

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY :
COMMISSION, ET AL. :

v. :

PENNSYLVANIA POWER & LIGHT :
COMPANY :

Docket No. R-00943271C0001
R-00943271C0001
et seq.

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SECOND PREHEARING ORDER

A prehearing conference in this case was held on March 7, 1995, in Harrisburg, Pennsylvania.

Schedule

The following schedule was agreed upon by all parties in attendance:

<u>Event</u>	<u>Date or Due Date</u>
Cross-Examination of Company Witnesses	March 21, 23, 24, 27-29, 1995
Opposing Parties except OTS File Direct Testimony	
Rate of Return and Generating Capacity	April 7, 1995
Cost of Service, Rate Structure and Rate Design	April 12, 1995
General Accounting and all other issues	April 14, 1995
OTS Files All Direct Testimony	April 14, 1995
Cross-Examination of Opposing Party Witnesses	April 25-28, May 2-3, 1995
Company Files Rebuttal Testimony	
Rate of Return and Generating Capacity	May 5, 1995
Cost of Service, Rate Structure and Rate Design	May 9, 1995

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<u>Event</u>	<u>Date or Due Date</u>
Company Files Rebuttal Testimony (continued)	
General Accounting and all other issues	May 12, 1995
Rebuttal to OTS Direct	May 12, 1995
Opposing Parties File Surrebuttal Testimony	
Rate of Return	May 17, 1995
All Other Issues	May 19, 1995
Cross-Examination of Rebuttal/Surrebuttal Witnesses, Rejoinder Testimony and Close of Record	May 22-26, 1995
Main Briefs Due	June 15, 1995
Reply Briefs Due	June 26, 1995

The due dates for the filing of testimony and briefs are "in hand" dates. That is, the due dates are the dates when the documents must be received by the Commission and the other parties, and not merely placed in the mail.

Because OTS will be receiving the direct testimony of the other parties pertaining to Cost of Service, Rate Structure and Rate Design before it is required to file its own direct testimony, it has agreed not to use the direct testimony of the other parties on those issues in preparing its own.

Public Input Session Schedule

The parties agreed to the following schedule of Public Input Sessions:

<u>Location</u>	<u>Date and Time</u>
Harrisburg	March 30, 1995, afternoon (1:30 PM) and evening (7:00 PM)

<u>Location</u>	<u>Date and Time</u>
Lancaster	March 31, 1995, evening (7:00 PM)
Williamsport	April 3, 1995, evening (7:00 PM)
Scranton & Wilkes-Barre	April 4, 1995, one session each in the afternoon (1:30 PM) or evening (7:00 PM)
Hazleton	April 5, 1995, afternoon (1:30 PM)
Pottsville	April 5, 1995, evening (7:00 PM)
Allentown & Bethlehem	April 6, 1995, one session each in the afternoon (1:30 PM) or evening (7:00 PM)

The Office of Administrative Law Judge Scheduling Staff will determine the locations of the afternoon and evening sessions in the Scranton/Wilkes-Barre and Allentown/Bethlehem on a space-available basis.

Parties

Complaints have been filed by 127 persons and organizations (as of the date of this order), of which 11 were represented at the prehearing conference. The Office of Trial Staff (OTS) is participating pursuant to statute. Pennsylvania Power and Light Company (PP&L), the Office of Consumer Advocate (OCA), the Office of Small Business Advocate (OSBA), the Sierra Club ("Sierra"), the University/College Coalition (UCC), the PP&L Industrial Customer Alliance (PPLICA), the United States Department of Defense (DOD), the Central Eastern Pennsylvania Fuel Oil Dealers (CEPFOD), Bethlehem Steel Corporation ("Beth Steel"), the Commission on Economic Opportunity (CEO) and OTS appeared at the prehearing conference. All but Sierra filed prehearing memoranda.

Intervenors

M&M/Mars, Inc., Beth Steel, and the UCC filed petitions to intervene. Sierra filed both a petition to intervene and a complaint. I have received no answers to those petitions to intervene, the Commission's Document Folder contains no answers, and there was no objection to those petitions at the prehearing conference. Accordingly, those petitions are granted.

