

COMMONWEALTH OF PENNSYLVANIA
PUBLIC UTILITY COMMISSION

ORIGINAL

In the Matter of:

Docket Nos.

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 (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), v. PPL Electric Utilities Corporation. Proposed general rate increase. Further hearing.

DOCUMENT

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Pages 947 through 1135 Hearing Room No. 1
Keystone Building
400 North Street
Harrisburg, Pennsylvania

Thursday, August 12, 2004

Met, pursuant to notice at 10:00

BEFORE: ALLISON K. TURNER,
SUSAN D. COLWELL,
Administrative Law Judges

PA PUC
SECRETARY'S BUREAU

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P R O C E E D I N G S

ADMINISTRATIVE LAW JUDGE ALLISON

1
2
3 K. TURNER: This is the time and place for the further
4 hearing in the matter of PUC versus PPL. And there are
5 a number of other complaints associated with that, at
6 docket number is R-000249255. And I believe it's C
7 numbers go from 1 through 17.

8 We are, at this point in the case, going
9 through a new subject area, which is done with rate of
10 return. We're taking --

11 MR. MACGREGOR: Cost allocation and rate
12 design.

13 JUDGE TURNER: You have something to say,
14 Mr. MacGregor?

15 MR. MACGREGOR: I do, Your Honor. I was
16 waiting to sit down to save my back. Whenever you're
17 ready to proceed, I have an exhibit with Mr. Kleha.

18 JUDGE TURNER: Yes, Mr. Niesen. Perhaps
19 you'd like to stand.

20 MR. NIESEN: Good morning, Your Honor.
21 From yesterday's hearing, there are two data requests
22 of my witness, Dr. Tuffey, concerning conflicts of
23 interest policy and concerning -- there were two data
24 requests to my witness, Dr. Tuffey yesterday.

25 One concerning conflicts of interest

1 policy and the other concerning fund commitments. I'd
2 like the record to reflect that I've distributed
3 responses to those data requests to the parties this
4 morning.

5 I think I've copied everyone. If there's
6 someone who I've missed, please let me know.

7 JUDGE TURNER: Did you give one to the
8 Judges?

9 MR. NIESEN: No, I did not. I'm not
10 offering it into the record. I distributed it to the
11 parties.

12 JUDGE TURNER: Mr. Gray here?

13 MR. GRAY: Yes, Your Honor.

14 JUDGE TURNER: Are you going to offer it
15 into the record, them into the record?

16 MR. GRAY: I believe I will. If you
17 wouldn't mind, I was going to review them this morning
18 and get to you after lunch.

19 JUDGE TURNER: I don't mind at all.

20 MR. GRAY: What's your preference? Would
21 these be just marked as on-the-record data requests 1
22 and 2 from the OSBA and two copies to the court
23 reporter and Your Honor?

24 JUDGE TURNER: Well, you've got them as a
25 result of cross examination.

1 MR. GRAY: That's correct.

2 JUDGE TURNER: So, they should probably
3 be cross examination exhibits. On-the-record data
4 requests are not automatically exhibits.

5 MR. GRAY: Okay.

6 JUDGE TURNER: After lunch is fine. I
7 didn't mean to rush you. I just wanted to know what
8 the intention was. And, at that time, you will give
9 each Judge a copy, yes?

10 MR. GRAY: Yes, I will.

11 JUDGE TURNER: Okay. Thank you.

12 MR. NIESEN: Your Honor, there was also a
13 matter concerning the due diligence report for the Bear
14 Creek Wind Farm.

15 We distributed that in response to an
16 OSBA interrogatory. I believe it was number 15.
17 However, we did not, because of possible
18 confidentiality concerns on the part of the bar owner,
19 distribute the actual document to parties other than
20 the OTS, OCA and OSBA.

21 We've looked at the report. There is
22 nothing in the report concerning the PJM bottleneck
23 that was the subject of some questioning to Dr. Tuffey.
24 It seems that matter was left on the record as it was
25 with the questions, PPLICA's motion and Your Honor's

1 ruling on the motion.

2 JUDGE TURNER: Yes, but that gives
3 additional weight to put this motion. If it's not in
4 the report -- but, I mean, thank you for that mention.

5 All right. Are there any other
6 preliminary matters?

7 MS. KNIGHT: I don't think I had a chance
8 to sign in.

9 JUDGE TURNER: I don't know if it's been
10 given to me. So, please go back, if there's any other
11 counsel that hasn't signed it. I see that Mr. Moody
12 is here today, yes.

13 MR. MOODY: Yes, Your Honor.

14 JUDGE TURNER: We have been saving your
15 testimony to move it in. We don't need to do it now.
16 But I just want you to know that we had it, but we
17 didn't consider it. It had been moved in by
18 stipulation. So, we're waiting to conclude that
19 transaction.

20 MR. MOODY: Yes, I understand, Your
21 Honor. Request an affidavit from Mr. McCormick and
22 sent it to him. But I haven't been in contact with him
23 since last night and today, I expect to hear from him
24 today and should have the affidavit later today.

25 JUDGE TURNER: Okay. Why don't you take

1 the testimony back then, because it's kind of floating
2 around up here. You can get it later. I don't want it
3 to get entirely lost. But I do want to start.

4 MR. MOODY: Would Your Honor prefer that
5 we move his testimony in when I have his affidavit?

6 JUDGE TURNER: Yes. Now, I believe we're
7 ready to take testimony from Mr. Kleha.

8 MR. MACGREGOR: Yes, Your Honor. He has
9 been previously sworn. He appeared earlier in the week
10 on the revenue requirement portion of his testimony and
11 available for cross today for cost allocation, rate
12 design portion of his testimony.

13 JUDGE TURNER: You're already under oath.
14 And you don't have any preliminary matters to take care
15 of. He's available for cross examination.

16 MR. MACGREGOR: Since his exhibits have
17 been moved into the, I have no rejoinder testimony. I
18 do, however, have two exhibits that are corrections to
19 his cost of service study that I would like to identify
20 and move into the record prior to his cross
21 examination.

22 JUDGE TURNER: You can do that now?

23 MR. MACGREGOR: Yes, they are. I have
24 distributed copies to the parties and to the court
25 reporter and to Your Honors.

1 And they are two documents that have been
2 premarked as Exhibit JMK 6 and JMK 7. If I could ask
3 they be so marked for identification.

4 JUDGE TURNER: So may be so marked.

5 (JMK Exhibit Numbers 6 and 7 were marked
6 for identification.)

7 MR. MACGREGOR: What these are are
8 corrections to Mr. Kleha's cost of service studies that
9 appear at Exhibits JMK 1 and 2. And exhibit JMK 6
10 relates to Exhibit JMK 1, which is the cost of service
11 study for the historic test year ended 12/31/03.

12 And Exhibit JMK 7, which relates to
13 Exhibit JMK 2, which is the cost allocation study for
14 the future test year ended December 31, 2004.

15 And just by way of example, if you would
16 look at Exhibit JMK 7 which is the substitute pages 10,
17 11, 87, 88, 119, 120 to the future test year cost of
18 service study.

19 And in each instance, the only change is
20 to the very bottom line of each page. Line 31, which
21 reads, class rate in percentage of total. And in each
22 instances, those numbers in the original cost of
23 service study, Exhibit JMK 1 and JMK 2, are in error.

24 They were replicated from the proposed
25 rate sheet and the present rate calculation. So, those

1 numbers along that bottom line change. All of the
2 other numbers in the schedule are correct.

3 And if you actually did the math on the
4 original schedules, you would achieve the numbers that
5 appear on the revised exhibits. So, it's the last line
6 that's changed to reflect an accurate calculation in
7 each instance.

8 JUDGE TURNER: Back up one minute.
9 You're saying that as they were in the originally filed
10 exhibit, in error. They were from the proposed rate
11 rather than the actual existing rate.

12 MR. MACGREGOR: Actually reversed. From
13 the existing rates rather than the proposed rates.

14 JUDGE TURNER: And these relate to the
15 proposed rates?

16 MR. MACGREGOR: Exactly.

17 JUDGE TURNER: Both of them?

18 MR. MACGREGOR: That's correct.

19 JUDGE TURNER: 1 and 2. Okay. Thank you
20 for that explanation.

21 MR. MACGREGOR: I could just ask Mr.
22 Kleha to authenticate those. And he would be available
23 for cross examination.

24 JUDGE TURNER: Yes.
25

1 Whereupon, JOSEPH M. KLEHA, having
2 been previously duly sworn by the Judge, was examined
3 and testified as follows:

4 DIRECT EXAMINATION

5 BY MR. MACGREGOR:

6 Q. Do you have before you the documents that have
7 been marked for identification as Exhibits JMK 6 and
8 JMK 7?

9 A. I do.

10 Q. And was my explanation of the purpose of those
11 exhibits essentially true and correct?

12 A. It is.

13 Q. And were these exhibits prepared by you or
14 under your direct supervision?

15 A. They were.

16 MR. MACGREGOR: Your Honor, on that
17 basis, I would move the admission of JMK 6 and 7,
18 subject to cross examination and motion.

19 JUDGE TURNER: They may be so admitted.

20 (JMK Exhibit Numbers 6 and 7 were
21 admitted in evidence.)

22 MR. MACGREGOR: Mr. Kleha is available
23 for the cross examination.

24 JUDGE TURNER: Okay. Mr. Kanaskie?

25 MR. KANASKIE: We have no cross this

1 morning.

2 JUDGE TURNER: Mr. Beatty?

3 MR. BEATTY: Thank you, Your Honor.

4 CROSS EXAMINATION

5 BY MR. BEATTY:

6 Q. Good morning, Mr. Kleha.

7 A. Good morning.

8 Q. I just have a few questions concerning the
9 minimum system study you used in your cost studies.
10 Now, the purpose of a minimum system study is to
11 determine what --

12 JUDGE TURNER: You do speak a little
13 quickly. If you could slow yourself down.

14 BY MR. BEATTY:

15 Q. The purpose of the minimum system study is to
16 determine the cost, what costs are customer-related as
17 opposed to demand-related; is that correct?

18 A. That's correct. In preparing a cost
19 allocation study for an electric utility, you have
20 electric utility facilities are split by voltage level.

21 And at the secondary voltage level, the
22 facilities are then identified by either a customer
23 component or a demand component or both.

24 And the minimum system study is an
25 analysis which attempts to replicate what a minimum

1 level of facilities would be needed to serve customers,
2 a customer.

3 And that portion is then used to indicate
4 what should be the customer component of those
5 facilities. Some would come to a customer charge, if
6 you will.

7 Q. So, is it fair to say that the customer costs
8 are those costs related to PPL having to install poles,
9 wires, transformers, in order to connect the customers
10 to the system; is that correct?

11 A. Customers are connected to the system.
12 They're also served off of those facilities also. It's
13 an integrated system. It's not just one wire here, one
14 wire there. It's an integrated system.

15 Q. On page 7 of your rebuttal testimony, lines 20
16 21.

17 A. Page 7?

18 Q. Lines 20 and 21.

19 A. Yes.

20 Q. You state that a minimum-sized distribution
21 system, by definition, must have some load carrying
22 capability. Would it be correct to say that the amount
23 of capacity contained in your minimum system depends on
24 the size of the components that you use when developing
25 that minimum system study?

1 A. Well, the load carrying capabilities of a 12
2 kV line would be known. Load carrying capability of a
3 480 volt line, 240 volt line, those are all known
4 quantities. The load carrying capabilities of a
5 transformer also known. So, yes, obviously, the size
6 of -- but the amount of load would be identified based
7 upon the facilities that are in the minimum system.

8 Q. And is it true that in PPL's last base rate
9 proceeding that the company utilized 10 kVA overhead
10 transformers in its minimum system study?

11 A. In PPL Electric's last base rate proceeding,
12 which was 1995, the proceeding was adjudicated. The
13 smallest or -- excuse me, the current installed
14 transformer at that time was 10 kVA.

15 It is now a higher transformer. I
16 believe it's a 30, 25 or 30. I don't remember exactly.
17 But that -- the change in the size of the transformer
18 should be fairly obvious as load -- the demands of
19 customers grow over time, load increases on the
20 facilities. And you need to install facilities --
21 equipment to handle that increased load.

22 Q. Would you agree that some of PPL's residential
23 customers total demands are met with 10 kV transformers
24 today?

25 A. I would agree that there are probably some

1 customers out there who are still using 10 kV
2 transformers. But the minimum system study that PPL
3 proposed and has utilized over all of the rate cases
4 that I've been involved with uses the most current --
5 the transformer that is most currently installed, the
6 current installed transformer.

7 In this case, the predominant transformer
8 that we are installing on our system to meet current
9 load as well as additional load growth is a 30 kVA.

10 Q. The company has roughly 100,000 more customers
11 today than it did at the time of the last base rate
12 case. Would you agree with that?

13 A. Approximately correct, yes.

14 Q. And isn't it true that the number of overhead
15 transformers over that period has actually decreased by
16 about 22,000?

17 A. I'd have to check that number. I honestly
18 don't know.

19 Q. Subject to check?

20 A. Subject to check.

21 JUDGE TURNER: When can you get back to
22 us?

23 THE WITNESS: This afternoon, probably,
24 Your Honor.

25 MR. BEATTY: Thank you, Your Honor. I

1 have no further questions.

2 JUDGE TURNER: Thank you, Mr. Beatty.
3 Mr. Gray.

4 MR. GRAY: Thank you, Your Honor.

5 CROSS EXAMINATION

6 BY MR. GRAY:

7 Q. Good morning, Mr. Kleha.

8 A. Good morning. How are you?

9 Q. Excellent. Yourself?

10 A. Very good.

11 Q. You distributed two new exhibits this morning
12 that are corrections to your cost allocation study?

13 A. That's correct.

14 Q. Do you recall informal conversations between
15 yourself and OSBA witness Bob Knecht about possible
16 early errors in the cost allocation study?

