



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

May 12, 1995

HAND DELIVERED

The Honorable Robert A. Christianson
Administrative Law Judge
Pennsylvania Public Utility Commission
P. O. Box 3265
Harrisburg, Pennsylvania 17105-3265

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

Dear Judge Christianson:

Enclosed are the following Pennsylvania Power & Light Company (PP&L) statements of rebuttal testimony in this proceeding:

<u>Statement</u>	<u>Witness</u>
2-R	Michael J. Berish
3-R	Ronald J. Bernini
4-R	Donald S. Hoch
5-R	Douglas A. Krall
10-R	Gerald S. Farber
11-R	Thomas C. Stathos
12-R1	Paul R. Moul
13-R	Thomas S. LaGuardia
14-R	Clyde D. Beers
17-R	John M. Chappellear

DOCUMENT
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Also enclosed is PP&L's final accounting exhibit, designated Exhibit Future 1 - Revised.

35

May 12, 1995

As shown on the attached certificate of service, copies of the enclosed rebuttal testimony and Exhibit Future 1 - Revised are being served today on all active parties in this proceeding.

If you have any questions regarding the enclosed documents, please call.

Very truly yours,

A handwritten signature in black ink, appearing to read "Paul E. Russell". The signature is written in a cursive style with a large initial "P" and "R".

Paul E. Russell

Enclosures

cc: John G. Alford, Secretary (w/o enclosures)
All parties of record

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 rebuttal testimony and final accounting
exhibit upon the active participants listed below, in accordance with the
requirements of § 1.54 (relating to service by a participant):

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Paul E. Russell

Dated: May 12, 1995
at Allentown, Pennsylvania



Pennsylvania Power & Light Company

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May 15, 1995

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**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

DOCUMENT
FOLDER

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 supplemented answer to the PP&L
Industrial Customer Alliance's Interrogatories, Set I numbered 1 upon the active
participants listed below, in accordance with the requirements of § 1.54
(relating to service by a participant):

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Harrisburg, Pennsylvania 17110-0950

Mr. Eric Epstein
2308 Brandywine Drive
Harrisburg, Pennsylvania 17110


Paul E. Russell

Dated: May 15, 1995
at Allentown, Pennsylvania

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

Very truly yours,

Paul E. Russell

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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 XV numbered 1, and Set XVI numbered 1 through 25 upon the active participants listed below, in accordance with the requirements of § 1.54 (relating to service by a participant):

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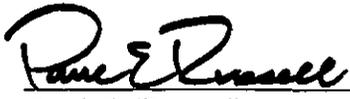
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PENNSYLVANIA PUBLIC UTILITY :
COMMISSION, ET AL. :

Docket No. R-00943271,
R-00943271C001

V. :

PENNSYLVANIA POWER & LIGHT :
COMPANY :

et seq.

SURREBUTTAL RESPONSE TO PP&L WITNESS GEORGE T. JONES
(STATEMENT 15-R)

Mr. Gorge T. Jones', Vice President Nuclear-Engineering, Pennsylvania Power and Light Company (PP&L), rebuttal testimony regarding nuclear power operations, nuclear waste disposal and problems with Thermo Lag and spent fuel storage at the Susquehanna Steam Electric Station (SESS) was general, vague, arbitrary and based on unreliable criteria.

Mr. Jones termed criticisms of Susquehanna's operating record as "grossly unfair and in many cases simply wrong." (Page 2, Lines 17-18.) Mr. Jones arbitrarily selected data to substantiate his claim, specifically the Nuclear Regulatory Commission's (NRC) Systematic Assessment Licensee Performance (SALP) and the plant's operating capacity. Unfortunately, these are flawed indices with which to assess a plant's longevity and operating and safety record.

The SALP process rates licensee performance in four functional areas: Plant Operations, Maintenance, Engineering and Plant Support (radiological controls, security, emergency preparedness, fire protection, chemistry and housekeeping). Mr. Jones' description of the SALP process as a tool used "to determine the level

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of management attention it must devote to a licensee" (Page 3, Lines 7-8.) is disingenuous and misleading. Unless a plant has a major accident (Three Mile Island) or shutdown by NRC decree (Peach Bottom) staffing levels remain relatively steady throughout the industry.

Moreover, the SALP evaluation system is limited and restrictive with the following grading scheme: 1 = above average; 2 = average; 3 = below average. The NRC can also indicate "improving" or "declining" trends. The charge of the NRC is to allow the industry to monitor itself with minimal regulatory interference. Nuclear power operators give more stock to evaluations conducted by the Institute for Nuclear Power Operations (INPO.) For example, an INPO inspection "pointed out some areas for improvement at the plant, and were taking appropriate action." (Shareholders Newsletter," (July 1, 1993.) Unfortunately, this data is proprietary and rarely released to the public.

Even if one accepts the SALP report as an indicator of a plant's performance, this tool has been proven to be unreliable. For example, *prior* to the security breach at Three Mile Island (TMI) on February 7, 1993, the SALP evaluation grade for plant security was a "1." *After* the intrusion, TMI's plant operator, GPU Nuclear (GPUN), received a "1" in Plant Support which includes security. In fact the NRC's Incident Investigations Team's (ITT) concluded: "The ITT reviewed reports for NRC inspections conducted during the last three SALP periods and found no significant indications of precursors. The SALP evaluation process also revealed no significant indications or precursors." ("NRC Reviews," NUREG-1485, Section 4.2.2.) Clearly, the veracity of SALP evaluations is negligible.

Capacity factor is a misleading yardstick frequently utilized by the nuclear industry. Susquehanna's average capacity factor of 78.4% is virtually meaningless as a barometer for plant longevity, safety or economic vitality. For example, at the end of 1991, Yankee Rowe's operating capacity factor was 74.11%. (Nuclear Regulatory Commission.) Yankee Atomic, Yankee Rowe's operator, closed the plant prematurely on February 26, 1992 due to the cost to comply with NRC regulations and the

embrittlement of the reactor vessel. Through November 30, 1992, San Onofre-1's annual capacity factor was 83.66%. (Nuclear Regulatory Commission.) Southern California Edison closed the plant the following month for economic reasons.

Mr. Jones stated, "Most of the violations, particularly in later years of operation, have been Severity Level IV or V, the lowest categories." This is obviously an admission that in the "earlier years" most of the violations were of a more serious nature, i.e. Severity Level I through III. Severity Level IV and V violations are indeed more common throughout the industry; however, they identify problems and weaknesses at a nuclear power plant. In other words, a Level I violation is analogous to a felony while a Level V violation is similar to a misdemeanor.

