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Pennsylvania Public Utility Commission,
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), Eric Joseph
Epstein (C0005), v. PPL Electric Utilities
Corporation.

Docket Nos.
R-00049255
R-00049255C0001
through
R-00049255C0005

DOCKETED
JUL 12 2004

Public Input Hearing.

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Pages 180 through 201

Allentown City Hall
City Council Chambers
435 Hamilton Street
Allentown, Pennsylvania

Tuesday, June 29, 2004

Met, pursuant to adjournment, at 7:05 p.m.

BEFORE:

ALLISON K. TURNER, Administrative Law Judge

APPEARANCES:

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(None.)

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FORM 2

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P R O C E E D I N G S

1
2 ADMINISTRATIVE LAW JUDGE ALLISON K. TURNER: Now is
3 the time for a public input session in Pennsylvania Public
4 Utility Commission et al. vs. PPL Electric Utilities
5 Corporation, docketed at R-00049255, etcetera.

6 We had a public input hearing in Bethlehem this
7 afternoon, and we previously held one in Lancaster and one
8 in Harrisburg. There will be one in Scranton and one in
9 Wilkes-Barre tomorrow, and then one in Williamsport later on
10 in July.

11 For those people who wish to speak, we have a sign-in
12 sheet at the back of the room on a table right in front of
13 the oil and vinegar shaker.

14 (Laughter.)

15 JUDGE TURNER: Anyway, my name is Allison Turner, and
16 I am the Administrative Law Judge assigned to handle this
17 case.

18 As you know, this case is PPL's propose rate
19 increase. It's the first rate increase in many years,
20 because when the electric industry was restructured and
21 competition was introduced, PPL and the Commission agreed to
22 put a rate cap in place. It will expire January 1, 2005.

23 Let me say that the court reporter that you can see up
24 here is taking down all that is spoken. So two people cannot
25 speak at once. Please remember he can't take two of you at

1 once.

2 Also, please turn off all cell phones, or put them on
3 vibrate. And if you have to have a conversation, please have
4 it outside the room.

5 So PPL filed this increase on March 29, proposing
6 that it become effective June 1. The Commission has
7 suspended it till December 31.

8 The proposed increase in their retail distribution
9 rates is \$164.4 million. And PPL also informed the
10 Commission that it expects transmission charges, which are
11 regulated by the Federal Government, to increase by
12 approximately \$57.2 million.

13 Under the combined proposal the average monthly bill
14 for a residential customer using 900 kwh of electricity would
15 increase \$7.62, from \$77 to \$85. It's the first base rate
16 increase since 1995, actually.

17 The investigation will be mostly carried out by
18 parties and persons who have intervened or filed complaints.
19 A number of those are here today.

20 We have the Office of Trial Staff, Mr. Kanaskie; the
21 Office of Small Business Advocate, Ms. Jones; and the Office
22 of Consumer Advocate, Mr. Sparks.

23 Since PPL has not filed a rate case for a number of
24 years, the parties have not had a chance to scrutinize PPL's
25 operations and rates to see if the actions are prudent and

1 its expenses and revenues and rate of return are fair and
2 reasonable. The parties will examine these things.

3 In addition, PPL has proposed some basic changes the
4 parties may oppose. For instance, the distribution system
5 improvement charge, which would allow PPL to recover costs
6 associated with system upgrades between base rate
7 proceedings.

8 We held a prehearing conference in May, and we set a
9 procedural schedule. Under that schedule the parties have
10 actually filed testimony as of yesterday. And that
11 testimony, and PPL's testimony, will be presented at
12 hearings in Harrisburg in August, and be subject to cross
13 examination.

14 However, we are now taking testimony from the public.
15 And the public testimony is an important part of the record.
16 And the purpose of this public input hearing is to hear from
17 you regarding PPL's existing and proposed rates and service.

18 The Commission's regulations gives you three options.
19 You might testify formally under oath or affirmation and be
20 subject to cross examination. And I encourage you to do so.

21 If you give testimony under oath, the Commission may
22 rely on it and make its decision, the parties can rely on it
23 in making their arguments, and I can rely on it in making my
24 recommendation to the Commission.

25 You may also make an unsworn or unaffirmed statement.

1 We will take that on the record. And you can provide
2 information to the parties that are here and ask them to use
3 it in their case.

4 As I said before, I encourage you to testify under
5 oath so your testimony will be the most useful.

6 If you want to sign up, as I said before, please sign
7 up on the clipboard at the back of the room.

8 And now I'd like counsel for the parties to make
9 statements, just preliminary statements, and then we will
10 move on to your testimony.

11 Mr. Russell.

12 MR. RUSSELL: Thank you, Your Honor.

13 My name is Paul Russell. I'm one of PPL's in-house
14 lawyers, and I'm one of the lawyers representing PPL in this
15 proceeding.