17 A. Yes.

18 Q. And, so, there was some informal conversation
19 between the two of you. And there was some errors that
20 were identified. Is that a fair summary?

21 A. That's correct.

22 Q. Do you recall -- you read Mr. Knecht and Mr
23 Ewen's direct testimony?

24 A. Yes.

25 JUDGE TURNER: Perhaps you can spell that

1 name for her.

2 BY MR. GRAY:

3 Q. K-n-e-c-h-t and E-w-e-n. And they mentioned
4 the conversation, I gather, you and Mr. Knecht had?

5 A. Yes.

6 Q. And they presented a table that's updated the
7 impact of these errors. Do you recall that?

8 A. Yes.

9 Q. I can show counsel at the table, it's on page
10 14 of the direct if you're interested.

11 MR. MACGREGOR: Familiar with it and have
12 seen it.

13 MR. GRAY: May I approach, Your Honor?

14 JUDGE TURNER: Yes.

15 BY MR. GRAY:

16 Q. Just to refresh your recollection. Here's the
17 table that they presented.

18 A. Yes, that's correct.

19 Q. Okay. Looking at those corrections, would you
20 agree that fixing the errors increased the cost
21 allocated to GS3 and LP4 customers?

22 A. Yes.

23 Q. And would you agree that the errors reduced
24 the cost allocated to both the RS and the
25 streetlighting classes?

1 A. Yes.

2 Q. Thank you, very much. Do you have your surre
3 rebuttal testimony in front of you? Let me refer you
4 to page 6 of your surre rebuttal.

5 A. Can you see Mr. Gray? I'm not in the way?

6 JUDGE TURNER: No. Thank you for
7 checking.

8 MR. GRAY: Page 6, beginning at line 15,
9 I believe. Actually, the question starts on starts on
10 line 13. Your Honor, do you have that?

11 JUDGE TURNER: We were just conferring
12 and agreeing that we don't seem to have surre rebuttal.
13 I have an entire volume of rebuttal. And then we had
14 volumes of the direct testimony. And I'm not sure if
15 that was a packing error on my part.

16 MR. MACGREGOR: It was not in the volume.
17 It was our rebuttal. It was separately filed.

18 JUDGE TURNER: I understand that.

19 MR. MACGREGOR: We have a copy if you
20 need one.

21 JUDGE TURNER: Well, we're going to need
22 an extra copy. But, at this point, Judge Colwell has
23 located one and we can follow one. Sorry for the
24 delay.

25

1 BY MR. GRAY:

2 Q. Page 6, Your Honor, line 13. Now, put this in
3 context. I'm sorry I don't recall. Were you here
4 yesterday when Miss Polacek crossed Mr. Krall on the
5 various ways of constructing a transmission service
6 charge?

7 A. For a portion of it.

8 Q. Portion of it. And, in summary, there were
9 four different methodologies discussed. Does that
10 sound familiar?

11 A. Yes, I recollect that.

12 Q. There is, as set forth as you mentioned here
13 in your surre rebuttal, OSBA has another suggestion,
14 which you accurately set forth here beginning at line
15 15?

16 A. That's correct.

17 Q. Now, we talked about the pros and the cons of
18 the OSBA solution to this. And, on the next page, you
19 say you have discovered one calculational problem.

20 The question today is, since we're still
21 searching for a solution to construct a fair and
22 balanced transmission service charge, has any solution
23 occurred to you that we can address the problem -- we
24 are suggesting a moving average over five years,
25 correct, rolling average --

1 A. That's correct.

2 Q. -- to try and compensate for the volatility.
3 And you point out there's been a change in the FERC
4 orders PJM calculation methodology?

5 A. That's correct.

6 Q. The question is, is there a solution here?
7 Let, e throw one out to you. Could you calculate the
8 historical load factor for the past five years using
9 some consistent methodology?

10 A. You can make a calculation of almost anything.
11 I think your premise here is, can we find the, quote,
12 perfect solution to transmission service charge so that
13 all parties were satisfied with the end result.

14 And having been doing work with automatic
15 clauses for longer than I care to even think about at
16 this point, there is no perfect solution.

17 There are many solutions that would work.
18 The difficulty with some of the solutions is that it
19 creates administrative burdens, not only for the
20 utility trying to -- trying to reconcile 1, 2, 3, 5
21 different clauses all at one time for different rate
22 schedules, and also for the Commission's Bureau of
23 Audits, which has to come out and audit the data.

24 And it gets -- the more you have, the
25 more of the data becomes less obvious to people in

1 terms of how it's derived and so on and so forth. It
2 makes it much more difficult to -- for everyone to
3 become comfortable with the end result of it.

4 So, there's no perfect solution. But,
5 you know, I -- I'm willing to look at almost any
6 calculation to see whether or not we can come up with a
7 reasonable approach.

8 Q. Fair enough. And I will certainly concede.

9 JUDGE TURNER: Did he answer your
10 question?

11 BY MR. GRAY:

12 Q. Let me try a little different angle. Your
13 Honor. I will concede there is no perfect solution. I
14 will concede that on the record, no problem. The
15 question would be -- make sure I define the problem,
16 the problem is two-fold.

17 As Mr. Baron has identified, there's an
18 issue of, we want to charge the rates very much like
19 PJM charges PPL; is that correct?

20 A. That's correct.

21 Q. And the other side of the equation is there is
22 a lot of volatility for especially the small customers
23 under that methodology; is that correct?

24 A. That's correct.

25 Q. And, so, OSBA is saying, okay, our suggestion

1 was use, essentially, Mr. Baron's methodology, but
2 smooth the results over five years because you have,
3 you know, some years summer peaking and winter peaking,
4 correct?

5 A. That's correct.

6 Q. And so, the idea was, do an average to smooth
7 out the highs and the lows; is that correct?

8 A. That was his proposal, yes.

9 Q. And, so, and, of course, you said there's a
10 calculational problem. Specifically, if we took the
11 current PJM methodology as it stands, August 12th,
12 2004, and go back over the five years and, say, okay,
13 we are going to construct our average now and try to
14 deal with the two problems, is that a viable solution
15 that would solve the main problems as well as not
16 necessarily putting an undue administrative burden on
17 PPL?

18 A. Let me say it from my perspective. Let me
19 answer it from my perspective. Mr. Krall may have a
20 slightly different perspective. He deals more with the
21 transmission components and their derivation.

22 I deal mostly with the accounting,
23 reconciliation, the development of the charge itself.
24 PPL has proposed -- PPL Electric has proposed a
25 transmission service charge that was on a uniform cents

1 per kilowatt hour basis, the transmission charge, CSC.

2 And it also proposed to reconcile that
3 clause on the same basis. And as Mr. Krall testified
4 yesterday, it was done for two reasons. One, and main
5 reason was for simplicity, so that everyone could
6 understand exactly what we were charging, how we were
7 charging it and how it would be reconciled.

8 And, Two, was to allow us to keep the
9 rates at no more than a 10-percent increase of
10 customers. I think we accomplished that with that
11 proposed clause.

12 PPL Electric believes strongly that there
13 should be a reconciliation element to the clause
14 itself, so that both customer is assured that he or she
15 is charged no more than what PPL is charged by PJM for
16 transmission service, and so that PPL Electric can
17 recover all of the costs that it has incurred.

18 Because the charge we put together on
19 January 1st and charge for 12 months may turn out to be
20 different in summation than what the actual cost will
21 be for that period.

22 So, the long and short of it is, no
23 matter what you do in terms of the calculation of the
24 rate charge in the first instance, at some point in
25 time, when you reconcile against actual costs, that

1 true-up is going to create some transference of cost
2 between different customer groups, even if you try to
3 avoid it in the first instance.

4 Q. Okay.

5 A. So, while I'm not just counting Mr. Knecht's
6 proposal in terms of being an option to be considered,
7 what I am suggesting to you is that reconciliation,
8 which I think, speaking from an accounting perspective,
9 is necessary and a, quote someone else, a public good,
10 in terms of keeping the cost such that customers are
11 not paying more than they're supposed to be paying.

12 Q. So, fair enough. So, the bottom line is, in
13 one sense, you aren't really able to answer whether or
14 not my suggested solution of taking the current PJM
15 methodology, applying it to the past five years and
16 going forward. It doesn't strike you as wrong, but you
17 really can't say, no, that's a great idea or bad idea?

18 A. That's correct.

19 MR. GRAY: Thank you. Your Honor, I've
20 got an -- pardon me, a request for admission, number 4,
21 from the Public Lighting Users Group that I'd like to
22 have marked as OSBA Cross Examination Exhibit Number 2.
23 I'll distribute these to the parties.

24 JUDGE TURNER: Okay. Wait a minute.

25 MR. GRAY: Something Mr. Kleha answered.

1 JUDGE TURNER: Okay. Give me a little
2 more of history. Admission for Mr. Kleha.

3 MR. GRAY: There was an e-mail sent
4 from --

5 JUDGE TURNER: Let's go off the record.
6 (Discussion off the record.)

7 JUDGE TURNER: Back on the record.
8 In that case, you want it marked as --

9 MR. GRAY: OSBA Cross Examination Exhibit
10 Number 2.

11 JUDGE TURNER: Okay.
12 (OSBA Cross Examination Exhibit Number 2
13 was marked for identification.)

14 JUDGE TURNER: Help me out before you
15 start. SL slash AL, streetlighting and area lighting,
16 like in parking lots?

17 THE WITNESS: That's correct, Your Honor.

18 BY MR. GRAY:

19 Q. Mr. Kleha, authenticate this document. This
20 was prepared and answered by you; is that correct?

21 A. That's correct, in consultation with Mr.
22 Kasper.

23 Q. Okay. And in the last full sentence of your
24 answer, you say, as shown in Exhibit JMK 2, at the
25 following docket number, all components of the current

1 unbundled rates for SL/LA customers are subsidized by
2 the rates charged to other non-residential customers;
3 is that correct?

4 A. That's correct.

5 Q. Could you please explain to us what all
6 components means?

7 A. Yes, I will. In PPL Electric's last base rate
8 proceeding, which was at docket R dash 0094, excuse me.
9 Wrong number.

10 Q. Is that the docket number actually on your
11 answer?

12 A. No. But you have to understand, the
13 unbundling case, we unbundled the rates that were
14 created in PPL's last rate base case. I'll get the
15 exact number.

16 JUDGE TURNER: You're looking for the
17 restructuring docket number?

18 THE WITNESS: I have that docket number.
19 I'm looking for the docket number in PPL's last base
20 rate case that was filed in 1994, Your Honor.

21 JUDGE TURNER: Okay. Let's go off the
22 record while he looks for it.

23 (Discussion off the record.)

24 JUDGE TURNER: Back on the record then.

25 THE WITNESS: Yes, Your Honor. In PPL

1 Electric's last base rate proceeding before this
2 Commission at docket number R-00943271, the Commission
3 made its final decision in approximately September of
4 1995.

5 And in filing his compliance tariff, PPL
6 prepared a cost allocation study that represented
7 compliance with the results of the Commission's order
8 in that proceeding. In PPL Electric's restructuring
9 proceeding, at --

10 MR. MACGREGOR: In the admission.

11 THE WITNESS: -- at Docket Number R dash
12 00973952, PPL Electric was required to unbundle the
13 then existing rates into their components of
14 generation, transmission, and distribution.

15 In the reference of this response, that's
16 what I was alluding to, that the elements, being that
17 generation cost, the transmission cost, the
18 distribution cost, when they were unbundled, all of
19 those elements were at a rate of return less than
20 system average.

21 BY MR. GRAY:

22 Q. For the SL and AL?

23 A. For SL and AL.

24 MR. GRAY: Very good. Thank you, Mr.
25 Kleha. That's all I have. Your Honor, I'd like to

1 move into the record OSBA Cross Examination Exhibit
2 Number 2.

3 JUDGE TURNER: There are no objections?

4 MR. MACGREGOR: No.

5 JUDGE TURNER: It is admitted.

6 (OSBA Cross Examination Exhibit Number
7 2 was admitted in evidence.)

8 JUDGE TURNER: We'll move on. Mr.
9 McCormick?

10 MR. MCCORMICK: I have no questions, Your
11 Honor.

12 JUDGE TURNER: I think the next party
13 moving in of cross is PLUG. Miss Knight.

14 MS. KNIGHT: I have few questions.

15 CROSS EXAMINATION

16 BY MS. KNIGHT:

17 Q. Mr. Kleha, if you recall, PLUG did, in fact,
18 ask you --

19 JUDGE TURNER: Could you move the
20 microphone in front of you?

21 BY MS. KNIGHT:

22 Q. Asked a series of interrogatories, one of
23 which was labeled at question 19. And I'm going to
24 distribute a copy of that at this time. It's been
25 marked for purposes of identification as PPL PLUG

1 Exhibit Number 4.

2 JUDGE TURNER: Mrs. Knight, did you want
3 to keep this designation?

4 MS. KNIGHT: I'm sorry?

5 JUDGE TURNER: Use the microphone. Do
6 you want to keep this designation?

7 MS. KNIGHT: Yes. That's labeled
8 consistent with the exhibits that we're prepared to
9 introduce this afternoon. I gave them all a copy.

10 (PPL PLUG Exhibit Number 4 was marked for
11 identification.)

12 BY MS. KNIGHT:

13 Q. Mr. Kleha, do you remember being asked this
14 question and answering this question?

15 A. I remember the question. I remember
16 answering. I can't remember the time frame.

17 Q. Okay. But you are the person responsible for
18 answering the question?

19 A. That's correct.

20 Q. Just have a couple questions about your
21 answer, if we could elaborate. In response to the
22 question, which is, to describe the distinctive service
23 characteristics that, in fact, do distinguish
24 streetlights and other classes of customers, you
25 mention that unlike other distribution classes,

1 streetlighting rate class has no services investment
2 assigned to the class. Could you explain what that
3 means?