Neither the SALP or capacity factor rating address generic problems at nuclear power plants. For instance, core shroud cracking, reactor embrittlement, vulnerable containment structures and faulty water level indicators have been identified as generic challenges at Boiling Water Reactors. The process employed by the NRC to investigate these issues is highly suspect. The NRC was harshly criticized by a 19 year veteran of the nuclear industry who was under contract with the Commission. John Darby, a top industry engineer, reviewed Individual Plant Examination (IPE) submittals which are designed to examine and determine the possibility of serious accidents at nuclear power plants. In a memo to the NRC on March 17, 1995, Mr. Darby stated:

Also, I have been told in no uncertain terms to 'don't look so hard and don't ask so much.' The NRC spends more time haggling over the questions to ask and the precise wording of the questions than I spend doing my entire review of the IPE submittal. I am continually re-wording and re-writing questions to meet some undefined goal of what is 'acceptable' to ask the licensee.

Clearly, the NRC is not an aggressive evaluator of design based challenges or site-specific problems that arise at the Susquehanna nuclear power plant or elsewhere.

Internal reporting, Licensee Event Reports (LER), of plant problems has recently increased at the SESS. This measure of a plant's operating performance was omitted from Mr. Jones rebuttal testimony. The number of LER's at Unit-1 in 1991 was 25 and 15 were reported at Unit 2. (Nuclear Regulatory Commission, LER's through December 31, 1991.) By 1992, PP&L reported a decline: 18 LER's at Unit 1 and 14 at Unit 2 (Nuclear Regulatory Commission, LER's through December 31, 1992.) The following year another decrease was noted: 11 LER's at Unit 1 and 10 at Unit 2. (Nuclear Regulatory Commission, LER's through December 31, 1993.) However, in 1994 the number of Licensee Event Reports increased by 30 % to 19 at Unit 1 and 9 at Unit 2, precisely at a time where Mr. Jones boasted of a decline in the severity level of NRC violations. (Nuclear Regulatory Commission, LER's through December 31, 1994.)

The number and frequency of problems at the SESS has remained consistent. PP&L has simply chosen to be more forthright in reporting incidents to the NRC as a means of mitigating and deflecting harsher severity levels in Notice of Violations (NOV.)

Mr. Jones also did not disclose that PP&L tested Thermo Lag in 1981 *prior* to its installation at Susquehanna. Under standard testing criteria, Thermo Lag failed the tests. This problem was not discovered by the NRC's Office of Inspector General until 1992 and was not made public until April 1995 when a response to a Freedom of Information Act request was published. The NRC did not cite PP&L for the Thermo Lag violation and refused to issue fines for other fire protection violations. Susquehanna continues to use the faulty fire retardant and Rubin Feldman, president of Thermal Sciences Inc., the manufacturer of Thermo Lag is scheduled to go on trial this month on seven criminal counts relating to falsifying Thermo Lag testing records.

Mr. Jones asserted: "Finally the company has dealt thoroughly with the concerns raised about the adequacy of spent fuel pool cooling. Both PP&L and the NRC have concluded that this issue does not raise any significant safety concerns." (Page 4, Lines 12-14.) Mr. Jones failed to note that those concerns were initially raised

by Donald Prevatte and David Lochbaum, formerly consulting engineers at Susquehanna. Conrad McCracken, chief of the NRC's plant systems branch identified it as an issue that needs to be "addressed" and the NRC sent a notice to all Boiling Water Reactor owners concerning this problem. PP&L changed procedures, trained personnel and replaced some equipment in response to these concerns. The two engineers made a formal presentation to the NRC on October 1, 1993. Mr. Jones neglected to mention the Commonwealth of Massachusetts found similar spent fuel cooling problems at the Pilgrim nuclear power plant and Washington Nuclear Power Reactor Number 2 (Hanford) also identified a similar problem.

Mr. Jones flippantly dismissed the radioactive waste problem at SESS: "Likewise, disposal of radwaste is being addressed on a statewide basis and national level. The wastes being generated today at the plant are being handled on site, in full compliance with NRC all regulations, and present no threat to the health and safety of the public." (Page 4, Lines 8-12.) And in response to Data Request to the Office of Consumer Advocate Mr. Jones stated PP&L contributed funding to "statewide screening, licensing activities, technical studies and public outreach necessary for the siting of the facility." However, Mr. Jones failed to provide information relating to the current problems of siting a low-level radioactive waste facility in Pennsylvania. According to the "Appalachian Compact Users of Radioactive Isotopes" (ACURI) newsletter, of which PP&L is represented on the Board of Directors (Roger A. Stigers, H.P.), project delays and cost overruns prompted the Pennsylvania General Assembly to pass a "resolution directing the Legislative Budget and Finance Committee to conduct an immediate audit of payments by the state's Department of Environmental Resources to its contractor, Chem-Nuclear Systems Inc., for activities related to development of a low-level radioactive waste (LLRW) disposal facility." (March 1995, p.6.) The project will require an additional financial infusion of \$26 to \$90 million. This development further delays siting, screening, technical studies and "public outreach" of a LLRW site. Therefore, the SESS will serve as a *de facto* low-level radioactive waste site even though the facility was not licensed, constructed or designed to house radioactive waste indefinitely.

Mary Wells of GPU Nuclear recently admitted in an interview with the Lancaster New Era, (Thursday, May 4, 1995, A-8), the nuclear industry is double-billing its customers for high-level radioactive waste storage. PP&L also bills its customers twice: 1) Maintaining on-site, spent fuel pools, and 2) Contributions to the Nuclear Waste Trust Fund.

Finally, Mr. Jones failed to mention PP&L's plan to move from spent fuel cooling to dry-cask storage is highly problematic and experimental. Mr. Jones admitted in his response to a Data Request (March 21, 1995) that spent fuel storage capacity is sufficient through 1997. However, PP&L's reliance on dry-cask storage is disturbing in light of the technical problems and legal delays experienced at the Palisades, Prairie Island and Oyster Creek nuclear power plants.

Respectfully submitted,



Eric J. Epstein
2308 Brandywine Drive
Harrisburg, PA 17110

DATE: May 13, 1995

Before the
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY :
COMMISSION, ET AL. :

v. :

Docket No. R-00943271

PENNSYLVANIA POWER and LIGHT :
COMPANY :

CERTIFICATION OF SERVICE

I hereby certify that I have this day served a true and correct copy of the foregoing document upon the individuals named below by US mail or hand delivery in accordance with the requirements of Section 1.54.

The Honorable Robert A. Christianson
Administrative Law Judge
Pennsylvania Public Utility Commission
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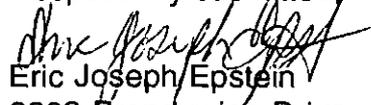
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Industrial Economic, Inc.
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Cambridge, MA 02140

Dale Bridenbaugh, MHB Associates
1723 Hamilton Ave, Suite K,
San Jose, CA 95125

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Eric Joseph Epstein", written over the printed name.

