and by whom are you employed?**

7

8    A.    I am a utility rate and economic consultant holding the position of Director of  
9           Consulting with the firm of Kennedy and Associates.

10

11   **Q.    Please describe your education and professional background.**

12

13   A.    I received my Master of Arts degree with a major in Economics and a minor in  
14           Statistics from New Mexico State University in 1982. I also received my Bachelor  
15           of Arts degree with majors in Economics and English from New Mexico State in  
16           1979.

**J. Kennedy and Associates, Inc.**

1 I began my professional career with the New Mexico Public Service Commission  
2 Staff in October of 1982 and was employed there as a Utility Economist. During my  
3 employment with the Staff, my responsibilities included the analysis of a broad range  
4 of issues in the ratemaking field. Areas in which I testified included cost of service,  
5 rate of return, rate design, revenue requirements, analysis of sale/leasebacks of  
6 generating plants, utility finance issues, and generating plant phase-ins.

7  
8 In October 1989 I joined the utility consulting firm of Kennedy and Associates as a  
9 Senior Consultant where my duties and responsibilities cover substantially the same  
10 areas as those during my tenure with the New Mexico Public Service Commission  
11 Staff. I became Manager in July 1992 and was named to my current position in  
12 January 1995.

13  
14 Exhibit \_\_\_\_ (RAB-1) summarizes my expert testimony experience.

15  
16 **Q. On whose behalf are you testifying in this proceeding?**

17  
18 **A.** I am testifying on behalf of the Pennsylvania Power and Light Industrial Customer  
19 Alliance.

20  
21 **Q. What is your responsibility in this proceeding?**

1 A. My responsibility is to make an independent evaluation of the cost of equity for  
2 Pennsylvania Power and Light Company ("PP&L" or "Company").  
3

4 Q. Please summarize your conclusions and recommendations.  
5

6 A. My conclusions and recommendations are as follows:  
7

- 8 1. I recommend the Pennsylvania Public Utility Commission  
9 ("PPUC" or "Commission") approve a cost of equity for PP&L  
10 of 10.85%. This return on equity is commensurate with returns  
11 for electric utilities with below average risk.  
12
- 13 3. I recommend the Commission approve an overall weighted cost of  
14 capital for PP&L of 9.22%.  
15
- 16 4. Company witness Moul's cost of equity recommendation of  
17 13.00% is unreasonable and should be rejected.  
18  
19

20 Q. How is the remainder of your testimony organized?  
21

22 A. The remainder of my testimony is organized into the following sections:  
23

24 SECTION II. REVIEW OF ECONOMIC AND FINANCIAL CONDITIONS

25 SECTION III. DETERMINATION OF FAIR RATE OF RETURN

26 SECTION IV. REBUTTAL OF PP&L WITNESS MOUL  
27  
28

1                   **II. REVIEW OF ECONOMIC AND FINANCIAL CONDITIONS**

2  
3   **Q.     Please describe the general economic trends that have affected utilities in the last**  
4   **few years.**

5  
6   **A.     The early 1980s saw a reversal of some of the economic trends prevalent in the**  
7   **1970s. Interest rates and inflation fell precipitously, and the U.S. economy**  
8   **experienced its longest peacetime expansion in history. After a sharp recession in**  
9   **1981 - 1982, Gross Domestic Product ("GDP") rose steadily from 1982 to 1990. The**  
10   **stock and bond markets shared in this growth. During the 1980s, the Standard and**  
11   **Poor's ("S&P") 500 Index realized a compounded yearly return of 17.50%, while the**  
12   **stocks of smaller companies returned 15.80% per year.<sup>1</sup> Long-term corporate and**  
13   **government bonds also rose handsomely, providing yearly compounded returns to**  
14   **investors of 13.00% and 12.60%, respectively.<sup>2</sup> Except for small company stocks,**  
15   **these returns were significantly above the long-term historical returns for stocks and**  
16   **bonds. During this period, inflation was moderate, falling to 1.1% in 1986 and rising**  
17   **to 4.69% in 1989.**

18  

---

<sup>1</sup> Ibbotson Associates, Stocks, Bonds, Bills and Inflation 1994 Yearbook, Exhibit 2, page 16.

<sup>2</sup> Ibid.

1 The year 1990 saw the end of this economic expansion. A recession began to settle  
2 in during the summer and was exacerbated by Iraq's invasion of Kuwait in August.  
3 The uncertainty and fears about the future sent the stock market tumbling. Bond  
4 investors, fearful about increasing inflation and restrictive Federal Reserve monetary  
5 policy, bid up long-term interest rates. The yield on the bellwether 30-year Treasury  
6 bond rose to more than 9.00%, and inflation rose to 6.1%.

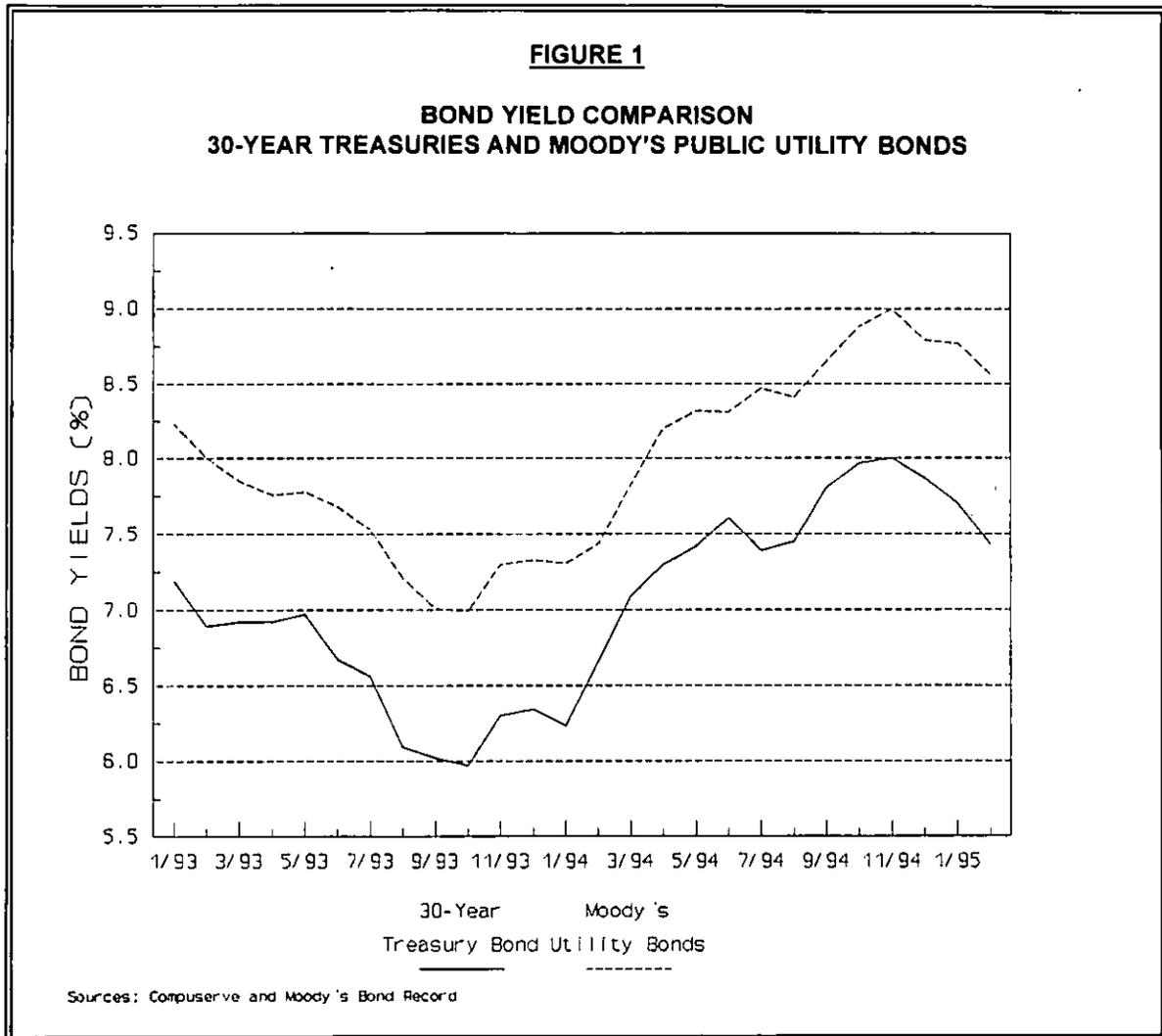
7  
8 In an attempt to temper the effects of the recession, the Federal Reserve Board  
9 ("Fed") began to lower interest rates. The two key interest rates over which the Fed  
10 exerted direct influence were the federal funds rate and the discount rate, both of  
11 which are considered short-term rates. The federal funds rate is the rate that banks  
12 charge each other for overnight use of reserves. The discount rate is the interest rate  
13 charged to depository institutions by Federal Reserve Banks. The Federal Reserve  
14 was successful in influencing short-term interest rates near the end of 1990 and  
15 throughout 1991. During this period the discount rate fell from 7.00% in December  
16 1990 to 3.50% in December 1991. The federal funds rate also fell during this same  
17 period from 7.30% to 4.40%. Long-term interest rates, as measured by the 30-year  
18 Treasury bond, responded more sluggishly to the Fed's easing of interest rates. The  
19 yield on the 30-year bond fell from 8.40% in December 1990 to 7.40% at the end of  
20 December 1991.

21

1 The recession that began in the summer of 1990 ended in March 1991, when the  
2 GDP began to rise. However, the pace of the recovery was unusually slow compared  
3 to past recoveries. For 1991, GDP growth was essentially flat, with growth in 1992  
4 averaging about 2.00%. For 1993, the economy continued to expand, with GDP  
5 growing at a rate of 5.6%. Inflation during the 1990s has been low, ranging from  
6 6.1% in 1990 to 2.67% in 1994.

7  
8 **Q. What has the trend in capital costs been over the last two years?**

9  
10 **A.** In 1993, the bond market began to register positive expectations about reductions in  
11 the federal budget deficit by staging a strong rally. The 30-year Treasury bond fell  
12 sharply from 7.50% in January to 5.97% at the end of October. The yields in  
13 October were the lowest since the Fed began issuing the 30-year Bond in the 1970s.  
14 Utility bonds also followed this pattern of declining yields. Figure 1 depicts the trend  
15 in yields from January 1993 through February 1995 for Treasury bonds and Moody's  
16 average public utility bonds.



1  
2  
3  
4  
5  
6  
7

As Figure 1 shows, bond yields began to rise in October 1993. Bond investors, fearing inflation associated with increased economic growth, began to bid down the prices of bonds. Then, in February 1994, the Fed announced that it intended to raise short-term interest rates as a "preemptive strike" at any potential future inflation associated with the accelerating growth in the economy during the fourth quarter of 1993. This move, along with continued fears of inflation, caused bond yields to rise

1 further in February and March. In March 1994, the Fed announced that it would  
2 move again to tighten short-term interest rates. In all, the Fed has raised short-term  
3 interest rates seven times since February 1994 in an attempt to stem future inflation  
4 from a fast-growing economy.

5  
6 During 1994, the stock and bond markets were extremely sensitive to potential  
7 inflation and uncertainties surrounding Fed policy on interest rates. These concerns  
8 contributed to significant volatility in the stock and bond markets throughout the year.  
9 So far in 1995, the yield on the 30-year Treasury bond has declined, ending the  
10 month of February at 7.43%. This represents a decline of 73 basis points, or .73%  
11 from the 8.16% yield reached in November 1994.

12  
13 **Q. What effect have these changes in interest rates had on utility stocks in general**  
14 **over the last two years?**

15  
16 **A.** Utility stocks are generally sensitive to interest rates. As such, they react to changes  
17 in interest rates in a similar fashion to bonds. Other things being equal, when interest  
18 rates fall, utility stock prices tend to rise, causing a decline in their dividend yields.  
19 This process works in reverse when interest rates rise.

20  
21 In 1993, utility stocks benefitted from falling interest rates throughout most of the  
22 year. However, rates began to rise significantly in November. After reaching a

1           yearly high of 257.58 in September, the Dow Jones Utility Average ("DJUA") fell  
2           to 229.30 at the end of the year, reflecting increases in interest rates. In 1994, as  
3           interest rates continued to rise, the DJUA continued to fall. In May, it fell sharply  
4           to 175.92 as investors worried about higher interest rates and inflation and about  
5           increased competition in the electric industry. Investors were also concerned by  
6           Florida Power Group's dividend cut during the month. By the end of 1994, the  
7           DJUA had managed to recover somewhat and stood at 181.52. Utility stocks have  
8           generally benefitted from the decline in long-term interest rates so far in 1995. At  
9           the end of February, the DJUA stood at 193.91, an increase of 6.8% from the end of  
10          December 1994.

11  
12   **Q.    Have you reviewed both the past and current financial circumstances of PP&L?**

13  
14   A.    Yes.

15  
16   **Q.    Please provide an overview of these circumstances.**

17  
18   A.    PP&L is engaged in the sale of electricity to approximately 1.2 million customers in  
19          central and eastern Pennsylvania. The Company does not have any significant  
20          diversified activities of which to speak. In 1993, system sales were derived from the  
21          following sources: residential (36%), commercial (30%), industrial (29%), and other  
22          (5%). In addition to system sales, PP&L also engages in sales to other utilities and

1 PJM interchange power sales. The primary sources of electric generation for the  
2 Company are coal (63.6%) and nuclear (31.0%).

3  
4 According to the Company's 1993 Annual Report, PP&L's capital expenditures for  
5 the period 1991 - 1993 totalled approximately \$1.4 billion. Most of these  
6 expenditures were related to generation, transmission and distribution facilities.  
7 PP&L is not engaged in the construction of any major power plants at this time.  
8 However, the Company is projecting significant capital expenditures through the end  
9 of the decade to meet additional requirements for transmission and distribution  
10 facilities and to comply with the Federal Clear Air Act Amendment ("CAAA"). All  
11 told, PP&L expects to invest approximately \$2.1 billion through 1999, \$1.1 billion  
12 of which is related to CAAA expenditures. If the Company's forecasts are correct,  
13 its plant in service would increase by about 22% over the plant in service and  
14 construction work in progress totals reported in the Company's September 30, 1994  
15 10-Q Report. The Company also noted in its 1993 Annual Report that 86% of its  
16 construction expenditures from 1994 through 1996 is expected to be provided through  
17 internal cash generation.

18  
19 Despite \$1.4 billion in construction expenditures from 1991 to 1993, PP&L generated  
20 handsome returns for its stockholders. The Company's 1993 return on average equity  
21 was 13.1%. For the five year period from 1989 through 1993, the Company's return  
22 on equity averaged 13.6%. Quality of earnings was high during this period as well,

1 with Allowance for Funds Used During Construction averaging about 3.5% according  
2 to the Value Line Investment Survey.

3  
4 **Q. Based on your review of PP&L, how does the investment community view the**  
5 **Company?**

6  
7 **A.** In terms of its bond ratings, PP&L is rated A2 by Moody's and A- by Standard and  
8 Poor's ("S&P"). In its September 1994 report on PP&L, Moody's stated that the  
9 near term rating outlook for the Company is stable. In addition, Moody's noted the  
10 following:

11  
12 **"Pennsylvania Power & Light Company's (PP&L) A2 senior debt**  
13 **rating reflects the company's excellent nuclear performance, good**  
14 **capacity position, effective cost management, and strengthened**  
15 **credit quality. Strong cash flow and improved debt-protection**  
16 **measurements stem from a manageable construction program and**  
17 **aggressive cost-cutting initiatives, including refinancing of higher**  
18 **cost debt, and preferred and preference stock. Despite the**  
19 **absence of base rate increases since 1985, management has been**  
20 **able to enhance PP&L's earnings and returns through successful**  
21 **marketing of its available capacity and energy off-system."**

1 Standard and Poor's downrated PP&L's senior debt from A to A- in 1994. Its last  
2 report on the Company noted that the downgrade reflected insufficient financial  
3 improvement for the Company. S&P also stated that a high dividend payout and  
4 external financing requirements will constrain future cash flow and capital structure  
5 strengthening.

6  
7 In its March 17, 1995 report on PP&L, the Value Line Investment Survey assigned  
8 the Company's common stock a Safety Rank of 2. The Safety Rank is a measure of  
9 the total risk of a stock. A Safety Rank of 2 indicates that a stock is considered to  
10 be safer and less risky than most common stocks. However, the report also noted the  
11 possibility of a dividend cut and shows two dividend yields for the Company: one  
12 based on its current dividend payout (8.4%) and another based on a projected  
13 dividend cut (7.0%).

