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August 3, 2004

**FEDERAL EXPRESS**

James J. McNulty, Esquire  
Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, Pennsylvania 17120

**DOCUMENT  
FOLDER**

**Re: PPL Electric Utilities Corporation  
Supplement No. 38 to Tariff -  
Electric Pa. P.U.C. No. 201  
Docket No. R-00049255**

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Dear Mr. McNulty:

Attached for filing, pursuant to the Commission's regulations, 52 Pa. Code § 5.342(d), is a Certificate of Service identifying responses to interrogatories that PPL Electric Utilities Corporation served today on the active participants in this proceeding.

If you have any questions regarding these responses, please call.

Very truly yours,

Paul E. Russell

BTI

Attachment

cc: The Honorable Allison K. Turner

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PA PUBLIC UTILITY COMMISSION  
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THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PPL Electric Utilities Corporation :  
Supplement No. 38 to Tariff – Electric : Docket No. R-00049255  
Pa. P.U.C. No. 201 :

**CERTIFICATION OF SERVICE**

I hereby certify that I have this day served a true copy of the responses of PPL Electric Utilities Corporation to Interrogatories of the Public Lighting User Group, Set 2, Questions 1 through 7, and Requests for Admissions 1 through 15, upon the participant(s) listed below, in accordance with the requirements of §1.54 (relating to service by a participant):

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Dated: August 3, 2004



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August 4, 2004

**VIA FACSIMILE AND  
FIRST CLASS MAIL**

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**DOCUMENT  
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**RE: Pennsylvania Public Utility Commission v. PPL Electric Utilities Corporation; Docket No. R-00049255**

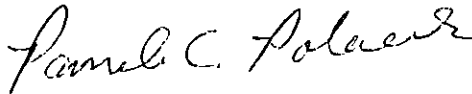
Dear Mr. Russell:

Please find enclosed two (2) copies of PP&L Industrial Customer Alliances' ("PPLICA") Responses to PPL Electric Utilities Interrogatories, Set I, in the above-referenced proceeding.

If you have any questions, please contact us at your convenience.

Very truly yours,

McNEES WALLACE & NURICK LLC

By   
Pamela C. Polacek

Counsel to the PP&L Industrial Customer Alliance

PCP/smd  
Enclosures

c: James J. McNulty, Secretary (transmittal letter only)  
John Isom, Esquire (via facsimile and first class mail)  
Certificate of Service

**CERTIFICATE OF SERVICE**

I hereby certify that I am this day serving a true copy of the foregoing document upon the participants listed below in accordance with the requirements of 52 Pa. Code Section 1.54 (relating to service by a participant).

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Certificate of Service  
Page 3  
Docket No. R-00049255

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Counsel to the PP&L Industrial  
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Dated this 4<sup>th</sup> day of August, 2004, at Harrisburg, Pennsylvania.

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ORIGINAL

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August 5, 2004

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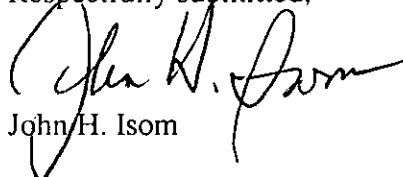
**Re: Pennsylvania Public Utility Commission v. PPL Electric Utilities Corporation  
Docket No. R-00049255**

Dear Secretary McNulty:

Enclosed, for filing, are four (4) copies of PPL Electric Utilities Corporation's Surrebuttal Testimony in the above-referenced proceeding.

As indicated on the enclosed Certificate of Service, copies are being served on each party in the manner indicated.

Respectfully submitted,

  
John H. Isom

JHI/jl

Enclosure

c: Certificate of Service

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**ORIGINAL**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Docket No. R-00049255**

**DOCKETED**  
OCT 18 2004

**PPL Electric Utilities Corporation**

**DOCUMENT  
FOLDER**

**Statement No. 5-SR**

**Surrebuttal Testimony of Joseph M. Kleha**

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

2 A. My name is Joseph M. Kleha. My business address is Two North Ninth  
3 Street, Allentown, Pennsylvania, 18101.

4 Q. By whom are you employed and in what capacity?

5 A. I am employed by PPL Services Corporation I work in the Office of  
6 General Counsel. My title is Manager – Regulatory Projects.

7 Q. Have you provided testimony previously in this proceeding?

8 A. Yes, I have. I provided written direct and rebuttal testimony that was  
9 designated as Statement Nos. 5 and 5-R, respectively, and exhibits  
10 identified therein.

11 Q. Please describe the purpose of your surrebuttal testimony.

12 A. The purpose of my surrebuttal testimony is to address the following two  
13 issues raised by other parties in their rebuttal testimony:

14 • Issues raised by Office of Trial Staff (“OTS”) witness Gary Yocca  
15 regarding cost allocation studies for transmission service revenue  
16 requirements.

17 • An alternative design of the Transmission Service Charge (“TSC”)  
18 proposed by OSBA witnesses Robert Knecht and Mark Ewen.

19 Q. Is a portion of OTS Statement No. 6-R based upon a misunderstanding?

20 A. Yes. OTS Statement 6-R, at page 6, is erroneous to the extent that the  
21 OTS suggests that PPL Electric did not provide information requested in  
22 discovery regarding its incurrence of transmission service charges billed  
23 by the PJM Interconnection, LLC (“PJM”), under its Open Access

1 Transmission Tariff ("OATT"), and that the record in this proceeding does  
2 not contain a fully allocated cost of service study for these transmission  
3 service charges. In fact, as I will explain, PPL Electric provided extensive  
4 information regarding these transmission service charges and, based  
5 upon that information, PP&L Industrial Customer Alliance ("PPLICA")  
6 prepared and presented a study of these charges in its Exhibits SJB-2  
7 through SJB-4.

8 In these exhibits, based on the most recently available data,  
9 PPLICA has correctly calculated the differences between (1) the amounts  
10 of transmission service charges that PPL Electric would recover from its  
11 customers served under each rate class based on a uniform cent/kWh  
12 charge for each kWh of electricity provided by the Company to its Provider  
13 of Last Resort "(POLR)" service customers and (2) the amount that PPL  
14 Electric would recover from customers served under each rate class  
15 based on strict principles of cost causation. Applying strict principles of  
16 cost causation to transmission service charges requires PPL Electric to  
17 allocate transmission service charges among rate classes in precisely the  
18 same manner that the PJM bills transmission service charges to load  
19 serving entities, such as PPL Electric, under the OATT, which is subject to  
20 the regulatory jurisdiction of the Federal Energy Regulatory Commission  
21 ("FERC"). That is, PPLICA has presented a study comparing PPL  
22 Electric's proposed TSC, which would recover transmission service

1 charges on a uniform cent/kWh basis, with purely cost-based allocations  
2 based on PJM's charges under the OATT.

3 Q. Can you explain the extent to which PPL Electric has provided data  
4 regarding charges for transmission services purchased under the OATT  
5 and the manner by which such charges would be allocated among PPL  
6 Electric's rate classes based on the OATT?

7 A. Yes. Initially, it must be observed that there are two totally separate and  
8 independent categories of transmission service costs incurred by PPL  
9 Electric.

10 One category reflects PPL Electric's role as an owner and provider  
11 of transmission facilities to the PJM under the OATT. PPL Electric's  
12 recovery of the attendant revenue requirements is governed by PJM's  
13 OATT, which is subject to FERC review and approval. As such, neither  
14 PPL Electric's revenue requirement associated with owning FERC-  
15 jurisdictional transmission facilities or PPL Electric's revenues from  
16 making those transmission facilities available to PJM under the OATT are  
17 subject to the jurisdiction of the Pennsylvania Public Utility Commission  
18 ("Commission"). Such revenue requirements are not recovered by PPL  
19 Electric through its Pennsylvania jurisdictional tariff, which is the subject of  
20 this proceeding. Those revenue requirements are not properly considered  
21 in this proceeding. Indeed, the Commission requires PPL Electric to  
22 submit its general rate cases on a Pennsylvania jurisdictional basis only.  
23 Ordering Paragraph No. 7 from the PUC's order, entered on January 30,

1 1981, at Docket No. R-80031114 states: "That Pennsylvania Power &  
2 Light Company shall, in any future general rate increase applications, file  
3 on a Pennsylvania jurisdictional basis only". PPL Electric continues to  
4 comply with this directive of the Commission.

5 Based on the foregoing analysis of Commission requirements, PPL  
6 Electric removed all elements of the revenue requirements, including  
7 plant, operating expenses and revenues associated with PPL Electric's  
8 provision of transmission facilities to PJM under the OATT from this  
9 proceeding. For example, a review of PPL Electric's future test year fully  
10 allocated cost allocation study, Exhibit JMK2, shows that such elements of  
11 revenue requirement have been removed. See, for example, Exhibit  
12 JMK2, page 8, line 1 which reflects \$0 "transmission revenues." Similarly,  
13 line 11 shows \$0 transmission operation and maintenance expenses, and  
14 line 15 shows \$0 transmission depreciation expense. Such entries reflect  
15 the removal of all elements of PPL Electric's revenue requirement  
16 associated with its activities providing transmission facilities to PJM under  
17 the OATT.

18 Q. What is the second category of transmission service charges?

19 A. The second category of transmission service charges are the those that  
20 PPL Electric incurs as a user and purchaser of transmission services from  
21 PJM for its POLR customers.

22 The recovery mechanism for these transmission service charges is  
23 a proper subject of this proceeding. Indeed, PPL Electric proposed its

1 TSC as the means for recovery of transmission service charges it incurs  
2 as a result of buying transmission services under the PJM OATT in order  
3 to serve its POLR customers.

4 Q. Has PPL Electric provided information regarding the manner in which it  
5 incurs charges as a buyer of transmission services, and the manner by  
6 which such charges would be allocated among rate classes based  
7 exclusively on cost causation?

8 A. Yes. PPL Electric has provided such information in response to  
9 interrogatories propounded by PPLICA (Set I, Questions 9 through 11, Set  
10 II, Question 2) and by OCA (Set II, Questions 10 through 14 and 20 and  
11 Set IV, Question 9), and as I noted previously, PPLICA witness Baron has  
12 allocated PPL Electric's transmission service charges among PPL  
13 Electric's customers served under each rate schedule in the manner by  
14 which PJM allocates costs of among purchasers of transmission services  
15 under the OATT

16 Q. What was the basis for OTS' misunderstanding?

17 OTS' misunderstanding apparently was based upon a misinterpretation of  
18 PPL Electric's response to Question OTS-RS-56, a copy of which was  
19 provided as Schedule 2, page 1, of OTS Exhibit No. 6-R. PPL Electric's  
20 statement contained therein, which indicated that including transmission  
21 charges and revenues for recovery of such charges in the cost allocation  
22 study would not change the results of the study, was based on the  
23 premise that transmission service charges would be allocated to and

1 recovered from customers in the same manner, based upon a uniform  
2 cent/kWh for each kWh of electricity provided to POLR customers, as PPL  
3 Electric proposed in the TSC. However, a mismatch between the  
4 allocation of transmission service charges and the recovery of those  
5 charges would produce inter-class differences that could affect the results  
6 of the cost allocation study. PPL Electric believes that it is appropriate  
7 that transmission service charges be recovered through an automatic  
8 adjustment clause, such as the proposed TSC, which contains only pure  
9 expenses without any provision for return or any rate base, and be  
10 allocated in the same manner as the expense is recovered (on a dollar for  
11 dollar basis) to avoid distorting the results of a cost allocation study which  
12 addresses only base rate revenue requirement components.

13 Q. Please describe the alternative TSC design proposed by OSBA witnesses  
14 Robert Knecht and Mark Ewen.

15 A. OSBA witnesses Knecht and Ewen propose a TSC that is specific for  
16 each rate schedule, that would be calculated using both kW and kWh  
17 components consistent with the OATT, and that would be charged to  
18 POLR customers on a cent per kWh basis, but would be based on  
19 coincident peak load data over a five-year period rather than over the  
20 most recent past year. OSBA Statement No. 3, pp. 8-9. The intent of  
21 using a five-year average, instead of the most recent year, is to mitigate  
22 the volatility in the TSC that is created by the fact that PPL Electric's  
23 POLR load may be winter peaking one year, but summer peaking the

1 next. Witnesses Knecht and Ewen also state that they take no position on  
2 whether the TSC should be reconcilable. OSBA Statement No. 3, p. 6, n.  
3 4.

4 Q. How do you respond to this proposal?

5 A. PPL Electric has investigated the proposal and has found that there is at  
6 least one calculational problem. During 2002, a FERC order caused PJM  
7 to revise its treatment of interruptible loads in the calculation of the  
8 transmission obligation. Consequently, a five-year average will, at the  
9 outset, reflect two different calculation methodologies. Furthermore, it is  
10 conceivable that other changes in methodology may occur in the future  
11 that would introduce similar inconsistencies into a five-year average.

12 More importantly, however, if a five-year average were to be  
13 adopted, it is essential that the TSC be reconcilable. Especially with a  
14 calculation driven by averaging five years of data that may not be  
15 calculated on a consistent basis, there is a high likelihood that collections  
16 from customers will not equal the costs billed to PPL Electric by PJM.  
17 Such risks are exacerbated under the OSBA proposal because it would  
18 shift a significantly greater revenue requirement to the residential class,  
19 whose usage is relatively variable from year-to-year based upon the  
20 effects of weather on space heating and air conditioning load. Thus, if the  
21 allocation of the transmission service revenue requirement recommended  
22 by OSBA were adopted, it is even more important that PPL Electric's

1 revenues for recovery of transmission service charges be reconciled with  
2 actual transmission service charges.

3 Q. Does this conclude your surrebuttal testimony?

4 A. Yes, it does.

## CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing **PPL Electric Utilities Corporation's Surrebuttal Testimony** upon the participant(s), listed below, in accordance with the requirements of §1.54 (relating to service by a participant):

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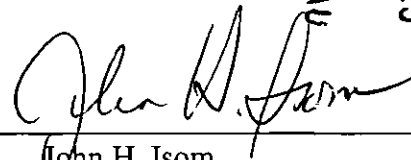
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Date: August 5, 2004

  
\_\_\_\_\_  
John H. Isom

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August 5, 2004

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James J. McNulty, Secretary  
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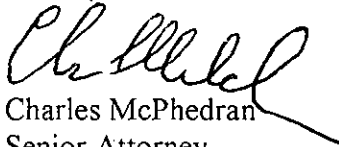
Re: Pennsylvania PUC v. PPL Electric Utilities Corporation  
Docket No. R-00049255

Dear Mr. McNulty:

In accordance with the attached Certificate of Service, the Rebuttal Testimony of John Hanger on behalf of the PennFuture Parties has been served on parties of record and the Administrative Law Judges in this proceeding.

If you have any questions regarding these responses, please contact me at (215) 569-9693 or [mcphe dran@pennfuture.org](mailto:mcphe dran@pennfuture.org).

Sincerely,

  
Charles McPhedran  
Senior Attorney

cc: Hon. Allison Turner  
Hon. Susan D. Colwell  
Hon. Ember S. Jandebaur

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PENNFUTURE PARTIES STATEMENT NO. 1-S

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY  
COMMISSION, et al.

v.

PPL ELECTRIC UTILITIES  
CORPORATION

:  
:  
:  
:  
:

Docket No. R-00049255

DOCKETED  
SEP 27 2004

SURREBUTTAL TESTIMONY OF  
JOHN HANGER

DOCUMENT

Dated: August 5, 2004

1 **Q: PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 **A:** My name is John Hanger. My business address is 610 North Third Street,  
3 Harrisburg, PA 17101.

4 **Q: DID YOU FILE DIRECT TESTIMONY AND REBUTTAL TESTIMONY IN**  
5 **THIS PROCEEDING ON BEHALF OF THE PENNFUTURE PARTIES?**

6 **A:** Yes, I did.

7 **Q: WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

8 **A:** The purpose of my surrebuttal testimony is to respond to several points raised  
9 in the rebuttal testimony offered by the PPL Industrial Customer Alliance  
10 (PPLICA) regarding the Sustainable Energy Fund (SEF).

11 **Q: HOW DO YOU RESPOND TO THE CHARACTERIZATION OF YOUR**  
12 **TESTIMONY BY MR. BARON ON BEHALF OF PPLICA THAT YOU**  
13 **PROPOSE TO COLLECT SEF FUNDING FROM ALL RATEPAYERS**  
14 **(PPLICA Statement No. 1R at 9, line 23)?**

15 **A:** Our position is that SEF should be funded from distribution revenues. In my  
16 Direct Testimony (PennFuture Parties Statement No. 1 at 5, line 20), I state  
17 that I don't have a preference about who pays to fund SEF. This means that I  
18 do not have a preference about how funding is allocated between PPL and  
19 ratepayers or among ratepayers.

20 **Q: HOW DO YOU RESPOND TO MR. BARON'S TESTIMONY THAT YOU**  
21 **HAVE NOT PROVIDED STUDIES DEMONSTRATING THAT PPL**  
22 **CUSTOMERS WILL RECEIVE 'DISTRIBUTION' RELIABILITY BENEFITS**

1 FROM THE SEF PROGRAMS (PPLICA Statement No. 1R at 11, lines 7-  
2 10)?

3 A: First, Mr. Baron has provided no studies disproving that PPL customers will  
4 receive distribution reliability benefits from SEF programs. Second, SEF's  
5 mission includes increasing energy efficiency and distributed generation,  
6 which relieve load and congestion in the distribution system. Energy  
7 efficiency and distributed generation can mitigate the need to improve and  
8 expand the distribution system, and can provide a reliability and distribution  
9 cost of service benefit to all customers (see PennFuture Parties Statement  
10 No. 1-R at 2-3). There is no requirement to demonstrate these reliability  
11 benefits from SEF programs specifically for PPL customers or to any class of  
12 PPL customers, any more than the 'public goods' doctrine (see OCA  
13 Statement No. 5 at 27-28) or other general principles need to be re-proven for  
14 PPL customers.

15 Q: HOW DO YOU RESPOND TO MR. BARON'S TESTIMONY ABOUT THE  
16 EXPECTATION OF THE PARTIES AT THE TIME OF THE PPL  
17 RESTRUCTURING SETTLEMENT WITH REGARD TO TERMINATION OF  
18 SEF (PPLICA Statement No. 1R at 12-14)?