4 A. Yes, I can. If you think of an example in
5 terms of your residence, if you are not in an
6 underground development, let's assume you're served
7 overhead and there's a line running down the sidewalk,
8 string of poles with the wire, probably could be 12 kV,
9 more than likely 480 or 240. It's running down the
10 street.

11 And, at some point, you have asked for
12 service and you need to be connected to the system in
13 order to get your electricity. The wire that's coming
14 from that line to your property overhead to your
15 property some, in some instance, the weather head and
16 down into the meter, that's a service or a service
17 drop.

18 Service is running up and down the
19 street. We're dropping the service from the street to
20 your point at connection at your house. There are no
21 services related to streetlights.

22 Q. And that is because?

23 A. Because, in most cases, they don't have a
24 meter.

25 JUDGE TURNER: No meter. Okay.

1 BY MS. KNIGHT:

2 Q. Is that also because they are served
3 underground and you don't need a service drop?

4 A. That's correct. And, usually, they're in a
5 string.

6 JUDGE TURNER: Usually what.

7 THE WITNESS: A string, there will be
8 several streetlights.

9 JUDGE TURNER: String?

10 THE WITNESS: They're connected.

11 JUDGE TURNER: Thank you.

12 THE WITNESS: One after the other.

13 BY MS. KNIGHT:

14 Q. And are traffic signals also served from
15 underground wires?

16 A. They can be.

17 Q. Are they, in most cases?

18 A. Depends on the location in our service
19 territory you're talking about. Probably in downtown
20 Harrisburg, yes. You get to my hometown of the coal
21 region, no.

22 Q. So, for urban and suburban environments, they
23 could typically be served underground?

24 A. It depends. Depends on the community and what
25 they put in to the installation of their traffic

1 lights.

2 Q. You gave me for an example readily Harrisburg
3 and I assume that was because --

4 A. We're here.

5 Q. It's generic?

6 A. Because we're here.

7 Q. As a generic characteristic of urban
8 environments would tend to be served underground
9 facilities?

10 A. I would think, in most instances, they try to
11 put them under ground.

12 MS. KNIGHT: Your Honor, I move for
13 admission of PPL PLUG Exhibit Number 4 at this time.

14 JUDGE TURNER: Are there any objections?

15 MR. MACGREGOR: No, Your Honor.

16 JUDGE TURNER: May be so admitted.

17 (PPL PLUG Exhibit Number 4 was admitted
18 in evidence.)

19 MS. KNIGHT: I have no further questions
20 for Mr. Kleha at this point.

21 JUDGE TURNER: Thank you. Miss Knight.
22 Miss Polacek.

23 MS. POLACEK: I do have a few questions,
24 Your Honor.

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BY MS. POLACEK:

Q. Good morning, Mr. Kleha.

A. Good morning.

Q. If you could get back to your surre rebuttal testimony again. As you can probably guess, I have a few questions about transmission service charges. And the portion I'd like you to look at is a question that starts on page 5 and your answer starts there and continues on about halfway down page 6. If you want to refresh your recollection of that section of your testimony.

A. I read it.

Q. All right. And focus first on page 6, lines 3 through 6, there's a sentence that reads, however, a mismatch between the allocation of transmission and service charges and recovery of those charges will produce interclass differences that could affect the results of the cost allocation study.

And my question to you is, is that the mismatch that Mr. Baron's analysis actually shows with respect to PPL's uniform transmission service charge?

A. Yes.

Q. And, currently, each rate schedule does have a different transmission service charge?

1 A. That's correct, as a result of the
2 restructuring proceeding.

3 Q. So that was as a result of the unbundling and
4 the prior allocation of those charges?

5 A. That's correct.

6 Q. Okay. And in the historic cost of service
7 studies before we did the unbundling, for transmission
8 costs, you would have used a demand allocation;
9 correct?

10 A. That's right. At 12 CP, 12 coincident peak
11 allocator.

12 Q. Now, let's look at the next sentence of this
13 response here. It's kind of long, so I'm going to
14 break it into two thoughts with you. What I'm looking
15 at the first part of this sentence, I think that you're
16 saying that PPL is looking only for a pass-thru without
17 a return on its transmission cost. Is that what you're
18 trying to capture here?

19 A. That's correct.

20 Q. Okay. And in this proceeding, the parties are
21 not examining the return that you are earning on your
22 PJM transmission rates?

23 A. That's correct. And I think the reason that
24 we've answered it this way is because of the testimony
25 of Mr. Yocca, where it appeared that he was suggesting

1 or perhaps with a misunderstanding of what was actually
2 being requested at this proceeding versus what was the
3 jurisdictional problems of the FERC in terms of the
4 setting of the network integration transmission service
5 rate in the PJM OATT, all caps O-A-T-T.

6 Q. And when we go to the Federal Energy
7 Regulatory Commission one day to reset those rates,
8 that's when we'll look at the return that PPL earns on
9 transmission investment, correct?

10 A. That's correct.

11 Q. And in this proceeding, we're also not looking
12 at any returns that you're getting on generation or
13 through the stranded cost charges?

14 A. That's correct.

15 Q. Now, let's look at the second part of this
16 sentence because this may be where I'm a little
17 confused. And you state that you think that these
18 charges should be allocated in the same manner as the
19 expense is recovered. Is that recovered by PPL or
20 recovered by PJM?

21 A. I was speaking here of PPL Electric, its
22 recovery.

23 Q. Its recovery from?

24 A. From customers.

25 Q. From retail customers?

1 A. That's correct.

2 Q. So, we're taking the -- we're starting with
3 the methodology that you want to use to recover it from
4 retail customers and then having an allocation fall out
5 of that?

6 A. No. I think we, PPL Electric, proposed a
7 uniform cents per kilowatt hour charge based upon
8 assignment of all the costs on a kilowatt hour basis.

9 And all I was attempting to say here
10 maybe not as articulately as I wanted to was that there
11 should be dollar for dollar recovery in terms of, if
12 you have a thousand dollars worth of revenue that's
13 been billed and you recover it and a thousand dollars
14 worth of expense, there, obviously, is no effect on the
15 income of the company. So there's no profit to the
16 company. It's just a dollar for dollar pass-thru of
17 recovery.

18 Q. Turning to the last portion of this phrase,
19 you reference avoiding the distorting the results of
20 the cost allocation study. Is that distorting the
21 results of a transmission allocation study or
22 distribution allocation study?

23 A. Distribution.

24 Q. Finally, I have a few questions for you
25 dealing with reconciliation topic for you.

1 A. Sure.

2 Q. And do you agree with me that in terms of
3 designing pass-thru rates, the more closely the rate
4 design to the retail customer would track the
5 underlying cost incurrence, the less likely
6 reconciliation would be necessary?

7 A. The less likely there would be significant
8 reconciliation differences at the end of the periods.

9 Q. Okay. So the less likely the reconciliation
10 would produce a big number?

11 A. That's correct.

12 Q. And I want to say that I don't think I'll ever
13 get you to say that reconciliation isn't necessary as
14 something available.

15 Now, the charges that PPL would be
16 collecting from retail customers through the TSC, do
17 you agree with me that some of those costs would be
18 avoided if customers access competitive supply from an
19 electric generation supplier?

20 A. That's correct.

21 Q. Okay. And would you also agree that the more
22 closely we can have the retail rate design track the
23 costs, that PPL will avoid when customers shop, the
24 less likely a significant reconciliation will be
25 necessary due to customer shopping decisions?

1 A. I'm not sure that there would be -- there
2 would be any difference, to be perfectly honest with
3 you. As long as I'm recovering the charges -- the cost
4 to a customer and a customer is paying for it, and I
5 recover it, and everybody is paying me exactly the same
6 way, if that customer avoids it and I avoid the cost, I
7 think may be ambivalent. Might be slight difference
8 but I think it would be immaterial.

9 Q. Do you agree with me though, when a customer,
10 a large customer, for example, would shop with an
11 electric generation supplier, the majority of the cost
12 that PPL are -- is going to avoid are actually on a
13 demand basis?

14 A. That's correct.

15 MS. POLACEK: Okay. Thank you, Mr. Kleha.
16 That's all the questions I have.

17 JUDGE TURNER: Mr. Niesen.

18 MR. NIESEN: No questions, Your Honor.

19 JUDGE TURNER: Did I overlook any
20 counsel? Okay. Do you have redirect?

21 MR. MACGREGOR: Yes, just a couple of
22 questions, Your Honor.

23 REDIRECT EXAMINATION

24 BY MR. MACGREGOR:

25 Q. Mr. Kleha, there was discussion yesterday and

1 today during your cross examination regarding the
2 transmission service charge and the so-called two-fold
3 problem of having the transmission service charge which
4 tracks or follows the basis upon which PPL incurs
5 charges under the OATT, a load serving entity, and how
6 they are charged to customers, so-called distortion
7 effect. And the second area, one of rate of
8 volatility.

9 Just so the record is clear, is there a
10 third consideration of the company's ability to
11 actually recover the transmission expenses it incurs to
12 serve its customers?

13 A. Could you repeat part of that?

14 Q. Is it a concern of the company in designing
15 the transmission service charge that the rate be
16 developed in a way that ensures the company has a
17 reasonable opportunity of recovering its transmission
18 service expenses?

19 A. Yes, obviously, that is a concern. And one of
20 the reasons, not the main reason that the company has
21 proposed reconciliation.

22 Q. And in your discussion with Mr. Gray, when you
23 were discussing your surre rebuttal testimony and your
24 concerns about the OSBA five-year average method, is
25 one of the concerns that if you use a five-year average

1 method, it may allocate costs to customer classes with
2 more weather-sensitive load and, without
3 reconciliation, may result in the company's inability
4 to recover its transmission service expense?

5 A. Yes. And when the surre rebuttal was put
6 together, that was one of the clear elements that was
7 being considered in the response that we provided.

8 MR. MACGREGOR: Thank you. That's all I
9 have, Your Honor.

10 JUDGE TURNER: In that case, we can
11 discharge Mr. Kleha. Thank you, Mr. Kleha.

12 (Witness left the stand.)

13 JUDGE TURNER: Good morning, Mr. Kasper.

14 MR. KASPER: Good morning.

15 JUDGE TURNER: You were -- I gather you
16 have also been sworn or this is your first appearance?

17 MR. KASPER: First appearance.

18 Whereupon, OLIVER KASPER, having been
19 duly sworn by the Judge, was examined and testified as
20 follows:

21 JUDGE TURNER: Thank you. And does that
22 also apply to your prepared testimony and exhibits?

23 THE WITNESS: Yes, it does.

24 JUDGE TURNER: Thank you. Please be
25 seated. Mr. McCormick.

1 MR. MACGREGOR: MacGregor. Yes, Your
2 Honor. Mr. Kasper is responsible for his direct
3 testimony, Statement Number 6, his rebuttal testimony
4 Number 6R and various exhibits that are identified as
5 being prepared by him as part of the company's filing,
6 all of which have been previously entered into the
7 record.

8 I have one area of brief rejoinder for
9 Mr. Kasper. And then he would be available for cross.

10 DIRECT EXAMINATION

11 BY MR. MACGREGOR:

12 Q. Mr. Kasper, in his surre rebuttal testimony on
13 behalf of the PLUG group, Mr. Link references the
14 tariffs of three electric distribution companies in
15 Pennsylvania who have active, separate rate schedules
16 for traffic lighting. Are you familiar with that
17 testimony?

18 A. Yes, I am.

19 Q. And since receiving that surre rebuttal
20 testimony, have you had the opportunity to review the
21 tariffs of other Pennsylvania electric distribution
22 companies to determine whether they have such
23 provisions?

24 A. Yes, I have.

25 Q. Could you summarize the results of your

1 review?

2 A. Okay. I went to the PUC web site for these
3 tariffs. There are 11 electric utility tariffs on the
4 PUC web site active in Pennsylvania.

5 Of those, only three have unmetered
6 traffic signal service, that being, Dusquene, Met-Ed
7 and PECO. The other eight do not have active unmetered
8 traffic signal rates.

9 Two of them, however, did have closed
10 rates. One was Penelec, and the other one was PPL's TS
11 rate.

12 MR. MACGREGOR: Thank you. That's all I
13 have, Your Honor. Mr. Kasper is available for cross
14 examination.

15 JUDGE TURNER: All right. Mr. Kanaskie.

16 MR. KANASKIE: We have no questions, Your
17 Honor.

18 JUDGE TURNER: Mr. Beatty.

19 MR. BEATTY: We have no questions, Your
20 Honor.

21 JUDGE TURNER: Mr. Gray.

22 MR. GRAY: No questions, Your Honor.

23 JUDGE TURNER: Miss Knight.

24 MS. KNIGHT: I have a few questions, Your
25 Honor.

CROSS EXAMINATION

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BY MS. KNIGHT:

Q. Good morning, Mr. Kasper.

A. Good morning.

Q. Mr. Kasper, I assume that you have your direct testimony and your rebuttal testimony and your surre rebuttal. Surre rebuttal testimony available to you?

A. I don't have the surre rebuttal testimony. I have the direct and rebuttal.

Q. You're right. I apologize. At this time, I'm directing you to statement 6R, starting on page 14. And testimony that relates to your rebuttal to Mr. Bradley's testimony on streetlighting. Are you there?

A. Yes.

Q. First, you posit that PPL can't afford to maintain a staff to control outdoor streetlights; is that correct?

A. That's correct.

Q. So, PPL relies on local police or the public to advise it as to whether, when its facilities are not working properly?

A. Yes.

Q. Okay. So then, you are obviously acknowledging that PPL doesn't know when its streetlights are out from its own resources; is that

1 correct?