14  
15 **Q. Has any particular aspect of PP&L's business risk been affected by its rate**  
16 **filing?**

17  
18 **A.** Yes. In this case, PP&L is proposing to increase rates to its Interruptible customers  
19 by 27% - 34%, increases more than double the proposed system average increase of  
20 11.70%. In my opinion, if this increase to Interruptible customers is implemented,  
21 it may increase PP&L's business risk somewhat. On page 14 of his direct testimony,  
22 Company witness Moul noted that PP&L's sales profile "is strongly influenced by

1 industrial sales and sales to other utilities through interchange and by contract." Mr.  
2 Moul also noted that PP&L's industrial sales are susceptible to self-generation and/or  
3 bypass. Given Mr. Moul's testimony regarding the influence of industrial sales on  
4 the Company's sales profile, the excessive increase proposed by the Company for  
5 Interruptible customers could increase the risk of self-generation and bypass. As a  
6 result, I believe the Company has voluntarily increased its overall business risk as a  
7 result of its proposed rate increase to Interruptible customers in this case.

8

1                   **III. DETERMINATION OF FAIR RATE OF RETURN**

2  
3   **Q.    Please describe the methods you employed in estimating a fair rate of return for**  
4   **PP&L.**

5  
6   **A.    I employed a Discounted Cash Flow ("DCF") analysis for PP&L and two comparison**  
7   **groups of companies that are similar to PP&L.**

8  
9   **Q.    What are the main guidelines to which you adhere in estimating the cost of**  
10 **equity for a firm?**

11  
12 **A.    Generally speaking, the estimated cost of equity should be comparable to the returns**  
13 **of other firms with similar risk structures and should be sufficient for the firm to**  
14 **attract capital. These are the basic standards set out in Federal Power Comm'n v.**  
15 **Hope Natural Gas Co., 320 U.S. 591 (1944) and Bluefield W.W. & Improv. Co. v.**  
16 **Public Service Comm'n., 262 U.S. 679 (1922).**

17  
18       From an economist's perspective, the notion of "opportunity cost" plays a vital role  
19       in estimating the cost of equity. One measures the opportunity cost of something  
20       based on what one gives up in the next best alternative activity. For example, let us  
21       suppose that an investor decides to purchase the stock of PP&L. That investor made  
22       the decision based on the expectation of dividend payments and perhaps some

1 appreciation in the stock's value over time. However, that investor's opportunity cost  
2 is measured by what she or he could have invested in as the next best alternative.  
3 That alternative could have been another utility stock, a utility bond, a mutual fund,  
4 a money market fund, or any other number of possible investment vehicles.

5  
6 The key determinant in deciding whether to invest, however, is based on comparative  
7 levels of risk. Our hypothetical investor would not invest in PP&L's stock if it  
8 offered a return lower than other investments of similar risk. The opportunity cost  
9 simply would not justify such an investment. Thus, the task for the rate of return  
10 analyst is to estimate a return that is equal to the return being offered by other risk-  
11 comparable firms. Failing this, the subject firm will be impaired in its ability to  
12 attract capital.

13  
14 **Q. What are the major types of risk faced by utility companies?**

15  
16 **A.** In general, risk associated with the holding of common stock can be separated into  
17 three major categories: business risk, financial risk, and liquidity risk. Business risk  
18 refers to risks inherent in the operation of the business. Volatility of the firm's sales,  
19 long-term demand for its product(s), the amount of operating leverage, and quality  
20 of management are all factors that affect business risk. The quality of regulation at  
21 the state and federal levels also plays an important role in business risk for regulated  
22 utility companies.

1 Financial risk refers to the impact on a firm's future cash flows from the use of debt  
2 in the capital structure. Interest payments to bondholders represent a prior call on the  
3 firm's cash flows and must be met before income is available to the common  
4 shareholders. Additional debt means additional variability in the firm's earnings,  
5 leading to additional risk.

6  
7 Liquidity risk refers to the ability of an investor to quickly sell an investment without  
8 a substantial price concession. The easier it is for an investor to sell an investment  
9 for cash, the lower the liquidity risk will be. Stock markets, such as the New York  
10 and American Stock Exchanges, help ease liquidity risk substantially. Investors who  
11 own stocks that are traded in these markets know on a daily basis what the market  
12 price of their investments are and that they can sell these investments fairly quickly.  
13 Most electric utility stocks are traded on the New York Stock Exchange and are  
14 considered liquid investments.

15  
16 **Q. Are there any indices available to investor's that quantify the total risk of a**  
17 **company?**

18  
19 **A.** Yes. Published measures exist that categorize companies based on various measures  
20 of risk. One of the best known and most widely available sources is from Value  
21 Line. Each company on which Value Line reports is assigned a Safety Rank. The  
22 Safety Rank consists of a number from 1 to 5, with 1 being the highest and 5 being

1 the lowest. The Safety Rank measures the total risk of a stock and encompasses just  
2 about all factors that affect financial and business risk. These factors include:

- 3
- 4 • Stock price volatility
  - 5 • Fixed charge coverage ratio
  - 6 • Quality of earnings
  - 7 • Capitalization ratio
  - 8 • Earnings on common stock
  - 9 • Payout ratio
  - 10 • Nuclear exposure
  - 11 • Regulatory risk

12

13 By selecting companies with the same Safety Rank, investors can be relatively  
14 confident that the market views them as similarly risky investments.

15

16 Bond ratings are another good tool that investors may utilize to determine the risk  
17 comparability of firms. Moody's and Standard and Poor's perform detailed analyses  
18 of all the factors that contribute to the business and financial risk of a particular  
19 investment. The end result of their analyses is a bond rating that reflects these risks.

1 Q. Please describe the basic DCF approach.

2

3 A. The basic DCF approach is rooted in valuation theory. It is based on the premise that  
4 the value of a financial asset is determined by its ability to generate future net cash  
5 flows. In the case of a common stock, those future cash flows take the form of  
6 dividends and appreciation in price. The value of the stock to investors is the  
7 discounted present value of future cash flows. The general equation then is:

$$V = \frac{R}{(1 + r)^1} + \frac{R}{(1 + r)^2} + \frac{R}{(1 + r)^3} + \dots + \frac{R}{(1 + r)^n}$$

Where: *V* = value of the asset  
*R* = yearly cash flow  
*r* = discount rate

8 This is no different from determining the value of any asset from an economic point  
9 of view. However, the DCF model that I employ does make certain simplifying  
10 assumptions. One is that the stream of income from the equity share is assumed to  
11 be perpetual; that is, there is no salvage or residual value at the end of some maturity  
12 date (as is the case with a bond). Another important assumption is that financial  
13 markets are efficient; that is, they correctly evaluate the cash flows relative to the  
14 appropriate discount rate, thus rendering the stock price efficient relative to other  
15 alternatives. Finally, the model I employ also assumes a constant growth rate in  
16 dividends. The fundamental relationship employed in the DCF method is described  
17 by the formula:

$$k = \frac{D_1}{P_0} + g$$

Where:  $D_1$  = the next period dividend  
 $P_0$  = the current price of a share of common stock  
 $g$  = the expected growth rate in dividends  
 $k$  = the investor-required return

1  
2 It is apparent that the "k" so determined must relate to the investors' expected return.  
3 Use of the discounted cash flow method to determine an investor-required return is  
4 complicated by the need to express investors' expectations relative to dividends,  
5 earnings, and book value over an infinite time horizon. Financial theory suggests that  
6 stockholders purchase common stock on the assumption that there will be some  
7 change in the rate of dividend payments over time. We assume that the rate of  
8 growth in dividends is constant over the assumed time horizon, but the model could  
9 easily handle varying growth rates if we knew what they were. Finally, it is apparent  
10 that the relevant time frame is prospective rather than retrospective.

11  
12 **Q. At the beginning of this section, you stated that you employed both PP&L and**  
13 **two comparison groups of electric companies to estimate a DCF return on equity**  
14 **for PP&L. Why did you employ three DCF analyses?**

15  
16 **A. Performing a DCF analysis on PP&L is the best way to directly estimate the cost of**  
17 **equity for the Company. PP&L's stock is actively traded on the New York Stock**

1 Exchange, so its price data can be directly obtained. Investor services such as Value  
2 Line and IBES also publish forecasts which enable the analyst to directly estimate  
3 investor-expected growth for PP&L.

4  
5 I also used comparison groups of utilities because using groups of companies with  
6 risk structures similar to PP&L adds an additional level of confidence and robustness  
7 to the DCF analysis. It also provides a measure of the opportunity cost of investing  
8 in PP&L. In addition, evaluation of comparison companies will serve as a check on  
9 the reasonableness of the DCF estimate for PP&L.

10  
11 In this particular case, inclusion of comparison groups is important for another  
12 reason. As I mentioned in Section II of my testimony, Value Line is currently  
13 showing a split dividend yield for PP&L, indicating the possibility of a dividend  
14 reduction. It has been my past practice to eliminate companies from my comparison  
15 group when Value Line projects a possible dividend reduction. This has been more  
16 of a concern recently because several utilities reduced dividends in 1994 due to high  
17 dividend payouts. Therefore, including DCF analyses for two groups is a necessary  
18 check on the reasonableness of the DCF stand-alone results for PP&L.

19  
20 **Q. If it has been your past practice to eliminate companies from your analyses**  
21 **when Value Line forecasts a possible dividend cut, why did you proceed with a**  
22 **DCF analysis for PP&L?**

1 A. Based on my review of other securities analysts' reports on PP&L and Value Line  
2 reports for the companies in the two groups, I believe it is reasonable to proceed with  
3 a DCF analysis for PP&L at this time. My reading of the reports from other  
4 securities analysts does not seem to indicate that a dividend cut is imminent.  
5 Furthermore, there are several companies in the groups that have dividend yields as  
6 high or higher than PP&L, and Value Line is not forecasting dividend reductions for  
7 them. Therefore, a DCF analysis for PP&L, supplemented by DCF analyses for the  
8 two groups, is a sound way to proceed in this case.

9

10 **Q. Why are you using two groups of comparison companies?**

11

12 A. It has been my practice to develop a comparison group of companies based on certain  
13 criteria which I shall present later in my testimony. In this case, I will also employ  
14 the "barometer group" of companies used by Company witness Paul R. Moul. Using  
15 Mr. Moul's group of companies has the added advantage of enabling the Commission  
16 to directly compare our results and to evaluate the reasonableness of the differences  
17 in our DCF estimation techniques.

18

19 **Q. Is Mr. Moul's barometer group of companies a reasonable one to use for PP&L?**

1 A. In general, Mr. Moul's barometer group is a reasonable one to use for PP&L,  
2 although I use criteria for selecting companies that are somewhat different. For  
3 example, one of Mr. Moul's criteria was that the companies operate in Pennsylvania  
4 or one of its six contiguous states. Another is that yearly operating revenues for the  
5 companies in the group must exceed \$750 million. Although I have not seen fit to  
6 use these criteria for group selection in other cases, I see no harm in doing so in this  
7 case.

8  
9 **Q. Please explain how you chose your comparison groups of companies.**

10  
11 A. The two initial screens I selected were based on Value Line Safety Rank and bond  
12 ratings. Since PP&L has a Value Line Safety Rank of 2, I began by selecting all  
13 electric utilities followed by Value Line that had a Safety Rank of 2. I also  
14 eliminated any companies that derived less than 80% of total revenues from electric  
15 operations. From that group I then selected companies whose bonds were rated A  
16 by Moody's. From this group, I excluded companies that had recently reduced  
17 dividends, have significant diversified operations, or are involved in significant  
18 merger activity. Applying these screens resulted in the following group of  
19 comparison companies:

- 1           1.     Atlantic Energy, Inc.
- 2           2.     Carolina Power & Light Co.
- 3           3.     Delmarva Power & Light Co.
- 4           4.     Dominion Resources, Inc.
- 5           5.     Kansas City Power & Light Co.
- 6           6.     New England Electric System
- 7           7.     Oklahoma Gas & Electric Co.
- 8           8.     St. Joseph Light & Power Co.

9

10    **PP&L Analysis**

11

12    **Q.     What was your first step in determining the DCF return on equity for PP&L?**

13

14    A.     I first determined the appropriate expected dividend yield,  $D_1/P_0$ , from the basic  
15           equation. My general practice has been to use six months as being the most  
16           reasonable period over which to estimate the dividend yield. The six month period  
17           I used covered the period from September 1994 through February 1995. I then  
18           obtained the indicated annualized dividend as reported in the Standard and Poor's  
19           Stock Guide over the same six month period. The annualized dividend divided by  
20           the average monthly price represents the average dividend yield for each month in  
21           the period.

22

23           Using this approach results in an average dividend yield of 8.39% for PP&L. This  
24           calculation is shown in Exhibit \_\_\_ (RAB-2), page 1.

25

1 **Q. Having established the average dividend yield, how did you determine the**  
2 **expected growth rate for PP&L?**

3  
4 A. "Expected" refers to the investor's expected growth rate. The task, in theory, is to  
5 use a growth rate that will correctly forecast the constant rate of growth in dividends.  
6 We refer to a perpetual growth rate since the DCF model has no cut-off point. The  
7 obvious fact is that there is no way to know with absolute certainty what investors  
8 expect the growth rate to be in the short term, much less in perpetuity. The dividend  
9 growth rate is a function of earnings growth and the payout ratio, neither of which  
10 is known precisely for the future.

11  
12 In this analysis, I relied on two major sources of analysts' forecasts for growth.  
13 These sources are Value Line and the Institutional Brokers' Estimate Service  
14 ("IBES"). In addition, I also reviewed historical growth rates.

15  
16 **Q. Please briefly describe Value Line and the IBES.**

17  
18 A. Value Line is an investment survey that is published for approximately 1,700  
19 companies, both regulated and nonregulated. It is updated quarterly and probably  
20 represents the most comprehensive and widely used of all investment information  
21 services. It provides both historical and forecasted information on a number of

1 important data elements. Value Line neither participates in financial markets as a  
2 broker nor works for the utility industry in any capacity of which I am aware.

3  
4 IBES seeks opinions from a variety of analysts on the earnings growth forecasts for  
5 numerous firms including regulated electrics. The estimates of the analysts  
6 responding are combined to produce consensus average estimates.

7  
8 **Q. Why did you rely on analysts' forecasts in your analysis?**

9  
10 A. Recent finance literature has shown that analysts' forecasts provide better predictions  
11 of future growth than do estimates based on historical growth alone.<sup>3</sup>

12  
13 **Q. You also mentioned that you also reviewed historical growth rates. Is it your  
14 general practice to use historical growth rates in your DCF analyses?**

15  
16 A. No. I have not used historical growth rates in my DCF analyses in the past.  
17 However, some of the analysts' forecasts of near-term growth for PP&L and the two  
18 groups are quite low and do not result in reasonable growth estimates for the longer

---

<sup>3</sup> See Rozeff (Journal of Forecasting, Volume 2, Issue No. 4, 1983), Brown and Rozeff (Journal of Finance, March 1978), Moyer, Chatfield and Kelley (International Journal of Forecasting, 1985), and a study by Vander Weide and Carleton that was incorporated as part of the Edison Electric Institute's comments in the Federal Energy Regulatory Commission's generic cost of capital proceedings.

1 term. Therefore, for purposes of this case I supplemented my analysis with historical  
2 growth rates to assist in the development of long-term expected growth for PP&L.

3  
4 **Q. How did you utilize your data sources to estimate growth rates for PP&L and**  
5 **the comparison groups?**

6  
7 A. Pages 2 and 3 of Exhibit \_\_\_ (RAB-2) present the details of the calculations for the  
8 Value Line and IBES forecasted growth estimates. The Value Line growth estimates  
9 are based on forecasts for the next five to six years. The IBES earnings growth  
10 estimates are forecasts for the next five years. These earnings and dividend growth  
11 estimates are presented in Columns (1) through (3) on page 2 of Exhibit \_\_\_\_(RAB-2).

12  
13 I also utilized the sustainable growth formula in estimating the expected growth rate.  
14 The sustainable growth method, also known as the retention ratio method, recognizes  
15 that growth in dividends is fueled by the firm's retaining a portion of its earnings.  
16 These retained earnings, which are plowed back into the firm's asset base, are  
17 expected to earn a rate of return. This, in turn, generates growth in the firm's book  
18 value, market value, and dividends.

1 The sustainable growth method is calculated using the following formula:

$$G = B \times R$$

Where: *G = sustainable growth rate*  
*B = the firm's expected retention ratio*  
*R = the expected return*

2

3 In its proper form, this calculation is forward-looking, or expectational. That is, the  
4 investors' expected retention ratio and return must be used in order to measure what  
5 investors anticipate will happen in the future. Data on expected retention ratios and  
6 returns may be obtained from Value Line.

7

8 The expected sustainable growth estimate is presented in Column (4) on page 2 of  
9 Exhibit \_\_\_\_ (RAB-2). The data came from the Value Line forecasts for the 1998 -  
10 2000 time frame.

11

12 **Q. How did you develop the historical growth rates?**

13

14 A. In addition to growth forecasts, Value Line also presents compound historical growth  
15 rates for earnings and dividends for five- and ten-year periods. Value Line historical  
16 earnings and dividend data also allow the calculation of historical retention growth.  
17 These historical growth rates are presented on pages 3 and 4 of Exhibit \_\_\_\_ (RAB-  
18 2).