19 A: I agree with Mr. Baron when he says that the document speaks for itself  
20 (PPLICA Statement No. 1R at 12). The settlement provides that funding for  
21 SEF ends "on December 31, 2004, or until the Commission establishes new  
22 distribution rates, whichever is longer" (Docket No. R-00973954, Paragraph  
23 E.5)(emphasis added). Therefore, under the current Commission order

1 approving the settlement, if the Commission does nothing to change  
2 distribution rates, SEF will continue to be funded at current levels. In addition,  
3 the settlement does not and could not prevent a future Commission from  
4 renewing SEF funding.

5 **Q: WHAT ABOUT MR. BARON'S CLAIM THAT SEF WAS REQUIRED TO**  
6 **BECOME SELF-SUSTAINING?**

7 **A:** Mr. Baron has provided no evidence that SEF is required to be self-  
8 sustaining, either from the Settlement, Commission Orders, or otherwise.  
9 Given that the level or continuation of funding of SEF beyond 2004 was  
10 uncertain from the start, it was appropriate and prudent for SEF to plan  
11 accordingly. The excerpts from SEF annual plans offered by Mr. Baron  
12 simply describe SEF's intentions to be able to sustain operations beyond its  
13 "initial years" (PPLICA Statement No. 1R at 13) and do not demonstrate any  
14 legal requirement that SEF become self-sustaining.

15 **Q: DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

16 **A:** Yes, it does.

**CERTIFICATE OF SERVICE**

PA PUC v. PPL Electric Utilities Co.

Docket No. R-00049255

I hereby certify that I have this day served a true copy of the Surrebuttal Testimony of John Hanger upon the participants, listed below, in accordance with the requirements of § 1.54 (relating to service by a participant).

Date:

8/5/04



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**DOCUMENT**

Re: Pennsylvania Public Utility Commission *et al.* v. PPL Electric Utilities Corporation; Docket No. R-00049255 *et al.*; **REVISED PPL PLUG REBUTTAL STATEMENT NO. 1-R**

Dear Judge Turner:

Enclosed is PPL PLUG's revised Statement No. 1-R. The statement is not materially different, but we just realized that we sent an earlier version of the testimony and it lacked line and page numbers. The difference in content is stylistic and typographical errors have been corrected.

I apologize for the inconvenience, but I do not believe that this change prejudices any party.

Please contact me if you have any questions.

Very truly yours,

  
Louise A. Knight

c: James J. McNulty, Secretary (cover letter and COS only)  
As Per Certificate of Service

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**CERTIFICATE OF SERVICE**

I hereby certify that I am this day serving a copy of PPL PLUG Revised Rebuttal Statement No.1-R upon the participants listed below in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

2004 AUG -9 AM 11: 25  
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Dated: August 6, 2004



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August 6, 2004

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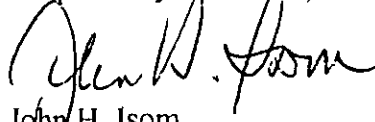
**Re: Pennsylvania Public Utility Commission v.  
PPL Electric Utilities Corporation  
Docket No. R-00049255**

Dear Secretary McNulty:

Enclosed, for filing, are an original and three (3) copies of Objections of PPL Electric Utilities Corporation to the Fourth Set of Interrogatories from the Commission on Economic Opportunity in the above-referenced proceeding.

As indicated on the enclosed Certificate of Service, copies have been served on all parties in the manner indicated.

Respectfully submitted,

  
John H. Isom

JHI/jl

Enclosure

c: Certificate of Service

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**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission :  
v. :  
PPL Electric Utilities Corporation :

Docket No. R-0004925

SECRETARY'S BUREAU  
PA PUC

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**OBJECTIONS OF PPL ELECTRIC UTILITIES CORPORATION  
TO THE FOURTH SET OF INTERROGATORIES FROM THE  
COMMISSION ON ECONOMIC OPPORTUNITY**

TO ADMINISTRATIVE LAW JUDGE ALLISON K. TURNER:

PPL Electric Utilities Corporation ("PPL Electric"), pursuant to 52 Pa. Code § 5.342, hereby objects to the fourth set of Interrogatories from the Commission on Economic Opportunity ("CEO") to PPL Electric in its entirety and to certain interrogatories specifically. In support of its objections, PPL Electric states the following:

1. A copy of CEO's fourth set of Interrogatories to PPL Electric is provided as Appendix "A" hereto.
2. PPL Electric received CEO's fourth set of Interrogatories electronically on August 3, 2004.
3. Under the accelerated discovery schedule established by Administrative Law Judge Allison K. Turner following the prehearing conference, the answers to these interrogatories would be due on August 13, 2004.
4. Requiring PPL Electric to answer CEO's fourth set of Interrogatories would be extremely and unreasonably burdensome on PPL Electric, given the specific

circumstances under which they were served and the time when the Interrogatories were served on PPL Electric.

(a) As indicated above, PPL Electric received CEO's fourth set of Interrogatories on August 3, 2004, and answers to CEO's fourth set of Interrogatories would be due on August 13, 2004.

(b) During the ten-day period of time for answering CEO's fourth set of Interrogatories, it would be extremely burdensome for PPL Electric to devote sufficient resources to answer CEO's fourth set of Interrogatories, given the other demands on PPL Electric's resources in litigating this proceeding.

(c) Surrebuttal Testimony in this proceeding was due on August 5, 2004. Therefore, during the first two days that PPL Electric had CEO's fourth set of Interrogatories, PPL Electric had to devote resources to preparation of surrebuttal testimony.

(d) Further, under the litigation schedule for this proceeding, the entire week of August 9 through 13 is devoted to evidentiary hearings. Preparation for and participation in a week of evidentiary hearings will require the full efforts of those involved in this proceeding on behalf of PPL Electric through August 13, 2004, when the answers would be due.

(e) PPL Electric has been devoting its efforts since the receipt of CEO's fourth set of Interrogatories to preparation of Surrebuttal Testimony and preparation for hearings. PPL Electric should not be required, at this late stage of the proceeding, to divert its resources to answering CEO's fourth set of

Interrogatories, which, in any event, are procedurally improper for the reasons explained below.

5. Answers to CEO's fourth set of Interrogatories cannot be used for any *legitimate purpose*.

(a) All of the Interrogatories in CEO's fourth set of Interrogatories deal with lobbying efforts by the Energy Association of Pennsylvania ("EAPa") over a four-year period.

(b) CEO does not even mention the EAPa in its case-in-chief, which was filed on June 29, 2004, or in its Surrebuttal Testimony which was filed on August 5, 2004.

(c) Clearly, CEO is attempting to raise a new issue, which should have been raised in its case-in-chief on June 29, 2004, and not in the week before the close of the record.

(d) At this point in the proceeding, the only legitimate new testimony would be rejoinder testimony addressing surrebuttal of other parties.

(e) CEO's fourth set of Interrogatories was served upon PPL Electric on August 3, 2004, two days before surrebuttal testimony was due. Thus, CEO's fourth set of Interrogatories cannot possibly be intended to respond to matters raised in surrebuttal testimony.

(f) Neither CEO's or any other party's surrebuttal testimony addresses any issue related to the EAPa. Indeed, CEO's surrebuttal testimony does not mention the EAPa.

6. Requiring PPL Electric to answer CEO's fourth set of Interrogatories would be procedurally unfair to PPL Electric.

(a) If PPL Electric is required to answer CEO's fourth set of Interrogatories, the first time that such interrogatories could conceivably be used in the proceeding is in oral testimony on August 13, 2004, the last day of hearings in this proceeding. PPL Electric would have no advance notice of the content of such oral testimony or the issues to be raised.

(b) Effectively, through CEO's unjustified tardiness in propounding these interrogatories, PPL Electric would be denied any opportunity to prepare testimony responding to CEO's last-minute oral testimony.

7. The subjects of CEO's fourth set of Interrogatories are irrelevant to this proceeding.

(a) The issues to be litigated in this proceeding have been defined in the cases-in-chief of the parties to this proceeding.

(b) CEO's fourth set of Interrogatories deals entirely with the EAPa's lobbying activities, PPL Electric's activities in support of the EAPa's lobbying efforts, expenses incurred in support of lobbying efforts and dues paid to the EAPa.

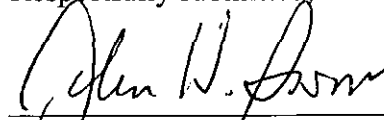
(c) In other parties' cases-in-chief, no party raised any issue concerning any of these matters.

(d) CEO's fourth set of Interrogatories should be stricken as an improper attempt to broaden the scope of the proceeding in its final stages.

8. CEO's Interrogatory No. 12 is overly broad and burdensome under any circumstances. It calls for all documentary communications between any employee of PPL Electric to any employee of the EAPa addressing any issue that was the subject of any lobbying without limit as to time. Such a request is totally unreasonable and overly broad

WHEREFORE, for all the foregoing reasons, PPL Electric Utilities Corporation respectfully requests that Administrative Law Judge Allison K. Turner sustain the objections of PPL Electric Utilities Corporation to the Commission on Economic Opportunity's Fourth Set of Interrogatories, dated August 3, 2004.

Respectfully submitted,



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Attorneys for PPL Electric  
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BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
	:	
	:	
v.	:	R-00049255
	:	
PP&L ELECTRIC UTILITIES	:	Request for Rate Increase

**COMMISSION ON ECONOMIC OPPORTUNITY'S  
INTERROGATORIES (SET 4) ADDRESSED TO  
PP&L ELECTRIC UTILITIES CORPORATION**

NOW COMES the Commission on Economic Opportunity (CEO), by and through counsel, Joseph L. Vullo, Esquire, and submits the following Interrogatories, Set 4, to PP&L Electric as follows:

Q.1. Please identify the public bodies or agencies lobbied by the Energy Association of Pennsylvania (EAPA) for each of the years 2000, 2001, 2002 and 2003.

Q.2. Please identify issues and/or proposals which were the subject of the lobbying efforts of EAPA for each of the above years and identify the issues with the public bodies or agencies lobbied.

Q.3. For the years 2000 through 2003, please identify the specific positions taken or advanced by the EAPA on the issues or proposals identified above.

Q.4. How are specific issues or proposals to be addressed in the lobbying efforts of EAPA identified or decided upon?

Q.5. Please describe the role of PP&L Electric in identifying or deciding upon the positions taken relative to the specific issues or proposals identified above.

Q.6. Please identify for each of the years 2000 through 2003 any lobbying efforts of the EAPA on behalf of PP&L Electric relative to universal service issues and/or programs that provide relief to low income customers of PP&L Electric.

Q.7. Please identify the specific positions taken by EAPA on any issues or proposals identified in Q.6. above.

Q.8. Please identify for each of the years 2000 through 2003 any lobbying efforts of the EAPA on behalf of other electric utility companies relative to universal service issues and/or programs that provide relief to low income customers of electric utility companies.

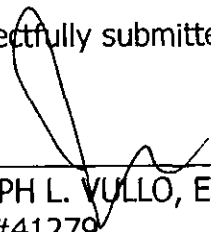
Q.9. Please identify the specific positions taken by EAPA on any issues or proposals identified in Q.8. above.

Q.10. Please describe the process by which EAPA identifies the issues or proposals to be advanced in its lobbying efforts and the role that PP&L Electric plays in that decision making.

Q.11. What process is used to determine the amount of annual dues that are paid to the EAPA by the various participating utility companies?

Q.12. Please provide all documents, memorandum, e-mails or other documents to EAPA from PP&L Electric or from EAPA to PP&L Electric concerning the issues or proposals identified above or the positions taken, including issues or proposals relative to universal service programs or other programs that provide relief to low income customers.

Respectfully submitted,



---

JOSEPH L. VULLO, ESQUIRE  
I.D. #41279  
1460 Wyoming Avenue  
Forty Fort, PA 18704  
(570) 288-0700  
e-mail: [jlvullo@aol.com](mailto:jlvullo@aol.com)  
Attorney for Commission on Economic  
Opportunity

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a true copy of the foregoing **Objections of PPL Electric Utilities Corporation to the Fourth Set of Interrogatories from the Commission on Economic Opportunity** upon the participant(s), listed below, in accordance with the requirements of §1.54 (relating to service by a participant):

**VIA FIRST-CLASS MAIL & E-MAIL**

Honorable Allison K. Turner  
Administrative Law Judge  
Pennsylvania Public Utility Commission  
Philadelphia State Office Building  
1400 West Spring Garden Street  
Room 1302  
Philadelphia, PA 19130

Honorable Susan Colwell  
Administrative Law Judge  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2nd Floor West  
PO Box 3265  
Harrisburg, PA 17105

Honorable Ember Jandebour  
Administrative Law Judge  
Pennsylvania Public Utility Commission  
100 Lackawanna Avenue  
State Office Building Room 317  
Scranton, PA 18503

Tanya J. McCloskey, Esquire  
James A. Mullins, Esquire  
Lori A. Herman, Esquire  
Aron J. Beatty, Esquire  
Office of Consumer Advocate  
555 Walnut Street  
Forum Place, 5th Floor  
Harrisburg, PA 17101-1923

William R. Lloyd, Jr., Esquire  
Steven C. Gray, Esquire  
Office of Small Business Advocate  
Commerce Building, Suite 1102  
300 North Second Street  
Harrisburg, PA 17101

Richard A. Kanaskie, Esquire  
Office of Trial Staff  
Commonwealth Keystone Building  
400 North Street, 2nd Floor West  
PO Box 3265  
Harrisburg, PA 17105-3265

David M. Kleppinger, Esquire  
Pamela C. Polacek, Esquire  
Karen S. Miller, Esquire  
McNees Wallace & Nurick  
100 Pine Street  
PO Box 1166  
Harrisburg, PA 71108

Kent D. Murphy, Esquire  
Legal Department  
Exelon Business Services Company  
2301 Market Street/23-1  
P.O. Box 8699  
Philadelphia, PA 19101-8699

David A. McCormick, Esquire  
US Army Legal Services Agency  
901 North Stuart Street, Room 713  
Arlington, VA 22203-1837

Stephen J. Baron, President  
J. Kennedy & Associates Inc.  
570 Colonial Park Drive, Suite 505  
Roswell, GA 30075-3770

PA PUC  
SECRETARY'S BUREAU

2004 AUG -6 PM 4: 22

RECEIVED

Scott J. Rubin, Esquire  
3 Lost Creek Drive  
Selinsgrove, PA 17870-9357

Joseph L. Vullo, Esquire  
Attorney at Law  
1460 Wyoming Avenue  
Forty Fort, PA 18704

Eugene M. Brady  
Commission on Economic Opportunity  
165 Amber Lane  
P.O. Box 1127  
Wilkes-Barre, PA 18703

John L. Munsch  
Allegheny Power  
800 Cabin Hill Drive  
Greensburg, PA 15601

Richard S. Herskovitz  
Duquesne Light  
411 Seventh Avenue, 8th Floor  
Pittsburgh, PA 15219

Peter Adels, General Counsel  
Charles McPhedran, Senior Attorney  
Citizens for Pennsylvania's Future  
117 S. 17th Street, Suite 1801  
Philadelphia, PA 19103

Michael G. Wolfe, Esquire  
FirstEnergy  
2800 Pottsville Pike  
P.O. Box 16001  
Reading, PA 19612-6001

Mark C. Morrow  
460 Gulph Road  
King of Prussia, PA 19406

Eric Joseph Epstein  
4100 Hillsdale Road  
Harrisburg, PA 17112

Kevin J. Moody  
Wolf, Block, Schorr and Solis-Cohen LLP  
212 Locust Street, Suite 300  
Harrisburg, PA 17101

Patricia Armstrong  
Thomas Niesen  
Thomas, Thomas, Armstrong & Niesen  
212 Locust Street, Suite 500  
P.O. Box 9500  
Harrisburg, PA 17108-9500

Roger E. Clark  
Sustainable Development Fund  
718 Arch Street, Suite 300 North  
Philadelphia, PA 19106-1591

Michael Fiorentino  
Joseph Otis Minott  
135 S. 19th Street, Suite 300  
Philadelphia, PA 19103

Louise A. Knight, Esquire  
Joseph J. Malatesta, Esquire  
David P. Zambito, Esquire  
Saul Ewing LLP  
2 North Second Street, 7th Floor  
Harrisburg, PA 17101

Robert D. Knecht  
Mark Ewen  
Andrew Schwarz  
Industrial Economics Incorporated  
2067 Massachusetts Avenue  
Cambridge, MA 02140

Honorable Phyllis Mundy, Chair  
Northeast Delegation  
House Box 202020  
Harrisburg, PA 17120-2020

James P. Melia  
Kirkpatrick & Lockhart LLP  
Payne Shoemaker Building  
240 North Third Street  
Harrisburg, PA 17101-1507

James P. McCormick  
Manager, Market Development for  
Pennsylvania & New Jersey  
Strategic Energy, LLC  
1940 Robert Road  
Meadowbrook, PA 19046

Lafayette Morgan  
Richard Galligan  
Thomas Catlin  
Matthew Kahal  
Exeter Associates Inc.  
5565 Sterrett Place, Suite 310  
Columbia, MD 21044

Roger Colton  
Fisher, Sheehan and Colton  
34 Warwick Road  
Belmont, MA 02478

**VIA FIRST CLASS MAIL**

Anthony J. Graziano  
640 Westwood Lane  
Frackville, PA 17931

Brenda Hoover  
630 N. Jefferson Street  
Allentown, PA 18102

Victoria K. Mackin  
One Green Acres  
McAdoo, PA 18237

Cheryl & Jeremy Ebert  
2820 Mosser Street  
Allentown, PA 18103

Martha Wells  
P.O. Box 212  
Wiconisco, PA 17097

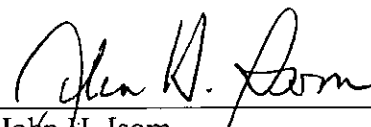
Margaret M. Stuski  
908 Walnut Street  
Wormleysburg, PA 17043

Donald E. McGarrigle  
34 Larchwood Road  
Wyomissing, PA 19610

Curvin L. Snyder  
1390 Valley Road  
Etters, PA 17319

William J. Junkin III  
438 South 25th Street  
Harrisburg, PA 17104

Date: August 6, 2004

  
\_\_\_\_\_  
John H. Isom



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

IN REPLY PLEASE  
REFER TO OUR FILE

August 6, 2004

In Re: R-00049255  
R-00049255C0001-C0017

(See letter of 5-20-04)

DOCUMENT  
FOLDER

Pennsylvania Public Utility Commission (R-00049255)  
U.S. Department of Defense & Federal Executive Agencies (C0001)  
PPL Industrial Customer Alliance (C0002)  
Office of Small Business Advocate (C0003)  
Office of Consumer Advocate (C0004)  
Anthony J. Graziano (C0005)  
Brenda Hoover (C0006)  
Eric Joseph Epstein (C0007)  
Victoria K. Mackin (C0008)  
Cheryl & Jeremy Ebert (C0009)  
Martha Wells (C0010)  
Margaret M. Stuski, Esquire (C0011)  
Wal-Mart Stores East, LP (C0012)  
Pennsylvania Energy Consortium (C0013)  
Donald E. McGarrigle (C0014)  
Curvin L. Snyder (C0015)  
William J. Junkin, III (C0016)  
Philip A. Trump (C0017)  
v.  
PPL Electric Utilities Corporation

PPL Electric Utilities Corporation Filed Supplement No. 38 to PA  
PUC Electric Tariff No. 201 to Become Effective January 1, 2005  
Which Proposes a General Rate Increase of \$164.4 Million or 8.1%

Telephone Hearing Notice

This is to inform you that a hearing by telephone on the  
above-captioned case will be held as follows:

Type: Initial telephone/in-person hearing

Date: Friday, August 13, 2004

Location: (Harrisburg Parties)  
Hearing Room 1  
Plaza Level  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, Pennsylvania

Time: 2:00 p.m.