Eric Joseph Epstein
2308 Brandywine Drive
Harrisburg, PA 17110

DATE: May 13, 1995

METTE, EVANS & WOODSIDE

A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

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LLOYD R. PERSUN
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DANIEL L. SULLIVAN
STEVEN D. SNYDER
GLEN R. GRELL
CHRISTOPHER C. CONNER
ELYSE E. ROGERS

ANDREW H. DOWLING
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ELIZABETH M. CALCAGNO
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23-1985005

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Room G-08A North Office Building
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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 Surrebuttal Testimony of the Central Eastern Pennsylvania Fuel Oil Dealers consisting of CEPFOD Statement No. SR1, the Prepared Surrebuttal Testimony of Steven Andersen. 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

DOCUMENT
FOLDER

RPH/me

Enclosures

cc: All parties per Certificate of Service
John G. Alford, Secretary (w/o enclosures)

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Regarding

PENNSYLVANIA POWER & LIGHT COMPANY

Docket Number R-00943271

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Surrebuttal Testimony Of

Steven Andersen

On Behalf of

Central Eastern Pennsylvania Fuel Oil Dealers

DOCKETED
MAY 23 1995

**DOCUMENT
FOLDER**

Economic & Policy Analysis, Inc.
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May 19, 1995

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1 **I. Introduction and Summary**

2 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A. My name is Steven Andersen. My business address is 13300 Council Bluff Drive,
4 Austin, Texas 78727.

5 Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS CASE?

6 A. Yes. I filed direct testimony regarding cost allocation and rate design issues on behalf
7 of the Central Eastern Pennsylvania Fuel Oil Dealers (CEPFOD) on April 12, 1995.
8 This testimony has been marked as CEPFOD Statement 1.

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

10 A. My purpose is to respond to portions of the rebuttal testimony filed on behalf of PP&L
11 by Mr. Slivka, Mr. Kleha, and Mr. Kasper. I also respond to testimony filed by Mr.
12 Knecht (SBA) regarding the classification and allocation of distribution plant and
13 expense.

14 Q. PLEASE SUMMARIZE YOUR CONCLUSIONS REGARDING PP&L'S DEFENSE OF
15 THE COMPANY'S RTS MARKETING PROGRAM.

16 A. I agree with Mr. Slivca that it is important to evaluate PP&L studies and the prudence
17 of PP&L's promotion of RTS service within the context of a 1987-1991 time frame. My
18 analysis was based upon reviewing information known to PP&L during that time
19 period. Instead, the Company defends the promotion of RTS service on the ground
20 that a hypothetical future fix for the RTS peaking problem may exist, and that
21 implementation of this hypothetical fix might reduce RTS subsidies below their current
22 levels. Even if these speculative assertions prove correct, they provide no basis for
23 shifting the burden of current the \$26.5 million RTS subsidy to other rate classes. My
24 specific conclusions regarding the rebuttal testimony filed by PP&L are that:

- 25 1. Mr. Slivca's claim that RTS service is not responsible for the shift of system peak
26 from the morning to the evening is inconsistent with actual PP&L experience.
- 27 2. Mr. Kasper claim that RTS service provides a load management benefit and a
28 financial benefit to other rate classes is unsupported, and inconsistent with
29 current and past studies prepared by PP&L.

1 not achieved, the number of RTS customers on the system more than doubled between
2 1988 and 1995 as a result of PP&L's promotional efforts. PP&L's management of the
3 RTS program was not prudent.

4 I also disagree with Mr. Slivca regarding his claim that an RTS peaking problem
5 did not develop. The shift of PP&L's system peak from the morning to the evening
6 hours can be largely explained by the promotion of RTS service. PP&L's estimate of
7 the RTS class contribution to test year system peak is 258 MW (OTS-RS-9D). Peak
8 demand per RTS customer is approximately six times the RS class average coincident
9 peak per customer. As indicated in Table 2 (CEPFOD Statement 1, page 15), the
10 difference between the 1993 morning peak and the 1994 evening peak (274 MW) is not
11 appreciably different from PP&L's estimate of the RTS class contribution to system
12 peak. Adjustment of the 1993 peak for customer growth would further narrow the
13 difference between morning and evening peaks. Therefore it is reasonable to conclude
14 that the promotion of RTS service accounts for a large part if not all of the shift of
15 PP&L's peak demand from the morning to the evening hours. At pages 2 and 3 of his
16 rebuttal testimony, Mr. Slivca attributes the shift of PP&L's peak from the morning to
17 the evening hours to changes in the composition and shape of the Company's load,
18 and unpredictable weather conditions. He provides no empirical support for these
19 assertions, and no alternative explanation of the rather obvious correlation between the
20 timing of RTS and system peaks.

21 Q. IS MR. SLIVCA'S ANALYSIS OF THE CONSEQUENCES OF SHIFTING CUSTOMERS
22 FROM RS TO RTS SERVICE COMPLETE?

23 A. No. Mr. Slivca's defense of PP&L's promotion of RTS service is defective because it
24 completely disregards the increase in demand associated with shifting customers to a
25 thermal storage system, the higher distribution costs that have resulted from the
26 promotion of RTS service, and the loss of residential load diversity that has resulted
27 from shifting customers from RS to RTS service. These problems are discussed at
28 pages 14 and 15 of my direct testimony, but are not addressed in PP&L's rebuttal
29 testimony.

1 Q. DOES MR. KASPER'S CLAIM THAT PP&L PLANS TO UNDERTAKE A PILOT
2 PROGRAM IN AN ATTEMPT TO SOLVE THE RTS PEAKING PROBLEM JUSTIFY
3 SHIFTING THE BURDEN OF RTS SUBSIDIES TO OTHER RATE CLASSES?

4 A. No. As discussed at page 17 of my direct testimony, PP&L explored load management
5 solutions to the RTS peaking problem in studies prepared in 1987 and 1991. Those
6 studies concluded that a viable solution did not exist. Even if PP&L's "pilot program"
7 is successful and the retrofit of existing RTS installations is workable and cost effective,
8 only part of the RTS revenue deficiency would be eliminated. The Company and not
9 its ratepayers should bear the cost of RTS subsidies until the benefits of further
10 management of RTS loads has been demonstrated. Speculation about the future does
11 not eliminate the current RTS subsidy, and it does not rebut my conclusion that past
12 PP&L efforts to promote RTS service were imprudent.

13 Q. AT PAGE 11 OF HIS REBUTTAL, MR. KASPER ASSERTS THAT THE TREND
14 TOWARD EVENING PEAKS "WILL REDUCE THE BENEFITS OF RTS UNLESS
15 CONTROL DEVICES ARE PLACED ON THE CUSTOMERS' FACILITIES." DO YOU
16 AGREE?

17 A. No. Mr. Kasper's testimony implies that RTS service has benefitted the system. In
18 fact, RTS service has increased the coincident and non-coincident peaks of customers
19 that have installed thermal storage, and has imposed a net additional cost on the
20 system. PP&L has not demonstrated any RTS load management benefits. The
21 Company's best case scenario is that RTS service has "little, if any, overall effect on the
22 Company's peak day requirements" (Slivca, rebuttal page 9), and even this modest
23 claim misrepresents the actual impact of RTS loads on system peak. Furthermore, Mr.
24 Kasper states that control devices will be installed and tested for new thermal storage
25 customers. The Company has not demonstrated that retrofits for existing customers
26 will be possible if the pilot program is successful. Absent such a retrofit, the RTS
27 subsidy will continue throughout the remaining life of existing RTS installations.