2 A. From our own resources, no. But we receive
3 faxes from local police on a daily basis at our contact
4 center.

5 Q. Now, since streetlights don't operate during
6 the normal business hours, PPL would, if it did patrol,
7 have to hire people to work from dusk to dawn; is that
8 correct?

9 A. That would be my assumption.

10 Q. And in the summer, that would be from
11 approximately 8 or 9 in the evening through the night?

12 A. If you did patrols. But it's more efficient
13 to have local police do this for us.

14 Q. That wasn't the question I asked you. I asked
15 you if you were using your own resources, you would
16 have to hire people to do patrol?

17 A. That's correct.

18 Q. And in the winter, you would hire people from
19 approximately 5:00 in the evening until sometime during
20 the night?

21 A. Correct.

22 JUDGE TURNER: Excuse me. Mr. Kasper,
23 I'm having trouble hearing you. Could you speak into
24 the microphone? Thank you.

25

1 BY MS. KNIGHT:

2 Q. And when you mentioned or referred to police
3 in your testimony, those are -- you refer to police,
4 those are municipal employees who are out at night; is
5 that correct?

6 A. That's correct. We normally depend on them to
7 report any outages.

8 Q. And do you happen to know what the average
9 policeman's salary in Harrisburg, for example, is?

10 A. No, I do not.

11 Q. Or in Allentown, for example?

12 A. No, I do not.

13 Q. So you have no idea what it costs the
14 municipalities to perform the patrolling and reporting
15 function, do you?

16 A. No.

17 Q. Have you had any feedback from any
18 municipalities regarding the burden imposed by PPL to
19 have its employees essentially patrolling your
20 facilities?

21 A. No, I have not.

22 Q. Do you know how much PPL would have to pay an
23 employee to do the patrolling work that you allude to
24 being cost prohibitive, let's say an average employee?

25 A. Not right off the top of my head right now.

1 But I'm guessing we'd be looking at something along the
2 lines of our CSRs, which are probably around the area
3 of 16 to 20 bucks an hour, plus vehicle expenses.

4 Q. And the like?

5 A. And the like.

6 Q. And has PPL undertaken any studies to
7 determine how many hours, man hours it would have to
8 dedicate to patrolling its streetlights --

9 A. No.

10 Q. -- to ensure -- let me finish the question.
11 To ensure that they're operational?

12 A. No.

13 Q. Has PPL entered into any agreements with
14 municipalities, townships, boroughs, whatever, to
15 arrange for streetlight maintenance of the type you
16 described in your testimony?

17 A. You're talking about reporting of streetlight
18 outages?

19 Q. Patrolling, as you characterize it and
20 reporting?

21 A. No.

22 JUDGE TURNER: Okay. You have to let her
23 finish her question. And you have to let him finish
24 his answer. You can't both talk at once.

25 MS. KNIGHT: I'm having a little trouble

1 occasionally, hearing exactly when his answer stops. I
2 am try to be more a tentative.

3 JUDGE TURNER: Okay.

4 BY MS. KNIGHT:

5 Q. Do you have any unwritten agreements with
6 townships, boroughs and other local municipalities
7 regarding dedication of their resources to patrolling
8 and reporting regarding your PPL's facilities?

9 A. We have a process in place. It's a reporting
10 fax sheet that they use. When they see an outage of
11 the lamp, they report the pole number. Whether the
12 light is completely out or what we call flickering or
13 flashing, and, basically, bring that back with the
14 patrol people, the police or whoever they're using and
15 fax that into our contact center.

16 Q. I understand that that's the process that's in
17 place.

18 A. Well --

19 Q. The question was, my question was specifically
20 was, do you have any unwritten agreements with
21 townships to follow this particular process?

22 A. Well, we have an understanding. I don't know
23 if you call that an agreement, where somebody is
24 shaking hands on it. They tend to want to keep their
25 lights on, so they do follow the procedure.

1 Q. And with that thought in mind, that they do
2 want to keep their lights on, if they don't patrol,
3 conversely, they run the risk of not having their
4 lights functional on an ongoing basis; is that correct?

5 A. None of the processes that we have in place
6 today. We are doing group relamping, where that
7 reduces the number of spot outages that you're likely
8 to have in a particular geographic area.

9 What we do on group relamping, we
10 actually go into an area and we replace all the lamps
11 in that area at the same time before they reach their
12 end of life. And, that way, you don't have the spot
13 replacement problems.

14 Q. We can get to the group relamping in due
15 course. But absent an area that has been group --
16 let's explore that a little now, since you brought it
17 up.

18 In your testimony, you stated that you --
19 that PPL restarted its group relamping protocol in
20 2002, is that correct?

21 A. That's correct.

22 Q. And how long had it been since the group
23 relamping protocol was in effect prior to 2002?

24 A. It was in effect or not in effect?

25 Q. Not in effect.

1 A. About two years.

2 Q. And why was it that PPL stopped doing the
3 group relamping?

4 A. It was looked on as a cost-reduction measure.

5 Q. And why was it restarted?

6 A. The number of spot outages was increasing
7 dramatically. And the number of customer complaints
8 about lights being out a considerable length of time
9 would be reported in the company.

10 Q. And how many lights are being replaced
11 annually for -- within the group relamping protocol?

12 A. Approximately, there's 150,000 lamps that we
13 have that we're replacing them every six-year cycle.
14 So, divide that out, what do you get? Don't have a
15 calculator on me.

16 Q. So you're saying one-sixth of your lights are
17 being replaced?

18 A. One-sixth are being replaced annually, at this
19 point.

20 Q. And is that an aspirational goal or are you
21 actually performing that task?

22 A. We're actually performing that task.

23 Q. And to what extent does group relamping
24 eliminate spot outages?

25 A. It reduced them considerably. Your lamps

1 would not be approaching end of life or going past end
2 of life, which is usually about 24,000 hours. So, it
3 should bring it down dramatically over the next couple
4 of years.

5 Q. From your testimony, with respect to your
6 repair function, you state that you have a commitment
7 to repair 90 percent of reported malfunctioning lights
8 within three work days; is that correct?

9 A. That's correct.

10 Q. So that means if a light is reported out on a
11 Friday, for example, PPL will have it back in service
12 in five days?

13 A. I have to check on that.

14 Q. You don't know whether Saturday or
15 Saturdays --

16 A. Saturdays or Sundays --

17 JUDGE TURNER: You can't both talk at
18 once.

19 BY MS. KNIGHT:

20 Q. I think I was saying, that means you don't
21 know whether Saturday or Sundays is considered a
22 workday?

23 A. That's correct, for the outage of the lamps.

24 Q. And the goal of repairing 90 percent outages
25 within three work days applies only to reported

1 outages; is that correct?

2 A. That's correct.

3 Q. And PPL has no idea how many unreported
4 outages there are; is that correct?

5 A. That's correct.

6 Q. And that is because you do not maintain your
7 own patrols to determine when there are outages; is
8 that correct?

9 A. We do not maintain patrols, that's correct.

10 Q. Now, with respect to the 90 percent repair
11 rate and the three work days, how did you determine
12 that 90 percent was an appropriate recovery rate for
13 street outage, streetlight outages?

14 A. That was a goal that was set by our field
15 service organization.

16 Q. You were not responsible for setting that?

17 A. I was not responsible for that.

18 Q. So you don't know what factors went into
19 deciding if that 90 percent was acceptable?

20 A. No, I don't.

21 Q. Do you know whether any customers were
22 contacted regarding whether that was acceptable
23 percentage?

24 A. I do not know.

25 Q. Do you know whether any customers or other

1 input was received on the three workday criteria?

2 A. No, I don't.

3 Q. Has PPL audited its performance to see whether
4 it is meeting the goals that it set for itself?

5 A. I don't believe we have done an audit on that
6 at this point.

7 Q. So, PPL has no idea whether it is even
8 satisfying the 90 percent repair rate within three
9 workday standards that it set for itself?

10 A. I don't know at this time.

11 Q. Is that because PPL does not report -- the
12 field services don't report the statistics to
13 management?

14 A. They have a report. I am not privy to that
15 report right now. It is being reported through
16 management right now. I have not seen it.

17 Q. So, really, the only thing you know about
18 streetlight services is that PPL has a goal of
19 replacing lights within -- 90 percent of the lights
20 within three workdays?

21 A. That's correct.

22 Q. Prior to filing this case and receiving Mr.
23 Bradley's testimony, does PPL management require any
24 statistics from field services regarding the success
25 rate in meeting the goals set by PPL for itself?

1 A. I don't have any knowledge of that.

2 Q. Just so we're clear, you don't know whether
3 there are any such reports required by management?

4 A. The reports are required. But I don't know if
5 they were being reviewed to see if they're hitting the
6 90 percent.

7 Q. Would you be the person who would know that?

8 A. No.

9 Q. Who would be the person who would know that?

10 A. At this point, I'm not sure.

11 Q. Has PPL conducted any customer surveys of its
12 municipal customers to see whether they are satisfied
13 with their streetlight service?

14 A. Not that I'm aware of.

15 Q. Does PPL typically do other customer
16 satisfaction surveys when it deals with other customer
17 classes?

18 A. We have ongoing customer satisfaction surveys
19 for our residential and industrial and commercial
20 customers.

21 Q. On page 15 of your rebuttal testimony, you
22 state that the company's support personnel has a
23 heightened awareness of the need to respond to reports
24 of malfunctioning streetlights; is that correct?

25 A. Yes.

1 Q. Does that mean that prior to -- does that mean
2 that prior to PPL PLUG's participation in this case,
3 PPL personnel were unattentive to streetlight repair
4 problems?

5 A. No.

6 Q. What did that mean? When did the heightened
7 awareness occur?

8 A. 2002, getting the complaints in on the number
9 of outages, spot replacements, and moving back to group
10 relamping that was discussed earlier. In 2003, couple
11 municipalities had a number of outages. We spent a
12 considerable amount of time making sure that we started
13 replacing those spot replacements quickly, bringing it
14 up to the 90 percent goal. It was well before PLUG was
15 involved in this case.

16 Q. On the other hand, you're not aware of whether
17 -- as you just testified, you're not aware of whether
18 you satisfied the goal?

19 A. That's correct.

20 Q. Mr. Kasper, are you aware of whether all the
21 streetlights reported out by Mr. Bradley in the
22 information he forward today PPL have been replaced at
23 this time?

24 A. I don't know at this point in time. We have
25 been checking. I understand a lot of them were taken

1 care of. I don't know if they're all taken care of.

2 Q. Do you know whether they were taken care of
3 within the three workdays?

4 A. No, I do not.

5 Q. Do you know who would know whether they were
6 taken care of within three workdays?

7 A. I'd have to go back and see if we can get a
8 ahead of the reports on those repairs.

9 Q. Are you aware that PPL still owns some of the
10 streetlights in Harrisburg?

11 A. Yes. Some of the downtown ones here, off the
12 network, I believe, are owned by us.

13 Q. Are you aware or did you research in preparing
14 your rebuttal testimony, whether Harrisburg is
15 experiencing chronic problems concerning PPL's, excuse
16 me, streetlight outages?

17 A. No, I do not.

18 Q. Did PPL reduce staff levels of personnel
19 available to replace streetlights since the
20 restructuring orders were entered?

21 A. No, I don't believe we did.

22 JUDGE TURNER: He first said that would
23 be our line crews. He said, no, I don't believe we
24 did.

25 THE WITNESS: I don't believe reduced

1 manpower.

2 BY MS. KNIGHT:

3 Q. When you say reduce manpower, do you mean by
4 laying off people? Or does that also apply to
5 attrition?

6 A. By laying off people.

7 Q. Is PPL filling jobs when there are retirements
8 or people leave line crews?

9 A. Yes.

10 Q. Okay. So you're at the full compliment you
11 were at in 1997?

12 A. I'd have to check.

13 Q. So you don't know?

14 A. Not right off hand.

15 Q. So then your answer to my prior question about
16 reducing staff, you don't know?

17 A. I'm not sure.

18 Q. Has PPL reduced any of the staff that intakes
19 faxes and calls regarding streetlights from
20 municipalities or the public?

21 A. I'm not sure.

22 Q. And am I correct that PPL receives reports of
23 outages from via fax and telephone calls from the
24 public?

25 A. That's correct.

1 Q. And are those calls fielded by the local field
2 offices, could you tell me -- by the local field
3 office? Strike the rest.

4 A. The process that we go through?

5 Q. Yes.

6 A. For most of them, the faxes are received at
7 our customer service department in Allentown and is put
8 into what we call a working management system. And
9 work requests are then printed out in our field offices
10 and assigned to line crews.

11 If a customer calls in with a complaint
12 with a light out, it's usually taken by a customer
13 service rep and, again, typed -- put into the system in
14 and a work request is also generated that way.

15 Q And the work request goes to the same ultimate
16 end-source?

17 A. Yes.

18 Q. And that would be the line crews?

19 A. Yes.

20 Q. Excuse me. In response to Mr. Bradley's
21 testimony on page 16 of your rebuttal testimony, you
22 stated that, in your opinion, it's not practical to
23 give feedback to each -- on to each and every average
24 report with 170,000 streetlights to monitor. Is that
25 an accurate statement of your testimony?

1 A. That's correct.

2 Q. First, this may be a technical correction.
3 But is my understanding that PPL maintains only -- owns
4 and maintains only 150,000 streetlights?

5 A. Yes, you're correct. That is an error.

6 Q. Okay. And am I also correct that, as to
7 monitor, you don't monitor those streetlights, other
8 people monitor for those streetlights?