Presiding: Administrative Law Judge Allison K. Turner  
1302 Philadelphia State Office Building  
1400 West Spring Garden Street  
Philadelphia, PA 19130  
Telephone: (215) 560-2105  
Fax: (215) 560-3133

At the above date and time, the Presiding Officer will contact the parties as follows:

Cheryl & Jeremy Ebert	610.433.9267
Martha Wells	717.453.9576
Margaret Stuski	717.730.0568
Donald McGarrigle	610.374.8570
Curvin Snyder	717.938.6167
William J. Junkin, III	717.557.9209
Philip A. Trump	(* <u>phone number to be provided</u> )

\*At least 3 days before the hearing, please provide the presiding officer with the telephone number where you can be reached for the hearing.

If you have not provided a current telephone number where you can be reached for participation in the hearing **OR YOUR AREA CODE HAS CHANGED**, then you must contact the presiding officer at **least 3 days** before the actual hearing and provide the necessary information.

If you have any hearing exhibits to which you will refer during the hearing, 3 copies must be sent to the Administrative Law Judge and 1 copy each must be sent to every other party. All copies **must be received** at least 3 days **before** the hearing.

*Attention: You may lose the case if you do not take part in this hearing and present facts on the issues raised.*

Except for those individuals representing themselves, the Commission's rules require that all parties have an attorney; therefore, you should have an attorney of your choice file an entry of appearance before the scheduled hearing.

If you are a person with a disability, and you wish to attend the hearing, we may be able to make arrangements for your special needs. Please call the scheduling office at the Public Utility Commission:

- Scheduling Office: (717) 787-1399.
- AT&T Relay Service number for persons who are deaf or hearing-impaired: 1-800-654-5988.

pc: Judge Turner  
Consumer Advocate  
Small Business Advocate  
Susan Licon  
Beth Plantz  
Docket Section  
Calendar File

# OALJ Hearing Report

Please Check Those Blocks Which Apply

Docket No.:	R-00049255 & R-00049255C0001-C0016	Prehearing Held:	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>
Case Name:	PA PUC et al v. PPL Electric Utilities Corporation	Hearing Held:	<input checked="" type="checkbox"/>	<input type="checkbox"/>
		Testimony Taken:	<input checked="" type="checkbox"/>	<input type="checkbox"/>
		Transcript Due:	<input checked="" type="checkbox"/>	<input type="checkbox"/>
		Hearing Concluded:	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Location:	HBG	Further Hearing Needed:	<input checked="" type="checkbox"/>	<input type="checkbox"/>
		Estimated Add'l Days:	4	
Date:	August 9, 2004	RECORD CLOSED:	<input type="checkbox"/>	<input checked="" type="checkbox"/>
ALJ:	Allison K. Turner	DATE:		
		Briefs to be Filed:	<input type="checkbox"/>	<input type="checkbox"/>
Reporting Firm:	Commonwealth Reporting	DATE:		
		Bench Decision:	<input type="checkbox"/>	<input type="checkbox"/>
<b>DOCUMENT FOLDER</b>		REMARKS:		
		FIRST OF FIVE HEARING DAYS		

ALL 9:07  
 PUBLIC BUREAU

PLEASE PRINT CLEARLY - Incomplete Information may result in delay of processing.

Name and Telephone Number	Address	Who are you representing?
RICHARD A. KANASKIE Telephone: 717 783-6184	P.O. Box 3265 City: HARRISBURG State: PA Zip: 17105	OFFICE OF TRIAL STAFF
David A. McCormick Telephone: 703-696-1646	Department of Army (JALS-RL) 901 N. Stuart Street Rm 713 City: Arlington, State: VA Zip: 22203	consumer interest of US Department of Defense + Federal Executive Agencies (Fax Number: 703-696-2960)
JAMES A. MULLINS TANYA J. McCloskey LORI A. HERMAN Telephone: (717) 783-5848	551 WALNUT ST. City: Hbg. State: PA Zip: 17101	OCIA
	E-mail Address: j.mullins@paoca.org	Fax Number: (717) 783-7052

Check this box if additional parties or attendees appear on back of form.

  
 Reporter's Signature

Note: Completion of this form does not constitute an entry of appearance, see 52 Pa. Code §§1.24 and 1.25.

Name and Telephone Number	Address	Who are you representing?
Steven C. Gray	Suite 1102 Commerce Bldg City: Hb State: PA Zip: 1701	QOB
Telephone: (717) 783-2525	E-mail Address: sgray@mtc.pa.us	Fax Number: (717) 783-2831
Pamela C. Polacek David M. Kleppinger	100 Pine Street P.O. Box 1166 City: Harrisburg State: PA Zip: 17101	PP&L Industrial Customer Alliance (PPLICA)
Telephone: 717-232-8000	E-mail Address: DPolacek@MWD.IDM	Fax Number: 717-237-5300
ERIC J EPSTEIN	4100 Hillside Rd. City: Hb State: PA Zip: 17112	Pro SC.
Telephone: 717-541-1101	E-mail Address:	Fax Number: 717-541-5487
PAUL E. RUSSELL	2 NORTH 9TH STREET City: ALLENTOWN State: PA Zip: 18101	PPL ELECTRIC UTILITIES
Telephone: (610) 774-4254	E-mail Address: prussell@pplweb.com	Fax Number: (610) 774-6726
David B. McGregor Morgan Lewis & Buckle LLP 215 963 5448	1701 Market St 417 Walnut St City: Phila State: PA Zip: 19101	PPL Electric Utilities Corp
Telephone:	E-mail Address: dma@gregor@mrygm.com	Fax Number:
Michael W. Geary John H. Isom Morgan Lewis & Buckle LLP	417 Walnut St City: Harrisburg State: PA Zip: 17101	PPL Electric Utilities Corp
Telephone: 717-237-4000	E-mail Address:	Fax Number: 717-237-4004
Thomas T. Nielsen Thomas, Thomas, Armstrong & Nielsen	P.O. Box 9500 Suite 500 City: Hb State: PA Zip: 17108	Sustainable Energy Fund of Central Eastern Pennsylvania
Telephone: 717 255-7600	E-mail Address: tnielsen@hanlaw.com	Fax Number: 717 236-8278
Kevin J. Moody Wolf Block	212 Locust St., Suite 300 City: Hb State: PA Zip: 17101	MARSA Strategic Energy
Telephone: 717-237-7187	E-mail Address: kmoody@wolfblock.com	Fax Number: 717-237-2767

Note: Completion of this form does not constitute an entry of appearance, see 52 Pa. Code §§1.24 and 1.25.

Name and Telephone Number	Address			Who are you representing?
Louise A Knight <del>FPL PLUS</del> Saul Ewing LLP	2 N. 2nd St			FPL PLUS
Telephone: 317-238-7655	City Hobg	State PA	Zip 17001	E-mail Address: lknight@sew.com Fax Number:
Telephone:	E-mail Address:			Fax Number:
Telephone:	E-mail Address:			Fax Number:
Telephone:	E-mail Address:			Fax Number:
Telephone:	E-mail Address:			Fax Number:
Telephone:	E-mail Address:			Fax Number:
Telephone:	E-mail Address:			Fax Number:
Telephone:	E-mail Address:			Fax Number:
Telephone:	E-mail Address:			Fax Number:

*Note: Completion of this form does not constitute an entry of appearance, see 52 Pa. Code §§1.24 and 1.25.*

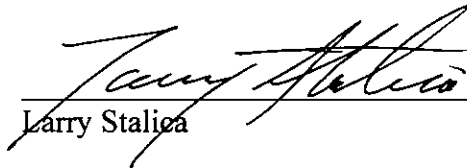
Name and Telephone Number	Address			Who are you representing?
	City	State	Zip	
Telephone:	E-mail Address:			Fax Number:
	City	State	Zip	
Telephone:	E-mail Address:			Fax Number:
	City	State	Zip	
Telephone:	E-mail Address:			Fax Number:
	City	State	Zip	
Telephone:	E-mail Address:			Fax Number:
	City	State	Zip	
Telephone:	E-mail Address:			Fax Number:
	City	State	Zip	
Telephone:	E-mail Address:			Fax Number:
	City	State	Zip	
Telephone:	E-mail Address:			Fax Number:
	City	State	Zip	
Telephone:	E-mail Address:			Fax Number:

**Note: Completion of this form does not constitute an entry of appearance, see 52 Pa. Code §§1.24 and 1.25.**

AFFIDAVIT

STATE OF NEW JERSEY )  
 )  
COUNTY OF Union ) SS:

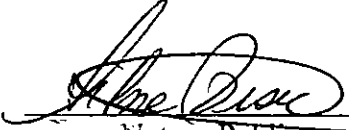
Larry Stalica, being duly sworn according to law, deposes and says that he is employed by BOC Gases, Inc., in Murray Hill, New Jersey, that he is authorized to make this affidavit on behalf of said company, and that the information contained in PPLICA Statement No. 3, the Direct Testimony and Exhibits of Larry Stalica, including Exhibits LS-1 and 2 are true and correct to the best of his knowledge, information and belief.

  
Larry Stalica

SWORN TO and subscribed

before me this 10 day

of August, 2004.

  
Notary Public

Silvia Ursic - ID# 2077605  
(SEAL)

My commission expires 7/2005

RECEIVED  
2004 AUG 17 AM 9:51  
T.A. PUC  
SECRETARY'S BUREAU



AFFIDAVIT

COMMONWEALTH OF PENNSYLVANIA )  
 )  
COUNTY OF LANCASTER ) SS:

Aaron P. Croop, being duly sworn according to law, deposes and says that he is employed by Anvil International, Inc., in Columbia, Pennsylvania, that he is authorized to make this affidavit on behalf of said company, and that the information contained in PPLICA Statement No. 5, the Direct Testimony of Aaron P. Croop, and Exhibit APC-1 are true and correct to the best of his knowledge, information and belief.

  
\_\_\_\_\_  
Aaron P. Croop

SWORN TO and subscribed  
before me this 10<sup>th</sup> day  
of August, 2004.



Notary Public  
(SEAL)

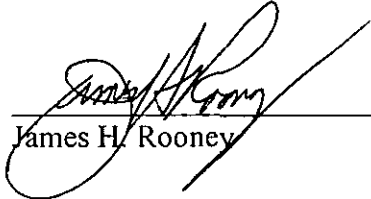
COMMONWEALTH OF PENNSYLVANIA  
Notarial Seal  
Ann L. Salvatore, Notary Public  
Columbia Boro, Lancaster County  
My Commission Expires June 18, 2008  
Member, Pennsylvania Association Of Notaries

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2004 AUG 17 AM 9:52  
PA PUC  
SECRETARY'S BUREAU

AFFIDAVIT

COMMONWEALTH OF PENNSYLVANIA )  
 )  
 ) SS:  
COUNTY OF Lancaster )

James H. Rooney, being duly sworn according to law, deposes and says that he is employed by Armstrong World Industries, Inc., in Lancaster, Pennsylvania, that he is authorized to make this affidavit on behalf of said company, and that the information contained in PPLICA Statement No. 4, the Direct Testimony and Exhibits of James H. Rooney, including Exhibits JHR 1, 2, 3 and 4 are true and correct to the best of his knowledge, information and belief.

  
\_\_\_\_\_  
James H. Rooney

SWORN TO and subscribed  
before me this 10<sup>th</sup> day  
of August, 2004.

  
Notary Public

(SEAL)

Notarial Seal  
Angela J. Allgyer, Notary Public  
City of Lancaster, Lancaster County  
My Commission Expires Aug. 11, 2005

RECEIVED  
2004 AUG 17 AM 9:52  
PA PUC  
SECRETARY'S BUREAU

**OALJ Hearing Report**

Please Check Those Blocks Which Apply

Docket No.:	R-00049255 & R-00049255C0001-C0016	YES	NO
Case Name:	PA PUC et al v. PPL Electric Utilities Corporation	Prehearing Held:	<input type="checkbox"/> YES <input type="checkbox"/> NO
		Hearing Held:	<input type="checkbox"/> YES <input type="checkbox"/> NO
		Testimony Taken:	<input type="checkbox"/> YES <input type="checkbox"/> NO
		Transcript Due:	<input type="checkbox"/> YES <input type="checkbox"/> NO
		Hearing Concluded:	<input type="checkbox"/> YES <input type="checkbox"/> NO
Location:	HBG	Further Hearing Needed:	<input type="checkbox"/> YES <input type="checkbox"/> NO
		Estimated Add'l Days:	
Date:	August 10, 2004	RECORD CLOSED:	<input type="checkbox"/> YES <input type="checkbox"/> NO
ALJ:	Allison K. Turner	DATE:	
		Briefs to be Filed:	<input type="checkbox"/> YES <input type="checkbox"/> NO
Reporting Firm:	Commonwealth Reporting	DATE:	
		Bench Decision:	<input type="checkbox"/> YES <input type="checkbox"/> NO
		REMARKS:	

AUG 13 AM 9:07  
 SECRETARY'S BUREAU

**DOCUMENT FOLDER**

PLEASE PRINT CLEARLY - Incomplete Information may result in delay of processing.

Name and Telephone Number	Address	Who are you representing?
Jim Melia Telephone: 717-231-5842	240 N. 3rd St. Hbg PA 17101	Kel-Mart + Pa. Energy Cons.
David A. McCormick Telephone: 703-696-1646	US Army Department JALS-RL 901 N. Stuart Street Rm 713 Arlington VA 22203	consumer interest of US Department of Defense and Federal Executive Agencies
Sharon A. Sparks James A. Mullins TANYA J. McCloskey Telephone: 717. 753. 5848	555 Walnut St 5th Floor, Forum Place Harrisburg PA 17101	Office of Consumer Advocate

Check this box if additional parties or attendees appear on back of form.

*Thomas Kelly* CRC, Inc.  
Reporter's Signature

Note: Completion of this form does not constitute an entry of appearance, see 52 Pa. Code §§1.24 and 1.25.

Name and Telephone Number	Address	Who are you representing?
Steve GRAY	Suite 1102 Commerce Bldg <small>City</small> HBG <small>State</small> PA <small>Zip</small> 17101	OSBA
Telephone: (717) 783-2525	E-mail Address: SGRAY@STATE.PA.US	Fax Number: (717) 783-2831
RICHARD A. KANASKIE JOHNNIE E. SIMMS	P.O. Box 3265 <small>City</small> HARRISBURG <small>State</small> PA <small>Zip</small> 17105	OFFICE OF TRIAL STAFF
Telephone: 717 787-1976	E-mail Address: RKANASKIE@STATE.PA.US	Fax Number: 717 772-2677
Pamela Polacek David M. Kleppinger	100 Pine Street P.O. Box 1166 <small>City</small> Harrisburg <small>State</small> PA <small>Zip</small> 17101	FP&L Industrial Customer Alliance (PPLICA)
Telephone: 717-232-8000	E-mail Address: ppolacek@ppl.com	Fax Number: 717-237-5306
Joseph L. Vullo	1460 Wyoming Ave <small>City</small> Forty Four <small>State</small> PA <small>Zip</small> 18704	Commission on Economic Opportunity (CEO)
Telephone: 570-288-0700	E-mail Address: JLVullo@aol.com	Fax Number: 570-288-4598
ERIC J. Epstein	4100 Hillside Rd <small>City</small> HBG <small>State</small> PA <small>Zip</small> 17162	Pro SE.
Telephone: 717-541-1661	E-mail Address: ericepsten@comcast.net	Fax Number: 717-541-5487
Telephone:	E-mail Address:	Fax Number:
Telephone:	E-mail Address:	Fax Number:
Telephone:	E-mail Address:	Fax Number:

Note: Completion of this form does not constitute an entry of appearance, see 52 Pa. Code §§1.24 and 1.25.

Name and Telephone Number	Address			Who are you representing?
David MacGregor Morgan, Lewis & Bockius LLP 215.963.5448	1701 Market Street Phila <sup>City</sup> PA <sup>State</sup> 19103 <sup>Zip</sup>			PPL Electric Utilities
Telephone:	E-mail Address: dmacgregor@morganlewis.com			Fax Number: 215.963.5001
PAUL E. RUSSELL	2 NORTH 9TH STREET Allentown <sup>City</sup> PA <sup>State</sup> 18101 <sup>Zip</sup>			PPL ELECTRIC UTILITIES
Telephone: (610) 774-4254	E-mail Address: prussell@pplweb.com			Fax Number: (610) 774-6726
Michael W GAWY John H ISAM Morgan Lewis & Bockius LLP	417 Walnut St Harrisburg <sup>City</sup> Pa <sup>State</sup> 17107 <sup>Zip</sup>			PPL Electric Utilities
Telephone:	E-mail Address:			Fax Number: 717-237-4000
	City State Zip			
Telephone:	E-mail Address:			Fax Number:
	City State Zip			
Telephone:	E-mail Address:			Fax Number:
	City State Zip			
Telephone:	E-mail Address:			Fax Number:
	City State Zip			
Telephone:	E-mail Address:			Fax Number:
	City State Zip			
Telephone:	E-mail Address:			Fax Number:

Note: Completion of this form does not constitute an entry of appearance, see 52 Pa. Code §§1.24 and 1.25.