1 Q. Please summarize the forecasted and historical growth rates you developed in  
2 Exhibit \_\_\_\_ (RAB-2) for PP&L.

3  
4 A. For PP&L, forecasted growth ranged from 1.00% to 2.05%. Historical growth rates  
5 for five and ten years averaged between 3.42% and 2.75%, respectively.

6  
7 Q. What is your recommended growth rate for PP&L?

8  
9 A. My recommended growth rate range for PP&L is 2.05% to 3.05%. The low end of  
10 the range is based on Value Line's forecasted retention growth. The upper end of  
11 the range is close to the average of five- and ten-year historical growth rates. I have  
12 excluded most of the forecasted growth rates from consideration because I believe  
13 they reflect lower near term growth prospects for PP&L. These lower prospects are  
14 to some extent reflected in the Company's dividend yield, which is from 73 to 104  
15 basis points higher than the two groups. Given this fact, it is reasonable that  
16 investors would expect lower growth from PP&L. However, growth rates in the  
17 range of only 1.00% do not reflect the longer term prospects of the Company.  
18 Investors may also consider historical growth rates in forming their expectations for  
19 PP&L, and these growth rates are substantially higher than most of the forecasts.  
20 Furthermore, forecasted growth rates in the 1.00% to 1.50% range do not result in  
21 reasonable return estimates. Adding 1.00% growth to PP&L's dividend yield results  
22 in a DCF result of only 9.39%. Given that A rated utility bonds are yielding 8.54%

1 currently, the resulting risk premium is only 85 basis points. Based on my  
2 experience, this is not a reasonable premium over bonds.

3  
4 All things considered, a range of 2.05% - 3.05% represents a reasonable balance  
5 between near-term and long-term growth prospects for PP&L. The range is based  
6 on publicly available information and can reasonably be assumed to influence investor  
7 behavior.

8  
9 **Q. How did you proceed to determine the DCF cost of equity for PP&L?**

10  
11 **A.** To estimate the expected dividend yield ( $D_1$ ) for PP&L, the current dividend yield  
12 has to be moved forward in time to account for dividend increases over the next  
13 twelve months. I estimated the expected dividend yield by multiplying the current  
14 dividend yield by one plus one-half the expected growth rate. It is my understanding  
15 that the Commission has used this approach in past cases, and I believe it is a  
16 reasonable representation of the expected dividend yield for PP&L.

17  
18 I then added the expected growth rate ranges to the expected dividend yield for  
19 PP&L. The calculation of the resulting DCF returns on equity is presented below in  
20 Table 1. These returns range from 10.53% to 11.57%. The midpoint of the range  
21 is 11.05%.

**TABLE 1**  
**PP&L DCF ANALYSIS**

	<u>Lower End of Range</u>	<u>Upper End of Range</u>
Dividend Yield	8.39%	8.39%
Dividend Yield Adjust.	1.0103	1.0153
Expected Dividend Yield	8.48%	8.52%
Expected Growth Rate	2.05%	3.05%
DCF Returns	10.53%	11.57%

**Comparison Group**

**Q. How did you calculate the dividend yield for your comparison group of companies?**

**A. The DCF approach for the comparison group was similar to my analysis for PP&L. First, I estimated the current dividend yield using a six-month average stock price for each company in the group. This resulted in an average yield for the comparison group of 7.35%. The calculations are detailed on page 1 of Exhibit \_\_\_ (RAB-3).**

**Q. Please present the forecasted and historical growth rates you considered.**

1 A. The forecasted and historical growth rates I considered are presented on pages 2  
2 through 6 of Exhibit \_\_\_ (RAB-3). The forecasted growth rates were calculated in  
3 a similar manner to PP&L's growth forecasts. The comparison group's forecasted  
4 growth rates are presented on page 2 of Exhibit \_\_\_ (RAB-3). They range from  
5 1.45% (Value Line dividend growth) to 2.80% (Value Line earnings growth).

6

7 Five- and ten-year historical growth rates are presented on page 4 of Exhibit \_\_\_\_  
8 (RAB-3). I omitted five-year earnings growth from consideration because several  
9 companies had zero or negative earnings growth, making the resulting group average  
10 growth rate unreasonably low. The historical averages range from 3.02% to 3.38%.

11

12 **Q. What is your recommended growth rate for the comparison group of**  
13 **companies?**

14

15 A. My recommended growth rate range is 2.60% to 3.40%. The bottom of my range  
16 is based on the average of forecasted growth rates, less the Value Line dividend  
17 growth rate. I believe this represents a reasonable lower end for investor  
18 expectations, although dividend growth suggests that it could be even lower. The  
19 upper end of the range is supported by the ten-year historical growth rates. I believe  
20 this range is well supported by the data and can reasonably be expected to influence  
21 investor expectations.

22

1 Q. How did you proceed to estimate the DCF return for the comparison group?

2

3 A. As in the PP&L analysis, I adjusted the current dividend yield for the group by one  
4 plus one-half the expected growth rate to obtain the expected dividend yield. Adding  
5 the expected growth to the expected dividend yield results in a range of 10.05% -  
6 10.88% for the comparison group. The midpoint is 10.47%. The details of the  
7 calculations are presented in Table 2 below.

8

9

10

11

12

13

14

15

16

17

18

<b>TABLE 2</b>		
<b>COMPARISON GROUP DCF ANALYSIS</b>		
	<u>Lower End of Range</u>	<u>Upper End of Range</u>
Dividend Yield	7.35%	7.35%
Dividend Yield Adjust.	1.0130	1.0170
Expected Dividend Yield	7.45%	7.48%
Expected Growth Rate	2.60%	3.40%
DCF Returns	10.05%	10.88%

1 **Mr. Moul's Barometer Group**

2  
3 **Q. How did you calculate the dividend yield for Mr. Moul's barometer group of**  
4 **companies?**

5  
6 A. Once again, I estimated the current dividend yield using a six-month average stock  
7 price for each company in the group. This resulted in an average yield for the  
8 barometer group of 7.66%. The calculations are detailed on page 1 of Exhibit \_\_  
9 (RAB-4).

10  
11 **Q. Please present the forecasted and historical growth rates you considered.**

12  
13 A. The forecasted and historical growth rates I considered are presented on pages 2  
14 through 6 of Exhibit \_\_ (RAB-4). The forecasted growth rates were calculated in  
15 a similar manner to PP&L's growth forecasts. The comparison group's forecasted  
16 growth rates are presented on page 2 of Exhibit \_\_ (RAB-4). They range from  
17 1.44% (Value Line dividend growth) to 3.15% (Value Line earnings growth).

18  
19 Five- and ten-year historical growth rates are presented on page 4 of Exhibit \_\_  
20 (RAB-4). Once again, I omitted five-year earnings growth from consideration  
21 because all of the barometer companies had negative earnings growth. The historical  
22 averages range from 2.10% to 2.73%.

1 Q. What is your recommended growth rate for the comparison group of  
2 companies?

3

4 A. My recommended growth rate range is 2.50% to 3.20%. The bottom of my range  
5 is supported by the forecasted IBES earnings and Value Line retention growth rates.  
6 I believe this represents a reasonable lower end for investor expectations, although  
7 there is evidence that it could be even lower. The upper end of the range is  
8 supported by Value Line forecasted earnings growth and ten-year historical dividend  
9 and retention growth.

10

11 Q. How did you proceed to estimate the DCF return for the barometer group?

12

13 A. I adjusted the current dividend yield for the barometer group by one plus one-half the  
14 expected growth rate to obtain the expected dividend yield. Adding the expected  
15 growth to the expected dividend yield results in a range of 10.26% to 10.98%. The  
16 midpoint is 10.62%. The details of the calculations are presented in Table 3 below.

**TABLE 3**

**MR. MOUL'S BAROMETER GROUP  
DCF ANALYSIS**

	<u>Lower End of Range</u>	<u>Upper End of Range</u>
Dividend Yield	7.66%	7.66%
Dividend Yield Adjust.	1.0125	1.0160
Expected Dividend Yield	7.76%	7.78%
Expected Growth Rate	2.50%	3.20%
DCF Returns	10.26%	10.98%

**Conclusions and Recommendations**

**Q. Please summarize the cost of equity estimates you have developed up to this point in your testimony.**

**A. Utilizing the DCF model, I developed a cost of equity range for PP&L of 10.53% to 11.57%. The midpoint is 11.05%. I also applied the DCF model to two comparison groups of companies with risk profiles similar to PP&L's. The range of cost of equity estimates for my comparison group was 10.05% to 10.88%. The midpoint of this range is 10.47%. Finally, I also estimated a range of cost of equity estimates for the barometer group of companies used by Mr. Moul. The estimates ranged from 10.26% to 10.98%. The midpoint of the range is 10.62%.**

1 **Q. What is your recommendation for a fair rate of return for PP&L?**

2

3 A. My recommendation is that the PPUC grant a rate of return on equity to PP&L of  
4 10.85%. This is the approximate average of the range midpoints of the PP&L and  
5 barometer group analyses. It is also near the upper end of the range for the  
6 comparison group. Overall, this recommendation reflects investor expectations and  
7 strikes an appropriate balance between risk and reward in today's marketplace.

8

9 **Weighted Cost of Capital**

10

11 **Q. Have you calculated the weighted cost of capital that results from your**  
12 **recommended cost of equity?**

13

14 A. Yes. Table 4 presents the weighted cost of equity for PP&L. Utilizing my  
15 recommended cost of equity of 10.85% results in a weighted cost of capital for PP&L  
16 of 9.22%.

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

	<u>Pct.</u>	<u>Cost Rate</u>	<u>Wtd. Cost</u>
Long Term Debt	47.13%	7.97%	3.76%
Preferred Stock	7.91%	7.31%	0.58%
Common Equity	<u>44.96%</u>	<u>10.85%</u>	<u>4.88%</u>
Totals	100.00%		9.22%

**Q. Did you use the Company's proposed capital structure as presented in Mr. Moul's direct testimony?**

A. No. I have used the Company's actual September 30, 1994 capital structure. The percentages shown in Table 2 come from Schedule 4 Mr. Moul's direct testimony.

**Q. Why didn't you use the Company's proposed capital structure for the 1995 future test period?**

A. The Company did not provide any evidence supporting the reasonableness of its projected capital structure. It is important to note that the Company is proposing to use a substantial amount of additional common equity financing during the future test period. This additional equity has the effect of boosting the Company's common

1 equity ratio by almost a full percentage point over the actual September 30, 1994  
2 capital structure. Other things held constant, this increase in the common equity ratio  
3 results in an additional revenue requirement of about \$5 million per year.

4  
5 Although the Company proposes that the ratepayers support a higher common equity  
6 ratio, none of its witnesses has shown that there are any benefits to be gained from  
7 such an increase. Instead, Mr. Moul simply recites the Company's financing plans  
8 on page 28 of his direct testimony. He offers the Commission and the parties no  
9 reasons as to why the proposed level of equity financing is reasonable. Therefore,  
10 I recommend that the Commission impute the Company's actual September 30, 1994  
11 capital ratios in this case.

12  
13 **Q. What cost rates did you employ for long-term debt and preferred stock?**

14  
15 **A.** I used the Company's projected cost of debt and preferred stock for the 1995 test  
16 period. The Company's projected debt costs include the redemption of high coupon  
17 debt and the issuance of lower coupon debt subsequent to September 30, 1994. It  
18 also includes the issuance of pollution control bonds later in the year. Overall, the  
19 Company's projected debt costs reflect actions that lower costs for ratepayers and  
20 should be accepted by the Commission.

1                   SECTION IV. RESPONSE TO PP&L WITNESS MOUL

2  
3   **Q.    Have you reviewed the direct testimony of PP&L witness Paul Moul?**

4  
5   **A.    Yes, I have reviewed Mr. Moul's direct testimony.**

6  
7   **Q.    Please summarize your conclusions with respect to his testimony.**

8  
9   **A.    My conclusions are as follows:**

- 10  
11           **1.    Mr. Moul overstated the growth rate in his DCF analysis. His**  
12           **recommended growth rate of 4.0% is not supported by the data he**  
13           **presented in his testimony. Further, he added a 0.5% adder for**  
14           **"market-wide factors" that has no factual support or analysis.**  
15  
16           **2.    Mr. Moul's comparable earnings approach should be rejected because it**  
17           **is an accounting-based, rather than market-based, approach to estimating**  
18           **the cost of equity.**  
19  
20           **3.    Mr. Moul's use of the risk premium method should be rejected. Its**  
21           **results are based solely on a series of historical earned returns that may**  
22           **have no relevance to current required returns. Further, Mr. Moul**  
23           **arbitrarily adjusted the risk premium results downward.**  
24           **4.    Mr. Moul's version of the Capital Asset Pricing Model ("CAPM") is**  
25           **flawed. Mr. Moul grossly overestimated the expected market return. He**  
26           **also inappropriately used historical earned returns in his analysis.0**  
27  
28           **5.    Mr. Moul noted in his testimony that PP&L's industrial customers are**  
29           **susceptible to self-generation and bypass. However, he did not address**  
30           **the effect of PP&L's proposed increase to interruptible customers on the**  
31           **Company's risk profile.**

1 PP&L's DCF Method

2

3 **Q. Do you agree with Mr. Moul's recommended DCF return on equity?**

4

5 A. No. Mr. Moul inappropriately estimated expected growth and applied the same  
6 growth rate to both PP&L and his barometer group of companies.

7

8 **Q. Briefly describe Mr. Moul's DCF analysis.**

9

10 A. Mr. Moul's DCF analysis utilizes data for both PP&L and a "barometer group" of  
11 companies. Mr. Moul relied on a six-month period to calculate the dividend yield  
12 for PP&L and the group. He then analyzed a number of historic and forecasted  
13 growth rates. After some discussion of the various growth rates, Mr. Moul  
14 recommended a 3.5% growth rate for PP&L and the barometer group. He then added  
15 another 0.5% for what he termed "market-wide factors" to arrive at a recommended  
16 growth rate of 4.0%. Mr. Moul then added this growth rate to the dividend yields  
17 for PP&L and the barometer group to obtain his recommended DCF range of 11.97%  
18 to 12.49%.

19

20 **Q. Please explain why you disagree with Mr. Moul's growth rate analysis.**

21

1 A. Mr. Moul's selection of an expected growth rate is unsupported by analysis or  
2 evidence. On page 42, lines 30 and 31, Mr. Moul explained that he followed an  
3 approach to estimating growth that is not rigidly formatted because investors do not  
4 behave in such a manner. He went on to state that a variety of techniques should be  
5 evaluated when formulating a judgement of investor expected growth. However, Mr.  
6 Moul never explained how he arrived at a 3.5% growth rate for both PP&L and the  
7 comparison group. Therefore, one cannot determine which technique(s) he actually  
8 used in arriving at his recommendation.

9  
10 My analysis of both historical and forecasted growth rates indicates that a 3.5%  
11 growth rate is only supported by five-year historical growth rates. The vast majority  
12 of growth rates, both historical and forecasted, are significantly below 3.5%. The  
13 weight of the evidence indicates that investors are expecting lower future growth rates  
14 for PP&L. This conclusion is also supported by the fact that PP&L has a dividend  
15 yield that is significantly higher than that for both my comparison group and Mr.  
16 Moul's barometer group. A growth rate of 3.5% substantially overstates growth  
17 given the available evidence.

18  
19 In terms of his barometer group, Mr. Moul once again failed to incorporate all the  
20 available evidence in his recommendation, evidence which supports lower growth  
21 expectations as well. A substantial number of historical and forecasted growth rates  
22 fall below 3.0%, indicating that Mr. Moul's single growth rate estimate is overstated.

1 Q. You stated earlier that Mr. Moul added 0.5% to his estimated growth rate for  
2 "market-wide factors." Is this recommendation reasonable?

3  
4 A. No. Mr. Moul offered no analysis or evidence to support this adjustment. It is  
5 difficult to believe that investors would make such a leap in their own growth  
6 expectations for PP&L and the barometer group. I recommend that the Commission  
7 reject Mr. Moul's 0.5% adder out of hand.

8  
9 **PP&L's Comparable Earnings Method**

10  
11 Q. Do you agree with Mr. Moul's Comparable Earnings approach?

12  
13 A. No. This approach greatly overstates the investors' required return for PP&L. I  
14 recommend the Commission reject this approach.

15  
16 Q. Please briefly describe Mr. Moul's Comparable Earnings approach.

17  
18 A. On page 36, lines 1 through 7, Mr. Moul explained that he selected a group of  
19 companies with risk traits similar to regulated utility companies. Mr. Moul also  
20 excluded utility companies from his sample. Once he developed his group, Mr. Moul  
21 developed return percentages based on accounting returns on book value for the  
22 companies in his sample. These accounting returns covered the five-year historical

1 period from 1989 through 1993 and the Value Line forecasted return. The average  
2 of historical and forecasted accounting returns was 13.50%.