9 A. That's correct.

10 Q. So you actually would be giving feedback only
11 on the outage reports?

12 A. Correct.

13 Q. Which, according to you, is only point 2
14 percent of those streetlights?

15 JUDGE TURNER: How many percent?

16 MS. KNIGHT: Point 2 percent.

17 THE WITNESS: Point 2 percent.

18 BY MS. KNIGHT:

19 Q. Is it your testimony that it would still be
20 impractical to give customer feedback on the outage
21 repairs that you do?

22 A. Yes. It would still require additional man
23 hours to be feeding back on those type of outage
24 reports. They're distributed out to several different
25 work areas and get them back to a central location and

1 try to feed those back to the customers. The
2 administrative problems and requiring a lot of man
3 hours to do it.

4 Q. So, what happens to the reports now?

5 A. Once they're finished, the job is done. And
6 it should be results quite obvious to the customer.
7 The light is back on. That's the feedback. That was
8 positive feedback.

9 Q. In other words, the municipalities would have
10 to go out, send the policeman out to check the
11 streetlight that was repaired, rather than PPL send a
12 man out to let the customer know that the streetlight
13 has been repaired; is that correct?

14 A. If the customer wanted to see if it had been
15 repaired, yes, he'd probably have to send somebody out.
16 More than likely, once it was reported, probably was
17 repaired.

18 Q. Didn't you previously just give testimony that
19 you started to do group relamping program again because
20 you were having such a high rate of complaints about
21 your repairs?

22 A. Yes. And we brought that problem under
23 control, I believe.

24 JUDGE TURNER: Do you have many --

25 MS. KNIGHT: I do have some more. Would

1 you like to take a break?

2 JUDGE TURNER: I was going to take a
3 break when you finish. So, I'd kind of like you to
4 finish.

5 MS. KNIGHT: Okay. This has been my
6 first day to do this.

7 JUDGE TURNER: Do you have three pages?

8 MS. KNIGHT: I probably have three pages
9 left.

10 JUDGE TURNER: Okay. Miss Polacek, do
11 you have cross of this witness?

12 MS. POLACEK: I have just a little bit.
13 Certainly not three pages. Maybe three questions.

14 JUDGE TURNER: Let's take a brief break
15 now then. 10 minutes. Be back at 11:30.

16 (Whereupon, a brief recess was taken.)

17 JUDGE TURNER: Let me just say that I
18 after we're finished with the witness, I would like to
19 take care of moving in those stipulated statements that
20 have not been moved in. I have circled on this page,
21 Selecky.

22 MR. MELIA: Yes, Your Honor, I'm prepared
23 to move these in.

24 JUDGE TURNER: Okay. And Mr. Kinsel,
25 you're prepared to move that in. Or was it moved in?

1 MR. KINSEL: Your Honor, I thought that
2 may have already been moved in. But I'll make a
3 motion, renew my motion.

4 JUDGE TURNER: No. I wanted to -- and
5 Mr. McCormick. I'm having trouble with that name
6 today. But Mr. McCormick, we're waiting for an
7 affidavit, I believe. And Mr. Bradley of PLUG, is his
8 testimony going to be in?

9 MS. KNIGHT: Yes. No, he's here.

10 JUDGE TURNER: But does anyone have
11 cross?

12 MS. POLACEK: Yes.

13 JUDGE TURNER: So none of your witnesses
14 are going to go in on stipulation?

15 MS. KNIGHT: Mr. Musser. I don't believe
16 anybody has indicated that they have any questions for
17 Mr. Musser.

18 JUDGE TURNER: How about Mr. Link?

19 MS. KNIGHT: I think last night, Mr.
20 MacGregor did say he has some.

21 JUDGE TURNER: Excuse me. So, can we
22 move in Musser in this morning?

23 MS. KNIGHT: Certainly.

24 JUDGE TURNER: Does he have an affidavit
25 with him?

1 MS. KNIGHT: We have an affidavit.

2 JUDGE TURNER: Okay. Good. Okay. Let's
3 resume, Miss Knight.

4 MR. KANASKIE: Your Honor, it's my
5 understanding that there's no cross for Mr. Yarolin.
6 We could include his testimony with that group, if it's
7 more convenient.

8 JUDGE TURNER: Okay. With the
9 corrections you've given us?

10 MR. KANASKIE: Yes, Your Honor.

11 JUDGE TURNER: Thank you.

12 MR. MULLINS: OCA witness Galligan also
13 will be stipulated this afternoon or this morning.

14 JUDGE TURNER: Okay. Are you prepared to
15 stipulate?

16 MR. MULLINS: Yes, Your Honor.

17 JUDGE TURNER: Okay. We can do that
18 presumably after this witness and before lunch. Get
19 that all taken care of. Now, let us resume with Miss
20 Knight, Mr. Kasper.

21 BY MS. KNIGHT:

22 Q. Thank you. Mr. Kasper, I believe you
23 testified earlier today that with respect to group
24 relamping, the lamps that PPL is now installing have a
25 useful life of 24,000 hours?

1 A. Yes, that's correct.

2 Q. And is that a new technology to the old lights
3 that are currently in place, or have that same useful
4 life?

5 A. Approximately the same for high pressure
6 sodium and mercury vapor lamps, about 24,000-hour life.

7 Q. That's standard in the industry, so to speak?

8 A. Yes.

9 Q. That does not represent any new technology
10 that's become available?

11 A. No.

12 Q. And am I correct that PPL's tariff specifies
13 that streetlights operate approximately 4,300 hours a
14 year?

15 A. In that range, yes.

16 JUDGE TURNER: Excuse me, could we go off
17 the record for a minute.

18 (Discussion off the record.)

19 JUDGE TURNER: Back on the record.

20 BY MS. KNIGHT:

21 Q. So, by my calculation, then the lights that
22 you're installing have a useful life of approximately
23 five and a half years; is that correct?

24 A. That's correct.

25 Q. One last question with respect to

1 streetlighting and, that is, I asked you questions
2 today about the goals that PPL has established for
3 repairing outages. And I believe you told me that PPL
4 is not measuring whether those goals are being complied
5 with; is that correct?

6 A. I'm not measuring them personally. But I
7 believe part of our field service organization would be
8 measuring those.

9 Q. Does that -- did you discover that during the
10 break?

11 A. No. If you think through your questioning
12 line, we have established a goal getting those lamps
13 repaired, 90 percent of them within a three-day period.
14 And that would be one of our goals within the field
15 service organization.

16 Q. And your --

17 A. Now, I have not seen an audit report on
18 anything like that. But I would assume that they're
19 following through on their goals.

20 Q. But you have not offered any proof of that; is
21 that correct?

22 A. That's correct.

23 Q. And are you -- is it your testimony that
24 you're not the person responsible for those sort of
25 management functions?

1 A. I am not responsible for the management of the
2 streetlighting system.

3 Q. So your testimony this morning was only
4 intended to address what the goals are but not -- but
5 not elucidate whether there's compliance with the
6 goals?

7 A. That's correct.

8 Q. One last question about the streetlighting.
9 And that is, what's your goal to fix the remain 10
10 percent that don't get fixed in three working days?

11 A. They would be repaired eventually.

12 Q. Eventually is the goal?

13 A. You got to understand that some of those
14 streetlights are not out because of a simple lamp
15 burnout. They'd be out for damage from automobiles.
16 They'd be out for loss of their photo sensors. They'd
17 be out for the ballast replacement. Parts that are not
18 readily available.

19 So, it's going to take a little bit more
20 time to get to those and repair those.

21 Q. But that 10 percent might also simply include
22 lights that aren't functioning, correct?

23 A. It could.

24 Q. Now, turning our attention to rebuttal
25 testimony on traffic signals. There's a fair summary

1 of your testimony that PPL is not able to reasonably
2 calculate usage at traffic intersections?

3 A. That's correct.

4 Q. And it's reported that you produced a table on
5 page 4 of your rebuttal testimony?

6 A. Yes.

7 Q. Did you compile this -- did you compile this
8 information, Mr. Kasper?

9 A. Yes, I did.

10 Q. And from what was the source?

11 A. We actually took a tour in the Allentown area
12 of several intersections, obtain meter numbers and then
13 brought it back to our office and pulled the
14 information from our customer information system.

15 Q. And you've identified the -- each location by
16 the number of signal phases that are present at that
17 particular intersection; is that correct?

18 A. That's correct.

19 Q. Would you identify any other equipment that
20 was present at those intersections?

21 A. Yes, we did. We could expand this to
22 demonstrate some of the other things that were
23 available at each one of those intersections.

24 Q. When you say expand this, are you able to
25 allocate usage between the number of signal phases and

1 the other equipment?

2 A. No, we cannot.

3 Q. So, for purposes of this, you did not
4 distinguish as to which intersection had additional or
5 additional equipment or what that additional equipment
6 was; is that correct?

7 A. Not on this chart. But, if you look at what
8 we designate as 1, 2, 3 and 9 on these location
9 numbers, you're going to see quite a discrepancy in the
10 kilowatt hour usage on an annual basis between those
11 four intersections.

12 From what we can see, those four
13 intersections are identical and the equipment installed
14 at the intersections.

15 Q. That's for which ones?

16 A. 1, 2, 3, and 9.

17 Q. Mr. Kasper, do you know how it is that the
18 three companies that the tariffs of which are attached
19 to Mr. Link's surre rebuttal testimony are able to
20 render unmetered service to their intersection --
21 intersection usage?

22 A. I'm not familiar with their procedures for
23 doing that.

24 Q. Actually didn't ask whether you were familiar
25 with their procedures. What I asked was, do you know

1 how it is they can, I guess, feel reasonably satisfied
2 that they're accurately billing for that service?

3 A. No.

4 Q. Are you aware that municipalities have to
5 itemize all intersection equipment for Department of
6 Transportation approval?

7 A. No, I am not.

8 Q. Are you similarly not aware that
9 municipalities have to report to the Department of
10 Transportation any changes in intersection equipment?

11 A. No.

12 Q. Doesn't PPL make assumptions about electric
13 consumption for different types of streetlights?

14 A. Yes, we do. Streetlights have a fixed load
15 based on the lamp wattage and the transformer inside of
16 that streetlight. They can be very easily calculated
17 on an hourly basis what it's going to consume.

18 Q. Your testimony -- I'm sorry.

19 A. And with the number of hours available in a
20 year, we can fairly well calculate the kilowatt hours
21 that are going to be consumed by a particular
22 streetlight.

23 Q. So, it's your testimony that you cannot
24 calculate hours that are going to be used from traffic
25 signal equipment?

1 A. No, because we don't know what's going to be
2 at that intersection. And as you can see, by just
3 looking at the table that we have here, the ranges of
4 kilowatt hour usage at these different intersections
5 are phenomenal going from 3,000 kilowatt hours a year
6 going all the way up to 16,000 kilowatt hours per year.

7 Q. Do you know whether LED lights were present at
8 any of these facilities?

9 A. I do not know.

10 Q. So when you counted the signal phases, you
11 didn't know whether they were incandescent or LED?

12 A. No.

13 Q. I'm not sure you answered my question
14 completely. And, that was, is it your testimony that
15 you cannot calculate when you -- assuming that you knew
16 the equipment that was present at that intersection,
17 what the usage would be, knowing that traffic lights
18 were on a constant basis?

19 A. No, I could not because there's other things
20 at intersections that are not constant.

21 Q. Such as?

22 A. Inside the control cabinet, there may be
23 heaters and fans, the moisture and temperature control.
24 I don't know what they're consuming. I don't know if
25 the streetlight is going from normal operation in

1 daytime to a flash operation at night.

2 In the best interest of the customers
3 that we have today, all of our intersections are
4 metered. So, if the customer does make a change to LED
5 lights or whatever for energy conservation purposes, it
6 would show up immediately on the meter.

7 Q. Mr. Kasper, what's a junction box?

8 A. That's usually where you bring the two or more
9 wires together inside of a box and basically splice
10 them together.

11 Q. And your testimony is that the National
12 Electric Code would not allow you to use a meter base
13 as a juncture box; is that correct?

14 A. That's correct.

15 Q. Would the National Electric Safety Code allow
16 you to do that?

17 A. The National Electric Code is derivative of
18 the National Electric Safety Code. And for the
19 customer's benefit, they follow the National Electric
20 Code with installing and cannot use a meter base as a
21 junction box.

22 Q. I'm not sure you answered my question. Would
23 PPL be allowed to use the meter base as a juncture box
24 if it followed the National Electric Safety Code?

25 A. No, that's a customer-owned facility.

1 Q. So, for streetlights, they're not allowed to?
2 They have to have a junction box in as well?

3 A. Streetlights or traffic signals.

4 Q. I'm asking streetlights now.

5 A. Streetlights come off our secondary voltage
6 system, our secondary distribution system. And we
7 operate international electric safety code there.

8 Q. Is there a junction box in each of the
9 streetlights?

10 A. I don't know.

11 Q. You don't know?

12 A. I'd have to get people from our engineer
13 department to take a look at it. Each one of our
14 streetlights is somewhat mounted a little differently.
15 Pole mounts ones out here have a juncture box at the
16 lower base of the pole.

17 We sometimes simply bug into the
18 distribution network for overhead streetlighting.

19 Q. So, it's your testimony, just so we're clear
20 on this, that there's no way that you can -- you would
21 be able to connect wires inside the meter base without
22 a junction box?

23 A. We'd have to replace the meter base with a
24 junction box.

25 Q. Would PPL save money on meter reading

1 expenses if there were no meters at traffic
2 intersections equipment?

3 A. Meter reading expenses?

4 Q. Correct.

5 A. With the AMR system, the meter reading
6 expenses is minimal at this point. So we really
7 wouldn't be saving that much by putting in unmetered
8 services.

9 Q. Are you putting additional equipment in though
10 to -- you are putting additional equipment in to be
11 able to do the automatic meter reading, correct?