Name and Telephone Number	Address			Who are you representing?			
	<table border="1"> <tr> <td data-bbox="537 260 849 331">City</td> <td data-bbox="849 260 959 331">State</td> <td data-bbox="959 260 1114 331">Zip</td> </tr> </table>			City	State	Zip	
City	State	Zip					
Telephone:	E-mail Address:			Fax Number:			
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City	State	Zip					
Telephone:	E-mail Address:			Fax Number:			
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City	State	Zip					
Telephone:	E-mail Address:			Fax Number:			
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City	State	Zip					
Telephone:	E-mail Address:			Fax Number:			
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City	State	Zip					
Telephone:	E-mail Address:			Fax Number:			
	<table border="1"> <tr> <td data-bbox="537 1583 849 1654">City</td> <td data-bbox="849 1583 959 1654">State</td> <td data-bbox="959 1583 1114 1654">Zip</td> </tr> </table>			City	State	Zip	
City	State	Zip					
Telephone:	E-mail Address:			Fax Number:			
	<table border="1"> <tr> <td data-bbox="537 1799 849 1871">City</td> <td data-bbox="849 1799 959 1871">State</td> <td data-bbox="959 1799 1114 1871">Zip</td> </tr> </table>			City	State	Zip	
City	State	Zip					
Telephone:	E-mail Address:			Fax Number:			

*Note: Completion of this form does not constitute an entry of appearance, see 52 Pa. Code §§1.24 and 1.25.*

**OALJ Hearing Report**

Please Check Those Blocks Which Apply

Docket No.:	R-00049255 & R-00049255C0001-C0016	YES	NO
Case Name:	PA PUC et al v. PPL Electric Utilities Corporation	Prehearing Held:	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO
Location:	HBG	Hearing Held:	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
Date:	August 11, 2004	Testimony Taken:	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
ALJ:	Allison K. Turner	Transcript Due:	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
Reporting Firm:	Commonwealth Reporting	Hearing Concluded:	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO
		Further Hearing Needed:	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
		Estimated Add'l Days:	as scheduled
		RECORD CLOSED:	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO
		Briefs to be Filed:	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO
		Bench Decision:	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO
		REMARKS:	

DOCUMENT FOLDER

SECRETARY BUREAU  
AUG 11 9:07

PLEASE PRINT CLEARLY - Incomplete information may result in delay of processing.

Name and Telephone Number	Address	Who are you representing?
Pamela Polarek 717-237-8000	100 Pine Street P.O. Box 1166 Harrisburg PA 17101	PPL Industrial Customer Alliance (PPLICA)
Tanya J. McCloskey James A. Mullins LORI HERMAN 717-783-5048	5th Floor, Forum Pl. 555 Walnut St. Hbg PA 17101-1923	Office of Consumer Advocate
RICHARD A. KANASKIE JOHNNIE E. SIMMS 717 787-1976	P.O. Box 3265 HARRISBURG PA 17105	OFFICE OF TRIAL STAFF

Check this box if additional parties or attendees appear on back of form.

*Sandra Miller Brown*  
Reporter's Signature

Note: Completion of this form does not constitute an entry of appearance, see 52 Pa. Code §§1.24 and 1.25.

Name and Telephone Number	Address	Who are you representing?
David A. McCormick	US Department of the Army JALS-RC 901 N. Stuart Street Rm 713	consumer interest of U.S. Department of Defense & other related Federal Executive Agencies
	City: <u>Arkington</u> State: <u>VA</u> Zip: <u>22203</u>	
Telephone: <u>703-696-6646</u>	E-mail Address: <u>David.Mccormick@hqsda.army.mil</u>	Fax Number: <u>703-696-2960</u>
David B. MacGregor Kenneth Kalak Morgan Lewis & Bockius LLP	1701 Marlee St.	PPL Electric Utilities.
	City: <u>Phila</u> State: <u>PA</u> Zip: <u>19103</u>	
Telephone: <u>215-963-5448</u>	E-mail Address: <u>dmacgregor@morganlewis.com</u>	Fax Number: <u>215-963-5001</u>
Thomas T. Niese Patricia Armstrong	212 Locust St # 500	Sustainable Energy Fund of Central Eastern Pa
	City: <u>Harrisburg</u> State: <u>PA</u> Zip: <u>17108</u>	
Telephone: <u>717-255-7600</u>	E-mail Address: <u>tniesena@hanlaw.ca</u>	Fax Number: <u>717-236-8278</u>
John H. Isom Morgan, Lewis & Bockius LLP	417 Walnut St.	PPL Electric Utilities Corporation
	City: <u>Hbs</u> State: <u>PA</u> Zip: <u>17101</u>	
Telephone: <u>717-237-4022</u>	E-mail Address: <u>jisom@morganlewis.com</u>	Fax Number: <u>717-237-4004</u>
PAUL E. RUSSELL	2 NORTH 9TH ST	PPL ELECTRIC UTILITIES
	City: <u>ALLENTOWN</u> State: <u>PA</u> Zip: <u>18101</u>	
Telephone: <u>(610) 774-4254</u>	E-mail Address:	Fax Number: <u>(610) 774-6726</u>
MICHAEL FIORENTINO	135 S. 19th St. Ste 200	Clean Air Council
	City: <u>Phila</u> State: <u>PA</u> Zip: <u>19103</u>	
Telephone: <u>215 567 4004 x28</u>	E-mail Address:	Fax Number:
CHARLES MCPHEDRAN	PENNFUTURE 117 SOUTH 17TH ST #1801	PENNFUTURE PARTIES
	City: <u>PHILA</u> State: <u>PA</u> Zip: <u>19103</u>	
Telephone: <u>215 569 9693</u>	E-mail Address: <u>mcphe dran@pennfuture.org</u>	Fax Number: <u>215 569 9637</u>
Joseph L. Vullo	14600 Lygonis Ave	Commission on Economic Opportunity
	City: <u>Forty Four</u> State: <u>PA</u> Zip: <u>18704</u>	
Telephone: <u>570-288-0700</u>	E-mail Address: <u>JLVullo@aol.com</u>	Fax Number: <u>570-288-4598</u>

Note: Completion of this form does not constitute an entry of appearance, see 52 Pa. Code §§1.24 and 1.25.

Name and Telephone Number	Address	Who are you representing?
<del>Joseph L. Velt</del>	<del>1460 Wyoming Ave. Forty Fort PA 18709</del>	<del>Commissioner Economic Opportunity (CEO)</del>
DAVID ZAMBITO Inhouse A. Knight	SAUL EWING LLP 2 NORTH SECOND STREET 7TH FLOOR HARRISBURG PA 17101	PPL PUBLIC LIGHTING USERS GROUP (PLUG)
Telephone: (717) 257-7526	E-mail Address: dzamb.to@saul.com	Fax Number: (717) 257-7547
ERIC EPSTEIN 4100 Millsdale Rd	Pro Se Harrisburg PA 17112	Pro Se
Telephone: 717-541-1101	E-mail Address: eric.epstein@comcast.net	Fax Number: 717-541-1101
Telephone:	E-mail Address:	Fax Number:
Telephone:	E-mail Address:	Fax Number:
Telephone:	E-mail Address:	Fax Number:
Telephone:	E-mail Address:	Fax Number:
Telephone:	E-mail Address:	Fax Number:
Telephone:	E-mail Address:	Fax Number:
Telephone:	E-mail Address:	Fax Number:

Note: Completion of this form does not constitute an entry of appearance, see 52 Pa. Code §§1.24 and 1.25.

Sandra Trulus Brown

Name and Telephone Number	Address			Who are you representing?
	City	State	Zip	
Telephone:	E-mail Address:			Fax Number:
	City	State	Zip	
Telephone:	E-mail Address:			Fax Number:
	City	State	Zip	
Telephone:	E-mail Address:			Fax Number:
	City	State	Zip	
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	City	State	Zip	
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Telephone:	E-mail Address:			Fax Number:
	City	State	Zip	
Telephone:	E-mail Address:			Fax Number:
	City	State	Zip	
Telephone:	E-mail Address:			Fax Number:

**Note: Completion of this form does not constitute an entry of appearance, see 52 Pa. Code §§1.24 and 1.25.**

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	Docket No. R-00049255
U.S. Department of Defense & Federal Executive Agencies	:	Docket No. R-00049255C0001
PPL Industrial Customer Alliance	:	Docket No. R-00049255C0002
Office of Small Business Advocate	:	Docket No. R-00049255C0003
Office of Consumer Advocate	:	Docket No. R-00049255C0004
Eric Joseph Epstein	:	Docket No. R-00049255C0005

v.

PPL Electric Utilities Corp.

R-00049255


AFFIDAVIT

I, James P. McCormick, Sr., hereby verify that at the time my prefiled direct testimony (Strategic Statement No. 1) in this proceeding was prepared, I was Manager of Market Development for Pennsylvania for Strategic Energy, L.L.C. (Strategic), that I retired from this position effective July 31, 2004, that I am presently a consultant to Strategic and that I am authorized to make this affidavit on behalf of Strategic.

I hereby swear or affirm that Strategic Statement No. 1 was prepared by me or under my supervision, and is true and correct to the best of my knowledge, information and belief. I also swear or affirm that if I were asked the same questions under oath at the hearing in this proceeding, my answers would be the same as set forth in Strategic Statement No. 1.

The statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

DOCUMENT

is/   
 James P. McCormick, Sr.,  
 Energy Market Services

Date: August 12, 2004

DOCKETED  
 AUG 18 2004

DSH:45527.1/STR163-220694

2004 AUG 17 AM 9:51  
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RECEIVED

**OALJ Hearing Report**

Please Check Those Blocks Which Apply

Docket No.:	R-00049255 & R-00049255C0001-C0016	YES	NO
		Prehearing Held:	<input type="checkbox"/> <input type="checkbox"/>
Case Name:	PA PUC et al v. PPL Electric Utilities Corporation	Hearing Held:	<input type="checkbox"/> <input type="checkbox"/>
		Testimony Taken:	<input type="checkbox"/> <input type="checkbox"/>
		Transcript Due:	<input type="checkbox"/> <input type="checkbox"/>
		Hearing Concluded:	<input type="checkbox"/> <input type="checkbox"/>
Location:	HBG	Further Hearing Needed:	<input type="checkbox"/> <input type="checkbox"/>
		Estimated Add'l Days:	
Date:	August 12, 2004		
		RECORD CLOSED:	<input type="checkbox"/> <input type="checkbox"/>
ALJ:	Allison K. Turner	DATE:	
		Briefs to be Filed:	<input type="checkbox"/> <input type="checkbox"/>
		DATE:	
Reporting Firm:	Commonwealth Reporting	Bench Decision:	<input type="checkbox"/> <input type="checkbox"/>
		REMARKS:	

RECEIVED  
 2004 AUG 20 AM 11:45  
 SECRETARY'S BUREAU

DOCUMENT

PLEASE PRINT CLEARLY - Incomplete information may result in delay of processing.

Name and Telephone Number	Address	Who are you representing?
Aron J. Beatty James A. Mullins Tanya J. McCloskey	5th Floor, Forum Pl. 555 Walnut St City: Harrisburg State: PA Zip: 17101-1923	Office of Consumer Advocate
Telephone: 717-783-5048	E-mail Address: tmcloskey@paoca.org	Fax Number: 717-783-7152
RICHARD A. KANASKIE JOHNNIE E. SIMMS	P.O. Box 3265 City: HARRISBURG State: PA Zip: 17105	OFFICE OF TRIAL STAFF
Telephone: 717 787-1976	E-mail Address: RKANASKIE@STATE.PA.US	Fax Number: 717 772-2677
Steven C. Gray	Suite 1102 Commerce Bldg City: HBG State: PA Zip: 17101	QJBA
Telephone: (717) 783-2525	E-mail Address: [unclear]	Fax Number: (717) 783-2831

Check this box if additional parties or attendees appear on back of form.

  
 Reporter's Signature

Note: Completion of this form does not constitute an entry of appearance, see 52 Pa. Code §§1.24 and 1.25.

Name and Telephone Number	Address	Who are you representing?
David A. McCormick	U.S. Department of the Army JALS-PL 901 N. Stuart Street Rm 713 City: Arlington VA Zip: 22203	consumer interest of U.S. Department of Defense & other Federal Executive Agencies
Telephone: 703-696-1646	E-mail Address: David.Mccormick@hqs.dz.army.mil	Fax Number: 703-696-2960
Pamela C. Poloczek David M. Kleppinger	100 Pine Street P.O. Box 1166 City: Harrisburg PA Zip: 17101	PPL Industrial Customer Alliance ("PPLICA")
Telephone: 717-232-8000	E-mail Address: ppoloczek@ppl.com	Fax Number: 717-237-5300
David MacGregor Kenneth Kulak	Morgan Lewis & Bockius 1701 Market St. City: Philadelphia PA Zip: 19130	PPL Electric Utilities Corporation
Telephone:	E-mail Address: dmacgregor@morganlewis.com	Fax Number: 215-963-5001
John H. Isom Morgan, Lewis & Bockius LLP	417 Walnut St City: Harrisburg PA Zip: 17101	PPL Electric Utilities Corporation 717-237-4004
Telephone: 717-237-4022	E-mail Address: jisom@morganlewis.com	Fax Number:
PAUL E. RUSSELL	2 NORTH 9TH STREET City: Allentown PA Zip: 18101	PPL ELECTRIC UTILITIES
Telephone: (610) 774-4254	E-mail Address: perussell@pplweb.com	Fax Number: (610) 774-6726
Thomas T. Niesen Patricia Armstrong Thomas, Thomas, Armstrong & Niesen	Suite 500 212 Locust St P.O. Box 9020 City: Harrisburg PA Zip: 17108	SEF
Telephone: 717 235-7600	E-mail Address: tniesen@ttanlaw.com	Fax Number: 717 236 8278
Louise A. Knight David P. Zambato	2 N. 2d St, 7th Fl City: Harrisburg PA Zip: 17101	PPL PLUG
Telephone: 717-238-7655	E-mail Address: lknight@saul.com	Fax Number:
Jim Melia	240 N. 3rd St. City: Harrisburg PA Zip: 17101	Wal-Mart P.E. Energy Corp
Telephone: 717-231-5840	E-mail Address: jmelia@tcl.com	Fax Number: 717-231-4501

Note: Completion of this form does not constitute an entry of appearance, see 52 Pa. Code §§1.24 and 1.25.

Name and Telephone Number	Address			Who are you representing?
ERIC EPSTEIN 4100 Hillsdale Rd	HOB	PA	1712	Pro SC.
Telephone: 717-541-1101	E-mail Address: eric.epstein@comcast.net			Fax Number:
	City	State	Zip	
Telephone:	E-mail Address:			Fax Number:
	City	State	Zip	
Telephone:	E-mail Address:			Fax Number:
	City	State	Zip	
Telephone:	E-mail Address:			Fax Number:
	City	State	Zip	
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	City	State	Zip	
Telephone:	E-mail Address:			Fax Number:
	City	State	Zip	
Telephone:	E-mail Address:			Fax Number:

**Note:** Completion of this form does not constitute an entry of appearance, see 52 Pa. Code §§1.24 and 1.25.

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City	State	Zip					
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City	State	Zip					
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City	State	Zip					
Telephone:	E-mail Address:			Fax Number:			
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City	State	Zip					
Telephone:	E-mail Address:			Fax Number:			

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# OALJ Hearing Report

Please Check Those Blocks Which Apply

Docket No.:	R-00049255 & R-00049255C0001-C0016		YES	NO
		Prehearing Held:	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Case Name:	PA PUC et al v. PPL Electric Utilities Corporation	Hearing Held:	<input checked="" type="checkbox"/>	<input type="checkbox"/>
		Testimony Taken:	<input checked="" type="checkbox"/>	<input type="checkbox"/>
		Transcript Due:	<input checked="" type="checkbox"/>	<input type="checkbox"/>
		Hearing Concluded:	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Location:	HBG	Further Hearing Needed:	<input type="checkbox"/>	<input checked="" type="checkbox"/>
		Estimated Add'l Days:	10	
Date:	August 13, 2004	RECORD CLOSED:	<input checked="" type="checkbox"/>	<input type="checkbox"/>
ALJ:	Allison K. Turner	DATE:		
Reporting Firm:	Commonwealth Reporting	Briefs to be Filed:	<input checked="" type="checkbox"/>	<input type="checkbox"/>
		DATE:		
		Bench Decision:	<input type="checkbox"/>	<input checked="" type="checkbox"/>
		REMARKS:		

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 2004 AUG 20 AM 11:15  
 SECRETARY'S OFFICE

DOCUMENT

PLEASE PRINT CLEARLY - Incomplete Information may result in delay of processing.

Name and Telephone Number	Address	Who are you representing?
David MacGregor Morgan, Lewis	1701 Market St.  City: Phila. State: PA Zip: 19103	PPL Electric Utilities Corp.
Telephone: 215-963-5448	E-mail Address: dmacgregor@morganlewis.com	Fax Number: 215-963-5001
RICHARD A. KANASKIE	P.O. Box 3265  City: HARRISBURG State: PA Zip: 17105	OFFICE OF TRIAL STAFF
Telephone: 717 787-1976	E-mail Address: RKANASKIE@STATE.PA.US	Fax Number: 717 772-2677
JAMES A. MULLINS	555 Walnut St.  City: Hbg. State: PA Zip: 17101	OCA
Telephone: (717) 783-5848	E-mail Address: j.mullins@pa.oca.org	Fax Number: (717) 783-7152

Check this box if additional parties or attendees appear on back of form.