Statements and Exhibits

PP&L has submitted its direct testimony and exhibits. In their prehearing memoranda, the parties described the issues they anticipate pursuing.

Active Parties List

Due to the large number of complaints, those parties (with one exception - M&M/Mars Inc.) who did not attend the prehearing conference are designated inactive. All inactive parties will receive notices of all hearings and a copy of my Recommended Decision and the Commission Opinion and Order in the case. Additionally, inactive parties will have the opportunity to testify at the public input hearings and to file exceptions to my Recommended Decision.

Active parties will receive copies of all correspondence, statements, exhibits, pleadings, interim orders, etc., which are exchanged among the parties or between me and the parties. Additionally, active parties will be able to file discovery, testimony, briefs and exceptions, and receive a copy of my Recommended Decision and the Commission Opinion and Order. A copy

of the Active Parties List is attached to this Order as Appendix

A copy of this Order will be sent to all parties. Any party who wishes to change his or her status from active to inactive or from inactive to active must notify me in writing.

Other

Settlement of all or some of the issues in this proceeding is encouraged. Given the time constraints upon this proceeding, all parties are expected to demonstrate good faith in the conduct of discovery and in the presentation of their respective cases.

ORDER

1. The above schedule of this proceeding is adopted.
2. The petitions to intervene filed by M&M/Mars, Inc., Bethlehem Steel Corporation, the University/College Coalition and the Sierra Club are granted.
3. The parties shall, in addition to complying with 52 Pa. Code §5.501, et seq., abide by all the requirements for briefs set forth in Appendix B, which is attached hereto and incorporated herein by reference, and serve two copies of their briefs on me, when they file them. The parties also shall serve on me one copy of each brief on a computer disk, either 3 1/2" or 5 1/4" in size, in either Word Perfect (DOS Version 5.1, or earlier, or Windows Version 6.0a, or earlier) or ASCII format. Both briefs may be included on one disk filed with the reply brief. The last computer disk filed by a party shall also contain a copy of that party's

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Tables of Adjustments (as described in Appendix B to this Order) in Lotus 1-2-3 spreadsheet format.

Date: March 8, 1995

Michael C. Schnierle
MICHAEL C. SCHNIERLE
Administrative Law Judge

APPENDIX A

R-00943271, R-00943271C0001-C0127 Pennsylvania Public Utility
Commission v. Pennsylvania Power and Light Company

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APPENDIX A

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Special Instructions for Briefs and Exceptions
in Major General Rate Increase Proceedings

1. Each brief shall follow the general organization shown in the attached standardized format.

2. Each brief shall contain a table of contents with page references to a summary of argument and to each topic addressed in the argument.

3. Adjustments contained in each brief shall:

- a. be based on a specific test year, to be selected before the close of the record;
- b. be complete and self contained, include accurate reference to the appropriate record sources, be on a before-income-tax basis (never on a net income or revenue requirement basis) and be on a consistent jurisdictional basis (if record support cannot be located, the adjustment may/will be rejected);
- c. be detailed to demonstrate the step-by-step calculation of that adjustment together with appropriate accurate record references (once again, if the record support cannot be located for the necessary steps, the adjustment may/will be rejected);
- d. include concomitant rate base, revenue, expense, depreciation expense, and tax (i.e., taxes other, State Income, and Federal Income) adjustments set forth, together with the details of their calculation;
- e. include within the brief calculations which are the basis for proposed adjustments, but which are incomplete in the record.

4. Tables showing all proposed rate base and income adjustments, organized as shown in the attached Table I and Table II, shall be submitted with each brief which includes such adjustments.

- a. The starting point of Table I "Income Summary" shall be the utility's final pro forma showing at present rates. The ALJ shall specify the starting point to be the most recent update admitted into

8. The Commission requires, in all electric utility rate proceedings, subsequent to its Order at Docket No. I-900005, entered December 1, 1993, that issues of demand-side management and integrated resource planning be addressed.