12 A. Well, the meter comes integral with its AMR
13 system, which is fed over our distribution lines. And
14 we basically just plug the meter in so there's no
15 additional equipment.

16 Q. But you're replacing the existing meters that
17 are, for example, in this equipment at this point with
18 new equipment, a new meter?

19 A. It's already been completed.

20 MS. KNIGHT: Your Honor, I don't have any
21 additional questions for Mr. Kasper at this time.

22 JUDGE TURNER: Thank you, Miss Knight.
23 Miss Polacek, you said you had some questions?

24 MS. POLACEK: Yes, Your Honor, I do have
25 just a few questions for Mr. Kasper.

CROSS EXAMINATION

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BY MS. POLACEK:

Q. Mr. Kasper, do you have your exhibit OGK 1 there with you?

A. Yes, I do.

Q. Could you please turn to page 9 of that exhibit, which contains rule 5, the number?

A. Yes.

Q. Your Honor, would you like time to get the exhibit? I'm going to ask you ask him a few questions about the language, I notice Judge Colwell is looking back there.

JUDGE TURNER: All right. Off the record.

(Discussion off the record.)

JUDGE TURNER: Back on the record.

BY MS. POLACEK:

Q. Mr. Kasper, in your direct testimony, I think you address this rule on page 16. If you can turn there too.

A. I'm there.

Q. Now, prior to the hearing today, I provided you with a copy of the current rule 5 of PPL's tariff that I got off of the PPL web site this morning and also provided a copy to the counsel, right?

1 A. That's correct.

2 Q. And you have that with you, right?

3 A. Yes, I do.

4 Q. And looking at the current rule 5, could you
5 explain which language in your exhibit OGK 1 on rule 5A
6 is new?

7 A. Basically, the -- well, where the first
8 sentence ends, we've added a section of language
9 dealing with liability of the customer. And then the
10 last sentence from the previous version, currently
11 effective tariff is added at the end of that statement.

12 Q. So, essentially, what's in the current tariff
13 is the first sentence?

14 A. And the last.

15 Q. And the last sentence, and everything in
16 between there is new?

17 A. Correct.

18 JUDGE TURNER: Talk about a customer
19 responsibility.

20 THE WITNESS: Yes.

21 BY MS. POLACEK:

22 Q. And I believe, looking at your testimony, you
23 categorize this as a clarification, correct?

24 A. That's correct.

25 Q. Now, does that mean that PPL is really, in

1 your mind, seeking to maintain the status quo?

2 A. That's correct.

3 Q. Okay. So, PPL will continue to comply with
4 whatever reliability or service outage regulations the
5 Commission imposes?

6 A. That's correct.

7 Q. And, in the future, any changes to that?

8 A. Yes.

9 Q. And this language is not meant to address
10 that?

11 A. No.

12 Q. And in terms of being a status quo, are you
13 aware of any PUC decisions that specifically place this
14 responsibility on a customer?

15 A. No. But it has been part of our tariff for
16 many years.

17 Q. It's been part of your tariff in the language
18 or in your application?

19 A. The application of the language.

20 Q. Okay. But the specific language we're dealing
21 with had to be part of your tariff, correct?

22 A. That's correct.

23 MS. POLACEK: Thank you. That's all the
24 questions I have for Mr. Kasper.

25 JUDGE TURNER: Any other counsel have

1 questions of this witness? In that case, Mr.
2 MacGregor, do you have redirect?

3 MR. MACGREGOR: One moment, Your Honor.
4 No, Your Honor, we have no redirect.

5 JUDGE TURNER: Thank you. Thank you very
6 much, Mr. Kasper.

7 (Witness left the stand.)

8 JUDGE TURNER: Thank you for your
9 patience and my interruptions and seating arrangements.
10 Now, I'd like to turn to moving in testimony that we
11 can move in at this point. Mr. Moody, did you receive
12 your affidavit?

13 MR. MOODY: Yes, Your Honor.

14 JUDGE TURNER: Okay. So, we can move in
15 Mr. McCormick's testimony for Mr. McCormick, Strategic
16 Energy. And Mr. Selecky for -- I'm not sure what the
17 name of that group is.

18 MR. MELIA: Your Honor, on behalf of
19 Walmart and the Pennsylvania Energy Coalition.

20 JUDGE TURNER: That's it. Pennsylvania
21 Energy Coalition. And Mr. McCormick tells me that
22 Kinsel was stipulated in previously.

23 MR. MCCORMICK: It's my understanding,
24 but I will renew my motion that DOD Statement Number 2,
25 the testimony and schedules of Kenneth L. Kinsel, which

1 has the accompanying affidavit with it, be moved into
2 the record in this proceeding.

3 JUDGE TURNER: Just in case.

4 MR. MCCORMICK: Other counsel have
5 indicated they have no cross.

6 JUDGE TURNER: Okay. And Musser, putting
7 Musser in?

8 MS. KNIGHT: Yes, Your Honor.

9 JUDGE TURNER: Okay. Why don't we start
10 with Mr. Selecky.

11 MR. MELIA: Your Honor, I had previously
12 distributed to all parties the direct of testimony of
13 James T. Selecky. We have for Pennsylvania Energy and
14 Wal-Mart --

15 JUDGE TURNER: I'm not sure we can hear
16 you.

17 MR. MELIA: I had not previously
18 designated that testimony. I would like to do so now.
19 I would like to have it marked as Walmart PEC Statement
20 Number 1, direct testimony of James T. Selecky.

21 JUDGE TURNER: May be so marked.

22 (Walmart PEC Statement Number 1 was
23 marked for identification.)

24 MR. MELIA: And, additionally, there are
25 three exhibits appended to that testimony, which I

1 would propose to have marked as Walmart PEC Exhibits
2 Numbers 1 through 3.

3 JUDGE TURNER: May be so marked.

4 (Walmart PEC Exhibits Numbers 1, 2 and 3
5 were marked for identification.)

6 MR. MELIA: And pursuant to your
7 direction, Your Honor, I have also prepared a
8 stipulation which is signed by Mr. Selecky, essentially
9 pertains to certain matters that counsel for PPLICA had
10 desired him to agree to, as a conditional stipulation.

11 And I would propose to have that
12 stipulation marked as PPLICA Cross Examination Exhibit
13 Number 17.

14 JUDGE TURNER: And that's agreeable to
15 Miss Polacek?

16 MS. POLACEK: Yes, Your Honor, that is
17 agreeable to me.

18 JUDGE TURNER: So, it may be so marked.

19 (PPLICA Cross Examination Exhibit Number
20 17 was marked for identification.)

21 MR. MELIA: At this point, I would move
22 for the admission of Walmart PEC Statement Number 1,
23 and exhibits numbers 1 through 3, statement of James T.
24 Selecky, supported by the cross examination exhibit
25 stipulation.

1 JUDGE TURNER: And also the affidavit.

2 MR. MELIA: And the affidavit.

3 JUDGE TURNER: And that's PPLICA Cross
4 Examination Exhibit Number 17?

5 MR. MELIA: Correct.

6 JUDGE TURNER: Hearing no objections,
7 they may be admitted.

8 (Walmart PEC Statement Number 1, Walmart
9 PEC Exhibit Numbers 1, 2 and 3 and PPLICA Cross Exhibit
10 Number 17 were admitted in evidence.)

11 MR. MELIA: I provided the court reporter
12 with an original and two copies of the testimony. I
13 will complete designated the cross exhibit and have
14 those distributed during the course of the day.

15 JUDGE TURNER: Okay. Thank you. Mr.
16 Moody.

17 MR. MOODY: Yes, Your Honor. I have
18 previously distributed to the parties Strategic
19 Statement Number 1, which was the direct testimony of
20 Jim McCormick, on behalf of Strategic Energy.

21 I have also distributed two copies to the
22 court reporter. And I have copies for Your Honor. And
23 also in accordance with your direction, I have an
24 affidavit from Mr. McCormick stating that the statement
25 number 1 was prepared under his direct supervision or

1 by him. And if you were asked the questions today at
2 the hearing, his answers be would be the same.

3 Pursuant to your direction, I would move
4 Strategic Statement Number 1. And Mr. McCormick's
5 affidavit as well as Strategic Exhibits Numbers 1
6 through 7, which are attached to his direct testimony
7 into the record.

8 JUDGE TURNER: Hearing no objection,
9 they'll be so admitted.

10 (Strategic Statement Number 1 and
11 Strategic Exhibit Numbers 1 through 7 were marked and
12 admitted in evidence.)

13 MR. MOODY: Thank you.

14 JUDGE TURNER: And now, Mr. McCormick.
15 You're saying you're making this motion in an excess
16 of caution?

17 MR. MCCORMICK: I renew the motion for
18 admission of DOD Statement Number 2, the direct
19 testimony and schedules of Kenneth L. Kinsel, to be
20 admitted to the record.

21 JUDGE TURNER: You've already provided
22 copies?

23 MR. MCCORMICK: Copies have been
24 provided, the original filing date for direct
25 testimony, to all the parties, to Your Honors and the

1 court reporter, earlier the week, received two copies
2 of Statement Number 2.

3 JUDGE TURNER: Okay. So, it is admitted
4 again.

5 MR. MCCORMICK: I move that DOD Statement
6 Number 2 be admitted to the record.

7 JUDGE TURNER: Okay. It's admitted.
8 (DOD Statement Number 2 was admitted in
9 evidence.)

10 JUDGE TURNER: Miss Knight, for Mr.
11 Musser or Miss Musser.

12 MS. KNIGHT: Mr. Musser, Your Honor. And
13 I too distributed copies of Mr. Musser's prepared
14 direct testimony identified as PPL PLUG Statement
15 Number 3 to the parties, on filing dates so designated
16 by Your Honor and within one of your prehearing orders.

17 And I also have an affidavit here. I
18 have not yet handed a copy to the court reporter, but I
19 will do so.

20 It was only within the last day or so
21 that, and it was confirmed that no one was interested
22 in crossing Mr. Musser.

23 So, at this point, I would move the
24 admission of Mr. Musser's testimony into the record as
25 if he were here and admitted and identified and

1 supported himself.

2 JUDGE TURNER: Did we mark it? Did we
3 identify it?

4 MS. KNIGHT: I did. It has been
5 identified as distributed, when it was distributed to
6 the parties as PPL PLUG Statement.

7 JUDGE TURNER: What is the identification
8 for the record?

9 MS. KNIGHT: PPL PLUG Statement 3.

10 JUDGE TURNER: Okay. Okay. So, that may
11 be admitted. Hearing no objections, under those
12 conditions.

13 (PPL PLUG Statement Number 3 was marked
14 and admitted in evidence.)

15 JUDGE TURNER: Now --

16 MS. MCCLOSKEY: We still have Mr.
17 Galligan for OCA.

18 JUDGE TURNER: And, apparently, Mr.
19 Yarolin.

20 MR. KANASKIE: Yes.

21 JUDGE TURNER: Perfectly happy to take
22 Mr. Galligan at this point.

23 MS. MCCLOSKEY: Yes. I'd like to have
24 marked for identification OCA Statement Number 4 and
25 the accompany schedules RAG dash 1 through RAG 4. And

1 OCA Statement Number 4R, which is the rebuttal
2 testimony of Richard Galligan and OCA Statement Number
3 4S, which is the surre rebuttal testimony of Richard
4 Galligan.

5 JUDGE TURNER: There's an affidavit to
6 support them?

7 MS. MCCLOSKEY: Yes, Your Honor. There's
8 an affidavit included with each volume now that
9 supports each separate statement, that they are true
10 and correct to the best of Mr. Galligan's information,
11 knowledge and belief.

12 And we would move for the admission of
13 Mr. Galligan's OCA Statement Number 4, 4R, and 4S. And
14 we do have a stipulated statement to put on the record
15 with PPLICA.

16 JUDGE TURNER: Why don't you proceed with
17 that?

18 MS. MCCLOSKEY: As a matter of
19 clarification, and of Mr. Galligan's testimony, the
20 Office of Consumer Advocate does not challenge that Mr.
21 Baron's methodology reflects the underlying basis for
22 transmission charges to load serving entities such as
23 PPL, under the PJM OATT.

24 But the Office of Consumer Advocate will
25 challenge the reasonableness of the use of that

1 methodology in this proceeding for allocating
2 transmission costs to retail customers.

3 JUDGE TURNER: And Miss Polacek is not in
4 agreement with that?

5 MS. POLACEK: Yes, I am.

6 JUDGE TURNER: So, the stipulation and
7 the testimony and affidavit may be admitted.

8 MS. MCCLOSKEY: Thank you, Your Honor.

9 (OCA Statement Numbers 4, 4R and 4S were
10 marked and admitted in evidence.)

11 JUDGE TURNER: Mr. Kanaskie.

12 MR. KANASKIE: Thank you, Your Honor. At
13 this time, I'd like to have marked for identification
14 four documents that have been preliminarily identified
15 as OTS Statement Number 4, OTS Exhibit Number 4, which
16 I will note is attached to the back of the direct
17 testimony, OTS Statement Number 4-SR; as well as the
18 document entitled OTS Statement Number 4, an errata
19 sheet that I've endeavored to distribute to all the
20 parties this morning. If I may, I'd like to have those
21 documents marked for identification.

22 JUDGE TURNER: Okay. They may be so
23 marked.

24

25

1 (OTS Statement Number 4, OTS Statement
2 Number 4SR and OTS Exhibit Number 4 were marked for
3 identification.)

4 MR. KANASKIE: Thank you, Your Honor.
5 These documents represent the direct, surre rebuttal
6 and accompanying exhibits of Mr. Yarolin.

7 JUDGE TURNER: I'm just looking at the
8 errata sheet and notice there's fairly large changes.
9 But I guess all counsel saw the errata sheet and still
10 had no cross examination.

11 MR. KANASKIE: I have provided the errata
12 sheet. The Mr. Yarolin is available, if counsel
13 indicates there will be cross.

