

PENNSYLVANIA PUBLIC UTILITY COMMISSION  
Uniform Cover and Calendar Sheet

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1. REPORT DATE: October 24, 1995	:	2. BUREAU AGENDA NO. Oct-95-OSA-246*
3. BUREAU: Office of Special Assistants	:	
4. SECTION(S):	:	5. PUBLIC MEETING DATE: October 26, 1995
6. APPROVED BY: Director: C.W. Davis 7-1887 Supervisor: A. Arnold 7-8032	:	
7. PERSON IN CHARGE: D. Munsch 7-1660	:	
8. DOCKET NO.: R-00943271	:	

*AW* DOCKETED  
NOV 2 1995

9. (a) CAPTION (abbreviate if more than 4 lines)  
(b) Short summary of history & facts, documents & briefs  
(c) Recommendation

(a) Pennsylvania Public Utility Commission v. Pennsylvania Power & Light Company

(b) On October 5, 1995, Pennsylvania Power & Light Company ("PP&L") filed Supplement No. 56 to Tariff Electric Pa. P.U.C. No. 200 in compliance with our Opinion and Order entered September 27, 1995. On October 16, 1995, the PP&L Industrial Customer Alliance ("PPLICA") filed Exceptions to the compliance filing. On October 20, 1995, PP&L and the Office of Consumer Advocate ("OCA") separately filed Reply Exceptions to PPLICA's Exceptions.

(c) The Office of Special Assistants recommends that the Commission adopt a draft Opinion and Order approving Supplement No. 56 for all service rendered on and after September 28, 1995; denying the Exceptions of PPLICA; and granting the Reply Exceptions of PP&L and the OCA to the extent consistent with this Opinion and Order.

10. MOTION BY:	Commissioner	Chm. Quain	Commissioner	Hanger - Yes
			Commissioner	Rolka - Yes
SECONDED:	Commissioner	Crutchfield	Commissioner	Bloom - Yes

CONTENT OF MOTION: Staff recommendation adopted.



COMMONWEALTH OF PENNSYLVANIA  
PENNSYLVANIA PUBLIC UTILITY COMMISSION  
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE  
REFER TO OFFICE

OCTOBER 26, 1995

R-00943271

PAUL E RUSSELL ESQUIRE  
PENNSYLVANIA POWER & LIGHT COMPANY  
TWO NORTH NINTH STREET  
ALLENTOWN PA 18101-1179

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FOLDER

DOCKETED  
DEC 29 1995

PENNSYLVANIA PUBLIC UTILITY COMMISSION  
v.  
PENNSYLVANIA POWER & LIGHT COMPANY

To Whom It May Concern:

This is to advise you that an Opinion and Order has been adopted by the Commission in Public Meeting on October 26, 1995 in the above entitled proceeding.

An Opinion and Order has been enclosed for your records.

Very truly yours,

John G. Alford, Secretary

KJR

smk

Encls.

Cert. Mail

DAVID M. Kleppinger  
Consumer Advocate

ALL Parties - First Class

PENNSYLVANIA  
PUBLIC UTILITY COMMISSION  
Harrisburg, Pa. 17105-3265

Public Meeting held October 26, 1995

Commissioners Present:

John M. Quain, Chairman  
Lisa Crutchfield, Vice-Chairman  
John Hanger  
David W. Rolka  
Robert K. Bloom

DOCKETED

DEC 29 1995

Pennsylvania Public Utility Commission

R-00943271 .

v.

Pennsylvania Power & Light Company

OPINION AND ORDER

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BY THE COMMISSION:

Before the Commission for review is Supplement No. 56 to Tariff Electric Pa. P.U.C. No. 200 filed by Pennsylvania Power & Light Company ("PP&L") on October 5, 1995, in compliance with our Opinion and Order entered on September 27, 1995, in the above docketed proceeding.

On October 16, 1995, the PP&L Industrial Customer Alliance ("PPLICA") filed Exceptions to the compliance filing.

On October 20, 1995, PP&L and the Office of Consumer Advocate ("OCA") separately filed Reply Exceptions to PPLICA's Exceptions.

Discussion

In our Opinion and Order of September 27, 1995, we directed PP&L to file tariffs or tariff supplements affording it an opportunity to achieve additional annual revenues of

\$2,507,896,000 or an increase of \$85,125,000 as well as make certain changes in its rate structure subject to certain constraints. Supplement No. 56, as filed by PP&L, is alleged to produce an overall annual increase of \$85,068,774 to PP&L's retail rates resulting in the following tariff revisions:

- An overall 3.77% increase in base rates;
- A decrease in the Energy Cost Rate from 1.0377¢/KWH to a negative 0.134¢/KWH;
- An increase in the State Tax Adjustment Surcharge from a negative 1.04% to a negative 0.58%;
- An increase in the Special Base Rate Credit Adjustment from a negative 2.30% to a negative 1.21%.

PP&L included a proof of revenues and supporting calculations in order to affirm its claim of compliance. In addition, in response to our specific direction, PP&L has included in its compliance filing, a traditional proportional scaleback of its original proposal and the establishment of a separate rate class for interruptible service customers that is limited as to the rate increase to that class of customer to no more than 1.5 times the system average increase (Order, pp. 211-12).

No party has excepted to PP&L's compliance filing insofar as the total annual revenue increase is concerned. PPLICA has filed two Exceptions that are limited to PP&L's rate structure and challenge the proposed allocation of the rate increase to the LP-5 rate class as well as the design of new Rate Schedule IS-T (Interruptible Service - Transmission).