16 At the outset I'd like to thank you for appearing at
17 today's hearing. Public input hearings are an important
18 part of the Commission's rate-making process, and often
19 provide valuable customer perspectives on a broad range of
20 issues in rate cases.

21 Your testimony today will be carefully reviewed by
22 PPL, many of the other parties in the case, Administrative
23 Law Judge Turner, and ultimately the Commission. So if you
24 have any views on the case I would urge you to testify today.

25 The purpose of today's hearing is to listen to the

1 public. So I won't take valuable time summarizing our
2 request. However, I would like to make two points about the
3 impact of Pennsylvania's 1996 Customer Choice Act.

4 First, as Judge Turner indicated, the Act established
5 rate caps. And in PPL's case the cap on its distribution
6 rates expires December 31, 2004.

7 Second, the Act made the generation of electricity
8 competitive and required electric utilities to unbundle
9 their operations.

10 Because of that change, the rate case now before the
11 Administrative Law Judge and the Commission involves only
12 PPL Electric Utilities, the company that provides electric
13 delivery service to 1.3 million customers in Central and
14 Eastern Pennsylvania.

15 It has nothing to do with PPL's other companies or
16 other operations such as generation of electricity, sale of
17 electricity to other utilities, or international
18 investments.

19 In conclusion, I would like to mention several
20 housekeeping matters. You can review the entire filing that
21 PPL submitted to the Commission on-line at
22 www.pplrateinfo.com.

23 And finally, there is another PPL employee here with
24 me tonight. Kathy Frazier is sitting in the back of the
25 room.

1 Kathy, would you put up your hand?

2 Kathy can answer any questions you might have about
3 your individual service or rates. And I would ask you to
4 please see her during a break or after today's hearing if you
5 do have any questions.

6 Again, thank you for attending today, and I look
7 forward to hearing your testimony.

8 JUDGE TURNER: Mr. Kanaskie.

9 MR. KANASKIE: Thank you, Your Honor.

10 Good evening. My name's Rick Kanaskie, I'm with the
11 Commission's Office of Trial Staff.

12 The Office of Trial Staff is best described as a semi-
13 independent arm of the Commission. We're involved in rate
14 cases such as the one before us.

15 We were formed by the legislature and charged with
16 protecting the public interest. And that's the role that we
17 play in this proceeding.

18 As such, our issues will often overlap with the other
19 advocates and the company, but we maintain our own set of
20 witnesses. We have engineers, financial analysts reviewing
21 the filing; we do our own analysis.

22 We do not advocate as part of the Commission, we
23 advocate before the Commission. We're not the voice of the
24 Pennsylvania Public Utility Commission, we're a full
25 participant in this proceeding like everyone else up here.

1 As counsel has mentioned and the Judge has mentioned,
2 tonight is about receiving testimony from the public. The
3 physical filing that we have, all the calculations and
4 projections, are only part of the total filing. Input from
5 the public is another very important part.

6 Thank you for coming out. I urge you to be sworn in
7 and testify on the record.

8 Thank you.

9 JUDGE TURNER: Ms. Jones.

10 MS. JONES: Thank you, Your Honor.

11 Good evening. My name is Angela Jones. I represent
12 the Office of Small Business Advocate, OSBA. As our title
13 implies, we are very much interested in the effect of the
14 increase on small businesses.

15 We have employed an expert in this case. We have
16 opposed the DSIC, or distribution system improvement charge.

17 We are also looking at the proposed increase, and we
18 have seen that the impact on small businesses is
19 approximately 9.9 percent increase to the total bill.

20 We are opposed to that. However, tonight is about the
21 public. We would like to hear specifically from small
22 businesses.

23 We would like for your testimony to be under oath,
24 simply because we can use that to better make our case in
25 front of the Public Utility Commission and the Presiding

1 Judge, Judge Turner.

2 So again, I thank you for coming out, and I look
3 forward to hearing your testimony under oath.

4 JUDGE TURNER: Mr. Sparks.

5 MR. SPARKS: Good evening. My name is Shaun Sparks,
6 and I'm an attorney with the Office of Consumer Advocate.

7 The Office of Consumer Advocate is a branch of the
8 Pennsylvania Attorney General's Office, and we represent
9 utility consumers in matters before the Pennsylvania Public
10 Utility Commission, state courts, federal courts and federal
11 agencies.

12 In this matter in particular we are opposing PPL's
13 request for its increase in rates. You've heard some
14 information about how much those rates are to increase; \$221
15 million all told, or about eight percent over the current
16 rates. For residential rates in particular there's about a
17 9.7 percent increase.

18 In addition, the customer charge will increase from
19 \$6.65 to \$12.20 and be inclusive of the first 200 kilowatt
20 hours of usage.