3  
4 **Q. What are the problems you see with Mr. Moul's Comparable Earnings**  
5 **approach?**

6  
7 A. The first and most important problem is that the Comparable Earnings method is not  
8 a market-based approach to estimating the cost of equity for PP&L. The Comparable  
9 Earnings approach assumes in part that investors' required returns are based on  
10 historical accounting returns on book equity for firms in unregulated industries. This  
11 assumption is not supported by economic theory or actual experience. When  
12 investors purchase the common stock of a company, their return requirements are  
13 forward-looking based on the price of the stock in the marketplace, the expected  
14 growth in dividends and stock price, and the "opportunity costs" of other investments.  
15 These expectations are not necessarily based on past or expected future accounting  
16 rates of return on book value. Investors obviously do not purchase stock at book  
17 value per share unless the stock price just happens to equal book value at the time  
18 of purchase. Instead, financial theory suggests that investors base their required  
19 returns on the present value of future cash flows from their investment. The value  
20 of these future cash flows is what determines the stock price that investors are willing  
21 to pay in the marketplace. Thus, investor required returns are based on the market  
22 price of their investment, not on accounting returns on book value.

1 Accounting returns are also insensitive to changes in interest rates and other factors  
2 that influence investors' required returns. For example, the current yield on A rated  
3 utility bonds is 8.52%. If interest rates were to drop by 50 basis points and the bond  
4 yield declined to 8.00%, it would imply that investors' return requirements would  
5 also decline. However, historical accounting earnings would be insensitive such a  
6 change. The situation would also be true for an increase in interest rates. This  
7 means that the Comparable Earnings approach can be completely unaffected by  
8 changes in the market cost of capital.

9  
10 **Q. On page 38, lines 14 through 20 of his direct testimony, Mr. Moul claimed that**  
11 **a DCF analysis he performed on the group of comparable companies verified the**  
12 **reasonableness of his Comparable Earnings approach. Do you agree with his**  
13 **assessment?**

14  
15 **A.** No. His DCF result for the group of companies is 15.0%, a number which is 150  
16 basis points greater than his recommended return based on Comparable Earnings. I  
17 fail to see how this result confirms his analysis. Further, Mr. Moul considered only  
18 Value Line earnings growth for these companies and did not consider forecasted  
19 growth in dividends or retention growth. Thus, his DCF analysis is too narrow and  
20 of little use as a check on his Comparable Earnings results.

1 **Q. Please state your conclusion with respect to the Comparable Earnings approach**  
2 **as presented by Mr. Moul.**

3  
4 A. The PPUC, like many other state commissions, has a long history of basing its  
5 allowed returns on market-based approaches, not accounting returns. Mr. Moul's  
6 Comparable Earnings analysis provides no good reason to change this practice. I  
7 recommend the Commission reject the Comparable Earnings method.

8

9 **PP&L's Risk Premium Method**

10

11 **Q. What is your conclusion with respect to Mr. Moul's Risk Premium analysis?**

12

13 A. Mr. Moul's Risk Premium analysis is deeply flawed and should be rejected by the  
14 Commission.

15

16 **Q. Please summarize Mr. Moul's Risk Premium approach.**

17

18 A. Mr. Moul developed a series of historical earned returns for the Standard and Poor's  
19 ("S&P") Utility Index. Return series for long-term corporate and public utility bonds  
20 were also calculated. These historical returns covered the period from 1928 through  
21 1993. Arithmetic and geometric mean returns were calculated for these series. Mr.  
22 Moul then derived a number of risk premiums for different periods of time. His

1 recommended risk premium for the S&P Utilities was 5.56% over public utility  
2 bonds. Mr. Moul then adjusted this number downward to 4.75% to reflect  
3 differences in risk between the S&P Utilities and the barometer group. Adding his  
4 recommended bond yield of 9.00% to the risk premium of 4.75% resulted in a return  
5 of 13.75%.

6  
7 **Q. Why do you disagree with Mr. Moul's Risk Premium analysis?**

8  
9 **A.** The use of historical risk premiums may not be appropriate either theoretically or  
10 practically. The appropriate cost of capital is by definition forward looking. The use  
11 of historical earned returns may be an unsuitable measure of investors' expected risk  
12 premiums. Further, risk premiums have not been constant over time. To assume that  
13 investors currently require a risk premium based on some arbitrarily chosen past time  
14 period may be misleading and just plain wrong.

15  
16 In evaluating the usefulness of historical earned returns from the Ibbotson-Sinquefeld  
17 ("I&S") data, Brigham, Shome and Vinson noted the following:

18  
19 **"There are both conceptual and measurement problems with**  
20 **using the I&S data for purposes of estimating the cost of capital.**  
21 **Conceptually, there is no compelling reason to believe that**  
22 **investors expect the same relative returns that were earned in the**  
23 **past. Indeed, evidence presented in the following sections**  
24 **indicates that relative expected returns should, and do, vary**  
25 **significantly over time. Empirically, the measured historic**

1           premium is sensitive to both the choice of estimation horizon and  
2           to the end points. These choices are essentially arbitrary, yet they  
3           can result in significant differences in the final outcome. These  
4           measurement problems are common to most forecasts based on  
5           time series data."<sup>4</sup>

6  
7           The real question is to what extent investors currently rely on historic data. As the  
8           above quote pointed out, there is no compelling reason to believe that investors  
9           expect current equity returns based on risk premiums derived from historical earned  
10          returns.

11  
12          Based on my reading of past Commission orders, the PPUC has rejected cost of  
13          equity estimates based on historical return data. I recommend that the Commission  
14          continue this procedure and reject Mr. Moul's risk premium analysis.

15  
16          PP&L Capital Asset Pricing Model

17  
18          **Q.     Do you agree with the results from Mr. Moul's Capital Asset Pricing Model**  
19          **("CAPM") approach?**

20  
21          **A.     No. Mr. Moul's analysis significantly overstates the return from the CAPM. I**  
22          **recommend that the Commission reject his CAPM results.**

---

<sup>4</sup> E.F. Brigham, D.K. Shome, and S.R. Vinson, Financial Management, "The Risk Premium Approach to Measuring a Utility's Cost of Equity," Spring 1985.

1 **Q. Briefly summarize Mr. Moul's CAPM approach.**

2  
3 A. Mr. Moul performed two variations of the CAPM. The first variation was a  
4 traditional CAPM analysis. He estimated the market risk premium using forecasted  
5 and historical return estimates, resulting in a market premium of 7.85%. He then  
6 applied Value Line and Merrill Lynch betas to the market premium. Adding his  
7 estimate of the risk free rate of return (8.0%), Mr. Moul estimated CAPM returns in  
8 the range of 13.34% to 13.50%. Mr. Moul's second CAPM variation was what he  
9 called a "zero-beta" CAPM analysis. Mr. Moul segmented the market return into two  
10 parts. He added half of the market premium to the yield on a ten-year Treasury note,  
11 resulting in a zero-beta return of 11.85%. He then applied the beta factors to half the  
12 market premium. His zero-beta CAPM results ranged from 14.54% to 14.62%.

13  
14 **Q. In general, are there concerns regarding the use of the CAPM in estimating the**  
15 **return on equity?**

16  
17 A. Yes. There is considerable controversy surrounding the use of the CAPM.<sup>5</sup> There  
18 is strong evidence that beta is not the primary factor in determining the risk of a  
19 security. Value Line states that its Safety Rank is a measure of total risk, not its  
20 calculated beta coefficient. Mr. Moul also noted in Appendix E, page E-3, that beta

---

<sup>5</sup> For a more complete discussion of some of the controversy surrounding the use of the CAPM, refer to A Random Walk Down Wall Street by Burton Malkiel, pages 242 - 255.

1 coefficients usually describe only a small amount of total investment risk. In  
2 addition, a considerable amount of judgment must be employed in determining the  
3 risk-free rate and market return portions of the CAPM equation. The analyst's  
4 application of judgment can significantly influence the results obtained from the  
5 CAPM. My past experience with the CAPM indicates that it is prudent to use a wide  
6 variety of data in estimating returns. Of course, the range of results may also be  
7 wide, indicating the difficulty in obtaining a specific rate of return from the CAPM.  
8

9 **Q. Specifically, are there problems you discovered in Mr. Moul's CAPM approach?**

10  
11 A. Yes. The biggest area of concern is the way in which Mr. Moul estimated the market  
12 return portion of the CAPM. As my subsequent analysis will show, Mr. Moul failed  
13 to include other relevant data in estimating the market return. This resulted in a  
14 gross overstatement of the market return in his analysis.  
15

16 **Q. How did Mr. Moul estimate the market return portion of the model?**

17  
18 A. Mr. Moul used both historical and forecasted data. The historical data was based on  
19 earned returns from Ibbotson and Associates' Stocks, Bonds, Bills, and Inflation  
20 ("SBBI") 1994 Yearbook. The earned returns were calculated over the period from  
21 1926 through 1993. I have already explained in the Risk Premium section why this

1 approach is unreasonable. Historical returns should not be used to measure current  
2 investor return requirements.

3  
4 Mr. Moul also used Value Line data to estimate the market required return. He used  
5 the dividend yield and market appreciation estimates from The Value Line Investment  
6 Survey Summary and Index. The growth rate was derived based on Value Line's  
7 forecasted market appreciation potential, calculated by Mr. Moul to be 14.19%.  
8 Combined with the expected dividend yield of 2.6%, his estimated market return was  
9 16.79%.

10  
11 **Q. Did Mr. Moul overestimate the market required return?**

12  
13 A. Yes. Mr. Moul ignored other data from Value Line which indicate a lower expected  
14 market return. He also neglected to include other forecasted data from IBES on the  
15 S&P 500 composite. Mr. Moul's narrow analysis significantly overstates the market  
16 return when other viable market estimates are employed.

17  
18 **Q. Please present the other market data that Mr. Moul failed to consider.**

19  
20 A. One of Mr. Moul's data sources, Value Screen III, contains a summary statistical  
21 report detailing, among other things, forecasted growth in dividends, earnings and  
22 book value for the companies Value Line follows. I have presented these three

1 growth rates and the average on Exhibit \_\_\_ (RAB-5), page 5. The average growth  
2 rate is 11.70%. This is substantially lower than Mr. Moul's growth rate of 14.19%  
3 for the Value Line companies. Combining this growth rate with the average expected  
4 dividend yield of the Value Line companies results in an expected market return of  
5 14.04%. The detailed calculations are shown on page 1 of Exhibit \_\_\_ (RAB-5).

6  
7 Value Line also publishes an Industrial Composite which it updates twice a year.  
8 The most recent update was published in Value Line's Selection and Opinion on  
9 February 17, 1995. Value Line noted that the "Industrial Composite is often used as  
10 a proxy for the broader market, given that this model accounts for over 75% of all  
11 income earned by non-financial companies in the United States" (page 8240). Value  
12 Line publishes forecasts for earnings, dividends and retention growth for the  
13 Industrial Composite, which I have presented on page 5 of Exhibit \_\_\_ (RAB-5). The  
14 average of these three growth rates is 9.33%. Combining the average forecasted  
15 growth rate with the Industrial Composite's expected dividend yield of 2.83% results  
16 in a market return of 12.16%.

17  
18 Finally, IBES publishes a five-year earnings forecast for the S&P 500. I have  
19 included this forecast, along with the dividend yield for the S&P 500, on page 1 of  
20 Exhibit \_\_\_ (RAB-5). Combining the expected dividend yield of the S&P 500  
21 (2.97%) with the IBES earnings growth rate (9.20%) results in a market return of  
22 12.17%.

1 **Q. What do you conclude from these alternative market return calculations?**

2

3 A. I conclude that Mr. Moul's forecasted market return is grossly overstated.  
4 Considering the preponderance of other evidence, the market return seems to fall in  
5 the range between 12.16% and 14.03%. Even the top end of this range is well below  
6 Mr. Moul's estimate of 16.79% for the market. Further, given Value Line's  
7 Industrial Composite return of 12.16%, the 14.03% estimate based on Value Screen  
8 III could be overstated.

9

10 **Q. Have you computed an alternative CAPM return on equity based on your**  
11 **estimates of the market return?**

12

13 A. Yes. Exhibit \_\_\_ (RAB-5) presents revised CAPM returns using the high and low  
14 end of the range of market return estimates. For example, Column (1) of Exhibit  
15 \_\_\_ (RAB-5), page 1, utilizes the S&P 500 return of 12.17%, while Column (2) uses  
16 the Value Screen III market return of 14.03%.

17

18 **Q. How did you determine the risk free rate?**

19

20 A. I used yields on the 30-year Treasury bond and five-year Treasury note as proxies for  
21 the risk free rate. The 30-year Treasury bond is often used by rate of return analysts  
22 as the risk-free rate, but it contains a significant amount of interest rate risk. The

1 five-year Treasury note carries less interest rate risk than the 30-year bond and is  
2 more stable than three-month Treasury bills. Therefore, I have employed both of  
3 these securities as proxies for the risk-free rate of return. This approach provides a  
4 reasonable range over which the CAPM may be estimated.

5  
6 The yields for the 30-year bond and five-year note were calculated in two ways. I  
7 used the six-month average yield and the most recent monthly yield. Given the  
8 recent volatility of the bond market that I described in Section II of my testimony,  
9 I believe that it would be prudent to look at as much yield data as possible. The  
10 most recent month has the advantage of being the most current yield available and  
11 reflects a significant decline in bond yields since the end of last year. However, there  
12 is no guarantee that this most recent yield will persist in the future. A six-month  
13 average yield matches the time period over which the dividend yield was calculated.  
14 However, it may not be indicative of current investor expectations. Therefore, I  
15 believe it is reasonable to look at both sets of data in determining the yields on  
16 Treasury securities for purposes of this case. The Treasury yield calculations are  
17 presented on page 5 of Exhibit \_\_\_\_ (RAB-5).

18  
19 **Q. What is your estimate of the market risk premium?**

20  
21 **A.** Exhibit \_\_\_\_ (RAB-5), lines 9 and 10 of pages 1 through 4, presents my estimates of  
22 the market risk premium. The market risk premium ranges from 4.35% to 6.44%

1 using the 30-year Treasury bond and from 4.69% to 6.71% using the five-year  
2 Treasury bond.

3  
4 **Q. How did you determine the value for beta?**

5  
6 A. I obtained the betas for PP&L and the two groups from most recent Value Line  
7 reports. The Value Line beta is 0.65 for PP&L. For my comparison group and Mr.  
8 Moul's barometer group, the average betas are 0.68 and 0.69, respectively. Since  
9 the betas for the two groups are so close, I simply used the barometer group's beta  
10 for purposes of the group CAPM analysis.

11  
12 **Q. What is the resulting CAPM return on equity?**

13  
14 A. Please refer to lines 16 and 17 of pages 1 through 4 of Exhibit \_\_\_ (RAB-5) for the  
15 CAPM results for the 30-year and five-year Treasury bond yields. Using PP&L's  
16 beta, the CAPM returns range 10.47% (five-year bond) to 11.86% (30-year bond).  
17 Using the barometer group's beta, CAPM returns range from 10.67% (five-year bond)  
18 to 12.10% (30-year bond).

19  
20 **Q. What are your conclusions with respect to the revised CAPM results you have**  
21 **presented?**

1 A. The major conclusion is that Mr. Moul's analysis severely overstated the return from  
2 the CAPM. In addition, the range of results presented in Exhibit \_\_\_ (RAB-5) is not  
3 significantly different from the range of DCF results I presented in Section III of my  
4 direct testimony. Based on this analysis, I recommend the Commission reject Mr.  
5 Moul's CAPM results as unreasonable.

6  
7 **PP&L Voluntarily Increased Its Business Risk**

8  
9 **Q. The fifth point you raised at the beginning of this section pertained to the effect**  
10 **on PP&L's business risk profile from its proposed increase to Interruptible**  
11 **customers. Did Mr. Moul address this point in his direct testimony?**

12  
13 A. Mr. Moul referred to the effect on PP&L's business risk from industrial sales on  
14 pages 14 and 15 of his direct testimony. However, he did not address the effect of  
15 the Company's proposed increase to Interruptible customers on PP&L's business risk.  
16 As I noted in Section II of my testimony, PP&L's proposed increases of 27% - 34%  
17 to Interruptible customers could increase PP&L's business risk. As a result, PP&L  
18 may have voluntarily increased its cost of capital in the process.

19  
20 **Q. How did Mr. Moul describe the effect of industrial sales on the Company's risk**  
21 **profile?**

1 A. On pages 14 and 15 of his direct testimony, Mr. Moul described the effect of  
2 industrial sales on the Company's sales profile. On page 14, Mr. Moul noted that the  
3 Company's industrial sales "are more influenced by the level of business activity and  
4 are susceptible to self-generation and bypass". Mr. Moul also noted on page 15 of  
5 his testimony that the Company is exposed to the potential loss of two large industrial  
6 customers representing approximately 400 million kWhs.

7  
8 **Q. Did Mr. Moul acknowledge any possible effects from the Company's proposed**  
9 **increase to Interruptible customers?**

10  
11 A. No.