Specifically, PPLICA excepts to the compliance filing as follows:

PP&L's compliance filing improperly scales back the Commission approved increase resulting in a disproportionate share of that increase being placed upon the LP-5 Firm Class.

PP&L's compliance filing reflects an improper redesign of PP&L's interruptible rate offering, thereby violating the Commission's Order.

With respect to PPLICA's first Exception, it appears, as stated by PP&L in its Reply Exceptions, that PPLICA does not dispute that PP&L's compliance filing implements the specific requirements of our Order. Instead, it appears that PPLICA objects to the order in which PP&L implemented the requirements of the Order. That is, PPLICA would have PP&L be required to create the new interruptible rate class and then scaleback the original class revenue allocation subject to the 1.5 times system average increase. PP&L's compliance filing is the opposite in that it has first scaled back the original increase and then created the interruptible rate class with annual class revenues capped at no more than 1.5 times the system average increase. According to PP&L and the OCA, the effect of granting the PPLICA's Exception is to allocate an additional \$2.5 million to other classes, principally residential customers.

In our Order we explicitly adopted the ALJ's recommendation on the overall revenue distribution which adopted the general PP&L proposal. We then modified the general PP&L proposal by limiting the increase to the interruptible rate class to 1.5 times the system average increase; the only part of the PPLICA's position that we adopted relative to revenue distribution. PPLICA's Exceptions makes certain unsubstantiated assumptions as to how PP&L would have treated interruptible service customers if separate rate classes had been established initially by PP&L in its original filing. However, PP&L did not make these proposals initially and, as a result, PP&L made its compliance filing based on the order in which the rate increase was established in its original filing. This is what was dictated by our Order when we

adopted the ALJ's recommendation. PPLICA's proposal attempts to introduce a revenue distribution at this point in time that was not advocated nor considered by any party during the proceeding. As a result, as well as the possibility of an additional increase to the residential class of customers who are already receiving a higher than system average increase, we will deny the Exception of PPLICA on this issue and determine that the revenue distribution of PP&L is in compliance with our Order.

With respect to PPLICA's second Exception, PPLICA argues that PP&L is proposing a new "design" for interruptible service rates. Specifically, it appears PPLICA is arguing that the existing rate design of the Interruptible Power Option be retained as a separate rate for interruptible service customers and that the increase to each element of the new interruptible service rate be limited to no more than 1.5 times the system average increase.

PP&L argues that it has not changed the rate design for interruptible service customers. The same elements that existed in the Interruptible Power Option, that is, a demand charge, an energy charge and a meter charge, exist in the new Rate Schedule IS-T. However, PP&L has changed the individual charges for these rate elements so as to limit total annual revenues from the interruptible class of customers to no more than 1.5 times the system average increase. Since the system average increase as contained in this compliance filing is 3.77%, 1.5 times this average would limit any class increase to 5.65%. The increase to interruptible service customers under Rate Schedule IS-T as proposed by PP&L is 5.65%.

In our Order, we stated:

We, hereby, reject PP&L's proposed rate design which would eliminate the separate interruptible tariff and replace this with an interruptible credit. We direct the Company to retain the rate design consistent with

the recommendations contained herein. (Order at 229).

In addition, two paragraphs earlier, we state:

Further, arguments which are grounded in the principles of gradualism, when viewed in the proper context, are persuasive that the rate increase for the interruptible rate option class be limited to 1.5 times the system average ... . (emphasis provided).

The rate design for Rate Schedule IS-T as compared to the Interruptible Rate Option has not been changed by PP&L in the compliance filing. The rate has the same design with the charges adjusted to meet the interruptible class annual revenue increase restrictions imposed by our Order. The Exception of PPLICA in this regard is not appropriate and we will deny the Exception.

Upon review of the compliance filing by PP&L, we believe that PP&L has made a good faith effort to follow the requirements of our Order with respect to revenue distribution and the creation of a separate interruptible class of customers, and, further, we are of the opinion that it has succeeded in this regard. On the other hand, it appears to us that PPLICA's Exceptions are misplaced and unfounded because, while PPLICA has prevailed on the creation of a separate interruptible rate class and a limitation on the amount of the rate increase to be applied to this new rate class, it is not satisfied and is, by its Exceptions, simply attempting to shift a larger portion of the allowed increase to the other rate classes, primarily the Residential class.

Finally, a review of the remainder of PP&L's compliance filing indicates that it has met the requirements of our Order. As such, in consideration of the foregoing, we will approve Supplement No. 56 to Tariff Electric No. 200 as being in compliance with the requirements of our Order entered on September 27, 1995, and we will permit the rates contained therein to become effective for service rendered on and after September 28, 1995; **THEREFORE,**

**IT IS ORDERED:**

1. That Supplement No. 56 to Tariff Electric No. 200, filed in compliance with our Opinion and Order entered September 27, 1995, in the above docketed proceeding, be, and is hereby, approved effective for all service rendered on and after September 28, 1995.

2. That the Exceptions of the PP&L Industrial Customer Alliance be, and are hereby, denied.

3. That the Reply Exceptions of Pennsylvania Power & Light Company and the Office of Consumer Advocate be, and are hereby granted to the extent consistent with this Opinion and Order.

**BY THE COMMISSION,**

  
John G. Alford  
Secretary

(Seal)

ORDER ADOPTED: October 26, 1995

ORDER ENTERED: OCT 26 1995