21 As you heard from Mr. Kanaskie and Ms. Jones, as they
22 too hire independent experts, both financial and engineering
23 experts, to review these testimonies, so does the Office of
24 Consumer Advocate.

25 We perform a thorough review of all of the company's

1 testimony, their entire filing, and we will be entering
2 testimony in this case in support of the consumers'
3 interests here.

4 And to that end I encourage you to come forward to
5 testify on the record as to your thoughts, impressions, and
6 specifically how the rate increase will affect you.

7 I've also put some materials on the table at the rear.
8 So please feel free to help yourself to any of those.

9 Thank you very much for coming out, and I look forward
10 to hearing your testimony.

11 JUDGE TURNER: Thank you, Mr. Sparks.

12 Mr. Russell has kindly agreed to bring the list of
13 people who have signed up to testify. I'm delighted to say
14 that one person has signed up.

15 Mr. Jennings. Mr. Alan Jennings. Why don't you take
16 the podium.

17 Can I swear you in?

18 MR. JENNINGS: Sure.

19 JUDGE TURNER: Would you raise your right hand?

20 **Whereupon,**

21 **ALAN JENNINGS**

22 **having been duly sworn, testified as follows:**

23 JUDGE TURNER: Would you state your name and spell it
24 for the record?

25 THE WITNESS: Alan, A-L-A-N; Jennings, J-E-N-N-

1 I-N-G-S.

2 JUDGE TURNER: And you're representing a group?

3 THE WITNESS: Community Action Committee of the
4 Lehigh Valley.

5 JUDGE TURNER: And you are also employed by that
6 group?

7 THE WITNESS: Right.

8 JUDGE TURNER: Are you authorized to testify on their
9 behalf?

10 THE WITNESS: I'm the executive director. Yes.

11 JUDGE TURNER: Yes; thank you.

12 And the address you listed here, is that the
13 organization's address or your address?

14 THE WITNESS: The organization's address.

15 JUDGE TURNER: Would you please state it for the
16 record?

17 THE WITNESS: 1337 East Fifth Street, Bethlehem
18 18015.

19 JUDGE TURNER: Okay. Thank you very much for coming
20 out, Mr. Jennings. Please go ahead and give your testimony.

21 THE WITNESS: First of all I need to start with a full
22 disclosure. The Community Action Committee of the Lehigh
23 Valley operates all of PPL's low-income programs in the
24 Lehigh service territory.

25 This is a substantial amount of funding for our

1 organization. It represents almost 20, about 20 percent of
2 our total budget.

3 And I feel it's important to make that clear, because
4 it does put me in a position that presents the appearance of
5 a conflict of interest.

6 JUDGE TURNER: Where does the rest of your funding
7 come from?

8 THE WITNESS: From a wide -- well, we actually get
9 also funding from GPU, Met-Ed and from UGI. But we also get
10 funding from the federal, state, local government, and a
11 substantial amount of private contributions.

12 Having disclosed our very close and long-term
13 relationship with PPL, I think it's safe to say that my very
14 good friends at PPL know full well that that funding
15 relationship would not prevent me from saying things that I
16 think need to be said. But I felt that it was important for
17 me to make that point.

18 The other point I want to make is that for ten years I
19 served on the Commission's Consumer Advisory Council,
20 serving as its chair for three of those years; and was
21 probably the last consumer advocate to give in on the retail
22 competition, the restructuring of the utility industry, at
23 that time.

24 Never felt it was good for Pennsylvania, certainly as
25 a PPL customer, as an advocate for low-income people, it made

1 any sense for Pennsylvania. And I would have to argue that
2 the arrogant side of me would say that in many respects I
3 told the state so, that it wasn't necessary to go through
4 that restructuring, that it really hasn't served PPL
5 customers that well.

6 It hasn't hurt PPL customers; hasn't made really a
7 bit of difference in the landscape for PPL customers.

8 Now, I also think it's important, it was important
9 for me to make a second point in my disclosure. And that is
10 that I'm not afraid to criticize the company, except that I
11 would have to say that the truth is I don't have any reason
12 to criticize PPL.

13 I think this is an excellent utility company. And the
14 reason why I opposed the restructuring of the industry was
15 because PPL was already an extraordinarily competitive
16 company.

17 There are only two investor-owned utilities in
18 Pennsylvania that stood to lose customers as a result of
19 restructuring. And certainly PPL was not one of those.

20 PPL routinely gets quality service awards from EEI
21 and from the PUC, always rates the company well in customer
22 service.

23 And so the company -- and I also believe the company
24 is extremely efficient, well-run, and I don't think there's
25 a shred of fat in that company at all.

1 So I think on those grounds the company's request for
2 a rate increase is not unfounded.

3 I do have to then remind the Commission that I'm an
4 advocate for low-income people. And as such I have to say
5 that I find the mechanism for increasing revenue for the
6 company is not the best of mechanisms.