12  
13 **Q. Is there reason to believe that PP&L's proposed increase to Interruptible**  
14 **customers could adversely affect its business risk and its cost of capital?**

15  
16 A. Yes. As Mr. Moul noted, industrial customers have the options of self-generation and  
17 bypass. Interruptible customers in particular would tend to be more likely bypass or  
18 self-generation candidates because their requirements for reliable power sources are  
19 lower than industrial customers who take firm power. Thus, the Interruptible  
20 customers would tend to have more options for alternative energy sources which may  
21 be less firm than PP&L.

1           Given that Interruptible customers may be greater risks for bypass, the Company's  
2           rate increase proposal could very well increase its business risk. In essence, the  
3           Company is proposing its largest rate increases to customers that are most likely to  
4           have other options for power. The higher the cost for power, the more incentives  
5           Interruptible customers have to seek alternative power sources and the more likely  
6           they are to leave the system. Increasing rates Interruptible rates to the extent PP&L  
7           proposes in this case increases the risk that Interruptible customers will bypass or  
8           self-generate.

9  
10   **Q.    Does this conclude your testimony?**

11  
12   **A.    Yes.**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION  
PENNSYLVANIA POWER & LIGHT COMPANY  
DOCKET NO. R-00943271**

**EXHIBITS  
OF  
RICHARD A. BAUDINO**

**ON BEHALF OF THE  
PP&L INDUSTRIAL CUSTOMER ALLIANCE**

**J. KENNEDY AND ASSOCIATES, INC.  
ATLANTA, GEORGIA**

**APRIL 1995**

## **RESUME OF RICHARD A. BAUDINO, DIRECTOR OF CONSULTING**

---

### **EDUCATION**

**New Mexico State University, M.A.**  
Major in Economics  
Minor in Statistics

**New Mexico State University, B.A.**  
Economics  
English

Eleven years of experience in utility ratemaking. Broad based experience in revenue requirement analysis, cost of capital, utility financing, phase-ins and rate design. Has designed revenue requirement and rate design analysis programs.

### **REGULATORY TESTIMONY**

Preparation and presentation of expert testimony in the areas of:

Electric and Gas Utility Rate Design  
Cost of Capital for Electric, Gas and Water Companies  
Ratemaking Treatment of Generating Plant Sale/Leasebacks  
Electric and Gas Utility Cost of Service

---

**J. KENNEDY AND ASSOCIATES, INC.**

## RESUME OF RICHARD A. BAUDINO, DIRECTOR OF CONSULTING

---

### EXPERIENCE

1989 to

Present:

**Kennedy and Associates: Director of Consulting** - Responsible for consulting assignments in the area of revenue requirements, rate design, cost of capital, and economic analysis of generation alternatives.

1982 to

1989:

**New Mexico Public Service Commission Staff: Utility Economist** - Responsible for preparation of analysis and expert testimony in the areas of rate of return, cost allocation, rate design, finance, phase-in of electric generating plants, and sale/leaseback transactions.

### CLIENTS SERVED

#### Regulatory Commissions

Louisiana Public Service Commission

#### Industrial Groups

Ad Hoc Committee for a Competitive  
Electric Supply System  
Air Products and Chemicals, Inc.  
Arkansas Electric Energy Consumers  
Arkansas Gas Consumers  
Armco Steel Company, L.P.  
Association of Business Advocating  
Tariff Equity  
General Electric Company  
Industrial Energy Consumers

Kentucky Industrial Utility Consumers  
Large Electric Consumers Organization  
Newport Steel  
Northwest Arkansas Gas Consumers  
Maryland Industrial Group  
Occidental Chemical  
PSI Industrial Group  
Taconite Intervenors (Minnesota)  
Tyson Foods

---

**J. KENNEDY AND ASSOCIATES, INC.**

**Expert Testimony Appearances  
of  
Richard A. Baudino  
As of March 1995**

Date	Case	Jurisdict.	Party	Utility	Subject
03/83	1780	NM	New Mexico Public Service Commission	Boles Water Co.	Rate design, rate of return.
10/83	1803, 1817	NM	New Mexico Public Service Commission	Southwestern Electric Coop	Rate design.
11/84	1833	NM	New Mexico Public Service Commission	El Paso Electric Co.	Service contract approval, rate design, performance standards for Palo Verde nuclear generating system
1983	1835	NM	New Mexico Public Service Commission	Public Service Co. of NM	Rate design.
1984	1848	NM	New Mexico Public Service Commission	Sangre de Cristo Water Co.	Rate design.
02/85	1906	NM	New Mexico Public Service Commission	Southwestern Public Service Co.	Rate of return.
09/84	1907	NM	New Mexico Public Service Commission	Jornada Water Co.	Rate of return.
11/85	1957	NM	New Mexico Public Service Commission	Southwestern Public Service Co.	Rate of return.
04/86	2009	NM	New Mexico Public Service Commission	El Paso Electric Co.	Phase-in plan, treatment of sale/leaseback expense.
06/86	2032	NM	New Mexico Public Service Commission	El Paso Electric Co.	Sale/leaseback approval.
09/86	2033	NM	New Mexico Public Service Commission	El Paso Electric Co.	Order to show cause, PVNGS audit.
02/87	2074	NM	New Mexico Public Service Commission	El Paso Electric Co.	Diversification.
05/87	2089	NM	New Mexico Public Service Commission	El Paso Electric Co.	Fuel factor adjustment.
08/87	2092	NM	New Mexico Public Service Commission	El Paso Electric Co.	Rate design.
10/88	2146	NM	New Mexico Public Service Commission	Public Service Co. of New Mexico	Financial effects of restructuring, reorganization.
07/88	2162	NM	New Mexico Public Service Commission	El Paso Electric Co.	Revenue requirements, rate design, rate of return.
01/89	2194	NM	New Mexico Public Service Commission	Plains Electric G&T Cooperative	Economic development.

**Expert Testimony Appearances  
 of  
 Richard A. Baudino  
 As of March 1995**

Date	Case	Jurisdic.	Party	Utility	Subject
06/89	2253	NM	New Mexico Public Service Commission	Plains Electric G&T Cooperative	Financing.
08/89	2259	NM	New Mexico Public Service Commission	Homestead Water Co.	Rate of return, rate design.
10/89	2262	NM	New Mexico Public Service Commission	Public Service Co. of New Mexico	Rate of return.
09/89	2269	NM	New Mexico Public Service Commission	Ruidoso Natural Gas Co.	Rate of return, expense from affiliated interest.
12/89	89-208-TF	AR	Arkansas Electric Energy Consumers	Arkansas Power & Light Co.	Rider M-33.
01/90	U-17282	LA	Louisiana Public Service Commission	Gulf States Utilities	Cost of equity.
09/90	90-158	KY	Kentucky Industrial Utility Consumers	Louisville Gas & Electric Co.	Cost of equity.
09/90	90-004-U	AR	Northwest Arkansas Gas Consumers	Arkansas Western Gas Co.	Cost of equity, transportation rate.
12/90	U-17282 Phase IV	LA	Louisiana Public Service Commission	Gulf States Utilities	Cost of equity.
04/91	91-037-U	AR	Northwest Arkansas Gas Consumers	Arkansas Western Gas Co.	Transportation rates.
12/91	91-410-EL-AIR	OH	Air Products & Chemicals, Inc., Armco Steel Co., General Electric Co., Industrial Energy Consumers	Cincinnati Gas & Electric Co.	Cost of equity.
05/92	910890-EI	FL	Occidental Chemical Corp.	Florida Power Corp.	Cost of equity, rate of return.
09/92	92-032-U	AR	Arkansas Gas Consumers	Arkansas Louisiana Gas Co.	Cost of equity, rate of return, cost-of-service.
09/92	39314	ID	Industrial Consumers for Fair Utility Rates	Indiana Michigan Power Co.	Cost of equity, rate of return.
09/92	92-009-U	AR	Tyson Foods	General Waterworks	Cost allocation, rate design.

**Expert Testimony Appearances  
of  
Richard A. Baudino  
As of March 1995**

Date	Case	Jurisdiction	Party	Utility	Subject
01/93	92-346	KY	Newport Steel Co.	Union Light, Heat & Power Co.	Cost allocation.
01/93	39498	IN	PSI Industrial Group	PSI Energy	Refund allocation.
01/93	U-10105	MI	Association of Businesses Advocating Tariff Equality (ABATE)	Michigan Consolidated Gas Co.	Return on equity.
04/93	92-1464-EL-AIR	OH	Air Products and Chemicals, Inc., Armco Steel Co., Industrial Energy Consumers	Cincinnati Gas & Electric Co.	Return on equity.
09/93	93-189-U	AR	Arkansas Gas Consumers	Arkansas Louisiana Gas Co.	Transportation service terms and conditions.
09/93	93-081-U	AR	Arkansas Gas Consumers	Arkansas Louisiana Gas Co.	Cost-of-service, transportation rates, rate supplements; return on equity; revenue requirements.
12/93	U-17735	LA	Louisiana Public Service Commission Staff	Cajun Electric Power Cooperative	Historical reviews; evaluation of economic studies.
03/94	10320	KY	Kentucky Industrial Utility Customers	Louisville Gas & Electric Co.	Trimble County CWIP revenue refund.
4/94	E-015/ GR-94-001	MN	Large Power Intervenors	Minnesota Power Co.	Evaluation of the cost of equity, capital structure, and rate of return.
5/94	R-00942993	PA	PG&W Industrial Intervenors	Pennsylvania Gas & Water Co.	Analysis of recovery of transition costs.
5/94	R-00943001	PA	Columbia Industrial Intervenors	Columbia Gas of Pennsylvania	Evaluation of cost allocation, rate design, rate plan, and carrying charge proposals.
7/94	R-00942986	PA	Armco, Inc., West Penn Power Industrial Intervenors	West Penn Power Co.	Return on equity and rate of return.
7/94	94-0035-E-42T	WV	West Virginia Energy Users' Group	Monongahela Power Co.	Return on equity and rate of return.
8/94	8652	MD	Westvaco Corp.	Potomac Edison Co.	Return on equity and rate of return.

**Expert Testimony Appearances  
of  
Richard A. Baudino  
As of March 1995**

<b>Date</b>	<b>Case</b>	<b>Jurisdic.</b>	<b>Party</b>	<b>Utility</b>	<b>Subject</b>
9/94	930357-C	AR	West Central Arkansas Gas Consumers	Arkansas Oklahoma Gas Corp.	Evaluation of transportation service.
9/94	U-19904	LA	Louisiana Public Service Commission	Gulf States Utilities	Return on equity.
9/94	8629	MD	Maryland Industrial Group	Baltimore Gas & Electric Co.	Transition costs.
11/94	94-175-U	AR	Arkansas Gas Consumers	Arkla, Inc.	Cost-of-service, rate design, rate of return.
3/95	RP94-343- 000	FERC	Arkansas Gas Consumers	NorAm Gas Transmission	Rate of return.

---

**J. KENNEDY AND ASSOCIATES, INC.**

**PENNSYLVANIA POWER & LIGHT COMPANY**  
**AVERAGE PRICE, DIVIDEND AND DIVIDEND YIELD**

		Sep '94	Oct '94	Nov '94	Dec '94	Jan '95	Feb '95
Pennsylvania Power & Light Co.	High Price (\$)	21.375	20.125	20.750	20.125	20.875	20.875
	Low Price (\$)	19.250	19.000	18.625	19.000	18.750	20.125
	Avg. Price (\$)	20.313	19.563	19.688	19.563	19.813	20.500
	Dividend (\$)	0.418	0.418	0.418	0.418	0.418	0.418
	Mo. Avg. Div.	8.22%	8.54%	8.48%	8.54%	8.43%	8.15%
	6 mos. Avg.	8.39%					

Source: Standard and Poor's Stock Guide, October 1994 through March 1995

**PENNSYLVANIA POWER & LIGHT COMPANY**  
**GROWTH RATE CALCULATIONS**

**DCF Growth Rate Analysis**

<u>Company</u>	(1) V.L. DPS	(2) V.L. EPS	(3) IBES	(4) V.L. B x R
Pennsylvania Power & Light Co.	0.94%	1.44%	1.30%	2.05%

Sources: Institutional Brokers Estimate System, March 1995 Earnings Reports  
Value Line Investment Reports, March 17, 1995

**Value Line Projected Dividend Per Share Growth**

<u>Company</u>	1994 DPS	'98-'00 Projected DPS	Compound Growth Rate
Pennsylvania Power & Light Co.	\$1.67	\$1.75	0.94%

**Value Line Projected Earnings Per Share Growth**

<u>Company</u>	3-Year Avg. EPS	'98-'00 Projected EPS	Compound Growth Rate
Pennsylvania Power & Light Co.	\$1.97	\$2.15	1.44%

Note: 3-Year average based on EPS for 1992-1994.

**Sustainable Growth Calculation**

<u>Company</u>	Forecasted Payout Ratio	Forecasted Retention Ratio	Expected Return	Growth Rate
Pennsylvania Power & Light Co.	81.40%	18.60%	11.00%	2.05%

Note: Data come from Value Line's 1998-2000 forecasts.  
Source: Value Line Investment Reports, March 17, 1995

**PENNSYLVANIA POWER & LIGHT COMPANY**

**GROWTH RATE CALCULATIONS**

**Growth Rates for Past Five Years**

<u>Company</u>	<u>Earnings</u>	<u>Dividends</u>	<u>Retention Growth</u>
Pennsylvania Power & Light Co.	3.50%	3.50%	3.25%
Average All Five Year Growth Rates			3.42%

**Growth Rates for Past Ten Years**

<u>Company</u>	<u>Earnings</u>	<u>Dividends</u>	<u>Retention Growth</u>
Pennsylvania Power & Light Co.	2.00%	3.50%	2.74%
Average All Ten Year Growth Rates			2.75%

**PENNSYLVANIA POWER & LIGHT COMPANY**

**Historic Retention Growth Analysis**

<u>PP&amp;L</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	
Earnings per Share		1.56	1.34	1.55	1.66	1.87	2.03	1.98	2.01	2.02	2.07	
Dividends per Share		1.24	1.28	1.29	1.34	1.38	1.43	1.49	1.55	1.59	1.65	
Book Value per Share	12.57	12.73	12.79	12.85	13.14	13.62	14.18	14.68	15.15	15.58	15.95	
<u>Avg. Book Value per Share for Year</u>		<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	
PP&L		12.65	12.76	12.82	12.965	13.38	13.9	14.43	14.915	15.365	15.765	
<u>Return on Book Value</u>		<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	
PP&L		12.33%	10.50%	12.09%	12.77%	13.98%	14.60%	13.72%	13.48%	13.15%	13.13%	
<u>Retention Rate</u>		<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	
PP&L		20.513%	4.478%	16.774%	19.277%	26.203%	29.557%	24.747%	22.886%	21.287%	20.290%	
<u>Historic Retention Growth</u>		<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	
PP&L		2.530%	0.470%	2.028%	2.462%	3.662%	4.317%	3.396%	3.084%	2.799%	2.664%	
<u>Avg. Historic Retention Growth</u>		<u>Past</u>	<u>Past</u>									
PP&L		<u>5 Years</u>	<u>10 Years</u>									
		3.252%	2.741%									