\_\_\_\_\_  
Reporter's Signature

*Note: Completion of this form does not constitute an entry of appearance, see 52 Pa. Code §§1.24 and 1.25.*

Name and Telephone Number	Address	Who are you representing?				
Steve GRAY	Suite 1102, Commerce Bldg	OBA				
	<table border="1"> <tr> <td>City</td> <td>State</td> <td>Zip</td> </tr> <tr> <td>HBS</td> <td>PA</td> <td>17101</td> </tr> </table>		City	State	Zip	HBS
City	State	Zip				
HBS	PA	17101				
Telephone: 783-2525	E-mail Address: sgray@ppl.com	Fax Number: 783-2831				
PAUL E. RUSSELL	2 NORTH 9TH ST	PPL ELECTRIC UTILITIES				
	<table border="1"> <tr> <td>City</td> <td>State</td> <td>Zip</td> </tr> <tr> <td>ALLENTOWN</td> <td>PA</td> <td>18101</td> </tr> </table>		City	State	Zip	ALLENTOWN
City	State	Zip				
ALLENTOWN	PA	18101				
Telephone: (610) 774-4254	E-mail Address: perussell@pplweb.com	Fax Number: (610) 774-6726				
Donald McGarrigle 34 Larchwood Rd	Wyomissing 1944	Retired Construction Co.				
	<table border="1"> <tr> <td>City</td> <td>State</td> <td>Zip</td> </tr> <tr> <td></td> <td></td> <td>19610</td> </tr> </table>		City	State	Zip	
City	State	Zip				
		19610				
Telephone:	E-mail Address:	Fax Number:				
Curvin L. Snyder	13 <del>Valley</del> Valley Rd.	retired from PPL				
	<table border="1"> <tr> <td>City</td> <td>State</td> <td>Zip</td> </tr> <tr> <td>ETTERS</td> <td>PA</td> <td></td> </tr> </table>		City	State	Zip	ETTERS
City	State	Zip				
ETTERS	PA					
Telephone:	E-mail Address: Not a customer	Fax Number:				
William J. Junkin III	438 S. 25 <sup>th</sup> St	Customer City of Harrisburg Bureau of Fire				
	<table border="1"> <tr> <td>City</td> <td>State</td> <td>Zip</td> </tr> <tr> <td>Hog</td> <td>PA</td> <td>17104</td> </tr> </table>		City	State	Zip	Hog
City	State	Zip				
Hog	PA	17104				
Telephone:	E-mail Address:	Fax Number:				
Philip A. Trump	3229 Carbon St	Customer of PPL Not employed retirement & disability				
	<table border="1"> <tr> <td>City</td> <td>State</td> <td>Zip</td> </tr> <tr> <td>Whitehall</td> <td>PA</td> <td>18052</td> </tr> </table>		City	State	Zip	Whitehall
City	State	Zip				
Whitehall	PA	18052				
Telephone:	E-mail Address:	Fax Number:				
Telephone:	E-mail Address:	Fax Number:				
Telephone:	E-mail Address:	Fax Number:				

Note: Completion of this form does not constitute an entry of appearance, see 52 Pa. Code §§1.24 and 1.25.

Morgan, Lewis & Bockius LLP  
One Commerce Square  
417 Walnut Street  
Harrisburg, PA 17101-1904  
Tel: 717.237.4000  
Fax: 717.237.4001  
www.morganlewis.com

ORIGINAL

Morgan Lewis  
COUNSELORS AT LAW

John H. Isom  
717.237.4022  
jisom@morganlewis.com

DEFINITION

August 19, 2004

James J. McNulty  
Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2nd Floor North  
PO Box 3265  
Harrisburg, PA 17105-3265

RECEIVED  
2004 AUG 19 PM 3:53  
PA PUC  
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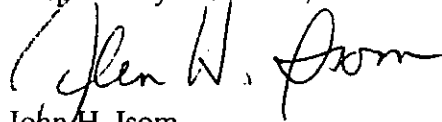
**Re: Pennsylvania Public Utility Commission  
v. PPL Electric Utilities Corporation  
Docket No. R-00049255**

Dear Secretary McNulty:

Enclosed, for filing, are three copies of the Transcription Corrections for the transcript of the hearing held on August 9, 2004, in the above-referenced proceeding.

As indicated on the enclosed certificate of service, copies are being served on all parties.

Respectfully submitted,

  
John H. Isom

JHI/jl

Enclosure

c: Certificate of Service

61

**Transcript Corrections**  
**August 9, 2004**  
**Docket No. R-00049255**

Transcript Page and Line Numbers	Reads	Should Read
P. 394 line 13	Q	A
P. 407 line 7	improved customer satisfaction the customers would experience	improved customer satisfaction that customers would experience
P. 416 line 21	can be for other reasons	can be pre payments for other reasons
P. 418 line 4	time, then versus the time	time, versus the time
P. 418 line 5	to PPL so that	to PPL Electric so that
P. 418 line 6	So two separate	So there are two separate
P. 421 line 11	do is, as column	do, as column
P. 427 line 11	On December 31.	On December 21.
P. 427 line 19	December 31	December 21
P. 463 line 12	and nothing by the truth	and nothing but the truth
P. 464 line 9	that raised our general rates somewhat in the order of	that raised our general rates somewhere in the order of
P. 464 line 11	Susquehanna II	Susquehanna 2
P. 468 line 13	Susquehanna I	Susquehanna 1
P. 468 line 16	Susquehanna II	Susquehanna 2

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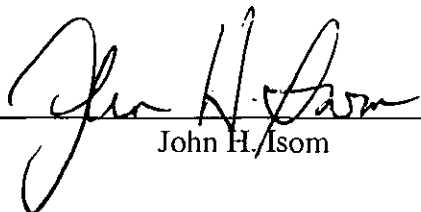
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August 23, 2004

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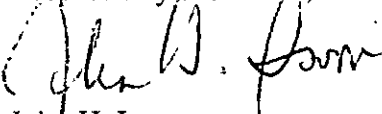
**Re: Pennsylvania Public Utility Commission  
v. PPL Electric Utilities Corporation  
Docket No. R-00049255**

Dear Secretary McNulty:

Enclosed, for filing, are three copies of the Transcription Corrections for the transcripts of the hearings held on August 11, 2004, and August 12, 2004, in the above-referenced proceeding.

As indicated on the enclosed certificate of service, copies are being served on all parties.

Respectfully submitted,



John H. Isom

JHI/jl

Enclosure

c: Certificate of Service

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Transcript Corrections  
August 11, 2004  
Docket No. R-00049255

Transcript Page and Line Number	Reads	Should Read
P. 899 line 4	to identify the total revenue for rate schedule	to identify the total revenue for each rate schedule
P. 914 line 13	is correct that it show up the way it show up	is correct that it show up the way it shows up
P. 933 line 5	the term if art is public good	the term of art is public good

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Transcript Page and Line Number	Reads	Should Read
P. 963, line 20	utility facilities are split	utility facilities which are split
P. 963, line 25	to replicate what a minimum	to replicate what minimum
P. 964, line 5	Some would come to a customer	Some would become a customer
P. 964, line 12	of those facilities also.	of those facilities.
P. 964, line 13	one wire here, one	one wire here and one
P. 965, line 5	transformer also known.	transformer also are known.
P. 965, line 15	a higher transformer	a higher voltage transformer
P. 966, line 1	still using 10 kV	still being served 10 kV
P. 969, line 2	Do you have your surre	Do you have your
P. 969, line 3	rebuttal testimony	surrebuttal testimony
P. 969, line 4	your surre rebuttal	your surrebuttal
P. 969, line 12	have surre rebuttal	have surrebuttal
P. 971, line 13	all parties were satisfied	all parties are satisfied
P. 971, line 18	solutions is that it	solutions is that they
P. 971, line 19	creates administrative	create administrative
P. 973, line 25	charge that was on	charge that is on
P. 974, line 1	transmission charge, CSC.	transmission service charge, TSC.
P. 974, line 4	One, and main	One, and the main
P. 974, line 9	increase of	increase for
P. 974, line 10	that with that	that with this
P. 974, line 14	so that both customer	so that the customer
P. 975, line 5	I'm not just counting	I'm not just discounting
P. 978, line 5	tariff, PPL	tariff, PPL Electric
P. 978, line 16	elements, being that	elements, being the
P. 981, line 8	string of poles	a string of poles
P. 981, line 9	480 or 240.	480 kV or 240 kV
P. 981, line 14	line to your property overhead to your	line overhead to your property overhead,
P. 981, line 15	property some, in some instance, the weather head	in some instance, the weatherhead
P. 982, line 20	hometown of the coal	hometown in the coal
P. 983, line 2	me for an example	me an example
P. 983, line 11	put them under ground.	put them underground.
P. 984, line 5	surre rebuttal	surrebuttal

**Transcript Corrections**  
**August 12, 2004**  
**Docket No. R-00049255**

P. 986, line 1	or perhaps with a	perhaps with a
P. 986, line 3	jurisdictional problems	jurisdictional purview
P. 987, line 10	wanted to was that	wanted to that
P. 990, line 20	the reasons, not the	the reasons, if not the
P. 990, line 23	surre rebuttal	surrebuttal
P. 991, line 5	surre rebuttal	surrebuttal

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I hereby certify that I have this day served a true copy of the foregoing "Transcript Corrections – August 11, 2004" and "Transcript Corrections – August 12, 2004" upon the participant(s), listed below, in accordance with the requirements of §1.54 (relating to service by a participant):

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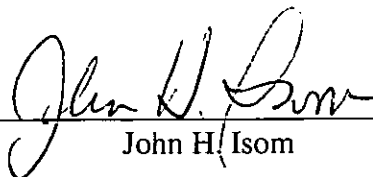
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REPLY TO  
ATTENTION OF

Regulatory Law Office  
U 4120

27 August 2004

SUBJECT: Pennsylvania Public Utility Commission, et al vs. PPL Electric Utilities Corporation, Pennsylvania P-UC Docket No. R-00049255 et seq.

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Hon. James J. McNulty, Secretary,  
Pennsylvania Public Utility Commission  
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PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

Dear Mr. McNulty:

Enclosed for filing are the original and fifteen copies of the Brief on behalf of the consumer interest of the United States Department of Defense and other affected Federal Executive Agencies (collectively hereinafter "DOD") in the above referenced proceeding. Also enclosed find a computer disk with a copy of this document in Micro-Soft Word in a file entitled "DOD-Brief.doc."

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

Sincerely,

David A. McCormick  
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Regulatory Law Office

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transmission service charge (TSC).<sup>3</sup> PPL also proposed institution of a new distribution service improvement charge (DSIC).<sup>4</sup> The total increase in annual revenues sought by PPL in this proceeding are \$221.6 million. The Commission suspended the proposed rate increase and instituted this investigation of the reasonableness of the proposed rates. This is the first general rate case by a major electric distribution utility in the Commonwealth of Pennsylvania since the successful deregulation of electric generation a few years ago. Aside from jurisdictions where deregulation of generation appeared more problematic, this electric rate proceeding is the first, or one of the first such *post* deregulation of power generation rate proceedings in the nation.

In addition to the Commission's Office of Trial Staff (OTS), the Office of Consumer Advocate (OCA), and the Office of Small Business Advocate (OSBA), a number of consumer and other interests filed complaints or intervened in this proceeding. The active parties included customer groups like: Eric J. Epstein, *pro se*, DOD, Pennsylvania Energy Consortium and Wal-Mart Stores East, LP (Wal-Mart), the Public Lighting User Group (PLUG) and PPL Industrial Consumers Alliance (PPLICA). Also, among active parties were the following additional interested parties: Sustainable Energy Fund (SEF), Citizens for Pennsylvania's Future (PennFuture), Commission for Economic Opportunity (CEO), Strategic Energy LLC, the Clean Air Council (CAC), UGI Utilities, Inc., the Duquesne Light Company, Allegheny Power, and PECO. Local No. 1600 of the IBEW and Mid-Atlantic Power Supply Association (MAPSA), and several other interested parties presented no witnesses or were otherwise in a somewhat inactive status during this proceeding.

---

<sup>3</sup> PPL Statement No. 1, Direct Testimony of John F. Sipics, p. 9 lines 19-20.

<sup>4</sup> PPL Statement No. 1, Direct Testimony of John F. Sipics, p. 9 lines 17-18

An initial Prehearing Order was issued May 12, 2004. A initial prehearing conference was held on May 19, 2004. Prehearing Order No. 2 was issued on May 20, 2004. A number of hearings were held to adduce public interest in addition to the evidentiary hearings. Evidentiary hearings were held the week of August 9-13, 2004. The testimony and exhibits of many expert witnesses were presented. DOD presented testimony and exhibit schedules of two expert witnesses, which were admitted into this record. The DOD witnesses were: Mr. Thomas J. Prisco<sup>5</sup> and Mr. Kenneth L. Kincel.<sup>6</sup> Because of budgetary constraints DOD did not purchase the entire transcript of that hearing. That is reflected in the citations in this brief. In accord with Prehearing Order No. 2, briefs are due on September 2, 2004.

## **II. STATEMENT OF ISSUES**

- A. WHETHER PPL HAS SHOWN THAT THE PROPOSED LEVEL OF OVERALL REVENUE REQUIREMENT IS WHOLLY REASONABLE?
- B. WHETHER PPL HAS SHOWN THAT THE PROPOSED DISTRIBUTION RATES AND TARIFF RULES AND RATE STRUCTURE ARE WHOLLY REASONABLE?
- C. WHETHER PPL HAS SHOWN THAT THE PROPOSED TRANSMISSION RATES AND RATE STRUCTURE IS REASONABLE?
- D. WHETHER PPL HAS SHOWN THE PROPOSED DISTRIBUTION SYSTEM

---

<sup>5</sup> **DOD Statement No. 1**, Direct Testimony and Exhibit Schedules of Thomas J. Prisco, which addressed overall revenue requirement including regulatory accounting treatment of issues related to the sustainable energy fund and PPL's proposed distribution system improvement charge (DSIC). Admitted at Transcript of August 9, 2004. Witness Prisco was cross-examined by counsel for various parties.

<sup>6</sup> **DOD Statement No. 2**, Direct Testimony and Exhibit Schedules of Kenneth L. Kincel, which addressed the required return on equity capital for PPL, class cost allocation, rate design issues including transmission and distribution rate design issues, proposed tariff language changes in conjunctive billing (dis-aggregation of loads) and rate design issues related to PPL's proposed distribution system improvement charge (DSIC). Admitted Transcript of August 11 and 12, 2004. With agreement of counsel at the hearing, DOD Statement No. 2 was stipulated into the record without cross-examination.

## IMPROVEMENT CHARGE (DSIC) TO BE REASONABLE?

### III. SUMMARY OF ARGUMENT

The Commission should not grant an annual base revenue increase in excess of \$131,574,000. The Commission should not set the authorized return on equity for PPL in this proceeding higher than 10.75 percent. While PPL may continue to voluntarily contribute to the sustainable energy fund, the Commission should not find those contributions to be a jurisdictional cost of providing electric transmission and distribution service to customers.<sup>7</sup> In accord with the format prescribed initial Prehearing Order, Summary Tables I and II have been appended to the end of this Brief, summarizing the DOD revenue expense and rate base adjustments to the PPL proposal.<sup>8</sup> A summary of the apparent revenue requirement positions of parties who filed a direct case covering revenue requirements is set forth in Table A, below:

TABLE A

<u>P a r t y</u>	<u>Witness</u>	<u>Evidentiary Citation</u>	<u>Proposed Revenue Increase</u>
<b>PPL</b>	Joseph M. Kleha and Joseph R. Schadt	PPL Exhibit Future 1, Schedule D-1, page 1, line 1	\$164,438,000
<b>DOD</b>	Thomas J. Prisco <sup>9</sup>	DOD Statement No. 1, page 4 line 11.	131,574,000
<b>OCA</b>	Lafayette K. Morgan	OCA Statement No. 1S Schedule LKM-1S, line 3	116,777,000
<b>OTS</b>	Paul M. Yarolin	OTS Statement No. 4SR, page 2, lines 2 and 19, page 3, line 12 <sup>10</sup>	101,464,000

<sup>7</sup> PPLICA Cross Exhibit No. 3, submitted during cross of PPL Witness Timothy R. Dahl by Ms. Pamela Polacek, which demonstrates that after December 31, 2004 prospectively the sustainable energy fund was clearly not agreed to be a cost of service of the distribution and transmission utility. Transcript of August 11, 2004.

<sup>8</sup> For quick reference, the figures on the "Summary Tables I and II" attached to the end of this Brief may be compared with the summary figures on exhibit schedules TJP-1, TJP-2, and TJP-3, to DOD Statement No. 1.

<sup>9</sup> DOD Witness Prisco used the return on equity recommendation of 10.75 percent made by DOD Witness Kenneth L. Kincel in making Mr. Prisco's overall revenue increase recommendation.

<sup>10</sup> At OTS Statement No. 4, SR, page 2, lines 1-2, Witness Yarolin, said various adjustments occurred during the rebuttal stage of the proceeding that resulted in the OTS revenue increase recommendation becoming \$101,464,000.

#### IV. STATEMENT OF FACTS AND LAW

##### A. Test Period, Capital Structure, Rate Base, Revenue and Expense Adjustment including social programs such as sustainable energy fund.

DOD recommended no change in the proposed test periods selected by PPL. DOD recommended no change to the capital structure proposed by PPL.<sup>15</sup> DOD Witness Prisco recommended one rate base adjustment. That was an adjustment dealing with PPL's estimate for future capital additions.<sup>16</sup> As to cost of service accounting issues, DOD Witness Prisco recommend five adjustments. He recommended an adjustment for "unbilled revenues" of \$2,395,000.<sup>17</sup> While other jurisdictions have routinely adopted this accounting adjustment, DOD Witness Prisco acknowledged that Pennsylvania has yet to do so on cross by Mr. MacGregor. There is little reason to regulatory and income tax accounting to handle this accounting issue differently.<sup>18</sup>

Second, Mr. Prisco recommended an adjustment for the sustainable energy fund and other social programs.<sup>19</sup> On cross by Mr. Niesen related to Section 605 of Executive Order 13123,<sup>20</sup> Witness Thomas Prisco indicated that he knew of no federal agency that had implemented changes in procurement regulations to reflect changes made by that Executive Order. However, there was no evidence in this record to indicate that any such changes were needed in procurement regulations. Language as to cost effectiveness on a life-cycle cost basis, not unlike Section 203 of Executive Order 13123 (cited in Witness Prisco's direct),<sup>21</sup> had been in affect from prior Executive Orders for sometime.<sup>22</sup>

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<sup>15</sup> DOD Statement No. 1, Direct Testimony of Thomas J. Prisco, page 5, line 13.