14 MR. MACGREGOR: I think what happened,
15 the Trial Staff made a substantial increase in their
16 recommended rate increase from their direct testimony
17 and their surre rebuttal testimony. That was set forth
18 in their surre rebuttal testimony, which was
19 cross-examined by me at some length.

20 So, the differences reflect the change
21 from the direct to the surre rebuttal. And I think
22 he's going back to correct his direct to reflect the
23 current position of the Office of Trial Staff.

24 JUDGE TURNER: Is that your
25 understanding?

1 MR. KANASKIE: Absolutely correct. As
2 our numbers changed, Mr. Yarolin's calculations needed
3 to reflect that.

4 JUDGE TURNER: Thank you. I'm sorry that
5 I turned my attention away.

6 MR. KANASKIE: That's quite all right.

7 JUDGE TURNER: Where are we?

8 MR. KANASKIE: We are -- I'm stating
9 Mr. Yarolin is available to testify to the authenticity
10 of these documents if any counsel so desires. If
11 that's not necessary and we can agree by stipulation,
12 as to the authenticity, I ask they be moved into the
13 record at this time.

14 JUDGE TURNER: Okay. Are they supported
15 by an affidavit?

16 MR. KANASKIE: No, Your Honor.

17 JUDGE TURNER: So, we're stipulating to
18 essentially to the affidavit as well?

19 MR. KANASKIE: Or the authenticity that
20 the affidavit would establish. As I mentioned, I can
21 bring Mr. Yarolin up to do it also if we need.

22 JUDGE TURNER: Well, no counsel seems to
23 be requiring that. So we'll go ahead and move it in.

24 MR. KANASKIE: Thank you, Your Honor.

25 JUDGE TURNER: So that means that OTS

1 Statement 4 and attach Exhibit 4 and Statement 4SR.
2 which is OTS Statement 4SR and the errata sheet.

3 MR. KANASKIE: Yes, Your Honor. I note
4 the errata sheet is attached to Statement 4.

5 JUDGE TURNER: Excuse me. All right. It
6 is admitted with Statement 4 then.

7 MR. KANASKIE: Thank you, Your Honor.

8 JUDGE TURNER: They're all admitted.

9 (OTS Statement Number 4, OTS Statement
10 Number 4SR and OTS Exhibit Number 4 were admitted in
11 evidence.)

12 JUDGE TURNER: Does that take care of our
13 stipulated testimony? Hearing no response --

14 MR. MACGREGOR: Your Honor, there may be
15 other witnesses stipulated in like tomorrow's
16 witnesses, the PPLICA witnesses for the individual
17 customers that I think there won't be cross of them.
18 And they will be stipulated at some point.

19 JUDGE TURNER: All right. But this takes
20 care of everybody so far?

21 MR. MACGREGOR: Yes, Your Honor. Yes,
22 Your Honor.

23 JUDGE TURNER: And what I'd like to do
24 now is take a lunch break and start with OSBA's
25 testimony after lunch. And then we can go to Mr.

1 Yocca.

2 MR. KANASKIE: Yes.

3 JUDGE TURNER: And then we will do two
4 PLUG witnesses, Bradley and Link. And then we can
5 discuss tomorrow when we get to that point.

6 MS. POLACEK: Your Honor, I would note
7 that I think Mr. Baron, it's my understanding he is on
8 his way. His flight should have touched down about 10
9 minutes ago.

10 And he will be in the hearing room this
11 afternoon if you wanted to move him up and try and wrap
12 up the process without having to come back at least
13 tomorrow morning.

14 JUDGE TURNER: Okay. We'll cross that
15 bridge when we come to it. But right now, we're going
16 to take a lunch hour. And there's not a lot of work to
17 be done by the parties over the lunch break; is that
18 correct?

19 MR. MACGREGOR: No.

20 JUDGE TURNER: Why don't we take an hour
21 for lunch. Be back here in an hour.

22 (Whereupon, at 12:15 p.m. a luncheon
23 recess was taken, to resume at 1:20 p.m. the same day.)

24 JUDGE TURNER: Good afternoon. We're
25 going to start the afternoon session. And we are going

1 to begin with OSBA's witness.

2 MR. GRAY: Yes, ma'am.

3 JUDGE TURNER: And it is still one person
4 representing two; is that correct?

5 MR. GRAY: One person, that's correct,
6 Your Honor.

7 JUDGE TURNER: And he is Mr. Ewen?

8 MR. GRAY: Yes.

9 JUDGE TURNER: Come to the stand, please.

10 MR. GRAY: While Mr. Ewen is coming up,
11 would you like to take care of an administrative
12 matter, the on-the-record data request that Mr. Niesen
13 of the S.E.F. was kind enough to turn around very
14 quickly for us. Mr. Kanaskie, the OTS was nice enough
15 to let me use his copy machine, so I was going to give
16 you two copies and the court reporter two copies.

17 And the first one, this is the conflict
18 of interest policy. Should be marked as OSBA Cross
19 Exhibit Number 3. I have extra copies if anyone needs
20 one.

21 Second data request, asked this be marked
22 as OSBA Cross Examination Exhibit Number 4.

23 JUDGE TURNER: May be so marked.

24 (OSBA Cross Examination Exhibit Number 3
25 and 4 were marked for identification.)

1 MR. GRAY: And like I say, I have extra
2 copies, if needed. And I ask these two cross
3 examination exhibits 3 and 4 be moved into the record
4 at this time.

5 JUDGE TURNER: Are there any objections?
6 Does anyone need more time to read them to know if they
7 have an objection? Hearing none, they'll be admitted
8 to the record.

9 (OSBA Cross Examination Exhibit Numbers 3
10 and 4 were admitted in evidence.)

11 MR. GRAY: Thank you, Your Honor.

12 JUDGE TURNER: I've got to swear your
13 witness in. Pay attention.

14 Whereupon, MARK EWEN, having been duly
15 sworn by the Judge, was examined and testified as
16 follows:

17 JUDGE TURNER: Thank you. And does that
18 apply also to your prefiled testimony and exhibits?

19 THE WITNESS: Yes, it does.

20 JUDGE TURNER: Okay. Thank you. Please
21 be seated.

22 MR. GRAY: Thank you, Your Honor.

23 DIRECT EXAMINATION

24 BY MR. GRAY:

25 Q. Mr. Ewen, would you state your name for the

1 record, spelling it and identify the company you work
2 for?

3 A. Mark Ewen, M-a-r-k, E-w-e-n. And I work with
4 Industrial Economics.

5 MR. GRAY: Thank you. Your Honor, the OSBA
6 previously distributed three documents to the parties.
7 First is titled the direct testimony and exhibit of
8 Robert D. Knecht and Mark D. Ewen. And we'd ask that
9 be marked OSBA Statement Number 1.

10 JUDGE TURNER: May be so marked.

11 (OSBA Statement Number 1 was marked for
12 identification.)

13 MR. GRAY: Next is titled rebuttal
14 testimony and exhibit of Robert D. Knecht and Mark D.
15 Ewen. And we ask that be identified as OSBA Statement
16 Number 3.

17 JUDGE TURNER: It may be so marked.

18 (OSBA Statement Number 3 was marked for
19 identification.)

20 MR. GRAY: Finally, we have surre
21 rebuttal testimony and exhibits of Robert D. Knecht and
22 Mark D. Ewen. And ask that be marked and identified as
23 OSBA Statement Number 4.

24 JUDGE TURNER: May be so marked.

25

1 (OSBA Statement Number 4 was marked for
2 identification.)

3 BY MR. GRAY:

4 Q. Mr. Ewen, were these three documents, direct,
5 rebuttal and surre rebuttal testimony, and accompanying
6 exhibits, prepared by you or under your supervision?

7 A. They were prepared jointly by myself and Bob
8 Knecht.

9 Q. And where is Bob Knecht right now?

10 A. Well, yes. By way of background, at the
11 outset of this proceeding, Mr. Knecht recognized that
12 he had an unchangeable family commitment for this week.
13 And to address that, we worked together jointly to
14 prepare a response during this testimony. And I am the
15 lucky one to come here today and defend it.

16 Q. Very good. Do you have any corrections to
17 make to these documents?

18 A. No.

19 Q. If I was to ask you each of the questions set
20 forth in your direct, rebuttal and surre rebuttal
21 testimony, would your answers be the same today as they
22 were when you prepared this testimony?

23 A. Yes.

24 Q. Are those answers true and correct to the best
25 your ability and belief?

1 A. Yes.

2 MR. GRAY: Thank you. Your Honor, I move
3 at this time -- ask to be moved not record at this
4 point, OSBA Statements Number 1, Number 3 and Number 4,
5 subject to cross examination and the usual timely
6 motions.

7 JUDGE TURNER: What happened to number 2?

8 MR. GRAY: Number 2 is Andy Swartz, since
9 that was already --

10 JUDGE TURNER: He's already in?

11 MR. GRAY: He's already in.

12 JUDGE TURNER: Okay. They may be so
13 admitted.

14 (OSBA Statement Numbers 1, 3 and 4 were
15 admitted in evidence.)

16 MR. GRAY: And Mr. Ewen is available for
17 cross.

18 JUDGE TURNER: Mr. Kanaskie.

19 MR. KANASKIE: I have no cross, Your
20 Honor.

21 JUDGE TURNER: Mr. MacGregor.

22 MR. MACGREGOR: None, Your Honor.

23 JUDGE TURNER: Mr. Beatty.

24 MR. BEATTY: None, Your Honor.

25 JUDGE TURNER: Miss Polacek.

1 MS. POLACEK: None, Your Honor.

2 JUDGE TURNER: Miss Knight.

3 MS. KNIGHT: Just a few questions, Your
4 Honor.

5 JUDGE TURNER: All right.

6 CROSS EXAMINATION

7 BY MS. KNIGHT:

8 Q. Good afternoon, Mr. Ewen. Is that the way you
9 pronounce it?

10 A. Yes.

11 Q. My name is Louise Knight and I represent the
12 PPL Public Light User Group. And I only have a couple
13 questions about your direct testimony statement on
14 pages 19 to 20.

15 And on that page, you have a series of
16 questions related to metrics for determining the class
17 revenue requirement; is that correct?

18 A. Yes.

19 Q. And in that, you describe the process by which
20 class revenue requirements are usually determined; is
21 that a fair summary?

22 A. Yes.

23 Q. And one of the elements of that process, one
24 of the factors, I guess better description of that
25 process is movement toward the outcome of the cost

1 allocation study?

2 A. That's correct, yes.

3 Q. And then it appears on page 20 that you invoke
4 some other criteria that would act in coordination or
5 opposite to that principle?

6 A. Well, there's -- there's the cost principles
7 that we're focusing on from the cost allocation study
8 and certain non-cost criteria that are generally
9 accepted by folks who do this sort of thing and a
10 couple of those are listed here.

11 Q. And that was my point. And gradualism works
12 toward moving toward the cost of service study even if
13 not at a -- at a slower rate than some parties might
14 like?

15 A. I think that's a fair representation, yes.

16 Q. And value of service principle, actually, is
17 somewhat antagonistic for pricing for the service in
18 accordance with the cost allocation study?

19 A. I wouldn't characterize it as necessarily
20 antagonistic. It could go either way. It simply
21 speaks to the use characteristics or the -- how the
22 particular class responds to changes in the price of
23 electricity. It could go either way, as I think it
24 does.

25 Q. You use the term mitigate. So, I assume it

1 was somewhat at odds of going to full cost of service?

2 A. I guess I would concede that, generally
3 speaking, it's going to mitigate against the move
4 towards cost base rates.

5 Q. In support of those two criteria that you
6 enumerated in your testimony, you cite to the text of
7 principles of public utility rates, is that correct, by
8 Bonbright, et al?

9 A. Yes.

10 Q. And is that because that's a
11 generally-accepted text within the utility rate
12 subsection of economist?

13 A. I think it's often referenced and generally
14 recognized as a good discussion of ratemaking
15 principles.

16 Q. Would it be considered an a authoritative
17 text?

18 A. Oh, I don't know. I mean, depends on your
19 perspective. But it is certainly is a well-respected
20 text in the area of ratemaking.

21 Q. Well, you cited to it, so I assume you
22 consider it to be a authoritative text?

23 A. Yes.

24 Q. Are there any other factors mentioned in that
25 book that are important to the ultimate determination

1 of appropriate rate allocation, revenue allocation?

2 I'm sorry?

3 A. I can't think of any off the top of my head
4 beyond the general ones listed here.

5 Q. Now, your counsel may have told you I had some
6 questions for Mr. Krall about the definition of a
7 public good. And I was wondering if you have a
8 definition of public good similar to the definition
9 given by Mr. Baron in his testimony?

10 A. I don't know that I have contemplated the
11 definition of what a public good is for the purposes of
12 the testimony presented here.

13 Q. Have you, in your experience, had participants
14 of litigants in rate cases argue that their rates
15 should be subsidized because those rates represented a
16 public good or the use of that commodity represents a
17 public good?

18 A. There are parties certainly arguing that in
19 this proceeding.

20 Q. I asked in your experience, have you had that?

21 A. I've seen it elsewhere, yes.

22 Q. In those proceedings, have you had occasion to
23 consider what public good is?

24 A. Not explicitly, because our point is, my
25 experience -- my other experience here is with respect

1 to natural gas. And our general perspective on this is
2 that it's not particularly relevant to our development
3 of a revenue allocation scheme in that we capture those
4 issues when we think about starting with the cost of
5 service and then implementing the provisions of
6 gradualism, avoiding rate shock or value and service.

7 Q. But in that thought process, it seems that
8 you're assuming that you're not at cost, excuse me,
9 that you're in the process to cost of service, to
10 arrive at having the rates allocated according to the
11 cost of service study; is that correct?