**PENNSYLVANIA POWER & LIGHT COMPANY  
COMPARISON GROUP  
AVERAGE PRICE, DIVIDEND AND DIVIDEND YIELD**

		Sep '94	Oct '94	Nov '94	Dec '94	Jan '95	Feb '95
Atlantic Energy, Inc.	High Price (\$)	17.750	17.250	18.000	18.250	19.000	19.125
	Low Price (\$)	16.125	16.000	16.375	17.375	17.500	18.375
	Avg. Price (\$)	16.938	16.625	17.188	17.813	18.250	18.750
	Dividend (\$)	0.385	0.385	0.385	0.385	0.385	0.385
	Mo. Avg. Div.	9.09%	9.26%	8.96%	8.65%	8.44%	8.21%
	6 mos. Avg.	8.77%					
Carolina Power & Light Co.	High Price (\$)	26.625	26.625	26.750	27.875	28.625	28.750
	Low Price (\$)	25.000	25.375	25.000	26.250	26.375	27.250
	Avg. Price (\$)	25.813	26.000	25.875	27.063	27.500	28.000
	Dividend (\$)	0.425	0.425	0.425	0.440	0.440	0.440
	Mo. Avg. Div.	6.59%	6.54%	6.57%	6.50%	6.40%	6.29%
	6 mos. Avg.	6.48%					
Delmarva Power & Light Co.	High Price (\$)	19.000	19.250	19.250	18.875	19.500	20.000
	Low Price (\$)	18.000	18.250	17.625	18.000	17.875	19.000
	Avg. Price (\$)	18.500	18.750	18.438	18.438	18.688	19.500
	Dividend (\$)	0.385	0.385	0.385	0.385	0.385	0.385
	Mo. Avg. Div.	8.32%	8.21%	8.35%	8.35%	8.24%	7.90%
	6 mos. Avg.	8.23%					
Dominion Resources, Inc.	High Price (\$)	37.500	38.125	37.250	37.625	38.250	39.250
	Low Price (\$)	34.875	36.625	35.125	35.750	35.500	37.500
	Avg. Price (\$)	36.188	37.375	36.188	36.688	36.875	38.375
	Dividend (\$)	0.635	0.645	0.645	0.645	0.645	0.645
	Mo. Avg. Div.	7.02%	6.90%	7.13%	7.03%	7.00%	6.72%
	6 mos. Avg.	6.97%					
Kansas City Pwr. & Lt. Co.	High Price (\$)	21.625	22.500	22.875	23.875	23.875	24.500
	Low Price (\$)	20.125	21.125	21.250	22.000	22.750	23.125
	Avg. Price (\$)	20.875	21.813	22.063	22.938	23.313	23.813
	Dividend (\$)	0.380	0.380	0.380	0.380	0.380	0.380
	Mo. Avg. Div.	7.28%	6.97%	6.89%	6.63%	6.52%	6.38%
	6 mos. Avg.	6.78%					
New England Elec. System	High Price (\$)	32.875	31.750	31.625	32.875	33.375	34.250
	Low Price (\$)	28.875	30.000	29.625	29.500	31.625	32.750
	Avg. Price (\$)	30.875	30.875	30.625	31.188	32.500	33.500
	Dividend (\$)	0.575	0.575	0.575	0.575	0.575	0.575
	Mo. Avg. Div.	7.45%	7.45%	7.51%	7.37%	7.08%	6.87%
	6 mos. Avg.	7.29%					
Oklahoma Gas & Elec. Co.	High Price (\$)	34.250	33.875	34.250	33.750	35.500	36.250
	Low Price (\$)	32.250	32.625	32.000	32.500	32.500	34.500
	Avg. Price (\$)	33.250	33.250	33.125	33.125	34.000	35.375
	Dividend (\$)	0.665	0.665	0.665	0.665	0.665	0.665
	Mo. Avg. Div.	8.00%	8.00%	8.03%	8.03%	7.82%	7.52%
	6 mos. Avg.	7.90%					
St. Joseph Lt. & Pwr. Co.	High Price (\$)	29.000	29.000	27.375	28.875	29.375	33.750
	Low Price (\$)	27.625	27.250	25.750	26.625	27.875	29.250
	Avg. Price (\$)	28.313	28.125	26.563	27.750	28.625	31.500
	Dividend (\$)	0.450	0.450	0.450	0.450	0.460	0.460
	Mo. Avg. Div.	6.36%	6.40%	6.78%	6.49%	6.43%	5.84%
	6 mos. Avg.	6.38%					
Group Dividend Yield, 6 mos.		7.35%					

Source: Standard and Poor's Stock Guide, October 1994 through March 1995

**PENNSYLVANIA POWER & LIGHT COMPANY**

**GROWTH RATE CALCULATIONS  
COMPARISON GROUP**

**DCF Growth Rate Analysis**

<u>Company</u>	(1) V.L. DPS	(2) V.L. EPS	(3) IBES	(4) V.L. B x R
Atlantic Energy, Inc.	0.77%	2.31%	2.20%	2.06%
Carolina Power & Light Co.	2.33%	2.44%	3.30%	2.92%
Delmarva Power & Light Co.	0.77%	2.06%	3.10%	1.55%
Dominion Resources, Inc.	0.77%	2.90%	2.50%	1.76%
Kansas City Pwr. & Lt. Co.	2.60%	6.64%	3.00%	3.67%
New England Elec. System	1.85%	1.76%	2.60%	2.88%
Oklahoma Gas & Elec. Co.	0.30%	3.65%	1.40%	3.09%
St. Joseph Lt. & Pwr. Co.	2.18%	0.62%	2.00%	1.55%
<b>Averages</b>	<b>1.45%</b>	<b>2.80%</b>	<b>2.51%</b>	<b>2.44%</b>

Sources: Institutional Brokers Estimate System, March 1995 Earnings Reports  
Value Line Investment Reports, January 13, 1995 and March 17, 1995

**Value Line Projected Dividend Per Share Growth**

<u>Company</u>	DPS <sup>(1)</sup>	Projected DPS <sup>(1)</sup>	Compound Growth Rate
Atlantic Energy, Inc.	\$1.54	\$1.60	0.77%
Carolina Power & Light Co.	\$1.72	\$1.93	2.33%
Delmarva Power & Light Co.	\$1.54	\$1.60	0.77%
Dominion Resources, Inc.	\$2.55	\$2.65	0.77%
Kansas City Pwr. & Lt. Co. <sup>(2)</sup>	\$1.46	\$1.66	2.60%
New England Elec. System	\$2.29	\$2.51	1.85%
Oklahoma Gas & Elec. Co. <sup>(2)</sup>	\$2.66	\$2.70	0.30%
St. Joseph Lt. & Pwr. Co. <sup>(2)</sup>	\$1.76	\$1.96	2.18%
<b>Average</b>			<b>1.45%</b>

(1) 1994 DPS and 1998-2000 projected DPS Value Line data, except where otherwise noted.  
(2) 1993 DPS and 1997-1999 projected DPS Value Line data.

**PENNSYLVANIA POWER & LIGHT COMPANY  
GROWTH RATE CALCULATIONS  
COMPARISON GROUP**

**Value Line Projected Earnings Per Share Growth**

<u>Company</u>	<u>3-Year Avg. EPS<sup>(1)</sup></u>	<u>Projected EPS<sup>(1)</sup></u>	<u>Compound Growth Rate</u>
Atlantic Energy, Inc.	\$1.70	\$1.95	2.31%
Carolina Power & Light Co.	\$2.21	\$2.55	2.44%
Delmarva Power & Light Co.	\$1.64	\$1.85	2.06%
Dominion Resources, Inc.	\$2.86	\$3.40	2.90%
Kansas City Pwr. & Lt. Co. <sup>(2)</sup>	\$1.53	\$2.25	6.64%
New England Elec. System	\$3.02	\$3.35	1.76%
Oklahoma Gas & Elec. Co. <sup>(2)</sup>	\$2.82	\$3.50	3.65%
St. Joseph Lt. & Pwr. Co. <sup>(2)</sup>	\$2.22	\$2.30	0.62%
<b>Average</b>			<b>2.80%</b>

(1) 3-Year average based on EPS for 1992-1994, except where otherwise noted; projected EPS for 1998-2000, except where otherwise noted.  
(2) 3-Year average based on EPS for 1991-1993; projected EPS for 1997-1999.

**Sustainable Growth Calculation**

<u>Company</u>	<u>Forecasted Payout Ratio</u>	<u>Forecasted Retention Ratio</u>	<u>Expected Return<sup>(1)</sup></u>	<u>Growth Rate</u>
Atlantic Energy, Inc.	82.05%	17.95%	11.50%	2.06%
Carolina Power & Light Co.	75.69%	24.31%	12.00%	2.92%
Delmarva Power & Light Co.	86.49%	13.51%	11.50%	1.55%
Dominion Resources, Inc.	77.94%	22.06%	8.00%	1.76%
Kansas City Pwr. & Lt. Co. <sup>(2)</sup>	73.78%	26.22%	14.00%	3.67%
New England Elec. System	74.93%	25.07%	11.50%	2.88%
Oklahoma Gas & Elec. Co. <sup>(2)</sup>	77.14%	22.86%	13.50%	3.09%
St. Joseph Lt. & Pwr. Co. <sup>(2)</sup>	85.22%	14.78%	10.50%	1.55%
<b>Average</b>				<b>2.44%</b>

(1) Data come from Value Line's 1998-2000 forecasts, except where otherwise noted.  
(2) Data come from Value Line's 1997-1999 forecasts.

Source: Value Line Investment Reports, January 13, 1995 and March 17, 1995

**PENNSYLVANIA POWER & LIGHT COMPANY**

**GROWTH RATE CALCULATIONS  
COMPARISON GROUP**

**Growth Rates for Past Five Years**

<u>Company</u>	<u>Earnings</u>	<u>Dividends</u>	<u>Retention Growth</u>
Atlantic Energy, Inc.	-2.00%	2.50%	1.38%
Carolina Power & Light Co.	3.00%	3.00%	4.71%
Delmarva Power & Light Co.	-2.00%	1.50%	1.85%
Dominion Resources, Inc.	0.00%	4.00%	2.23%
Kansas City Power & Light Co.	0.50%	5.50%	2.15%
New England Electric System	0.50%	1.50%	2.54%
Oklahoma Gas & Electric Co.	0.00%	3.50%	2.65%
St. Joseph Light & Power Co.	-1.00%	5.50%	3.77%
<b>Average</b>	<b>-0.13%</b>	<b>3.38%</b>	<b>2.66%</b>
<b>Average without Negatives</b>	<b>0.80%</b>	<b>3.38%</b>	<b>2.66%</b>
<b>Average of Dividends and Retention Growth</b>			<b>3.02%</b>

**Growth Rates for Past Ten Years**

<u>Company</u>	<u>Earnings</u>	<u>Dividends</u>	<u>Retention Growth</u>
Atlantic Energy, Inc.	2.00%	3.00%	2.40%
Carolina Power & Light Co.	4.00%	3.00%	4.43%
Delmarva Power & Light Co.	1.00%	3.50%	2.92%
Dominion Resources, Inc.	4.00%	4.50%	3.04%
Kansas City Power & Light Co.	-1.00%	3.50%	3.79%
New England Electric System	2.00%	4.00%	3.99%
Oklahoma Gas & Electric Co.	1.50%	4.00%	2.72%
St. Joseph Light & Power Co.	3.50%	6.50%	5.32%
<b>Average</b>	<b>2.13%</b>	<b>4.00%</b>	<b>3.58%</b>
<b>Average without Negatives</b>	<b>2.57%</b>	<b>4.00%</b>	<b>3.58%</b>
<b>Average All Ten Year Growth Rates</b>			<b>3.23%</b>
<b>Average All Ten Year Growth Rates, without Negatives</b>			<b>3.38%</b>

**PENNSYLVANIA POWER & LIGHT COMPANY**  
**COMPARISON GROUP**  
**HISTORIC RETENTION GROWTH ANALYSIS**

	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
Atlantic Energy, Inc.											
EPS		1.60	1.50	1.75	2.02	1.84	1.87	1.51	1.75	1.52	1.80
DPS		1.23	1.28	1.31	1.36	1.37	1.43	1.47	1.50	1.52	1.54
BVPS	11.79	12.13	12.38	12.83	12.86	13.58	14.27	14.36	14.84	14.31	15.62
Carolina Power & Light Co.											
EPS		1.79	1.93	1.98	1.92	1.97	2.10	2.21	2.27	2.36	2.23
DPS		1.27	1.31	1.35	1.38	1.39	1.43	1.48	1.54	1.60	1.66
BVPS	12.69	13.16	13.69	14.39	14.92	14.34	13.88	14.02	14.87	15.77	16.38
Delmarva Power & Light Co.											
EPS		1.75	1.84	1.94	1.60	1.70	1.80	1.49	1.44	1.48	1.76
DPS		1.22	1.30	1.36	1.43	1.47	1.51	1.54	1.54	1.54	1.54
BVPS	11.25	11.80	12.29	12.85	13.01	13.28	13.67	12.84	13.42	13.77	14.66
Dominion Resources, Inc.											
EPS		2.31	2.40	2.65	3.03	3.01	2.76	2.75	2.94	2.66	3.12
DPS		1.73	1.83	1.91	1.99	2.07	2.15	2.23	2.31	2.40	2.48
BVPS	18.67	19.10	19.65	19.96	20.96	21.91	22.67	23.41	24.41	25.22	26.38
Kansas City Pwr. & Lt. Co.											
EPS		2.24	2.21	1.40	1.51	1.60	1.66	1.66	1.58	1.35	1.66
DPS		1.17	1.18	1.05	1.06	1.17	1.25	1.31	1.37	1.43	1.46
BVPS	11.76	12.64	13.55	13.90	14.22	13.10	13.50	13.75	13.90	13.79	13.99
New England Elec. System											
EPS		3.02	3.15	3.20	3.05	2.20	2.20	2.36	2.77	2.85	3.13
DPS		1.73	1.83	1.94	2.01	2.04	2.04	2.04	2.07	2.14	2.22
BVPS	16.13	17.44	18.81	20.24	21.41	18.33	19.24	21.43	22.17	22.88	23.55
Oklahoma Gas & Elec. Co.											
EPS		2.47	2.30	2.75	2.60	3.20	3.05	3.38	3.27	2.42	2.78
DPS		1.94	2.02	2.11	2.21	2.31	2.41	2.51	2.60	2.66	2.66
BVPS	17.94	18.52	18.89	20.43	20.11	21.01	21.28	21.92	22.60	22.35	22.48
St. Joseph Lt. & Pwr. Co.											
EPS		1.99	2.02	2.33	2.31	2.34	2.45	2.48	2.44	2.23	1.98
DPS		1.07	1.15	1.22	1.30	1.40	1.52	1.60	1.66	1.72	1.76
BVPS	11.79	12.72	13.64	14.74	15.74	16.51	17.12	17.82	18.37	18.84	19.07

**PENNSYLVANIA POWER & LIGHT COMPANY**  
**COMPARISON GROUP**  
**HISTORIC RETENTION GROWTH ANALYSIS**

<u>Avg. Book Value per Share for Yr.</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
Atlantic Energy, Inc.	11.96	12.26	12.61	12.85	13.22	13.93	14.32	14.60	14.58	14.97
Carolina Power & Light Co.	12.93	13.43	14.04	14.66	14.63	14.11	13.95	14.45	15.32	16.08
Delmarva Power & Light Co.	11.53	12.05	12.57	12.93	13.15	13.48	13.28	13.13	13.60	14.22
Dominion Resources, Inc.	18.89	19.38	19.81	20.46	21.44	22.29	23.04	23.91	24.82	25.80
Kansas City Power & Light Co.	12.20	13.10	13.73	14.06	13.66	13.30	13.63	13.83	13.85	13.89
New England Electric System	16.79	18.13	19.53	20.83	19.87	18.79	20.34	21.80	22.53	23.22
Oklahoma Gas & Electric Co.	18.23	18.71	19.66	20.27	20.58	21.15	21.60	22.26	22.48	22.42
St. Joseph Light & Power Co.	12.26	13.18	14.19	15.24	16.13	16.82	17.37	18.00	18.61	18.96
<u>Return on Book Value</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
Atlantic Energy, Inc.	13.38%	12.24%	13.88%	15.73%	13.92%	13.43%	10.55%	11.99%	10.43%	12.03%
Carolina Power & Light Co.	13.85%	14.38%	14.10%	13.10%	13.47%	14.88%	15.84%	15.71%	15.40%	13.87%
Delmarva Power & Light Co.	15.18%	15.28%	15.43%	12.37%	12.93%	13.36%	11.24%	10.97%	10.89%	12.38%
Dominion Resources, Inc.	12.23%	12.39%	13.38%	14.81%	14.04%	12.38%	11.94%	12.30%	10.72%	12.09%
Kansas City Power & Light Co.	18.36%	16.88%	10.20%	10.74%	11.71%	12.48%	12.18%	11.43%	9.75%	11.95%
New England Electric System	17.99%	17.38%	16.39%	14.65%	11.07%	11.71%	11.61%	12.71%	12.65%	13.48%
Oklahoma Gas & Electric Co.	13.55%	12.30%	13.99%	12.83%	15.56%	14.42%	15.65%	14.69%	10.77%	12.40%
St. Joseph Light & Power Co.	16.24%	15.33%	16.42%	15.16%	14.51%	14.57%	14.28%	13.56%	11.99%	10.45%
<u>Retention Rate</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
Atlantic Energy, Inc.	23.13%	14.67%	25.14%	32.67%	25.54%	23.53%	2.65%	14.29%	0.00%	14.44%
Carolina Power & Light Co.	29.05%	32.12%	31.82%	28.13%	29.44%	31.90%	33.03%	32.16%	32.20%	25.56%
Delmarva Power & Light Co.	30.29%	29.35%	29.90%	10.63%	13.53%	16.11%	-3.36%	-6.94%	-4.05%	12.50%
Dominion Resources, Inc.	25.11%	23.75%	27.92%	34.32%	31.23%	22.10%	18.91%	21.43%	9.77%	20.51%
Kansas City Power & Light Co.	47.77%	46.61%	25.00%	29.80%	26.88%	24.70%	21.08%	13.29%	-5.93%	12.05%
New England Electric System	42.72%	41.90%	39.38%	34.10%	7.27%	7.27%	13.56%	25.27%	24.91%	29.07%
Oklahoma Gas & Electric Co.	21.46%	12.17%	23.27%	15.00%	27.81%	20.98%	25.74%	20.49%	-9.92%	4.32%
St. Joseph Light & Power Co.	46.23%	43.07%	47.64%	43.72%	40.17%	37.98%	35.48%	31.97%	22.87%	11.11%
<u>Historic Retention Growth</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
Atlantic Energy, Inc.	3.094%	1.795%	3.491%	5.138%	3.555%	3.160%	0.279%	1.712%	0.000%	1.737%
Carolina Power & Light Co.	4.023%	4.618%	4.487%	3.685%	3.964%	4.748%	5.233%	5.054%	4.961%	3.546%
Delmarva Power & Light Co.	4.599%	4.483%	4.614%	1.315%	1.750%	2.152%	-0.377%	-0.762%	-0.441%	1.548%
Dominion Resources, Inc.	3.071%	2.942%	3.736%	5.083%	4.385%	2.737%	2.257%	2.635%	1.048%	2.481%
Kansas City Power & Light Co.	6.770%	7.866%	2.550%	3.201%	3.148%	3.083%	2.569%	1.519%	-0.578%	1.440%
New England Electric System	7.685%	7.283%	6.453%	4.994%	0.805%	0.852%	1.574%	3.211%	3.152%	3.920%
Oklahoma Gas & Electric Co.	2.907%	1.497%	3.255%	1.924%	4.329%	3.027%	4.028%	3.010%	-1.068%	0.535%
St. Joseph Light & Power Co.	7.507%	6.601%	7.822%	6.627%	5.829%	5.531%	5.066%	4.335%	2.741%	1.161%
<u>Avg. Historic Retention Growth</u>	<u>Past</u>	<u>Past</u>								
	<u>5 Years</u>	<u>10 Years</u>								
Atlantic Energy, Inc.	1.378%	2.396%								
Carolina Power & Light Co.	4.708%	4.432%								
Delmarva Power & Light Co.	1.850%	2.923%								
Dominion Resources, Inc.	2.231%	3.037%								
Kansas City Power & Light Co.	2.153%	3.794%								
New England Electric System	2.542%	3.993%								
Oklahoma Gas & Electric Co.	2.650%	2.724%								
St. Joseph Light & Power Co.	3.767%	5.322%								

Note: Negative growth rates were omitted from the averages.