7 By increasing the customer charge by 50 percent,
8 penalizes the customers that consume the least. And as a
9 result, those individuals are paying the most in terms of a
10 percentage increase.

11 Our agency this year fielded about 200 phone calls a
12 day during the heating season from low-income people
13 desperate to have their energy needs met.

14 Now, as I said, we handle calls for both GPU and UGI's
15 weatherization program, but not their customer assistance
16 program or their counterpart to Operation Help. We handle
17 those programs for PPL.

18 So it's safe to say that the majority of phone calls
19 that were coming into the agency were PPL customers.

20 I can site an array of statistics that identify where
21 those needs are coming from. But primarily they're in three
22 categories of customer; the elderly, the disabled, and the
23 working poor.

24 And the working poor, as a percentage of the
25 population in need, has exploded over the last several

1 years. Especially since welfare reform went into place.

2 These are people who play by the rules, they go out
3 and do their jobs. Increasingly they are people who return
4 home to homeless shelters.

5 About a third of the families that enter the Sixth
6 Street Shelter, a shelter that we operate, are headed by
7 employed adults.

8 Large numbers of people at the food pantries and soup
9 kitchens throughout the Lehigh Valley are employed people,
10 and substantial numbers of people who are having trouble
11 paying their utility bills are also low-income working
12 people.

13 Again, they are the people who have the hardest time
14 paying their bills and for whom a 50-percent increase will be
15 facility for them to absorb.

16 Of course, I would argue that intervention programs
17 like On Track and Operation Help and the WRAP program are
18 critically valuable. They work; and they are programs that
19 should be increased.

20 The Bureau of Consumer Services own report last year
21 indicated that the Commission-mandated utility programs
22 don't come close to meeting the demand or meeting the need in
23 our communities throughout Pennsylvania. And I would argue
24 that PPL service territory is not an exception to that.

25 That's really all I have to say. I guess the main

1 point is I wouldn't want to be an administrative law judge
2 with the PUC in this case. I wouldn't want to be a
3 Commissioner in this case, because, again, the company, it's
4 been many years since the company came in for a rate
5 increase.

6 This is not a large rate increase. I think testament
7 is the fact that I'm the only person that is even here and
8 signed up to testify.

9 Although I would be remiss if I didn't speak out on
10 behalf of low-income people in the service territory.

11 JUDGE TURNER: Can you say what EEI means?

12 THE WITNESS: Edison Electric Institute.

13 JUDGE TURNER: And the WRAP program, is that an
14 acronym?

15 THE WITNESS: That is PPL's weatherization program.
16 Winter Relief Assistant Program.

17 JUDGE TURNER: Okay.

18 Do you have any questions, Mr. Kanaskie?

19 MR. KANASKIE: I have no questions, Your Honor.

20 JUDGE TURNER: Ms. Jones?

21 MS. JONES: None, Your Honor. Thank you.

22 JUDGE TURNER: Mr. Sparks?

23 MR. SPARKS: No, thank you, Your Honor.

24 JUDGE TURNER: Mr. Russell?

25 MR. RUSSELL: No questions, Your Honor.

1 JUDGE TURNER: Okay.

2 Mr. Jennings, thank you very much for coming out.

3 THE WITNESS: Thank you.

4 JUDGE TURNER: I wish you had brought some of your
5 members with you.

6 THE WITNESS: We're not a member-based organization,
7 and --

8 JUDGE TURNER: I'm sorry if I misspoke. Some of the
9 people that you're advocating for with you.

10 THE WITNESS: Low-income people are generally
11 disenfranchised, and they don't speak out. They don't speak
12 out, and that's why I'm here.

13 JUDGE TURNER: Thank you for coming.

14 THE WITNESS: Thank you.

15 **(Witness excused.)**

16 JUDGE TURNER: Is there any other member of the public
17 who is here who would like to testify?

18 (No response.)

19 JUDGE TURNER: In that case we will take a recess for
20 about fifteen minutes. I'll see if anybody else comes. And
21 if no one does come to testify, I will adjourn.

22 So we're off the record. Thank you.

23 (Recess.)

24 JUDGE TURNER: It's now about a quarter of eight by
25 the hearing room clock, and no further members of the public

1 have come in to testify.

2 That being the case, I am ready to adjourn, unless any
3 counsel has any comments or issues they want to raise.

4 (No response.)

5 JUDGE TURNER: Hearing none.

6 And unless anybody else in the audience has an issue
7 they want to raise.

8 (No response.)

9 JUDGE TURNER: In that case, thank you all very much
10 for coming out, and we are adjourned.

11 (Whereupon, at 7:45 p.m., the hearing was adjourned,
12 to reconvene at 2:00 p.m. on Wednesday, June 30, 2004, in
13 Scranton, Pennsylvania.)

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C E R T I F I C A T E

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