<sup>16</sup> DOD Statement No. 1, Direct Testimony of Thomas J. Prisco, page 9, line 21 to page 10 line 3 and Schedule TJP-3.

<sup>17</sup> DOD Statement No. 1, Direct Testimony of Thomas J. Prisco, page 6, lines 1-10, and Schedule TJP-4.

<sup>18</sup> DOD Statement No. 1, Direct Testimony of Thomas J. Prisco, page 6, lines 6-9.

<sup>19</sup> DOD Statement No. 1, Direct Testimony of Thomas J. Prisco, page 6, line 14 to page 7 line 20 and Schedule TJP-5.

<sup>20</sup> SEF Statement No. 1 Attachment B to the Rebuttal Testimony of Thomas J. Tuffey, Ph.D.

<sup>21</sup> DOD Statement No. 1, Direct testimony of Thomas J. Prisco, page 7, line 11.

<sup>22</sup> Section 5 of Executive Order No. 12759, 56 FR 16257, April 19 1991 and Sections 112 and 301 of Executive Order 12902, 59 FR 11463, 10 March 1994. Reference to the prior Executive Orders appears in

In a state where power generation has been deregulated, whether distribution utility rate payers should be involuntarily coerced in prospective rates to subsidize sources of generation which are non-cost effective would seem to be a legitimate question.<sup>23</sup> If a rate payer wishes to purchase power from wind mills, photo-volatics, fuel cells, they are free to do so, in Pennsylvania. That would seem appropriate in a competitive energy generation market. On occasion, DOD chooses to acquire alternate energy technologies. DOD does that under appropriate acquisition regulations. However, purchases of such energy alternate technology are not normally “tied” to tariff rates of a monopoly distribution utility, and may involve competition among vendors. Other expert witnesses offered opinions on the prospective regulatory accounting treatment that should be accorded to the sustain-able energy fund.<sup>24</sup>

Thirdly, Mr. Prisco also recommended an adjustment to the filing of PPL as to remediation work at various locations owned and formerly owned by PPL.<sup>25</sup> Fourth, Mr. Prisco reduced by \$368,000, PPL’s estimate for costs related to injuries and damages, reducing it to the 2003 level.<sup>26</sup> Fifth, Mr. Prisco made an adjustment to PPL’s proposed level of accruals for PPL’s Self Funded Health Insurance Programs.<sup>27</sup> While rate design matters were covered by DOD Witness Kincel, Mr. Prisco also noted the mismatches in

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Section 604 of Executive Order 13123. See Attachment B, to SEF Statement No. 1, Rebuttal Testimony of Thomas J. Tuffey, Ph.D.

<sup>23</sup> Wind power discussed at page 21, lines 3-11 of SEF Statement No. 1, Rebuttal Testimony of Thomas J. Tuffey, Ph.D.

<sup>24</sup> PPL Statement No. 7, Direct Testimony of Timothy R. Dahl, pp. 21-22, OTS Statement No. 5, Direct Testimony of Michael J. Gruber, page 5 lines 3-11, OSBA Statement No.2, Direct Testimony of Andrew M. Schwarz, p. 2 lines 16 -17 and PPLICA Statement No. 1, Direct Testimony of Steven J. Baron, page 54 lines 5-7 and page 55 lines 7-12 and the Direct Testimony of John Hanger for PennFuture. See also, PPLICA Cross Exhibit No. 3, submitted during cross of PPL Witness Timothy R. Dahl by Ms. Pamela Polacek, which demonstrates that after December 31, 2004 prospectively the sustainable energy fund was clearly not agreed to be a cost of service of the distribution and transmission utility. Transcript of August 11, 2004

<sup>25</sup> DOD Statement No. 1, Direct Testimony of Thomas J. Prisco, page 8, lines 4-24, and Schedule TJP-6.

<sup>26</sup> DOD Statement No. 1, Direct Testimony of Thomas J. Prisco, page 9, lines 2-18 and Schedule TJP-7.

<sup>27</sup> DOD Statement No. 1, Direct Testimony of Thomas J. Prisco, page 9, lines 11-17 and Schedule TJP-8.

overall revenues and costs of service that PPL's proposed distribution system improvement charge (DSIC) would create if approved.<sup>28</sup>

B. Cost of Equity Capital

PPL is entitled to the opportunity to earn a return on its investment used and useful in providing electric service similar to other companies of comparable risk, sufficient to maintain its credit and discharge its public duties. This principle has been recognized by the United States Supreme Court:

“What annual rate will constitute just compensation depends upon many circumstances and must be determined by the exercise of a fair and enlightened judgment, having regard to all relevant facts. A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties; but it has no constitutional right to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures. The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties.” **Bluefield Waterworks & Imp. Co. v. Public Service Commission of West Virginia**, 262 U.S. 679, 692-3 (1923).

The test enunciated by Justice Douglas bears repeating:

“From the investor or company point of view, it is important that there be enough revenue not only for operating expenses but also for the capital costs of the business. These include service on the debt and dividends on the stock. . . . By that standard the return on equity to the owner should be commensurate with

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<sup>28</sup> DOD Statement No. 1, Direct Testimony of Thomas J. Prisco, page 10, lines 12-20.

returns on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital . . .” **Federal Power Commission v. Hope Natural Gas Co.**, 320 U.S. 591, 603 (1944).

The long standing regulatory principles articulated in these cases were affirmed by Chief Justice William Rehnquist speaking for the United States Supreme Court in **Duquesne Light Company v. Barasch**, 488 U.S. 299 (1989). The authorized return on equity may be the lowest reasonable return which is not confiscatory. **Pittsburgh v. Pennsylvania Public Utility Commission**, 165 Pa. Super Ct. 519, 69 A.2d 844 (1949). Four witnesses presented return on common equity (ROE) analyses in this proceeding: Mr. Paul R. Moul for PPL, Mr. Kenneth L. Kincel for DOD, Mr. Matthew I. Kahal for OCA and Mr. Kevan L. Deardorff for OTS. Their ROE model test results and recommendations are summarized in the table on the next page (Table B):

**TABLE B**

	DCF	RP	CAPM	Comparable Earnings	Reasonable Range	Point Recommendation
<b>PPL</b> <sup>29</sup>	10.69%(E) to 11.22%(NG)	11.75% (E & NG)	10.71% (E) to 11.22%(NG)	14.25%	11.0% to 11.75%	11.50%
<b>DOD</b> <sup>30</sup>	9.3% to 10.26%	10.44%	11.00%	None	10.25% to 11.0%	10.75%
<b>OCA</b> <sup>31</sup>	8.5% to 9.5%	None	9.1% to 10%	None	8.5% to 9.5%	9.5%
<b>OTS</b> <sup>32</sup>	8.76% to 9.07%	None	None	None	8.75% to 9.0%	9.0%

Note: For PPL: (E) means used electric utility comparable group; NG means used natural gas utility comparable group. The other 3 witnesses used only electric utilities as a basis of comparison.

<sup>29</sup> PPL Statement No. 9, Direct Testimony of Paul R. Moul, page 5.

<sup>30</sup> DOD Statement No. 2, Direct Testimony of Kenneth L. Kincel, Exhibit KLK-4, and page 15 lines 7 to 24 for CAPM result. Admitted Transcript of 11 and 12 August 2004.

<sup>31</sup> OCA Statement No. 3, Direct Testimony of Mathew I. Kahal, pages 30, 32.

<sup>32</sup> OTS Statement No. 1SR, Surrebuttal Testimony of Kevan L. Deardorff, page 2, lines 5-9.

The major causes of the differences in Table B are: (1) the choice of utilities for the comparable utility group(s); (2) selection of the basis for the growth rate when applying the DCF model test; (3) whether model test results are adjusted for “leverage;” (4) whether a firm size adjustment was applied to the CAPM ROE estimate; and (5) whether the DCF model test results were relied upon principally, or many model test results were used when deriving the point ROE recommendation. Each of these four sources of differences is discussed below.

All parties used the “Comparable Electric Group” chosen by PPL Witness Moul with some variations.<sup>33</sup> Small additions and deletions of individual companies to the Comparable Electric Group explain only a small part of the differences shown in the above table. The Company’s use of a “Natural Gas Utility Comparable Group,” in addition to an Electric Utility Comparable Group was particularly significant in setting the high side of Mr. Moul’s ROE estimates from the DCF and CAPM models, as designated by “NG” in Table B, *supra*. Mr. Kincel rejected use of natural gas utilities in the ROE analysis for the following reasons as stated in his direct testimony:<sup>34</sup>

I did not use Mr. Moul’s Natural Gas Group, because, despite similar cost-based regulation, I believe natural gas utilities are not sufficiently similar to electric utilities that an investor will seek the same ROE for both. Natural Gas utilities face different market risks and opportunities than electric utilities, deliver a very different commodity which can be used in applications that electricity cannot, and enjoy a deregulated environment for its commodity that is more well-established and stable throughout the country.

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<sup>33</sup> Mr. Kincel dropped CH Energy because its ROE was less than the cost of utility debt. Mr. Kahal dropped Central Vermont and Green Mountain because they were located in Vermont, a state without retail customer choice, and added United Illumination despite uncertainty over its dividend as reported by Value Line. Mr. Deardorff performed his DCF analysis with all 9 companies chosen by Mr. Moul, then with a group that eliminated 3 that did have at least 2 sources of earnings forecasts. Mr. Deardorff was the only analyst that also applied the DCF analysis to PPL, the parent company, itself.

<sup>34</sup> DOD Statement No. 2, Direct Testimony of K. L. Kincel for DOD, page 7, lines 1-7.

Mr. Kahal also rejects use of the “Natural Gas Group” for similar reasons, and adds that it could provide misleading results.<sup>35</sup> Mr. Deardorff simply chose not to use a “Natural Gas Comparable Group” for his ROE analysis. For all the reasons stated by Mr. Kincel and Mr. Kahal, the Commission should reject use of the PPL’s ROE test results based on natural gas utilities, as designated by “NG” in the above table, when determining the appropriate authorized ROE for PPL in this proceeding.

The choice of the appropriate growth rate for use within the DCF analysis was a primary source of the differences shown in the first column of the above table. For his Electric Utility Group, Mr. Moul’s employed a growth rate of 5.5% based primarily on earnings forecasts.<sup>36</sup> Mr. Kahal chose a growth rate range of 3.5% to 4.5% based on a variety of earnings forecast sources.<sup>37</sup> Mr. Deardorff also chose forecast earnings growth as a basis of his growth rates of 4.03% for its 9 member Electric Group, 4.13% for its 6 member Electric Group and 5.13% for PPL, itself.<sup>38</sup>

In contrast, Mr. Kincel developed a range of DCF model test results using average earnings, book value and dividend growth of 4.58% for the lower end, and 5.5% based on dividend growth for the upper bound.<sup>39</sup> These two growth rates are used in the DCF calculation to define the range of 9.3% to 10.26% for DCF model test results shown in the Table B *supra*, for DOD. Later in his testimony,<sup>40</sup> Mr. Kincel chose the 10.26% (rounded to 10.25%) dividend growth-based ROE as the most realistic estimate because: (1) the DCF analysis tends to produce low estimates of ROE when the price-to-book ratio is greater than 1.0, as it is for this Comparable Group (1.49); (2) the original DCF computation is based on dividend growth before simplification into the single stage growth model; and (3) in Mr. Kincel’s judgment “there is nothing better than hard cash dividends to provide a realistic estimate of the growth rate, and the associated ROE, for a

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<sup>35</sup> OCA Statement No. 3, Direct Testimony of Matthew I. Kahal, page 27, lines 15-22.

<sup>36</sup> PPL Statement No. 9, Direct Testimony of Paul R. Moul, pages 32-34.

<sup>37</sup> OCA Statement No. 3, Direct Testimony of Mr. Kahal, page 29.

<sup>38</sup> OTS Statement No. 1-SR, Surrebuttal Testimony of Mr. Deardorff, Schedule 2, pages 1-3.

<sup>39</sup> DOD Statement No. 2, Direct Testimony of Mr. Kincel, Exhibit KKK-6.

<sup>40</sup> DOD Statement No. 2, Direct Testimony of Kenneth L. Kincel, page 15 lines 3-5.

group of utilities.”<sup>41</sup> DOD supports the reasoning of Mr. Kincel, and recommends that the Commission consider as the most realistic estimate of ROE stemming solely from DCF analysis to be 10.25%.

The Commission should find Mr. Moul’s estimates of ROE from its DCF and CAPM analysis (shown in the above table) to be unrealistically high because of his use of an erroneous “leverage” adjustment. Mr. Moul believes that the cost of equity determined by market analysis must be adjusted to book value, an adjustment that increases the ROE to be applied in rate proceedings.<sup>42</sup> Using this adjustment, he increases his DCF-based ROE estimate for the Electric Group by 0.44%, from 10.25% to 10.69%. He applies a similar “leverage” adjustment to the betas used in his CAPM analysis, thereby artificially increasing his ROE estimate for the Electric Group by 0.4%, from 10.31% to 10.71%.<sup>43</sup> DOD Witness Kincel rejected use of a leverage adjustment for the following reasons:<sup>44</sup>

I do not agree with the use of the “Leverage Adjustment” applied by Mr. Moul to both the DCF test and the betas used in the CAPM model test for ROE. The prices of a stock over time, and the statistical variance in the price of a stock as measured by the beta, are a result of the combined estimates of the value of a company by investors as determined by employing all the data and information about the company that are available. Investors, at least those that survive in the market, understand the greater risks that are accompanied by greater leverage, and by a price level that is higher than book value, and these risks are already reflected in stock prices as they vary over time. There is no need for a further adjustment, as if the market value of a stock was determined with no recognition of its relationship to book value, the leverage of the company, or the manner in which state commissions set ROE for purposes of computing rates during regulatory treatment.

Mr. Kahal<sup>45</sup> and Mr. Deardorff<sup>46</sup> agree with these reasons for rejection offered by Mr. Kincel and add others. Mr. Kahal further suggests that Mr. Moul is inaccurate when he states that this “leverage adjustment” has previously been adopted at the PUC in other

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<sup>41</sup> *Ibid.* page 10, lines 3-6, and page 14, line 16 through page 15, line 5.

<sup>42</sup> PPL Statement No. 9, Direct Testimony of Mr. Moul, page 35-37.

<sup>43</sup> PPL Statement No. 9, Direct Testimony of Mr. Moul, pages 44-47.

<sup>44</sup> DOD Statement No. 2, Direct Testimony of Mr. Kincel, page 18.

<sup>45</sup> OCA Statement No. 3, Direct Testimony of Mr. Kahal, pages 38-44.

<sup>46</sup> OTS Statement No. 1, Direct Testimony of Mr. Deardorff, pages 25-27.

rate cases.<sup>47</sup> PPL Witness Moul failed to prove that these adjustments are necessary or appropriate in his rebuttal testimony.

As a result, the Commission should eliminate the effect of these “leverage” adjustments when considering the ROE estimates produced by the Company. As stated above, without these adjustments, the Company’s DCF estimate for the Electric Group would be 10.25%. Its CAPM ROE estimate would be 10.31%. Also, in order to set the record straight, the Commission should include in its final order in this proceeding a statement that in future rate cases brought before it, the application of such “leverage” adjustments in any ROE analysis will be rejected.

Both Mr. Moul and Mr. Kincel applied the firm size adjustment of 0.82% recommended by Ibbotson Associates when employing the traditional CAPM model to determine a CAPM-based ROE estimate applicable to PPL. Mr. Kahal rejects use of the size adjustment principally because “PPL Corporation,” the parent corporation who will be issuing the common stock, is actually a large corporation, and because such factors are already included in the betas.<sup>48</sup> In fact, Ibbotson calculates the firm size adjustment statistically as that component of additional risk that is over and above the level represented by the betas associate with smaller firms. The fact that the parent corporation, not PPL will be issuing common stock is not relevant; the ROE that is being sought is that for PPL as if it had common stock that was marketed. Note from Table B, *supra*, that if OCA’s (Mr. Kahal’s) CAPM range estimate of 9.1% to 10% is increased by the firm size adjustment of 0.82%, then its CAPM results would approximate the CAPM test results of DOD and PPL. Mr. Deardorff doesn’t treat the firm size adjustment issue at all because he rejects the application of that model for determining the ROE to be used for regulatory treatment.

DOD supports both Mr. Moul and Mr. Kincel’s use of the firm size adjustment recommended by Ibbotson Associates when applying the CAPM model. Although Ibbotson’s firm size adjustments are not calculated for electric utilities separately, they

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<sup>47</sup> OCA Statement No. 3, Direct Testimony of Mr. Kahal, page 41.

<sup>48</sup> OCA Statement No. 3, Direct Testimony of Mr. Kahal, pages 45-46.

are computed for all firms of certain size groups. They have a sound statistical basis,<sup>49</sup> and should therefore be accepted by the Commission.

Mr. Moul and Mr. Kincel use all model test results to determine their reasonable range and point estimates for authorized ROE in this case. Both Mr. Kahal and Mr. Deardorff rely heavily on the DCF analysis to determine their ROE estimates. Mr. Deardorff directly rejects use of the CAPM and RP methodologies as not useful because the distant past over which the risk premiums are calculated may not be representative of the future.<sup>50</sup> Furthermore, all three opposing witnesses reject the use of the Comparable Earnings test as applied by Mr. Moul, because it uses unregulated companies that comprise a broad and disparate group that is not adequately comparable to electric utilities.<sup>51</sup>

Based on the above, the Commission should attach very little weight to the Company's very high ROE estimate derived by the Company using the Comparable Earnings methodology. Mr. Moul apparently did himself when he derived his point estimate of 11.5%. If the Commission chooses to rely solely or very heavily on the DCF methodology for determining ROE, then the Commission could adopt an authorized ROE of 10.25%, the DCF result that Mr. Kincel felt was comparatively realistic.<sup>52</sup> If instead the Commission gives almost equal weight to all three methodologies, namely the DCF, RP and CAPM methodologies, then the Commission should adopt Mr. Kincel's overall recommended ROE of 10.75%.