**PENNSYLVANIA POWER & LIGHT COMPANY  
MR. MOUL'S BAROMETER GROUP  
AVERAGE PRICE, DIVIDEND AND DIVIDEND YIELD**

		Sep '94	Oct '94	Nov '94	Dec '94	Jan '95	Feb '95
<b>Allegheny Power System</b>	High Price (\$)	22.375	21.500	22.000	22.000	24.000	24.375
	Low Price (\$)	19.750	19.750	20.250	21.125	21.500	23.000
	Avg. Price (\$)	21.063	20.625	21.125	21.563	22.750	23.688
	Dividend (\$)	0.410	0.410	0.410	0.410	0.410	0.410
	Mo. Avg. Div.	7.79%	7.95%	7.76%	7.61%	7.21%	6.92%
	6 mos. Avg.	7.54%					
<b>American Electric Power Co.</b>	High Price (\$)	31.500	32.375	33.375	33.825	35.125	35.750
	Low Price (\$)	29.250	30.500	30.875	32.375	32.750	33.250
	Avg. Price (\$)	30.375	31.438	32.125	33.000	33.938	34.500
	Dividend (\$)	0.600	0.600	0.600	0.600	0.600	0.600
	Mo. Avg. Div.	7.90%	7.63%	7.47%	7.27%	7.07%	6.96%
	6 mos. Avg.	7.38%					
<b>Atlantic Energy, Inc.</b>	High Price (\$)	17.750	17.250	18.000	18.250	19.000	19.125
	Low Price (\$)	16.125	16.000	16.375	17.375	17.500	18.375
	Avg. Price (\$)	16.938	16.625	17.188	17.813	18.250	18.750
	Dividend (\$)	0.385	0.385	0.385	0.385	0.385	0.385
	Mo. Avg. Div.	9.09%	9.26%	8.96%	8.65%	8.44%	8.21%
	6 mos. Avg.	8.77%					
<b>Baltimore Gas &amp; Electric Co.</b>	High Price (\$)	23.250	23.625	23.000	23.000	24.250	25.000
	Low Price (\$)	20.750	22.500	21.250	21.750	22.000	23.750
	Avg. Price (\$)	22.000	23.063	22.125	22.375	23.125	24.375
	Dividend (\$)	0.380	0.380	0.380	0.380	0.380	0.380
	Mo. Avg. Div.	6.91%	6.59%	6.87%	6.79%	6.57%	6.24%
	6 mos. Avg.	6.66%					
<b>Delmarva Power &amp; Light Co.</b>	High Price (\$)	19.000	19.250	19.250	18.875	19.500	20.000
	Low Price (\$)	18.000	18.250	17.625	18.000	17.875	19.000
	Avg. Price (\$)	18.500	18.750	18.438	18.438	18.688	19.500
	Dividend (\$)	0.385	0.385	0.385	0.385	0.385	0.385
	Mo. Avg. Div.	8.32%	8.21%	8.35%	8.35%	8.24%	7.90%
	6 mos. Avg.	8.23%					
<b>DPL, Inc.</b>	High Price (\$)	20.250	20.500	20.875	21.000	21.625	22.125
	Low Price (\$)	18.375	19.000	19.750	20.125	20.000	20.500
	Avg. Price (\$)	19.313	19.750	20.313	20.563	20.813	21.313
	Dividend (\$)	0.295	0.295	0.295	0.295	0.310	0.310
	Mo. Avg. Div.	6.11%	5.97%	5.81%	5.74%	5.96%	5.82%
	6 mos. Avg.	5.90%					
<b>Potomac Electric Power Co.</b>	High Price (\$)	20.125	19.750	19.625	19.375	19.875	20.125
	Low Price (\$)	18.375	18.625	18.250	18.250	18.375	18.875
	Avg. Price (\$)	19.250	19.188	18.938	18.813	19.125	19.500
	Dividend (\$)	0.415	0.415	0.415	0.415	0.415	0.415
	Mo. Avg. Div.	8.62%	8.65%	8.77%	8.82%	8.68%	8.51%
	6 mos. Avg.	8.68%					
<b>Public Service Enterprise Grp.</b>	High Price (\$)	27.125	26.875	26.750	27.125	29.000	29.875
	Low Price (\$)	23.875	25.250	25.000	25.250	26.000	28.375
	Avg. Price (\$)	25.500	26.063	25.875	26.188	27.500	29.125
	Dividend (\$)	0.540	0.540	0.540	0.540	0.540	0.540
	Mo. Avg. Div.	8.47%	8.29%	8.35%	8.25%	7.85%	7.42%
	6 mos. Avg.	8.10%					
<b>Group Dividend Yield, 6 mos.</b>		7.66%					
<b>Source: Standard and Poor's Stock Guide, October 1994 through March 1995</b>							

**PENNSYLVANIA POWER & LIGHT COMPANY**

**GROWTH RATE CALCULATIONS  
MR. MOUL'S BAROMETER GROUP**

**DCF Growth Rate Analysis**

<u>Company</u>	(1) V.L. DPS	(2) V.L. EPS	(3) IBES	(4) V.L. B x R
Allegheny Power System	1.19%	3.10%	1.90%	2.61%
American Electric Power Co.	0.66%	3.46%	2.30%	2.96%
Atlantic Energy, Inc.	0.77%	2.31%	2.20%	2.06%
Baltimore Gas & Electric Co.	2.40%	4.65%	3.30%	3.21%
Delmarva Power & Light Co.	0.77%	2.06%	3.10%	1.55%
DPL, Inc.	4.26%	4.53%	4.00%	2.73%
Potomac Electric Power Co.	0.71%	2.19%	1.60%	1.85%
Public Service Enterprise Grp.	0.73%	2.89%	2.70%	2.77%
<b>Averages</b>	<b>1.44%</b>	<b>3.15%</b>	<b>2.64%</b>	<b>2.47%</b>

Sources: Institutional Brokers Estimate System, March 1995 Earnings Reports  
Value Line Investment Reports, January 13, 1995 and March 17, 1995

**Value Line Projected Dividend Per Share Growth**

<u>Company</u>	DPS <sup>(1)</sup>	Projected DPS <sup>(1)</sup>	Compound Growth Rate
Allegheny Power System	\$1.64	\$1.74	1.19%
American Electric Power Co.	\$2.40	\$2.48	0.66%
Atlantic Energy, Inc.	\$1.54	\$1.60	0.77%
Baltimore Gas & Electric Co.	\$1.51	\$1.70	2.40%
Delmarva Power & Light Co.	\$1.54	\$1.60	0.77%
DPL, Inc. <sup>(2)</sup>	\$1.12	\$1.38	4.26%
Potomac Electric Power Co.	\$1.66	\$1.72	0.71%
Public Service Enterprise Grp.	\$2.16	\$2.24	0.73%
<b>Average</b>			<b>1.44%</b>

(1) 1994 DPS and 1998-2000 projected DPS Value Line data, except where otherwise noted.  
(2) 1993 DPS and 1997-1999 projected DPS Value Line data.

**PENNSYLVANIA POWER & LIGHT COMPANY**

**GROWTH RATE CALCULATIONS  
MR. MOUL'S BAROMETER GROUP**

**Value Line Projected Earnings Per Share Growth**

<u>Company</u>	<u>3-Year Avg. EPS<sup>(1)</sup></u>	<u>Projected EPS<sup>(1)</sup></u>	<u>Compound Growth Rate</u>
Allegheny Power System	\$1.87	\$2.25	3.10%
American Electric Power Co.	\$2.65	\$3.25	3.46%
Atlantic Energy, Inc.	\$1.70	\$1.95	2.31%
Baltimore Gas & Electric Co.	\$1.83	\$2.40	4.65%
Delmarva Power & Light Co.	\$1.64	\$1.85	2.06%
DPL, Inc. <sup>(2)</sup>	\$1.30	\$1.70	4.53%
Potomac Electric Power Co.	\$1.80	\$2.05	2.19%
Public Service Enterprise Grp.	\$2.49	\$2.95	2.89%
<b>Average</b>			<b>3.15%</b>

(1) 3-Year average based on EPS for 1992-1994, except where otherwise noted; projected EPS for 1998-2000, except where otherwise noted.  
(2) 3-Year average based on EPS for 1991-1993; projected EPS for 1997-1999.

**Sustainable Growth Calculation**

<u>Company</u>	<u>Forecasted Payout Ratio</u>	<u>Forecasted Retention Ratio</u>	<u>Expected Return<sup>(1)</sup></u>	<u>Growth Rate</u>
Allegheny Power System	77.33%	22.67%	11.50%	2.61%
American Electric Power Co.	76.31%	23.69%	12.50%	2.96%
Atlantic Energy, Inc.	82.05%	17.95%	11.50%	2.06%
Baltimore Gas & Electric Co.	70.83%	29.17%	11.00%	3.21%
Delmarva Power & Light Co.	86.49%	13.51%	11.50%	1.55%
DPL, Inc. <sup>(2)</sup>	81.18%	18.82%	14.50%	2.73%
Potomac Electric Power Co.	83.90%	16.10%	11.50%	1.85%
Public Service Enterprise Grp.	75.93%	24.07%	11.50%	2.77%
<b>Average</b>				<b>2.47%</b>

(1) Data come from Value Line's 1998-2000 forecasts, except where otherwise noted.  
(2) Data come from Value Line's 1997-1999 forecasts.

Source: Value Line Investment Reports, January 13, 1995 and March 17, 1995

**PENNSYLVANIA POWER & LIGHT COMPANY**

**GROWTH RATE CALCULATIONS  
MR. MOUL'S BAROMETER GROUP**

**Growth Rates for Past Five Years**

<u>Company</u>	<u>Earnings</u>	<u>Dividends</u>	<u>Retention Growth</u>
Allegheny Power System	-1.50%	1.50%	1.59%
American Electric Power Co.	-2.00%	0.50%	1.78%
Atlantic Energy, Inc.	-2.00%	2.50%	1.38%
Baltimore Gas & Electric Co.	-6.00%	2.50%	1.57%
Delmarva Power & Light Co.	-2.00%	1.50%	1.85%
DPL, Inc. <sup>(2)</sup>	-2.00%	3.50%	3.11%
Potomac Electric Power Co.	-3.00%	4.50%	2.03%
Public Service Enterprise Grp.	-0.50%	1.50%	2.34%
 Average	 -2.38%	 2.25%	 1.96%
Average without Negatives		2.25%	1.96%
 Average all Five Year Growth Rates			0.61%
Average all Five Year Growth Rates, without Negatives			2.10%

**Growth Rates for Past Ten Years**

<u>Company</u>	<u>Earnings</u>	<u>Dividends</u>	<u>Retention Growth</u>
Allegheny Power System	1.00%	3.50%	2.73%
American Electric Power Co.	1.50%	0.50%	2.11%
Atlantic Energy, Inc.	2.00%	3.00%	2.40%
Baltimore Gas & Electric Co.	1.50%	4.50%	4.15%
Delmarva Power & Light Co.	1.00%	3.50%	2.92%
DPL, Inc. <sup>(2)</sup>	1.00%	2.50%	4.54%
Potomac Electric Power Co.	4.50%	6.50%	4.41%
Public Service Enterprise Grp.	0.50%	2.00%	3.19%
 Average	 1.63%	 3.25%	 3.31%
 Average all Ten Year Growth Rates			2.73%

**PENNSYLVANIA POWER & LIGHT COMPANY**  
**MR. MOUL'S BAROMETER GROUP**  
**HISTORIC RETENTION GROWTH RATE ANALYSIS**

	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
<b>Allegheny Power System</b>											
EPS		1.81	1.80	2.02	2.03	1.98	1.86	1.81	1.81	1.83	1.88
DPS		1.32	1.35	1.43	1.48	1.51	1.55	1.58	1.59	1.61	1.63
BVPS	11.85	12.37	12.87	13.47	14.10	14.62	14.99	15.26	15.54	16.05	16.62
<b>American Elec. Power Co.</b>											
EPS		2.65	2.54	2.62	2.96	3.24	3.25	2.77	2.70	2.54	2.70
DPS		2.26	2.26	2.26	2.34	2.34	2.36	2.40	2.40	2.40	2.40
BVPS	20.24	20.39	20.35	20.71	20.94	21.84	22.71	22.58	22.86	23.01	22.50
<b>Atlantic Energy, Inc.</b>											
EPS		1.60	1.50	1.75	2.02	1.84	1.87	1.51	1.75	1.52	1.80
DPS		1.23	1.28	1.31	1.36	1.37	1.43	1.47	1.50	1.52	1.54
BVPS	11.79	12.13	12.38	12.83	12.86	13.58	14.27	14.36	14.84	14.31	15.62
<b>Baltimore Gas &amp; Elec. Co.</b>											
EPS		1.85	1.87	2.10	2.31	2.31	2.03	1.40	1.52	1.63	1.85
DPS		1.03	1.12	1.19	1.25	1.32	1.39	1.40	1.40	1.43	1.47
BVPS	11.36	12.16	12.91	13.82	14.83	15.85	16.60	17.10	17.53	17.84	18.57
<b>Delmarva Pwr. &amp; Light Co.</b>											
EPS		1.75	1.84	1.94	1.60	1.70	1.80	1.49	1.44	1.48	1.76
DPS		1.22	1.30	1.36	1.43	1.47	1.51	1.54	1.54	1.54	1.54
BVPS	11.25	11.80	12.29	12.85	13.01	13.28	13.67	12.84	13.42	13.77	14.66
<b>DPL, Inc.</b>											
EPS		1.36	1.42	1.36	1.60	1.34	1.45	1.49	1.15	1.34	1.42
DPS		0.89	0.89	0.89	0.92	0.96	1.00	1.04	1.08	1.08	1.12
BVPS	8.48	8.47	7.97	8.48	8.72	9.09	9.84	10.31	10.38	9.66	9.92
<b>Potomac Electric Power Co.</b>											
EPS		1.62	1.80	2.06	2.11	2.14	2.16	1.62	1.87	1.66	1.95
DPS		0.97	1.08	1.18	1.30	1.38	1.46	1.52	1.56	1.60	1.64
BVPS	9.40	10.01	10.71	11.84	12.61	13.22	14.23	14.39	15.45	15.95	16.60
<b>Public Svc. Enterprise Grp.</b>											
EPS		2.63	2.64	2.81	2.55	2.57	2.62	2.56	2.43	1.97	2.71
DPS		1.80	1.87	1.95	1.99	2.01	2.05	2.09	2.13	2.16	2.16
BVPS	18.04	18.54	19.08	17.92	18.54	19.11	19.85	20.44	21.01	20.32	21.07