1 Q. AT PAGE 11 OF HIS REBUTTAL TESTIMONY MR. KASPER CLAIMS THAT RTS
2 SERVICE BENEFITS OTHER CUSTOMERS BECAUSE IT PROVIDES A
3 "CONTRIBUTION TO THE COMPANY'S FIXED COSTS." DO YOU AGREE?

4 A. No. The claim that RTS contributes to the recovery of fixed costs is false. The
5 incremental revenue derived from RTS service is the difference between RTS revenues
6 and the revenues that RTS customers would have provided had they opted for a
7 conventional heating system and taken service under the RS rate. As discussed at
8 pages 3 and 8 of my direct testimony (see also Kasper rebuttal exhibit OGK-7,
9 CEPFOD response to question 18) incremental RTS revenues are not sufficient to even
10 recover incremental energy costs. As a result, the service imposes a net cost on other
11 classes even if costs and revenues are measured on an incremental basis rather than
12 a more conventional comparison of revenues with embedded cost. Mr. Kasper's
13 comparison of average RTS revenues (\$.054 per kWh at page 20) with average and
14 incremental energy cost (\$.018 to \$.022 per kWh at page 21) is deceptive because it
15 assumes that an RTS customer's total usage would be zero if the customer had
16 installed a conventional heating system. The framework proposed by Mr. Kasper is
17 grossly inconsistent with earlier incremental analyses prepared by PP&L.¹

18 Q. DO STUDIES PREPARED BY PP&L CONFIRM YOUR ASSERTION THAT RTS IS A
19 SUBSIDIZED SERVICE?

20 A. Yes. The cost of service study filed by Mr. Kleha demonstrates that current RTS
21 revenues cover only one half of the cost of providing service, and cost benefit analyses
22 prepared by PP&L demonstrate that RTS service imposes a net cost on both other
23 ratepayers and society. At page 40 of his rebuttal testimony Mr. Kasper relies on cost
24 benefit analyses to defend the promotional industrial rates offered by PP&L. The
25 absence of references to the results of cost-benefit studies in his rebuttal testimony
26 regarding RTS is noteworthy.

¹ See for example CEPFOD Exhibits 8, 13, and 16.

1 Q. MR. KASPER STATES THAT "IMPROVED LOAD CONTROL STEPS" ARE EXPECTED
2 TO ELIMINATE THE "NEGATIVE RETURNS" SHOWN FOR RTS SERVICE. WHAT
3 IS THE SIGNIFICANCE OF THIS STATEMENT?

4 A. The claim that the return for RTS might be positive if the RTS peaking problem is
5 solved assumes (1) that the pilot study planned by PP&L will be a technological
6 success, (2) that the benefits of further load management will exceed the cost, and (3)
7 that RTS retrofit will also be cost effective. Even then, Mr. Kasper's claim that it may
8 be possible to eliminate negative returns does not imply that the return for RTS would
9 be equal to the RS or system average return on rate base if a load management retrofit
10 turns out to be cost effective. Because all RTS usage is priced at a level "substantially
11 lower than rates available under Rate Schedule RS" (Kasper, rebuttal page 24), it is
12 likely that the class will remain subsidized even if PP&L is able remedy the RTS
13 peaking problem through further load management.

14 Q. MR. KASPER DEFENDS PP&L PROMOTION OF RTS SERVICE AS A LOAD
15 MANAGEMENT RATHER THAN A MARKETING PROGRAM. IS HIS DEFENSE
16 PERSUASIVE?

17 A. No. At page 14 Mr. Kasper states that RTS met several criteria that PP&L used to
18 screen load management programs:

- 19 1. an ability to shift demand from peak to off-peak periods;
- 20 2. a large potential market;
- 21 3. no need for large capital investments; and
- 22 4. a long expected life.

23 By 1987 PP&L knew that RTS was not an effective program for managing peak
24 demand. Regarding PP&L's second criterion, a large potential market existed for RTS
25 only because the RTS rate was set substantially below cost, and the price paid for all
26 electricity used by an RTS customer was deeply discounted. With respect to item 3,
27 Mr. Kasper states that the required investment was "largely incremental and directly
28 proportionate to the number of participants", and that the cost of this investment was
29 "shared between the company and the participants." (page 15) This statement provides
30 no indication of the magnitude of required investment, nor does it imply that this

1 investment was not large. Cumulative RTS promotional costs alone exceed \$24
2 million, and customers were required to make a substantial additional investment in
3 their heating systems in order to qualify for the rate. PP&L acknowledges that further
4 investment in load management is required if any DSM benefit is to be realized from
5 RTS. The fact that a customers heating system had a long physical life (item 4) was
6 a detriment rather than a benefit because it implied a long period during which RTS
7 subsidies would be required in order to shelter customers from the consequences of
8 responding to PP&L's marketing program.

9 Q. MR. KASPER INDICATES THAT YOUR TESTIMONY IS IRRELEVANT TO THE
10 "JUSTNESS AND REASONABLENESS OF RATE SCHEDULE RTS IN 1995 AND
11 GOING FORWARD" BECAUSE IT RELIES ON OLD PP&L STUDIES. IS THIS
12 ASSERTION CORRECT?

13 A. No. The central RTS issues in this case are (1) the prudence of PP&L's efforts to
14 promote RTS service, (2) the extent to which the RTS subsidy should be reduced, and
15 (3) whether PP&L should be permitted to recover the remaining RTS revenue
16 deficiency from other rate classes. By proposing to freeze access to the RTS rate, PP&L
17 has conceded that RTS should not be offered to new customers. Although PP&L has
18 known that access to the RTS rate should have been closed for almost a decade, the
19 Company continued to offer and promote RTS service. The fact that PP&L continued
20 to promote RTS long after the Company knew that the service was a DSM failure has
21 direct bearing on the disposition of RTS subsidies. Because PP&L's promotion of RTS
22 service was unreasonable, the RTS subsidy should be no more recoverable from other
23 rate classes than would the costs of a supply side investment found to be imprudent.

1 Q. AT PAGE 20 OF HIS REBUTTAL, MR. KLEHA REFERENCES THE NARUC COST
2 ALLOCATION MANUAL AS SUPPORT FOR THE COMPANY'S CLASSIFICATION
3 AND ALLOCATION OF DISTRIBUTION PLANT. IS THE MANUAL ACTUALLY
4 SUPPORTIVE OF THE COMPANY'S ANALYSIS?