### C. Distribution Rates, Rate Design Class Cost Allocation and Tariff Issues

This Commission has jurisdiction to determine whether a rate is unreasonable or unlawful, **East Hempfield Township v. Lancaster, et al.**, 441 Pa. 406, 273 A.2d 333 (1970). This Commission has long recognized that variations in utility rates are not unduly discriminatory unless there is no reasonable cost justification for the variation,

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<sup>49</sup> See Ibbotson Associates, *Stocks, Bonds, Bills and Inflation, Valuation Edition, 2004, Yearbook*, page 38 and Chapter 7.

<sup>50</sup> OTS Statement No. 1, Direct Testimony of Mr. Deardorff, page 28.

<sup>51</sup> DOD Statement No. 2, OTS Statement No. 1, and OCA Statement No. 3, Direct Testimonies of Mr. Kincel, page 17, line 14-17; Mr. Deardorff, pages 30-32; Mr. Kahal, page 48-49.

<sup>52</sup> DOD Statement No. 2, Direct Testimony of Kenneth L. Kincel, page 15 lines 3-5.

**Pennsylvania PUC v. Philadelphia Electric Company (Gas Division)**, R.I.D. No. 227, Slip Opinion, (13 December 1976). Other regulators have stated the goal as follows:

"We find it reasonable that the return made by the company in serving each class of customers be as near as practicable to that of serving other customers, and consequently to the average of all customers.

See also: **In Re Central Vermont Public Service Corporation**, 28 P.U.R. 4th 469,486 (1978). While not binding on this Commission, federal courts have suggested that federally regulated<sup>53</sup> class rates of return should be proximate to unity with the overall authorized rate of return. **Alabama Electric Cooperative v. F.E.R.C.**, 684 F.2d 20 (CADC 1982).

There are five major issues in deciding the proper allocation of the distribution revenue requirement that is determined in this proceeding: (1) whether the Commission should act now or wait until 2010 before remedying distribution class cross subsidies that now exist; (2) what class cost of service study should be used as a basis for determining class returns; (3) whether distribution revenue requirement allocation criteria should be established based on the combined impacts of transmission and distribution rate increases, or distribution rate increases alone; (4) what specific criteria should be used to allocate the increased distribution revenue requirement by customer class; and (5) whether a multi-step procedure should be adopted as policy in this proceeding that would eventually bring all customer classes to the system average return.

PLUG proposes that the Commission take no action in this proceeding to reduce inter-class cross subsidies in distribution rates and to wait until 2010 when all six components of the PPL charges to customers can be treated simultaneously. PLUG argues that: "When the bundled rates were unbundled, there was no attempt either to identify or eliminate class cross-subsidies within each of the unbundled components. And there has been no attempt here, except for one of the six components, distribution.

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<sup>53</sup> Rates regulated by the Federal Energy Regulatory Commission (F.E.R.C.).

Unless and until all six components are examined together, no one can reasonably conclude that a particular customer class is subsidizing another one in the purchase of electricity on PPL's system."<sup>54</sup>

In this rate proceeding, there are three cost of service studies, and all show that there are enormous inter-class subsidies within current distribution rates. There is no need for the Commission to wait until it has more evidence about the existing level of inter-class subsidies in other components of total customer charges to be empowered to redress the gross inequities that are now occurring in distribution rates. Each component of rates should be examined separately, and as soon as legally possible, to reduce or eliminate inter-class cross subsidies and to foster accurate price signals to all customers within each component. Only in this way can the Commission promote efficient electricity usage by the customers of PPL. DOD Witness Kincel addressed the inefficient behavior that inter-class cross subsidies stimulate within his testimony.<sup>55</sup>

"The Company can continue to operate only if it receives an adequate system return from all its customers combined. Thus, if some customer groups are allowed to pay less than their share of total cost of service (including return), then other customer groups must pay more. This is what is occurring now [in distribution rates]. This is not only patently unfair, but it leads to inefficiencies. Customers paying less than their cost of service will value electricity delivered by PPL at the price they are paying for it, not the higher cost of delivering it to them. Thus, they will tend to limit their use of conservation measures and undervalue end-use equipment technology that is more efficient in electricity use, as compared to the behavior they would employ if they were receiving the proper pricing signals for electricity. Meanwhile, customers paying more than the cost of service of delivering electricity to them will tend to overvalue the commodity and to substitute other fuels when in fact it would be cheaper to use electricity. Both customer groups are reducing the general welfare of the society."

All parties, in particular DOD, PPLICA and OSBA, who are proposing that the Commission act now to set more equitable distribution rates, are suggesting that the

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<sup>54</sup> PLUG Statement No. \_\_, Rebuttal Testimony of John Bradley (pages unmarked).

<sup>55</sup> DOD Statement No. 2, Direct Testimony of Kenneth L. Kincel, p. 22, lines 11-23.

principle of gradualism limit the extent that the Commission reduce inter-class subsidies in 2005. Given this constraint, it probably will take years to totally eliminate the gross inequities and improper price signals that these inter-class subsidies cause. Thus, it is crucial that the Commission begin now, in this proceeding, the process of reducing these inter-class subsidies in distribution rates.

There are three candidate cost of service studies presented in this proceeding that could be used as a basis for setting distribution rates, that proposed by PPL, OSBA and OCA. Their underlying assumptions can be summarized as follows:

- a. PPL's class cost of service study is based on the class maximum demand method, which is based on the highest non-coincident demand imposed by each rate class on the Company's distribution system. PPL uses the "minimum size method" to identify the applicable customer and demand-related cost components of distribution plant investment and expense.<sup>56</sup>
- b. OSBA's class cost of service study adjusts the PPL cost of service study slightly to reclassify distribution plant investment between customer and demand components in order to approximate the zero-intercept method for poles, overhead conductors, underground conductors and conduits and transformers. This adjustment results in an increase in the demand component of such costs, and a reduction in the customer component, for larger customers served at secondary voltage, namely GS-3 and GH customers.<sup>57</sup>
- c. OCA allocates Primary and Common Distribution Plant based on 50% non-coincident demands and 50% average demands (energy), commonly known as the peak-and-average method, to arrive at an entirely different allocation of costs among customer classes.<sup>58</sup>

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<sup>56</sup> PPL Statement No. 5, Direct Testimony of Joseph M. Kleha, p. 17-18.

<sup>57</sup> OSBA Statement No. 1, Direct Testimony of Robert D. Knecht and Mark D. Ewen, p. 13-19.

<sup>58</sup> OCA Statement No. 4, Direct Testimony of Richard Galligan, OCA Statement 4, p. 19.

The Commission should reject OCA's cost of service study and make a formal policy determination in its final order to serve as a precedent in future rate cases that only the maximum demand method will be considered acceptable in this and future general rate cases for class allocation of distribution plant. This determination should be based on the NARUC Manual<sup>59</sup> which succinctly states that there is no energy component of distribution-related facilities and expenses, only the demand and customer components. This statement is further supported by the testimony of DOD Witness Kincel as follows:<sup>60</sup>

"I believe that the most important criterion to be considered in selecting an appropriate methodology is that the methodology should be consistent with the utility's planning process. The factors which primarily influence the utility's capacity expansion plan should also serve as the basis for developing allocation factors. Otherwise costs will not be assigned to the classes in the same manner in which the costs are incurred. In a distribution utility, the most significant factor influencing the Company's expansion plan is the level of peak demand projected for the system. The use of NCP demands as a basis for allocating demand-related distribution plant, as the Company proposes, is consistent with this principle.

In contrast, the use of the average and excess allocation method allocates a greater portion of demand-related costs to customer groups with higher load factors. This methodology rests on the assumption that while system peak demands establish the level of capacity, providing continuous service creates additional incentive for such capacity costs. This is not the case with distribution plant. The provision of continuous service, that is, more throughput at a given peak demand level, does not cause a need for additional capacity. The sole determination of the need for additional distribution capacity is greater peak load requirements on the system. Thus, to burden higher load factor customers with higher costs of distribution plant would be grossly inequitable."

Both the PPL and OSBA cost of service studies rely on the maximum demand method for allocating the demand component of distribution plant and therefore are consistent with cost causation. Therefore both of these cost of service studies present a reasonable basis for setting rates. Selection between these two competing studies rests on

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<sup>59</sup> See page 97 of the NARUC Manual and page 20 of DOD Statement No. 2, Direct Testimony of Witness Kenneth L. Kincel.

<sup>60</sup> DOD Statement No. 2, Direct Testimony of Kenneth L. Kincel, p. 20-21.

a determination as to whether the minimum size method is acceptable for allocation of distribution plant between customer and demand components, or whether the zero intercept method is preferable. As DOD Witness Kincel stated in testimony:

“The minimum-size system method requires less data to employ and is easier to understand and apply. It is also less prone than the alternative method, the minimum-intercept method, to produce anomalies caused by statistically unreliable results.”<sup>61</sup>

PPL Witness Kleha supports this conclusion, as follows:

“The Company has investigated the use of the zero intercept method and found this method impractical, given the available data in its accounting records. As Messrs. Galligan and Knecht recognize, this method has inherent problems, namely the lack of necessary data. Even if the necessary data were available, the zero intercept method is complex and inherently arbitrary. PPL Electric’s last review of this method produced negative zero intercept cost results for wood poles, copper conductors and aluminum conductors. Therefore, the zero intercept method obviously is not an accurate or reasonable approach for PPL Electric.”<sup>62</sup>

Mr. Kleha further explains that while use of the minimum size method may overallocate distribution plant to customers at the secondary level to a minor degree, the PPL has allocated 0% of primary distribution plant on a customer basis. Thus, the overall basis of the PPL cost of service study is both fair and reasonable.<sup>63</sup> DOD agrees and recommends that the Commission use the PPL cost of service study as a basis for setting rates in this proceeding. PPLICA and Wal-Mart also find acceptable the PPL cost of service study.<sup>64</sup>

PPL proposes to allocate its proposed distribution revenue requirement increase by constraining increases on a “total bill” basis, that is, the total increase in billings to customer classes considering both transmission and distribution rate increases com-

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<sup>61</sup> *Ibid.* p. 21, lines 19-21.

<sup>62</sup> PPL Statement No. 5R, Rebuttal Testimony of Joseph M. Kleha, p. 7, line 1-9.

<sup>63</sup> *Ibid.* p. 9, lines 1-9.

<sup>64</sup> *Pennsylvania Energy Consortium (Wal-Mart) Statement No. 1, Direct Testimony of Mr. James Selecky*, p. 2 and *PPLICA Statement No. 1, Direct Testimony of Mr. Steven J. Baron*, p. 33.

bined.<sup>65</sup> The Company applies this constraint to all rate schedules. OCA and Wal-Mart support such a constraint.<sup>66</sup> OSBA supports a “total bill” constraint on all rate schedules, but increases the level from PPL’s 10% to twice the *average “total bill” rate increase* at the new total revenue requirement.<sup>67</sup> DOD and PPLICA oppose using a “total bill” criterion for allocating distribution revenues and instead argue for directly reducing inter-class subsidies in distribution rates based on cost causation.<sup>68</sup> As Mr. Kincel states in direct testimony:<sup>69</sup>

“I recommend that the Commission reject outright the Company’s proposed criteria for allocation of increased distribution and transmission revenue requirements. Instead, the Commission should examine distribution revenue class allocation and transmission revenue class allocation separately. By doing so, the Commission can establish the appropriate price signals for transmission service during shopping, an activity that must increase in the future if deregulation will ultimately be successful. And by focusing separately and independently on distribution customer class allocation, the Commission could move more aggressively to mitigate, and eventually eliminate, the unfair customer class subsidies that now exist in distribution rates.”

Although the Commission should be cognizant of the overall impact on class billings of rates set within this proceeding, it should not adopt a “total bill” increase constraint. Instead, the Commission, as Mr. Kincel recommends, should now begin the process of gradually eliminating inter-class subsidies within distribution rates and moving all class rates to levels of cost causation.

DOD and PPLICA are the only two proposals for class revenue allocation that do not employ a “total bill” constraint, but instead recommend criteria that directly reduce

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<sup>65</sup> PPL Statement No. 4, Direct Testimony of Mr. Douglas A. Krall, p. 27.

<sup>66</sup> Pennsylvania Energy Consortium (Wal-Mart) Statement No. 1, Direct Testimony of Mr. James Selecky, OCA Statement No. 4, Direct Testimony of Richard A. Galligan, p. 21, lines 13-14.

<sup>67</sup> OSBA Statement No. 1, Direct Testimony of Mr. Ronald Knecht, p. 28, lines 12-13, and OSBA Statement No. 1R, Rebuttal Testimony of Mr. Knecht, p. 26-28.

<sup>68</sup> DOD Statement No. 2, Direct Testimony of Mr. Kenneth L. Kincel, p. 23, lines 16-24, and PPLICA Statement No. 1, Direct Testimony of Stephen J. Baron, p. 40.

<sup>69</sup> DOD Statement No. 2, Direct Testimony of Mr. Kincel, p. 23, lines 16-24.

inter-class cross subsidies:

- a. DOD recommends that the grossest inequities from inter-class subsidies be mitigated first by constraining all classes that currently are paying more than 150% of the system average return in distribution rates, such that they will be paying only 150% of the system average return after the new revenue requirement is determined by the Commission. Rates for all other customer classes would be set such each class would pay an equal percentage of the new system average return computed with the new total revenue requirement.<sup>70</sup>
- b. PPLICA recommends that current dollar inter-class subsidies be treated directly, and be reduced approximately by 50% for each rate schedule.<sup>71</sup>

PPLICA's class distribution percentage increases and total bill impacts at PPL's proposed total revenue requirements are shown in Witness Baron's Direct Testimony, Exhibits SJB-10 and SJB-11, respectively. Corresponding rate increases for DOD are shown in Witness Kincel's Direct Testimony, Exhibit KLK-11 and KLK-13, respectively. These tables provide evidence that both the distribution rate increases and the total bill impacts on RS customers are less with the DOD proposal. PPLICA calls for a 45.3% increase in RS distribution revenues, while DOD's proposal would increase distribution revenues to these customers by only 40.9%, given PPL's proposed total revenue requirement. Total bill impacts of the PPLICA proposal would be 16.3%; and by DOD only 14.5%. Both proposals quite fairly reduce the inter-class subsidies -- the most from those rate schedules that are paying the largest subsidies currently. The impact on

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<sup>70</sup> DOD Statement No. 2, Direct Testimony of Mr. Kenneth L. Kincel, p. 24, lines 1-7.

<sup>71</sup> PPLICA Statement No. 2, Direct Testimony of Mr. Steven J. Baron, p. 40.

residential customers is lowered significantly for both proposals at lower total revenue requirement levels than requested by the Company, as shown in Exhibits KLK-14 and KLK-15 for DOD, as well as Exhibit SJG-12 for PPLICA.

Because DOD's proposal results in a lesser impact on residential customers at the same total revenue requirement levels, while significantly reducing inter-class subsidies, the Commission should adopt DOD's criteria for revenue allocation by customer class. However, either PPLICA or DOD's distribution allocation criteria are far preferable to criteria, like that offered by the Company or OCA, that set a limit on total bill impact by customer class, and in the process override consideration of cost causation and totally fail to redress inequities and eliminate inefficiencies currently being caused by inter-class subsidies.

All parties in this case called for implementation of "gradualism" when moving class distribution rates to system parity. However, both DOD and PPLICA called for specific measures to be adopted which would attain that goal subsequent to this general rate case. PPLICA called for an automatic "rate-rebalancing" process that would bring all distribution class schedules to system parity by 2007. After removing 50% of inter-class subsidies in the rates set in this proceeding, PPLICA Witness Baron calls for removing 25% of the remaining inter-class subsidies in each of the following two years, while keeping PPL in a revenue-neutral position.<sup>72</sup> Both OTC and OCA oppose such an automatic rate rebalancing mechanism and provide argument that it is not legal, is too

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<sup>72</sup> PPLICA Statement No. 1 Direct Testimony of Mr. Baron, p. 44.

fast and is too computationally difficult because revenues will not stay neutral over this period.<sup>73</sup>

In contrast, DOD Witness Kinzel calls for removal of the remaining inter-class subsidies during the next two general rate cases of PPL, by moving the ceiling of the largest indexed rate of return down to 125% in the next case, and 100% in the following case.<sup>74</sup> He also calls for the Commission to set an explicit policy statement in its final order stemming from this proceeding that it is the intent of the Commission to perform this multi-step procedure to eliminate all inter-class inequities.

The Commission should explicitly adopt some plan in this proceeding in its final order which will eliminate the remaining distribution inter-class subsidies before 2010 when the generation cap expires and all six components of rates can be scrubbed to eliminate inter-class subsidies.

#### D. Transmission Rates and Transmission Service Charge (TSC) Rate Design.

There are three major issues involved when selecting the appropriate rate design for PPL recovery of transmission costs imposed by PJM OATT rates: (1) should cost recovery from customer classes reflect cost causation; (2) should true cost-based rates be adjusted for administrative simplicity or rate stability; and (3) should an annual true-up be authorized. Each of these issues is discussed below.

PPL's initial transmission rate design proposal called for an equal kWh charge of 0.564 cents applied to all customers on all rate schedules. It justified this flat rate design based on simplicity and ease of shopping.<sup>75</sup> OTS and OCA agree with this flat rate

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<sup>73</sup> OCA Statement No. 4 R, Rebuttal Testimony of Mr. Galligan for OCA and OTS Statement No. 6R, Rebuttal Testimony of Mr. Gary L. Yocca.

<sup>74</sup> DOD Statement No. 2, Direct Testimony of Mr. Kinzel, p. 24, line 20 through p. 25, line 2.