**PENNSYLVANIA POWER & LIGHT COMPANY**

**MR. MOUL'S BAROMETER GROUP  
HISTORIC RETENTION GROWTH RATE ANALYSIS**

<u>Avg. Book Value per Share for Yr.</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
Allegheny Power System	12.11	12.62	13.17	13.79	14.36	14.81	15.13	15.40	15.80	16.34
American Electric Power Co.	20.32	20.37	20.53	20.83	21.39	22.28	22.65	22.73	22.95	22.76
Atlantic Energy, Inc.	11.96	12.26	12.61	12.85	13.22	13.83	14.32	14.60	14.58	14.97
Baltimore Gas & Electric Co.	11.76	12.54	13.37	14.33	15.34	16.23	16.85	17.32	17.69	18.21
Delmarva Power & Light Co.	11.53	12.05	12.57	12.93	13.15	13.48	13.26	13.13	13.60	14.22
DPL, Inc.	8.48	8.22	8.23	8.60	8.91	9.47	10.08	10.35	10.02	9.79
Potomac Electric Power Co.	9.71	10.36	11.28	12.23	12.92	13.73	14.31	14.92	15.70	16.28
Public Service Enterprise Grp.	18.29	18.81	18.50	18.23	18.83	19.48	20.15	20.73	20.67	20.70
<u>Return on Book Value</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
Allegheny Power System	14.95%	14.26%	15.34%	14.73%	13.79%	12.56%	11.97%	11.75%	11.59%	11.51%
American Electric Power Co.	13.04%	12.47%	12.76%	14.21%	15.15%	14.59%	12.23%	11.88%	11.07%	11.87%
Atlantic Energy, Inc.	13.38%	12.24%	13.88%	15.73%	13.92%	13.43%	10.55%	11.99%	10.43%	12.03%
Baltimore Gas & Electric Co.	15.73%	14.92%	15.71%	16.13%	15.06%	12.51%	8.31%	8.78%	9.22%	10.16%
Delmarva Power & Light Co.	15.18%	15.28%	15.43%	12.37%	12.93%	13.36%	11.24%	10.97%	10.89%	12.38%
DPL, Inc.	16.05%	17.27%	16.53%	18.60%	15.05%	15.32%	14.79%	11.12%	13.37%	14.50%
Potomac Electric Power Co.	16.69%	17.37%	18.27%	17.26%	16.57%	15.74%	11.32%	12.53%	10.57%	11.98%
Public Service Enterprise Grp.	14.38%	14.04%	15.19%	13.99%	13.65%	13.45%	12.71%	11.72%	9.53%	13.09%
<u>Retention Rate</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
Allegheny Power System	27.07%	25.00%	29.21%	27.09%	23.74%	16.67%	12.71%	12.15%	12.02%	13.30%
American Electric Power Co.	14.72%	11.02%	13.74%	20.95%	27.78%	27.38%	13.36%	11.11%	5.51%	11.11%
Atlantic Energy, Inc.	23.13%	14.67%	25.14%	32.67%	25.54%	23.53%	2.65%	14.29%	0.00%	14.44%
Baltimore Gas & Electric Co.	44.32%	40.11%	43.33%	45.89%	42.86%	31.53%	0.00%	7.89%	12.27%	20.54%
Delmarva Power & Light Co.	30.29%	29.35%	29.90%	10.63%	13.53%	16.11%	-3.36%	-8.94%	-4.05%	12.50%
DPL, Inc.	34.56%	37.32%	34.56%	42.50%	28.36%	31.03%	30.20%	6.09%	19.40%	21.13%
Potomac Electric Power Co.	40.12%	40.00%	42.72%	38.39%	35.51%	32.41%	8.17%	16.58%	3.61%	15.90%
Public Service Enterprise Grp.	31.56%	29.17%	30.60%	21.96%	21.79%	21.76%	18.36%	12.35%	-9.64%	20.30%
<u>Historic Retention Growth</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
Allegheny Power System	4.046%	3.566%	4.480%	3.990%	3.273%	2.094%	1.521%	1.429%	1.393%	1.530%
American Electric Power Co.	1.920%	1.375%	1.754%	2.977%	4.208%	3.996%	1.634%	1.320%	0.610%	1.318%
Atlantic Energy, Inc.	3.094%	1.795%	3.491%	5.138%	3.555%	3.160%	0.279%	1.712%	0.000%	1.737%
Baltimore Gas & Electric Co.	6.973%	5.983%	6.809%	7.400%	6.454%	3.945%	0.000%	0.693%	1.131%	2.087%
Delmarva Power & Light Co.	4.599%	4.483%	4.614%	1.315%	1.750%	2.152%	-0.377%	-0.762%	-0.441%	1.548%
DPL, Inc.	5.546%	6.448%	5.714%	7.907%	4.267%	4.754%	4.467%	0.677%	2.595%	3.064%
Potomac Electric Power Co.	6.698%	6.950%	7.805%	6.626%	5.885%	5.100%	0.699%	2.078%	0.382%	1.905%
Public Service Enterprise Grp.	4.538%	4.094%	4.649%	3.072%	2.975%	2.926%	2.333%	1.448%	-0.919%	2.658%
<u>Avg. Historic Retention Growth</u>	<u>Past 5 Years</u>	<u>Past 10 Years</u>								
Allegheny Power System	1.583%	2.732%								
American Electric Power Co.	1.776%	2.111%								
Atlantic Energy, Inc.	1.378%	2.396%								
Baltimore Gas & Electric Co.	1.571%	4.147%								
Delmarva Power & Light Co.	1.850%	2.923%								
DPL, Inc.	3.111%	4.544%								
Potomac Electric Power Co.	2.033%	4.413%								
Public Service Enterprise Grp.	2.341%	3.188%								

Note: Negative growth rates were omitted from the averages.

**PENNSYLVANIA POWER AND LIGHT COMPANY**

**Alternative Capital Asset Pricing Model Analysis**

**Analysis with 30-Year Treasury Bond  
PP&L Beta Factor**

Line No.		(1) <u>S&amp;P 500</u>	(2) <u>Value Line</u>
1	Market Required Return Estimate		
2	Expected Dividend Yield	2.97%	2.33%
3	Expected Growth	9.20%	11.70%
4	Required Return	12.17%	14.03%
5	Risk-free Rate of Return, 30-Year Treasury Bond		
6	February Rate	7.59%	7.59%
7	Average of Last Six Months	7.82%	7.82%
8	Risk Premium		
9	@ February RFR (Line 4 minus Line 6)	4.58%	6.44%
10	@ 6 Month Average RFR (Line 4 minus Line 7)	4.35%	6.21%
11	Pennsylvania Power & Light Beta	0.65	0.65
12	PP&L Beta * Risk Premium		
13	@ February RFR (Line 9 * Line 11)	2.98%	4.19%
14	@ 6 Month Average RFR (Line 10 * Line 11)	2.83%	4.04%
15	CAPM Return on Equity		
16	@ February RFR (Line 13 plus Line 6)	10.57%	11.78%
17	@ 6 Month Average RFR (Line 14 plus Line 7)	10.65%	11.86%

**PENNSYLVANIA POWER AND LIGHT COMPANY**

**Alternative Capital Asset Pricing Model Analysis**

**Analysis with 5--Year Treasury Bond  
PP&L Beta Factor**

Line No.		(1) <u>S&amp;P 500</u>	(2) <u>Value Line</u>
1	Market Required Return Estimate		
2	Expected Dividend Yield	2.97%	2.33%
3	Expected Growth	9.20%	11.70%
4	Required Return	12.17%	14.03%
5	Risk-free Rate of Return, 5--Year Treasury Bond		
6	February Rate	7.32%	7.32%
7	Average of Last Six Months	7.48%	7.48%
8	Risk Premium		
9	@ February RFR (Line 4 minus Line 6)	4.86%	6.71%
10	@ 6 Month Average RFR (Line 4 minus Line 7)	4.69%	6.55%
11	Pennsylvania Power & Light Beta	0.65	0.65
12	PP&L Beta * Risk Premium		
13	@ February RFR (Line 9 * Line 11)	3.16%	4.36%
14	@ 6 Month Average RFR (Line 10 * Line 11)	3.05%	4.26%
15	CAPM Return on Equity		
16	@ February RFR (Line 13 plus Line 6)	10.47%	11.68%
17	@ 6 Month Average RFR (Line 14 plus Line 7)	10.53%	11.74%

**PENNSYLVANIA POWER AND LIGHT COMPANY**

**Alternative Capital Asset Pricing Model Analysis**

**Analysis with 30-Year Treasury Bond  
Barometer Group Beta Factor**

<u>Line No.</u>		<u>(1) S&amp;P 500</u>	<u>(2) Value Line</u>
1	Market Required Return Estimate		
2	Expected Dividend Yield	2.97%	2.33%
3	Expected Growth	9.20%	11.70%
4	Required Return	12.17%	14.03%
5	Risk-free Rate of Return, 30-Year Treasury Bond		
6	February Rate	7.59%	7.59%
7	Average of Last Six Months	7.82%	7.82%
8	Risk Premium		
9	@ February RFR (Line 4 minus Line 6)	4.58%	6.44%
10	@ 6 Month Average RFR (Line 4 minus Line 7)	4.35%	6.21%
11	Barometer Group Beta	0.69	0.69
12	Barometer Group Beta * Risk Premium		
13	@ February RFR (Line 9 * Line 11)	3.16%	4.44%
14	@ 6 Month Average RFR (Line 10 * Line 11)	3.00%	4.28%
15	CAPM Return on Equity		
16	@ February RFR (Line 13 plus Line 6)	10.75%	12.03%
17	@ 6 Month Average RFR (Line 14 plus Line 7)	10.82%	12.10%

**PENNSYLVANIA POWER AND LIGHT COMPANY**

**Alternative Capital Asset Pricing Model Analysis**

**Analysis with 5-Year Treasury Bond  
Barometer Group Beta Factor**

<u>Line No.</u>		<u>(1) S&amp;P 500</u>	<u>(2) Value Line</u>
1	Market Required Return Estimate		
2	Expected Dividend Yield	2.97%	2.33%
3	Expected Growth	9.20%	11.70%
4	Required Return	12.17%	14.03%
5	Risk-free Rate of Return, 5-Year Treasury Bond		
6	February Rate	7.32%	7.32%
7	Average of Last Six Months	7.48%	7.48%
8	Risk Premium		
9	@ February RFR (Line 4 minus Line 6)	4.86%	6.71%
10	@ 6 Month Average RFR (Line 4 minus Line 7)	4.69%	6.55%
11	Barometer Group Beta	0.69	0.69
12	Barometer Group Beta * Risk Premium		
13	@ February RFR (Line 9 * Line 11)	3.35%	4.63%
14	@ 6 Month Average RFR (Line 10 * Line 11)	3.24%	4.52%
15	CAPM Return on Equity		
16	@ February RFR (Line 13 plus Line 6)	10.67%	11.95%
17	@ 6 Month Average RFR (Line 14 plus Line 7)	10.72%	12.00%

Sources: Value/Screen III Data Base, Summary Report, March 1995  
Value Line Investment Survey, January 13 and March 17, 1995  
Institutional Brokers' Estimate Service, March 1995 Report  
Standard & Poor's Statistical Service, February 1995  
Barrons, February and March 1995 Issues

**PENNSYLVANIA POWER AND LIGHT**

**Supporting Data for CAPM Analyses**

**S&P Dividend Yield Data:**

	Avg. Yield
September 1994	2.80%
October 1994	2.82%
November 1994	2.86%
December 1994	2.91%
January 1995	2.87%
February 1995	2.79%

6 month average 2.84%

Sources: Standard & Poor's Statistical Service,  
Barron's, February and March 1995 issues

**Value Screen III Growth Rate Data:**

Earnings	17.20%
Book Value	10.40%
Dividends	7.50%

Average 11.70%

Source: Value Screen III, March 1995

**Value Line Industrial Composite Data:**

Earnings	12.00%
Dividends	6.50%
Retention Growth	9.50%

Average 9.33%

Source: Value Line Selection & Opinion, Feb. 17, 1995

**30 Year Treasury Bond Data**

	Avg. Yield
September 1994	7.65%
October 1994	7.94%
November 1994	8.05%
December 1994	7.89%
January 1995	7.81%
February 1995	7.59%

6 month average 7.82%

Source: Compuserve Data Base

**5 Year Treasury Bond Data**

	Avg. Yield
September 1994	7.03%
October 1994	7.39%
November 1994	7.71%
December 1994	7.75%
January 1995	7.71%
February 1995	7.32%

6 month average 7.48%

Source: Compuserve Data Base

**Value Line Betas**

**Comparison Group:**

Atlantic Energy	0.70
Carolina Power	0.80
Delmarva Power	0.65
Dominion Resources	0.65
Kansas City P&L	0.65
New England Electric	0.75
Oklahoma G&E	0.70
St. Joseph L&P	0.50

Average 0.68

Source: Value Line Investment Survey, January 13 & March 17, 1995 Issues

**Mr. Moul's Barometer Group:**

Allegheny Power System	0.65
American Electric Power	0.75
Atlantic Energy	0.70
Baltimore G&E	0.80
Delmarva Power	0.65
DPL Inc.	0.55
Potomac Electric Power	0.75
Public Svc. Enterprise	0.70

Average 0.69

CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of the foregoing testimony on all known parties of record to this proceeding, by Federal Express delivery, Harrisburg parties being hand delivered, properly addressed as follows:

**OFFICE OF ADMINISTRATIVE LAW  
JUDGES**

Hon. Robert A. Christianson  
Administrative Law Judge  
PA Public Utility Commission  
G-08A North Office Building  
P. O. Box 3265  
Harrisburg, PA 17105-3265

**PENNSYLVANIA POWER & LIGHT  
COMPANY**

Paul E. Russell, Esquire  
Associate General Counsel  
Pennsylvania Power & Light Co.  
Two North Ninth Street  
Allentown, PA 18101-1179

Thomas P. Gadsden, Esquire  
Anthony C. DeCusatis, Esquire  
David B. MacGregor, Esquire  
Morgan, Lewis & Bockius  
2000 One Logan Square  
Philadelphia, PA 19103

**OFFICE OF TRIAL STAFF**

Johnnie E. Simms, Esquire  
Kenneth L. Mickens, Esquire  
Stephen E. Gorka, Esquire  
Office of Trial Staff  
PA Public Utility Commission  
P. O. Box 3265  
Harrisburg, PA 17105-3265

**OFFICE OF CONSUMER ADVOCATE**

Mary C. Kenney, Esquire  
Tanya J. McCloskey, Esquire  
Assistant Consumer Advocates  
Office of Consumer Advocate  
1425 Strawberry Square  
Harrisburg, PA 17120

Mr. Thomas Catlin  
Mr. Matthew I. Kahal  
Exeter Associates, Inc.  
12510 Prosperity Drive,  
Suite 350  
Silver Spring, MD 20904

Mr. Dale Bridenbaugh  
MHB Technical Associates  
1723 Hamilton Avenue-Suite K  
San Jose, CA 95125

**OFFICE OF SMALL BUSINESS ADVOCATE**

Karen Oill Moury, Esquire  
Office of Small Business Advocate  
Suite 1102, Commerce Building  
300 North Second Street  
Harrisburg, PA 17101

Mr. Robert D. Knecht  
Industrial Economics Incorporated  
2067 Massachusetts Avenue  
Cambridge, MA 02140

**BETHLEHEM STEEL CORPORATION**

Joan O. Brandeis, Esquire  
Schnader, Harrison, Segal & Lewis  
1600 Market Street Suite 3600  
Philadelphia, PA 19103

Mr. Maurice Brubaker  
Drazen-Brubaker & Associates, Inc.  
7730 Forsyth Boulevard, Suite 200  
St. Louis, MO 63105-1819

**DEPARTMENT OF DEFENSE**

David A. McCormick, General  
Attorney  
Regulatory Law Office  
Office of The Judge Advocate  
General  
Department of the Army,  
DAJA-RL 3848  
901 N. Stuart Street, Room 713  
Arlington, VA 22203-1837

**UNIVERSITY/COLLEGE COALITION**

Daniel P. Delaney, Esquire  
James P. Melia, Esquire  
Kirkpatrick & Lockhart  
204 North Third Street  
Harrisburg, PA 17101-1507

**UNIVERSITY/COLLEGE COALITION**  
Cook, Eisdorfer & Associates  
2258 Schuetz Road  
Suite 205  
St. Louis, MO 63146

**THE LANCASTER CHAMBER OF  
COMMERCE AND INDUSTRY**  
Christopher S. Underhill, Esq.  
Hartman Underhill & Brubaker  
221 East Chestnut Street  
Lancaster, PA 17602

**CENTRAL EASTERN PENNSYLVANIA  
FUEL OIL DEALERS**  
Robert P. Haynes, Esquire  
Mette, Evans & Woodside  
3401 North Front Street  
P. O. Box 5950  
Harrisburg, PA 17110-0950

Mr. Steven Andersen  
Economic & Policy Analysis, Inc.  
13300 Council Bluff Drive  
Austin, TX 78727

**MID-ATLANTIC ENERGY PROJECT (SIERRA  
CLUB)**

Alan J. Barak, Esquire  
Mid-Atlantic Energy Project  
Weidner Energy Law Clinic  
3700 Vartan Way  
Harrisburg, PA 17110-9450

**CROWN AMERICAN REALTY TRUST**  
Kenneth Zielonis, Esquire  
Stevens & Lee  
208 North Third Street - Suite 310  
P. O. Box 12090  
Harrisburg, PA 17108-2090

  
David M. Kleppinger, Esquire

Dated this 7th day of April, 1995, in Harrisburg, Pennsylvania