5 A. No. The authors of the Manual do appear to accept the treatment of a portion of
6 distribution plant as customer related. However, the following discussion of the
7 minimum size approach proposed by PP&L appears at page 95 of the Manual:

8 Costs analysts disagree on how much of the demand costs should be
9 allocated to customers when the minimum-size distribution is used to
10 classify distribution plant. **When using this distribution method, the**
11 **analyst must be aware that the minimum-size distribution equipment**
12 **has a certain load carrying capability, which can be viewed as a**
13 **demand-related cost. (emphasis added)**

14 Because Mr. Kleha fails to account for the load carrying capability of currently installed
15 minimum sized plant, adoption of PP&L's treatment of distribution plant results in a
16 systematic over-allocation of costs to small customers. A zero intercept approach is,
17 according to Mr. Kleha, arbitrary and too complex. From the perspective of cost
18 causation, both methods are conceptually defective. A more reasonable approach is
19 to recognize that poles, lines, conduit, conductor, and transformers are installed to
20 meet expected demand and sized accordingly, and to treat all associated investment
21 as demand related.

22 Q. MR. KNECHT STATES THAT PP&L'S MINIMUM SYSTEM ANALYSIS FOLLOWS
23 THE "DICTATES OF THE NARUC MANUAL" (OSBA Statement R1, page 8). IS THIS
24 STATEMENT CORRECT?

25 A. No. The preface of the NARUC Manual states that the authors' intent was "to be non-
26 judgmental; not advocating any one particular method but trying to include all
27 currently used methods with pros and cons." (page ii) As discussed above, the
28 Manual describes both the zero intercept and minimum size variants of the minimum
29 system approach, but certainly does not "dictate" the use of either approach or the
30 classification of a portion of poles, lines, or transformers as customer related.

1 Q. DOES MR. KNECHT DISPUTE THE EXISTENCE OF A DOUBLE COUNTING
2 PROBLEM WITH RESPECT TO PP&L'S ALLOCATION OF DISTRIBUTION PLANT?

3 A. No. He acknowledges that the problem exists, but concludes that it would be difficult
4 and time consuming to remedy.

5 Q. DOES MR. KNECHT OFFER ANY JUSTIFICATION FOR THE CLASSIFICATION OF
6 A SHARE OF POLES, LINES, AND TRANSFORMERS AS CUSTOMER RELATED?

7 A. No. He asserts that the addition of "a new residential development" without any
8 accompanying increase in demand would necessitate the addition of poles, lines, and
9 transformers. He then asserts that "a minimum system analysis attempts to measure
10 this impact". The "impact" that Mr. Knecht proposes to measure is, like the minimum
11 system concept, purely hypothetical. The actual investment that will be made as a
12 result of adding a new customer or group of customers will depend primarily on
13 customer location, customer demand, and the capacity and configuration of currently
14 installed plant.

15 **B. Administrative Overheads**

16 Q. MR. KLEHA ASSERTS THAT THE ALLOCATION OF ALL A&G EXPENSES AND
17 INVESTMENT IN INTANGIBLE PLANT BASED ON PAYROLL IS SUPPORTED BY
18 THE NARUC MANUAL, AND REASONABLE BECAUSE IT PROVIDES A
19 "COMPREHENSIVE RATIO OF A UTILITY'S PRODUCTION, TRANSMISSION,
20 DISTRIBUTION AND OTHER FUNCTIONAL LABOR COSTS". (PAGE 26) DO YOU
21 AGREE?

22 A. No. Mr. Kleha does not address the issues and analyses discussed at pages 25 and 33
23 through 36 of my direct testimony. Many of the expense items at issue and all of
24 PP&L's investment in intangible plant are PTD plant rather than labor related. Mr.
25 Kleha's claim that he has used a comprehensive measure of class responsibility for
26 payroll expense does not demonstrate that his allocation of A&G expense or his
27 allocation of intangible plant captures cost causation. As demonstrated in Table 7
28 (CEPFOD Statement 1, page 34), the allocation proposed by PP&L is systematically

1 **IV. Residential (RS) Rate Design**

2 Q. AT PAGE 6 OF HIS REBUTTAL, MR. KASPER ASSERTS THAT YOU HAVE
3 RECOMMENDED NO INCREASE IN THE CURRENT RS CUSTOMER CHARGE. IS
4 THIS CORRECT?

5 A. No. As stated at page 43 of my direct testimony, assuming that PP&L is awarded the
6 full RS revenue increase requested, I recommend that the RS customer charge be
7 increased from \$4.80 to \$5.80 per month. Such an increase would "would permit PP&L
8 to more than recover out-of-pocket customer costs, preserve existing incentives to
9 conserve, and provide a more reasonable sharing of the burden of a rate increase
10 among RS customers". The Commission should, for the reasons discussed at pages 41
11 through 43 of my direct testimony, reject PP&L's expansive definition of RS "customer"
12 costs and the Company's proposed 50 percent increase in the RS customer charge.

13 Q. AT PAGES 8 AND 9 OF HIS REBUTTAL, MR. KASPER ASSERTS THAT ANY
14 REVENUES LOST AS A RESULT OF REDUCING THE \$7.20 RS CUSTOMER
15 CHARGE PROPOSED BY PP&L SHOULD BE RECOVERED SOLELY BY
16 INCREASING THE "EARLY BLOCKS OF THE RESIDENTIAL RATE". DO YOU
17 AGREE?

18 A. No. Mr. Kasper provides no evidence that supports the proposition that "higher initial
19 blocks are appropriate to recover both demand or customer costs" (rebuttal pages 9-10).
20 He also fails to document the claimed existence of a problem of intra-class subsidies.
21 PP&L has declined to provide the data necessary to analyze differences in the usage
22 characteristics of small and large RS customers. As discussed at pages 43 and 44 of
23 my direct testimony, the data that is available suggests that there may be some
24 justification for preserving the existing (\$.0196 per kWh) RS tail block differential, but
25 there is no evidence that supports the introduction of a third block in the RS rate, or
26 a widening of the current difference between the initial and trailing block.

1 Q. MR. KASPER CLAIMS THAT THE REQUESTED INCREASE IN THE RS CUSTOMER
2 CHARGE WOULD ENHANCE REVENUE STABILITY? DO YOU AGREE?

3 A. Yes. However, revenue stability is only one of several rate design objectives. Any
4 increase in the RS customer charge larger than the overall increase in RS revenues will
5 enhance revenue stability. Therefore, the \$1.00 increase that I recommend would also
6 enhance revenue stability. It should also be noted that Mr. Kasper provides no
7 quantitative evidence regarding the magnitude or importance of the revenue stability
8 benefit that he asserts.