<sup>75</sup> PPL Statement No. 4, Direct Testimony of Douglas A. Krall, p. 33-34.

design. OTS asserts that without a transmission cost of service study, the flat rate design should be imposed.<sup>76</sup> PPL responded with convincing argument that such a study is not necessary.<sup>77</sup> OCA supports the flat kWh rate design in order to avoid rate instability and to prevent an unacceptable combined impact of distribution and transmission rate increases on residential customers.<sup>78</sup>

In contrast, PPLICA, DOD and OSBA recommend aligning cost recovery in transmission rates with cost causation at the PJM. These parties oppose the use of a transmission rate design criterion based on the combined impact of transmission and distribution rate increases on customer classes, and instead support independent rate determination at the transmission and distribution level based on cost causation by customer class. PPL, in response to the sound argument of basing rates on class cost causation raised by these three parties, proposed two alternatives to the simple flat rate design.<sup>79</sup>

The Commission must reject use of PPL's initial proposal for a flat kWh charge to all customers because it completely ignores the sound rate design principle of aligning cost recovery with cost causation by customer class to arrive at just and reasonable rates. As Mr. Kincel stated in direct testimony: "This [PPL initial] proposal should be rejected because it ignores cost causation and will result in customer class cross subsidies similar in perversity to those that now exist in distribution rates."<sup>80</sup>

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<sup>76</sup> OTS Statement 6R, Rebuttal Testimony of Mr. Gary L. Yocca, p. 5

<sup>77</sup> PPL Statement No. 5SR, Surrebuttal of Mr. Joseph M. Kleha, p. 1-6 and of PPLICA Statement No. 1S, Surrebuttal of Mr. Baron, p. 9-10.

<sup>78</sup> OCA Statement No. 4R, Rebuttal Testimony of Richard A. Galligan, p. 14-16.

<sup>79</sup> PPL Statement No. 4R, Rebuttal Testimony of Mr. Douglas A. Krall, p. 31-32.

<sup>80</sup> DOD Statement No. 2, Direct Testimony of Mr. Kincel, p. 25, lines 9-12.

In this record, there are several alternatives based on cost causation at the PJM being offered for Commission consideration. They differ by: (1) whether the prior year's peak day contribution, or an average of contributions to peak of several years, is used to allocate the billings from the PJM among individual rate classes; (2) whether both a demand charge and a kWh charge, or just a kWh charge is used for revenue recovery from each customer class; and (3) how the customer classes should be aggregated to determine average transmission rates for each customer group. All of these proposals result in higher transmission charge increases to the several residential classes, and lower increases to higher load factor customer classes, than the flat kWh charge initially proposed by PPL. The proposals differ mostly by the degree of adjustment or aggregation of class rates aligned with the previous year's class cost causation at the PJM in order to increase administrative ease and rate stability. The major proposals based on class cost causation now outstanding before the Commission can be summarized as follows:

1. DOD Witness Kincl recommended that the class contribution to the peak 5 CP PPL demand averaged over the last winter and summer peaking years be used to determine class contribution of total transmission costs by PPL; that residential and GS-1 classes be aggregated when determining rates, and that all customer class recovery be on a kWh basis to facilitate shopping.<sup>81</sup>

2. PPLICA Witness Baron's original proposal calls for a breakdown of PJM billings to PPL based on demand and energy (kWh). The prior year's contribution to the peak PPL 5 CP demand at PJM is used to allocate demand-based billings to PPL; class percentage of total PPL kWh is used to allocate energy-based PJM billings. Both a demand charge and an energy charge are calculated for each customer class. Cost

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<sup>81</sup> DOD Statement No.2, Direct Testimony of Mr. Kincl, page 25 and Exhibit KLK-12.

recovery of demand charges is based on kW demand from customers with interval demand meters. A demand profile and energy usage is used to determine a kWh charge for all other customers. Mr. Baron's original proposal contains no customer class aggregation to simplify rate design, and calls for adjustment for losses downstream of transmission voltage by customer class.<sup>82</sup>

3. OSBA Witness Knecht endorses most of Witness Baron's original proposal, but to improve rate stability he adds a feature of using a 5-year rolling average of each class' contribution to PPL's 5 CP demand when determining the transmission demand charge for each customer class.<sup>83</sup>

4. PPL Witness Douglas A. Krall's first alternative transmission rate design combines all customer classes into 3 groupings: residential, other small customers (including lighting), and large customers. It calls for allocation of transmission billings from PJM based on cost causation (class contribution to 5 CP zonal peak on PJM for PJM demand-based billings to PPL and pro rata share of energy use for kWh-based billings) and recovers the costs allocated to each customer group based on an average kWh charge.<sup>84</sup>

5. PPL Witness Krall's second alternative transmission rate design is similar to its first alternative and uses the same three broad customer class groupings, but imposes both demand and energy charges on these groupings in a manner similar to the current recovery and reconciliation of CTC and ITC charges. Reconciliation is done on a kWh basis only.<sup>85</sup>

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<sup>82</sup> PPLICA Statement No. 1, Direct Testimony of Mr. Baron, pages 22-27.

<sup>83</sup> OSBA Statement 3, Rebuttal Testimony of Robert D. Knecht and Mark D. Ewen, p. 8.

<sup>84</sup> PPL Statement No. 4R, Rebuttal Testimony of Mr. Douglas A. Krall, page 31.

<sup>85</sup> *Ibid.* p. 32.

6. PPLICA Witness Baron's alternative proposal is similar to its original proposal in that it calculates both a *demand and energy charge* for each customer class with demand metering. However, it provides for customer aggregation into the same three broad groupings proposed by PPL, and provides for reconciliation on a kWh basis.<sup>86</sup>

Based on a thorough review of the above proposed rate design alternatives based on cost causation, DOD supports Mr. Kincel's conclusion that some method of averaging summer and winter peaking years must be used to improve rate stability when applying 5 CP zonal peak demands for the allocation of demand-based PJM billings to customer classes. Mr. Kincel used the last two summer and winter peaking years; OSBA Witness Knecht proposes the use of the last five years regardless of seasonal peaking. There is no clear winner; both are approximations to pure cost causation in order to arrive at an acceptable level of rate stability, particularly for the residential customer classes. For simplicity and ease of calculation, the Commission should adopt Mr. Kincel's formula and average the last two summer and winter peaking years. If several years (e.g., three) go by and there remain no differences in the seasonal peaking nature of PPL's system, i.e., no summer or no winter peaks, then the prior year's class contribution to zonal peak should be employed.

DOD endorses Mr. Baron's recommended method for applying both a demand charge and an energy charge to customer classes with demand metering. This will send the proper transmission pricing signals to each of the customer classes and thereby motivate these customers to increase load factor through demand management. Reconciliation if authorized by the Commission (as discussed below), should be done annually using a

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<sup>86</sup> PPLICA Statement No. 1S, Surrebuttal Testimony of Mr. Steven J. Baron, page 7.

kWh charge alone to lessen mathematical complexity, as proposed by PPL and accepted by PPLICA in Witness Baron's Surrebuttal. Customer classes can and should be aggregated into the three groupings advocated by PPL for calculation of demand and energy transmission rates as applicable, in order to improve rate stability through the years.

PPL proposed an annual reconciliation procedure in which over- or under-collection of transmission charges would be used to adjust the transmission rate for the following year.<sup>87</sup> OTS, PPLICA and the Pennsylvania Energy Consortium and Wal-Mart Stores East, LLP opposed reconciliation as a matter of public policy and to help constrain transmission rate increases.<sup>88</sup> PPL argued in rebuttal that reconciliation is needed because transmission expenses are substantial, are subject to substantial variation and the variation is outside the control of the Company.<sup>89</sup>

The Commission should approve annual reconciliation of under- and over-charges for transmission expense. The more rates based purely on cost causation of the previous year are averaged across customer classes and are smoothed using data from prior summer and winter peaks, the more total annual collections from customers is likely to be different from total annual PJM billings to the Company for transmission expense. As stated above, such adjustments to pure cost-based rates are necessary to foster administrative ease and rate stability. Therefore, annual reconciliation should be authorized in transmission rates.

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<sup>87</sup> PPL Statement No. 5, Direct Testimony of Joseph M. Kleha, p. 19, lines 6-8.

<sup>88</sup> OTS Statement No. 5, Direct Testimony of Michael J. Gruber, p. 13; PPLICA Statement No. 1, PPLICA Statement No. 1, Direct Testimony of Steven Baron, p. 28; and Pennsylvania Energy Consortium (Wal-Mart) Statement No. 1, Direct Testimony of James T. Selecky, p. 11, lines 11-24.

<sup>89</sup> PPL Statement No. 4R, Rebuttal Testimony of Douglas A. Krall, p. 20, lines 3-6.

E. PPL's Proposed Tariff Rule 8 Language Change related to Measurement of Service

PPL proposed to add the words underscored and shown in italics to Rule 8 –

Measurement of Service within the Rules for Electric Service in its tariff:

Measurements from metering equipment *for separate points of delivery* are never combined for billing purposes except temporarily pending completion of necessary changes in Company's facilities.

Company Witness Oliver G. Kasper justified this change as needed to “clarify that measurement from separate points of delivery are not combined for billing purposes.”<sup>90</sup>

DOD Witness K. Kincel had objected because some military installation, like Carlisle Barracks, have meters that are now read and combined to determine the maximum billing kW for a specific time interval each month. He noted that such a change would increase electricity billings to the military.<sup>91</sup>

On rebuttal, Witness Kasper stated:

The proposed change will not affect the billing for the Carlisle Barracks. The two meters Mr. Kincel refers to are located within the Carlisle Barracks' substation. PPL considers the substation to be one point of delivery. The clarification in Tariff Rule 8 is intended to address situations in which the meters are not at the same location. In the Carlisle Barracks situation, this clarification would prevent adding two meters together that were installed at different locations on the property.<sup>92</sup>

Given that rebuttal explanation by Witness Kasper, DOD will support the revised wording for Rule 8 provided the Company will assure DOD that no military installation that PPL serves will incur greater billings due to a reduction from current levels of meter aggregation stemming from this change the tariff. Absent the explanation given by Witness Kasper DOD could not support the change in Tariff Rule 8- Measurement of

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<sup>90</sup> Direct Testimony, Oliver G. Kasper, p. 18.

<sup>91</sup> Direct Testimony of K. Kincel, p. 27-28.

<sup>92</sup> Rebuttal Testimony, Oliver G. Kasper, p.1-2.

Service proposed by PPL.<sup>93</sup> Eliminating the aggregation of demand (kW) for customers with multiple meter points, like Carlisle Barracks, will increase PPL revenues. Such increases have not been shown to be cost justified. PPL failed to demonstrate the level of revenue impact of that tariff change.<sup>94</sup>

#### F. Proposed Distribution System Improvement Charge Rate Design

*In part this issue was covered under revenue requirements, supra, and DOD Witness Thomas Prisco's testimony.*<sup>95</sup> However, DOD Witness Kenneth L. Kincel<sup>96</sup> and other rate design witnesses also addressed the DSIC issue.<sup>97</sup> Redundant arguments against the DSIC will not be repeated here. The Commission should reject PPL's proposed distribution system improvement charge (DSIC).

## **VI. ARGUMENT AND CONCLUSION**

PPL is entitled to the opportunity to earn a return on its investment used and useful in providing electric service similar to other companies of comparable risk, sufficient to maintain its credit and discharge its public duties. The level of base revenues proposed by DOD Witnesses in this proceeding should be ample to do that. No increase in excess of the level of base revenue recommended by Witness Prisco is warranted. The authorized return on equity may be the lowest reasonable return which is not confiscatory.

**Pittsburgh v. Pennsylvania Public Utility Commission**, 165 Pa. Super Ct. 519, 69 A.2d 844 (1949).

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<sup>93</sup> PPL Statement No. 6, Direct Testimony of Oliver G. Kasper, page 18 lines 7-16.

<sup>94</sup> DOD Statement No. 2, Direct Testimony of Kenneth L. Kincel, p. 27 line 22 to page 28 line 8.

<sup>95</sup> DOD Statement No. 1, Direct Testimony of Thomas J. Prisco, page 10, lines 12-20.

<sup>96</sup> DOD Statement No. 2, Direct Testimony of Kenneth L. Kincel, p. 6 lines 9-11. and p. 27, line 8-18.

<sup>97</sup> OTS Statement No. 5, Direct Testimony of Michael J. Gruber, p.7 lines 3-16, and PPLICA Statement No. 1, Direct testimony of Steven J. Baron, p. 46 line 3 to p. 50 line 7.

Rates and rate design are perhaps the most complex portion of this proceeding. The Commission should reject the proposed DSIC. The TSC should recover PPL's transmission costs in accord with the recommendation of DOD Witness Kenneth L. Kincel. *That method tracks costs much more closely than the method proposed by PPL and is a fair compromise between the methods advocated by other parties. PPL had proposed a change in Tariff Rule 8- Measurement of Service proposed by PPL.<sup>98</sup> DOD Witness Kincel had criticized that proposal in direct testimony.<sup>99</sup> In rebuttal, PPL Witness Kasper clarified the PPL position, assuring that the proposal would have no adverse billing impact at Carlisle Barracks.<sup>100</sup> DOD will support the revised wording for Rule 8 provided the Company will assure DOD that no military installation which PPL serves, such as but not limited to Carlisle Barracks, will incur greater billings due to a reduction from current levels of meter aggregation stemming from this change the tariff. Absent the explanation given by Witness Kasper DOD could not support the change in Tariff Rule 8- Measurement of Service proposed by PPL.<sup>101</sup> Otherwise, DOD generally supports PPL's effort to move toward greater use of demand and customer charges for recovery of revenue requirements, and lesser use of kWh blocks for revenue recovery. PPL's greater use of demand and customer charges is consistent with the principle of aligning cost responsibility with cost causation.*

Like all tax payer supported activities, DOD has limited resources. DOD Witness Kenneth L. Kincel highlighted the magnitude of that concern.<sup>102</sup> Dollars expended for

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<sup>98</sup> PPL Statement No. 6, Direct Testimony of Oliver G. Kasper, page 18 lines 7-16.

<sup>99</sup> DOD Statement No. 2, Direct testimony of Kenneth L. Kincel, pp. 27 line 22 to page 28, line 8.

<sup>100</sup> PPL Statement 6R, Rebuttal Testimony, Oliver G. Kasper, p.1-2.

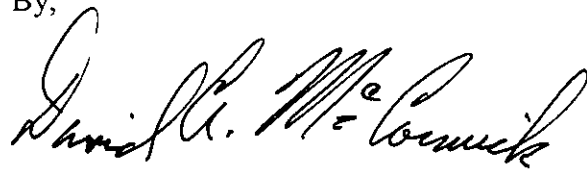
<sup>101</sup> PPL Statement No. 6, Direct Testimony of Oliver G. Kasper, page 18 lines 7-16.

<sup>102</sup> Witness Kincel mentioned the on-going base realignment and closure (BRAC) process that considers *inter alia* the operating costs of military installations. DOD Statement No. 2, Direct Testimony of Kenneth L. Kincel, page 5, lines 3-10.

unreasonable electric utility service rates are not available for funding the primary missions of federal facilities. DOD has an obligation to consider costs of service in procuring energy, **Black Hills Power and Light Co. v. Weinberger**, 808 F.2d 665, *cert. denied*, 108 Sup. Ct. 73, 484 U.S. 818 (1987), and see **West River Electric Association v. Black Hills Power and Light Co.**, 719 F.Supp. 1489 (1989), 107 P.U.R.4th 558 (1989), *aff'd* **West River Electric Association v. Black Hills Power and Light Co.**, 918 F.2d 713, 118 P.U.R. 4th 510 (1990). For reasons stated herein, a negative response is required to the four questions articulated in the Statement of Issues, *supra*.

WHEREFORE, DOD requests that the Commission enter an Order making the findings identified above, and based upon those findings, granting the recommendations and rulings set forth in this Brief.

By,



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TABLE I  
INCOME SUMMARY  
(\$000)

	PPL Pro Forma Operating Income 12/31/2004 \$	DOD Recommended Adjustments \$	Adjusted Rates \$	Revenue Adjustment \$	Total Allowable Revenues \$
<b>Operating Revenues</b>	523,208	2,395	525,603	131,574	657,177
<b>Deductions:</b>					
O&M Expenses	309,837	(9,062)	300,775		300,775
Depreciation	93,906	0	93,906		93,906
Taxes					
State	(170)	1,073	903	12,319	13,222
Federal	(25,502)	3,383	(22,119)	38,847	16,728
Other	44,588	720	45,308	8,264	53,572
Deferred Fed and State	30,464	0	30,464		30,464
Investment Tax Credit	(1,913)		(1,913)		(1,913)
<b>Total Deductions</b>	451,210	(3,886)	447,324	59,430	506,754
<b>Net Income Available for Return</b>	\$71,998	\$6,281	\$78,279	\$72,144	\$150,423
<b>Rate Base</b>					<u>\$1,778,060</u>
<b>Recommended Rate of Return</b>					<u>8.46%</u>

TABLE II  
STATEMENT OF ADJUSTMENTS  
(\$000)

Recommended Adjustment	DOD Schedule Reference	Rate Base Effect \$	Revenue Effect \$	Expense Effect \$	Depreciation Effect \$	Effect* Upon Taxes Other \$	State Tax Effect \$	Federal Tax Effect \$
<b>REVENUES</b>								
Unbilled Revenues	1		2,395			150	224	707
<b>EXPENSES</b>								
Social Programs	2		4,689	(4,686)		295	439	1,384
Remediation Expense	3		3,025	(3,025)		190	283	893
Injuries and Damages	4		348	(348)		22	33	103
Self Funded Health Insurance Programs	5		1,000	(1,000)		63	94	295
<b>RATE BASE</b>								
Electric Plant in Service	6	(64,684)				-	-	-
<b>TOTAL ADJUSTMENTS</b>		<b>(\$64,684)</b>	<b>\$11,457</b>	<b>(\$9,059)</b>		<b>\$720</b>	<b>\$1,073</b>	<b>\$3,383</b>
<b>Company Rate Base PPUC JURISDICTION</b>			\$1,842,744					
<b>Recommended Rate Base</b>			\$1,778,060					

1-DOD Statement No. 1, pages 5-6 & Exhibit TJP-4  
2-DOD Statement No. 1, pages 6-7 & Exhibit TJP-5  
3-DOD Statement No. 1, page 8 & Exhibit TJP-6  
4-DOD Statement No. 1, page 9 & Exhibit TJP-7

5-DOD Statement No. 1, page 9 & Exhibit TJP-8  
6-DOD Statement No. 1, pages 9-10 & Exhibit TJP-3

**BEFORE THE**  
**PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission et al ) Docket Nos. R-00049255  
v. ) and R00049255C0001-5  
PPL Electric Utilities Corporation )

**CERTIFICATE OF SERVICE**

I hereby certify that I have caused a copy of the foregoing document to be sent this day,  
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