9. Regarding the filing of exceptions, the following instructions are provided:

- a. Each exception shall be separately identified and, as necessary, discussed.
- b. Each exception shall include, before any discussion is provided, the following elements (see examples attached):
 - i. a reference to the relevant part of the Recommended Decision, at least to the relevant pages;
 - ii. a reference to related discussions in the excepting party's brief and, as appropriate, to other briefs; and
 - iii. a concise statement of the exception.
- c. The exceptions shall follow the order of presentation provided in the table of contents to the Recommended Decision.
- d. If a party takes exception concerning a topic not included within the Recommended Decision or the table of contents thereto, the appropriate exception shall be included at the end of the appropriate major topic heading (such as "Rate Base" or "Expenses").
- e. If a party seeks to correct computations associated with the Recommended Decision, replacement computations, with source references to briefs or the record, shall be provided.

Standardized Brief Format for
General Rate Increase Proceedings

- I. Introduction
- II. Summary of Argument
- III. Rate Base
 - A. Fair Value
 - B. Plant in Service
 - C. Depreciation Reserve
 - D. Additions to Rate Base
 - E. Deductions from Rate Base
 - F. Conclusion
- IV. Revenues
- V. Expenses
- VI. Taxes
- VII. Rate of Return
- VIII. Miscellaneous Issues
- IX. Rate Structure
 - A. Cost of Service
 - B. Revenue Allocation
 - C. Tariff Structure
 - D. Summary and Alternatives
- X. Conclusion

Note: Appropriate modifications may be made. For instance, a party might add "Affiliated Interest Expenses" as a major topic heading or might brief only rate structure and not use other topic headings. A summary and alternatives should be provided under "Rate Structure" but the "Rate Base" and "Rate Structure" formats shown may be modified, as appropriate. Additional subheadings should be used, as appropriate.

TABLE I
INCOME SUMMARY
(\$000)

	<u>Pro Forma Present Rates</u> \$	<u>Recommended Adjustments</u> \$	<u>Adjusted Present Rates</u> \$	<u>Revenue Adjustment</u> \$	<u>Total Allowable Revenues</u> \$
Operating Revenues	_____	_____	_____	_____	_____
Deductions:					
M Expenses					
Depreciation					
Taxes:					
State					
Federal					
Other	_____	_____	_____	_____	_____
Total Deductions	_____	_____	_____	_____	_____
Net Income Available for Return	_____	_____	_____	_____	_____
Rate Base					=====
Recommended Rate of Return					=====

TABLE II
SUMMARY OF ADJUSTMENTS
(\$000)

<u>Recommended Adjustment</u>	<u>Exhibit Reference</u>	<u>Rate Base Effect</u> \$	<u>Revenue Effect</u> \$	<u>Expense Effect</u> \$	<u>Depreciation Effect</u> \$	<u>Effect Upon Taxes-Other</u> \$	<u>State Tax Effect</u> \$	<u>Federal Tax Effect</u> \$
Total Adjustments		_____	=====	=====	=====	=====	=====	=====
Company Rate Base		_____						
Recommended Rate Base		=====						

Examples of Specific Exceptions

1. Staff excepts to the ALJ's rejection of the Staff (and OCA) rate case expense adjustment. See R.D., pp. 31-2; Staff brief, pp. 54-5; OCA brief, pp. 98-9. The \$128,000 adjustment, based on a filing once every four years and on disallowance of certain expenses, should be accepted.

2. The Company excepts to the adoption of the OCA revenue adjustment. See R.D., pp. 28-30; Company brief, pp. 56-9; Company reply brief, p. 12. This adjustment was based on unreasonable projections of industrial consumption (see OCA brief, p. 84). The Company projection, as modified at Company St. 14, pp. 11-12, should be used.

3. OCA excepts to the ALJ's failure to address, and accept, its weather adjustment to revenues. See OCA brief, pp. 21-4; OCA reply brief, p. 12.

4. Corrections to calculations underlying salary increases (R.D., p. 41), force reductions (R.D., pp. 48-9) and tax normalization (R.D., pp. 81-2) are offered and explained at Appendix B.