9 Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

10 A. Yes, it does.

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 document identified in cover letter upon the parties of record and in the manner indicated below which satisfies the requirements of §1.54:

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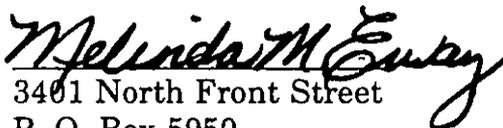
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In Re: Pennsylvania Public Utility Commission, et al.
v. Pennsylvania Power & Light Company,
Docket No. R-00943271

Dear Secretary Alford:

Enclosed for filing with the Commission please find an original and two (2) copies of the Surrebuttal Testimony of Stephen J. Baron 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

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6

CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of the foregoing surrebuttal testimony on all known parties of record to this proceeding, by Federal Express delivery, Harrisburg parties being hand delivered, properly addressed as follows:

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DAJA-RL 3848
901 N. Stuart Street, Room 713
Arlington, VA 22203-1837

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Drennan & Associates
1216 16th Street, N.W.
Washington, DC 20036


David M. Kleppinger, Esquire

Dated this 19th day of May, 1995, in Harrisburg, Pennsylvania.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION
PENNSYLVANIA POWER & LIGHT COMPANY

DOCKET NO. R-00943271

RECEIVED
95 MAY 19 AM 10:50
P.A. P. U. C.
INFO. CONTROL DIV.

SURREBUTTAL TESTIMONY
OF
STEPHEN J. BARON

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 Industrial Gases
Magee Carpet Company
M&M/Mars, Inc.
Praxair, Inc.
R. R. Donnelley & Sons
The Stroh Brewery Company
Thomson Consumer Electronics, Inc.
Victaulic Company of America

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J. KENNEDY AND ASSOCIATES, INC.
ATLANTA, GEORGIA

DOCKETED
MAY 23 1995

MAY 1995

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION
PENNSYLVANIA POWER & LIGHT COMPANY
DOCKET NO. R-00943271

SURREBUTTAL TESTIMONY OF STEPHEN J. BARON

1 **Q. Please state your name and business address.**

2

3 A. My name is Stephen J. Baron, President of J. Kennedy and Associates, Inc.
4 ("Kennedy and Associates"). My business address is 35 Glenlake Parkway, Suite
5 475, Atlanta, Georgia 30328.

6

7 **Q. Have you previously submitted direct testimony in this proceeding?**

8

9 A. Yes. I have previously submitted both direct testimony and rebuttal testimony.

10

11 **Q. What is the purpose of your surrebuttal testimony?**

12

13 A. I will be responding to the rebuttal testimony submitted by PP&L witnesses Joseph
14 M. Kleha and Oliver G. Kasper.

15

16 **Q. Would you please respond to issues raised in Mr. Kleha's testimony?**

17

1 A. Mr. Kleha addresses two adjustments that I have made to the Company's 12
2 coincident peak ("CP") cost-of-service study. As I discussed in my direct testimony,
3 I relied upon the Company's 12 CP cost-of-service study in this proceeding, although
4 I made three specific adjustments to the Company's analysis to more accurately
5 reflect cost-of-service. These three adjustments are 1) a change in the treatment of
6 interruptible load, 2) an allocation of EDI/IDI costs to all customer classes, and 3)
7 a correction of the mismatch incorporated in the Company's study associated with
8 NUG payments. Of these three adjustments, Mr. Kleha has agreed to the
9 appropriateness of the adjustment that I made to the allocation of NUG costs.
10 Although he did not incorporate the exact methodology which I developed, as he
11 indicates in his rebuttal testimony, the effect is the same as that recommended in my
12 direct testimony.

13
14 **Q. Does Mr. Kleha agree with your proposed adjustment to the PP&L 12 CP cost-**
15 **of-service study to more accurately reflect the impact of interruptible load on**
16 **rate schedules LP-4, LP-5 and ISA?**

17
18 A. No. Mr. Kleha continues to argue that the Company's \$300 per kW rate base offset
19 is the appropriate means to reflect the value of interruptible load in the PP&L cost-
20 of-service study. As I indicated in my direct testimony, I do not accept the
21 Company's "value of interruptible load" methodology. I believe that a cost-of-service
22 method, which assigns 50% of production demand-related costs to interruptible load,

1 is a more reasonable portrayal of the cost of serving interruptible customers.
2 However, for the purposes of developing a cost-of-service study in this proceeding,
3 I did utilize the Company's basic framework. However, instead of using a \$300 per
4 kW rate base (investment) offset to reflect interruptible load, I utilized the value of
5 the revenue credits proposed by PP&L in this proceeding for interruptible customers.
6 For the most part, PP&L is offering interruptible credits of \$6.00 per kW and, in the
7 case of customers that can be interrupted with 30 minutes notice, \$8.00 per kW.
8 These \$6.00 and \$8.00 per kW credits that the Company is proposing to offer in this
9 case are approximately the same level as the \$7.24 PJM Capacity Deficiency Rate
10 (after applying the active load management adjustment of 1.19). These credits are
11 also close to the \$8.36 per kW cost-of-service based credit that I have calculated in
12 my direct testimony.

13
14 Using this basis to "value" interruptible load in PP&L's cost-of-service study more
15 accurately reflects the costs on the PJM system (the PJM Capacity Deficiency Rate)
16 and does not result in a self-fulfilling revenue requirement deficiency for the rate
17 schedules and classes containing interruptible load. Mr. Kleha does not respond to
18 this built-in revenue requirement deficiency problem, which I raised in my direct
19 testimony.

20
21 Essentially, PP&L's cost-of-service approach builds in a revenue requirement
22 deficiency automatically to Rate Schedules LP-4, LP-5 and ISA since the interruptible

1 credit contained in the cost study (based on a \$300 investment offset) does not equate
2 to the actual proposed interruptible credits. As a result, the difference is made up by
3 the other members of these rate schedules. This is an inappropriate approach to
4 conducting a cost-of-service study. Finally, although I have not made a specific
5 study of all of the revenue requirements associated with a PP&L installed combustion
6 turbine, it is clear that PP&L did not include any depreciation expense, O&M
7 expense, or an active load management adjustment to its interruptible load value
8 analysis. These additional "interruptible load" revenue requirements and adjustments
9 are appropriate, even if one were to accept the Company's assertions.

10
11 **Q. Do you have any additional comments on Mr. Kleha's rebuttal testimony?**

12
13 **A.** Yes. The final issue that I would like to address regarding Mr. Kleha's rebuttal
14 testimony concerns the Company's proposed allocation of EDI/IDI credits. In my
15 direct testimony, I acknowledged that the Company's rationale for offering EDI/IDI
16 credits was that they benefit all customer classes. As such, I allocated the cost of
17 these credits to all rate classes. This systemwide EDI/IDI benefit is reiterated in
18 PP&L witness Kasper's rebuttal testimony, on page 39, when he states:

19
20 **"This benefits all of the Company's customers"** (Kasper rebuttal,
21 page 39, line 18)

1 Despite PP&L's clear position that these credits benefit all classes, Mr. Kleha objects
2 to this as an allocation concept and continues, in his rebuttal testimony, to support
3 a methodology that assigns these costs directly to the rate class in which customers
4 receiving credits reside. As I pointed out in my direct testimony, this approach
5 makes no sense. The example for Rate Schedule ISA, with one customer, clearly
6 shows the futility of the Company's methodology wherein the economic development
7 credit provided to the single customer on Rate Schedule ISA is then charged back to
8 that same customer through the cost-of-service study.

9
10 Finally, even OCA witness Dr. Charles Johnson recognizes the inappropriateness of
11 the Company's methodology with respect to the assignment of EDI/IDI credits
12 directly to customer classes whose customers are receiving the credits. Despite the
13 fact that an allocation of these credit "costs" to all customer classes would impose
14 some additional costs on residential customers, Dr. Johnson has recognized the
15 reasonableness of this approach¹.

16
17 **Q. Do you have any additional comments regarding PP&L witness Kleha's**
18 **testimony?**

19
20 **A. No.**

¹ Dr. Johnson also proposes that 50% of the costs of these credits be absorbed by PP&L, and he recommends that the remaining costs be allocated to classes on total revenues.

1 Q. Would you please comment on the rebuttal testimony submitted by PP&L
2 witness Oliver Kasper?

3
4 A. There are a number of issues raised in Mr. Kasper's rebuttal testimony that I wish to
5 address. First, Mr. Kasper states that PP&L's position regarding the Company's
6 recommended revenue distribution, should the Company receive an increase less than
7 its overall rate request, is to proportionately scale back its proposed increase
8 distribution. Mr. Kasper, on page 4, at lines 1 through 3 of his rebuttal testimony,
9 continues to support a "1.5 x overall rate increase cap" on each rate class, which is
10 identical to the proposal that I have made. However, Mr. Kasper does not believe
11 that the ratemaking principle of gradualism should apply to interruptible customers.

12
13 I believe that it is appropriate to impose a "1.5 x system average increase cap" on all
14 rate schedules, including the optional interruptible rate schedule within rate LP-5.
15 Although Mr. Kasper has not quantified the impact of his proposal on interruptible
16 customers in his testimony, in response to a data request of PPLICA, he indicated
17 that PP&L's large interruptible industrial customers would receive a 22% increase
18 under the Company's proposal, even if PP&L received no overall revenue
19 requirement increase in this case. This is an unreasonable ratemaking approach. My
20 proposal to cap increases at "1.5 x the system average," including interruptible
21 service, should be adopted by the Commission in this proceeding.

1 Q. Mr. Kasper discusses the fact that the Company's proposed interruptible
2 increases are not large relative to the previous rates interruptible customers paid
3 prior to 1992. Is this relevant in this proceeding?
4

5 A. No. I do not dispute the Company's rate calculations, which compare the Company's
6 proposed interruptible rates to the mix of firm and interruptible rates on which
7 PP&L's current interruptible customers took service prior to the 1992 introduction
8 of the Company's LP-5 interruptible rate option. However, this does not address the
9 facts at issue in this case; the Company is proposing a 27% average increase for LP-5
10 interruptible customers. The fact that such customers may or may not have paid
11 higher rates in 1991 is not germane to the issues in this case: namely, the Company's
12 exceedingly high interruptible rate increases, which would occur even if the Company
13 is granted no overall revenue increase by the Commission. As such, I believe that
14 the Company's reliance on a comparison of past rates paid by PP&L's industrial
15 customers, to proposed rates, should not be considered as valid evidence in evaluating
16 the reasonableness of the Company's proposals in this case.
17

18 Q. On page 31, at lines 6 through 8 of his rebuttal testimony, Mr. Kasper asserts
19 that interruptible industrial customers "as a group will receive no increase at all
20 in this proceeding, relative to rate levels established in the Company's last base
21 rate case." Do you agree with this comparison?
22

1 A. No. The Company is making a comparison between customers who, for the most
2 part, previously took firm service to customers who are now subject to interruption.
3 Comparing the rates paid by firm customers in 1986 to interruptible rates for these
4 same customers in 1995 is unfair and inappropriate. Even PP&L recognizes some
5 value to interruptible load, yet Mr. Kasper's comparison does not distinguish between
6 firm and interruptible service.

7
8 **Q. On page 31 of his testimony, at lines 24 through 26, Mr. Kasper states that you**
9 **are effectively seeking to undo the Commission's recent order closing the**
10 **optional interruptible power tariff. Is this your intention?**

11
12 A. No. As Mr. Kasper knows, I did not address this issue in my direct testimony.
13 However, to clarify for Mr. Kasper and the Company, I am not recommending that
14 the Commission's recent order be undone. In particular, I have not objected to the
15 Company's proposed capping of the amount of interruptible load on the PP&L
16 system. The Commission's order, as I understand it, directed the Company and other
17 parties to file information to determine an appropriate interruptible rate in this
18 proceeding. In addition, PP&L has independently proposed to cap the amount of
19 interruptible load at 500 mWs. PPLICA has not raised an objection to this capping
20 in this case. What we are objecting to is the Company's unreasonable proposed 27%
21 increase to interruptible customers in this proceeding. Such customers would receive
22 a 22% increase, even if PP&L receives no additional revenues in this proceeding.

1 Presumably, PP&L would have to reduce rates to all other customer classes, even if
2 it receives no revenue increase from the Commission, in order to implement its
3 desired interruptible rate changes.

4
5 **Q. On page 31 at lines 24 and 25, Mr. Kasper states that the PPLICA proposed**
6 **rate credit "would be \$9.90 per kW." Is Mr. Kasper's analysis correct?**

7
8 A. Not really. Although, Mr. Kasper indicates that he has calculated the implied
9 interruptible credit associated with the PPLICA LP-5/LP-6 interruptible rate, his
10 analysis only reflects the implied credit for a hypothetical LP-6 customer with a mix
11 of firm and interruptible load that is not representative of the entire group of LP-
12 5/LP-6 interruptible customers. As such, his analysis, although arithmetically correct,
13 is highly misleading. The PPLICA-recommended interruptible rate, which I
14 presented in my direct testimony, is based on an increase to the current LP-5 optional
15 interruptible rate (LP-5I) of "1.5 x the system average increase," or 17.6%, assuming
16 that PP&L received its entire rate request. This produces an implied interruptible
17 credit of \$7.10 per kW, not the \$9.90 per kW calculated by Mr. Kasper.

18
19 Mr. Kasper's analysis, in which he develops a \$9.90 per kW interruptible credit, is
20 highly misleading because it assumes that only 16% of actual on-peak demand would

1 be subject to a billing demand charge.² Under the current PP&L optional
2 interruptible tariff and under the PPLICA proposed tariff that I am recommending,
3 an interruptible customer must take service on this tariff for both firm and
4 interruptible load. Mr. Kasper's example, which assumes that an interruptible
5 customer only has 13,000 kw of interruptible load but only 100 kW of firm load, is
6 simply not realistic and does not reflect the load characteristics of the PP&L
7 interruptible customers. When interruptible customers utilize the PPLICA proposed
8 interruptible rate for their firm service, they would pay a demand charge of \$11.29
9 per kW, compared to the proposed LP-6 firm demand charge that I am
10 recommending of \$5.96 per kW.³ This substantially higher firm demand charge
11 associated with the PPLICA-proposed interruptible rate reduces the effective
12 interruptible credit for the average PP&L industrial interruptible customer that has
13 both firm and interruptible load. Since such customers would be required to take
14 firm service on the proposed interruptible rate, Mr. Kasper's calculation is misleading
15 and not representative of the facts in this case.

16
17 **Q. On page 35 of Mr. Kasper's testimony, at lines 16 through 26, he indicates that**
18 **he disagrees with PPLICA's proposal to use "the same rate design as the current**

² The actual values for PP&L LP-5 interruptible customers is 36%.

³ Per the PPLICA-recommended LP-5/LP-6 interruptible rate and LP-6 firm rate, as shown in Baron Direct Testimony, Exhibit ____ (SJB-6), page 3 of 3.

1 **interruptible rate" because, in particular, it was originally designed as an**
2 **economic development initiative. Is this a valid criticism?**

3
4 A. No. Whether or not one accepts that the initial rationale for PP&L's current optional
5 interruptible rate was to assist economic development, the facts in this proceeding are
6 that the PPLICA-proposed increase, at full rate relief, to the interruptible rate is 2-1/2
7 times our proposed increase to firm LP-5 customers and 3-1/2 times the increase to
8 firm LP-6 customers. Clearly, PPLICA's proposed continued use of the same basic
9 rate form does not obviate the fact that PPLICA is proposing a substantially greater
10 increase to industrial interruptible customers than it is proposing to corresponding
11 firm industrial customers. As a result, it is irrelevant that the initial basis for the
12 current interruptible rate structure may have been an economic development initiative.
13 The fact is that the PPLICA proposed increase for LP-5 interruptible customers of
14 17.55% is a substantial increase compared to the PPLICA proposed increases for firm
15 industrial customers of between 5% and 7%, assuming that PP&L received its entire
16 rate increase request. This is clearly not a continuation of the status-quo, as implied
17 by Mr. Kasper's testimony.

18
19 **Q. Does that complete your surrebuttal testimony?**

20
21 A. Yes.



LEPOCO

(215) 691-8730

Lehigh-Pocono Committee of Concern

313 West Fourth Street Bethlehem, PA 18015

May 22, 1995

R-00943271

RECEIVED

Judge Robert Christianson
Administrative Law Judge
Pennsylvania Public Utility Commission
PO Box 3265
Harrisburg, PA 17105-3265

MAY 24 1995

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

Dear Judge Christianson,

We write because many of our members are PP&L customers. We also write because we have been among the opponents of nuclear power since the 1970s -- questioning PP&L's plans to build and operate the Susquehanna Steam Electric Station or Berwick nuke during that time.

Some utilities have recognized the economic and safety pitfalls of nuclear technology as these questions have been raised by the community. Some have abandoned their plans to build nuclear reactors and others have abandoned reactors under construction.

PP&L management and stockholders have chosen to proceed full force with the Berwick nuclear plant. Stockholder resolutions to end the SSES project were rejected on several occasions. However, ratepayers never had an opportunity to vote on the SSES, though many of them did write letters and spoke publicly against the project. Now the SSES has been operating for several years and the expenses for this plant are a, if not the, major factor in PP&L's request for a rate hike.

We do not believe PP&L ratepayers should be required to pay fees that enable the utility to make a profit on the Berwick plant. Indeed, justice would demand that "profits" from other PP&L operations should be used to cover Berwick expenses. PP&L management and stockholders had ample warning of the economic and safety costs of nuclear power. Their determination to proceed in building and operating a nuclear power plant, despite those warnings should not be rewarded.

DOCKETED
MAY 25 1995

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We support the formal complaint filed by Eric Epstein which says in part:

"A substantial portion of Pennsylvania Power and Light Company's (PP&L) proposed rate increase, i.e. \$221 million is linked, or attributable to nuclear power plant construction, depreciation and decommissioning costs at the Susquehanna facility. These costs, as well as a full rate of return for the Susquehanna nuclear generating station constitute an unreasonable financial burden on an investment that has provided unreliable and uneconomical service to ratepayers. Therefore, all nuclear related rate request increases should be disallowed."

There are many questions to be raised about the justice of this rate increase request. We hope a variety of ratepayers are raising those questions. We believe, however, that the extremely significant questions about PP&L's nuclear power plants should not be ignored.

We urge you to do much more to require PP&L to offer safer and cheaper alternatives to nuclear and coal-fired electricity production. Those alternative, including more serious conservation efforts, have been widely known for over a decade.

Sincerely,



Nancy C. Tate for
Monthly Action Meeting of
Lehigh-Pocono Committee of Concern



Pennsylvania Power & Light Company

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

KJR

Paul E. Russell
Associate General Counsel
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May 22, 1995

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

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95 MAY 24 AM 10:48
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 identified in the attached Certificate of Service. As indicated on the attached Certificate of Service, copies of PP&L's supplemented answers have been served on the active participants in this proceeding.

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

Very truly yours,

Paul E. Russell/daw

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 supplemented answers to the Office of Consumer Advocate's Interrogatories, Set I numbered 5 upon the active participants listed below, in accordance with the requirements of § 1.54 (relating to service by a participant):

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MAY 25 1995

**DOCUMENT
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Mr. Eric Epstein
2308 Brandywine Drive
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Dorene L. Wehr
Dorene L. Wehr

Dated: May 22, 1995
at Allentown, Pennsylvania

ORIGINAL



Pennsylvania Power & Light Company

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

KJR

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May 22, 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**

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95 MAY 21 AM 10:48
PA. P. U. C.
INFO. CONTROL DIV.

Dear Mr. Alford:

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

Very truly yours,

Paul E. Russell/alw

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 supplemented answer to Bethlehem Steel Corporation's Interrogatories, Set I numbered 2 upon the active participants listed below, in accordance with the requirements of § 1.54 (relating to service by a participant):

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MAY 25 1995

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Harrisburg, Pennsylvania 17110

Dorene L. Wehr
Dorene L. Wehr

Dated: May 22, 1995
at Allentown, Pennsylvania

APPEARANCE SHEET

ALLEGEDLY APPEARING REPORT

Docket No. R-00943271
R-00943271C0001-C0138
 Case Name PA PUC v. PP&L
 Location Harrisburg
 Date May 22, 23, 24, 25, and 26, 1995
 ALJ Christianson
 Reporting Firm Commonwealth

CHECK THOSE BLOCKS WHICH APPLY:

Prehearing held **RECEIVED** YES NO

Hearing held 95 JUN 15 AM 10:59 YES NO

Testimony taken PA. P. U. C. YES NO

Transcript due INFO. CONTROL DIV. YES NO

Hearing concluded YES NO

Further hearing needed YES NO

Estimated add'l days —

RECORD CLOSED YES NO

DATE 5/26

Briefs to be Filed YES NO

DATE 6/16; 6/27

BENCH DECISION YES NO

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OR COUNSEL OF RECORD APPEAR ON BACK.

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