12 A. Right, that's a goal to get there.

13 Q. Right?

14 A. Yeah. We're finding a way to get there
15 through the means of gradualism, essentially.

16 Q. And I understand that. My question to you is,
17 whether, let's assume hypothetically, rates were being
18 close to cost of service so that gradualism,
19 presumably, wouldn't come into play, is public good at
20 all factored that can justify, in your view, a subsidy?

21 A. In a revenue allocation scheme, generally, no.
22 I think we've got, you know, our whole case here has
23 been to start with cost allocation scheme, build a
24 revenue requirement or revenue allocation off of that.

25 Q. So your testimony is that although value of

1 service may be principle, that you would recognize in
2 pricing outs, even assuming you were at full cost of
3 service or close to cost of service, that public good
4 would not be a factor that you would consider?

5 A. Right. Well, first, remember, when I talk
6 about value of service, I'm talking about not value in
7 the sense of how valuable it is to society. I'm
8 talking it in the context of a particular customer and
9 how much they are going to respond to changes in prices
10 of that good. The elasticity of demands.

11 But with respect to your broader
12 question, I think I may have lost my train of thought
13 in the first part. If you can remind me what you were
14 getting at.

15 Q. I only mentioned value of service. That's a
16 principle that you mention that would mitigate and
17 serrate or I assume would, in your mind, justify
18 treatment other than pricing that service at cost of
19 service.

20 So, I was -- that was my reason for
21 mentioning value of service. But my real question is,
22 would public good, not meaning the same thing as value
23 of service, also constitute a factor that would cause
24 you to deviate, perhaps, from full cost of service?

25 A. Not in my mind, because we're in the business

1 here of setting rates for utility customers. Any of
2 the subsidies are paid for by utility customers. And
3 we should begin with the prospects of what -- of what
4 cost base rates. And to the extent there are issues
5 involved that require us to rely upon some principle of
6 gradualism, we incorporate those.

7 But until, you know, -- this is a good
8 theoretical decision, I think, for the realm of public
9 policy and tax policy. But until, you know, the
10 legislature tells us to treat a particular group a
11 specific way in the ratemaking process for public
12 policy reasons or public good reasons, we're in the
13 realm of utility ratemaking.

14 And since we're in that realm, we should
15 use good, solid ratemaking principles that are grounded
16 by cost consolidate and cost based.

17 Q. Are you saying that the Commission doesn't
18 have discretion to factor in public good in its
19 determination of what an appropriate cost allocation
20 is?

21 A. I don't want to speak for the Commission. I
22 think it's pretty clear they have some discretion in
23 that regard. I think what we're trying to say is, if
24 we've got a good cost allocation study, let's start
25 there.

1 Let's state, as a goal, we're going to
2 try to make some progress for cost-based rates. We
3 can't get all the way but make progress. To avoid some
4 big impacts, let's incorporate the principle of
5 gradualism.

6 JUDGE TURNER: Could you --

7 THE WITNESS: I'm doing the same thing
8 the guy did this morning.

9 JUDGE TURNER: Gently suggest, as I did,
10 that you keep pointed towards the court reporter.

11 THE WITNESS: Yes.

12 JUDGE TURNER: Thank you.

13 BY MS. KNIGHT:

14 Q. Would your testimony be the same regarding a
15 quality of service, if there were substantial
16 differences between quality of service between
17 customers, such as interruptible rates, for example?

18 A. Yes, it would. I think because we're all
19 pretty much looking at the same distribution system.

20 Q. So, your testimony is the quality of service
21 would not be a factor that you would use to determine
22 the proper revenue allocation?

23 A. We certainly didn't study explicit differences
24 nor review any information showing explicit differences
25 in quality of service across the rate classes and

1 incorporate any such information because we didn't
2 review any into our revenue allocation scheme.

3 Q. I understand what you did in this case. My
4 question is, do you think it would be appropriate if
5 you knew there were a substantial difference in quality
6 of service different classes were receiving, would that
7 be a factor that would be appropriate to consider?

8 A. Not with respect to our revenue allocation
9 scheme.

10 Q. I understand that you didn't do it in this
11 case. But I'm asking you, hypothetically, if facts
12 showed that, would that be an appropriate factor to
13 consider?

14 A. Again --

15 JUDGE TURNER: I think he answered that.
16 I thought he said no.

17 THE WITNESS: When I made that comment, I
18 was speaking broadly.

19 MS. KNIGHT: That it would not be
20 appropriate?

21 THE WITNESS: Yeah.

22 MS. KNIGHT: I have no further questions
23 of this witness.

24 JUDGE TURNER: Ms. Polacek.

25 MS. POLACEK: I have nothing, Your Honor.

1 JUDGE TURNER: Is there any other counsel
2 who has questions for this witness? Mr. McCormick?

3 MR. MCCORMICK: No questions, Your Honor.

4 JUDGE TURNER: I don't actually see any
5 other counsel for the moment. Mr. Niesen?

6 MR. NIESEN: I just walked in. I
7 apologize. Which witness is this?

8 JUDGE TURNER: Mr. Ewen.

9 MR. NIESEN: I have no questions. Thank
10 you.

11 JUDGE TURNER: In that case, Mr. Gray, do
12 you have any redirect?

13 MR. GRAY: No redirect, Your Honor.
14 Thank you.

15 JUDGE TURNER: In that case, we can
16 excuse this witness. Thank you very much for coming.

17 (Witness left the stand.)

18 JUDGE TURNER: Okay. On my schedule, the
19 next witness is Barry Yocca.

20 MR. KANASKIE: Yes, Your Honor.

21 JUDGE TURNER: Is Mr. Yocca here? Good
22 afternoon. Would you raise your right hand?

23 Whereupon, GARY YOCCA, having been duly
24 sworn by the Judge, was examined and testified as
25 follows:

1 JUDGE TURNER: Does that also apply to
2 your testimony prefiled in this case?

3 THE WITNESS: Yes, it does.

4 JUDGE TURNER: Please be seated. Mr.
5 Kanaskie.

6 DIRECT EXAMINATION

7 BY MR. KANASKIE:

8 Q. Thank you, Your Honor. Mr. Yocca, could you
9 please state your name and position for the record,
10 please, and spell your name?

11 A. Gary Yocca. Gary, Y-o-c-c-a. I'm a fixed
12 utility financial analyst supervisor in the Office of
13 Trial Staff.

14 Q. And, Mr. Yocca, have you prepared written
15 testimony and exhibits for the purposes of this
16 proceeding?

17 A. Yes, I have.

18 MR. KANASKIE: And, Your Honor, I
19 previously distributed to the parties, to the court
20 reporter, and to you, two documents that have been
21 preliminarily identified as OTS Statement Number 6R and
22 OTS Exhibit Number 6R.

23 And I would note that Exhibit Number 6R
24 is attached to the back of Statement 6R. And I ask at
25 this time that they be marked for identification.

1 JUDGE TURNER: Separately or as OTS
2 Statement Number 6R?

3 MR. KANASKIE: I'd like to have them
4 marked separately, if you would, Your Honor.

5 JUDGE TURNER: Okay. Statement and
6 Exhibit 6R, may be so marked.

7 (OTS Statement Number 6R and OTS
8 Exhibit Number 6 R were marked for identification.)

9 MR. KANASKIE: Statement 6R and Exhibit
10 6R. Thank you.

11 BY MR. KANASKIE:

12 Q. Do you have these documents in front of you?

13 A. Yes, I do.

14 Q. Do these documents contain your rebuttal
15 testimony and the accompanying exhibit?

16 A. Yes, they do.

17 Q. Were these documents prepared by you or under
18 your direct supervision?

19 A. Yes, they were.

20 Q. Do you have any changes or corrections to make
21 to either of these documents?

22 A. Yes. I have a few minor changes to my direct
23 testimony.

24 Q. Okay.

25 A. First one is on page 9, line 17. It's

1 updating a number from Mr. Kubas's testimony. The
2 15,000,109.00 figure should be changed to \$3,065,000.

3 And the next change would be on page 14,
4 line 12. Line 12 currently reads, is proposing an
5 increase to the residential rate classes of
6 \$58,276,000.00. Just to make that a little bit more
7 clear, change that to, is proposing an increase to the
8 residential rate classes revenues by \$58,276,000.00.

9 And last change is on page 15, line 16.
10 It's a typo. First part of that line should read,
11 should be reduced to zero by 2007.

12 Q. Does that conclude your corrections and
13 changes?

14 A. Yes, it does.

15 Q. With these changes, if I were to ask you the
16 questions contained in your rebuttal testimony, would
17 your answers be the same today?

18 A. Yes, they would.

19 Q. Would these answers be true and correct to the
20 best of your knowledge and belief?

21 A. Yes.

22 MR. KANASKIE: Your Honor, at this time,
23 the Office of Trial Staff requests that the documents
24 that have been preliminarily identified be admitted
25 into the record subject to timely motions and cross

1 examination by the other parties.

2 JUDGE TURNER: May be so admitted.

3 (OTS Statement Number 6R and OTS Exhibit
4 Number 6R were admitted in evidence.)

5 JUDGE TURNER: One question to you is,
6 the copy that you submitted to the court reporter, does
7 it have the change and number on page 9?

8 MR. KANASKIE: Does not, Your Honor. But
9 I'd be more than happy to, at the close of the record
10 today, to make the corrections.

11 JUDGE TURNER: I think that's kind of an
12 important change to make.

13 MR. KANASKIE: Yes, Your Honor.

14 JUDGE TURNER: I don't know how important
15 the others. But that one should be made. Who's going
16 to be reading from the file, should have that number.
17 Okay?

18 MR. KANASKIE: Yes, Your Honor.

19 JUDGE TURNER: He's available for cross
20 examination.

21 MR. KANASKIE: Mr. Yocca is available
22 for cross examination.

23 JUDGE TURNER: Mr. MacGregor.

24 MR. MACGREGOR: I have no questions.

25 JUDGE TURNER: Mr. Beatty.

1 MR. BEATTY: No questions, Your Honor.

2 JUDGE TURNER: Mr. Gray.

3 MR. GRAY: No questions, Your Honor.

4 JUDGE TURNER: Miss Knight.

5 MS. KNIGHT: No questions, Your Honor.

6 JUDGE TURNER: Miss Polacek.

7 MS. POLACEK: I do have some questions.

8 Wouldn't have him here if somebody didn't have
9 questions.

10 CROSS EXAMINATION

11 BY MS. POLACEK:

12 Q. Good afternoon, my name is Pam Polacek. And I
13 represent PPL Industrial Customer Alliance.

14 A. Good afternoon.

15 Q. Could you please turn in your statement to
16 page 3. On lines 15 through 18, you categorize Mr.
17 Baron's role in this case as developing the charge for
18 each rate schedule based on how PPL is billed by PJM
19 for transmission services; isn't that correct?

20 A. Yes, that's how I believe is what he's trying
21 to say in his testimony.

22 Q. Now, do you dispute Mr. Baron's application of
23 the PJM procedures related to his analysis?

24 A. No, I don't. What I object to really is that
25 looking at the way PJM bills doesn't necessarily

1 reflect how PPL's customers use the transmission
2 system.

3 PJM is -- to my review of their tariff,
4 if you look at their different charges, there's a lot
5 of zonal charges, a lot of regional charges. And this
6 might reflect how the charges are billed to all the
7 different transmission entities within PJM.

8 But I don't think it necessarily reflects
9 how the customers within each individual utility are
10 billed.

11 Q. Now, kind of start. Are customers billed
12 directly by PJM for transmission services?

13 A. Meaning PPL's customers?

14 Q. Retail customers.

15 A. No, they're not.

16 Q. Okay. And who does PJM bill for transmission
17 services, do you know?

18 A. Well, they bill companies -- the utility
19 companies such as PPL. They bill other parties that
20 use the transmission services such as electric
21 generation suppliers.

22 Q. Generally, might the term be load-serving
23 entities?

24 A. Yes.

25 Q. And if a customer in PPL's territory decides

1 they're going to purchase competitive supply from an
2 electric generation supplier, is there a methodology at
3 PJM, if you're aware, by which PJM then charges the
4 load-serving entity the electric generation supplier
5 for the transmission service and ancillary service
6 related to that customer?

7 A. That's all spelled out in the open access
8 tariff.

9 Q. There is a process?

10 A. Correct.

11 Q. Now, have you examined whether Mr. Baron's
12 analysis accurately reflects that process?

13 A. As far as I can tell, from the interrogatory
14 responses by PPL, it looks like it accurately reflects
15 how PPL is charged by PJM.

16 Q. Okay.

17 JUDGE TURNER: Is that the same as Mr.
18 Baron's reflecting it correctly? Isn't that your
19 question?

20 MS. POLACEK: I think he was commenting
21 that Mr. Baron's analysis accurately reflects the way
22 that PPL is charged for transmission service and
23 ancillary services. That's the way I took the response
24 to be. Is that what you intended, Mr. Yocca?

25 THE WITNESS: Yes.

1 JUDGE TURNER: Thank you.

2 BY MS. POLACEK:

3 Q. Could you turn to page 5 in your testimony,
4 please? Last question and answer on this page, you
5 criticize Mr. Baron's recommendation because he has
6 done the recommendation without considering the overall
7 cost of providing each of these customers with
8 transmission service as determined by the Public
9 Utility Commission.

10 Mr. Yocca, isn't that what we're trying
11 to do in this proceeding right now?

12 A. I think that's a very good question. And I'm
13 not sure if that's actually being done. Last time I
14 looked at PPL's annual report, listed as a distribution
15 and transmission company.

16 In my opinion, the Commission has a right
17 to see what's going on cost of service wise for this
18 company as a whole, not just the separate transmission
19 and/or distribution aspect of it.

20 They may be charged certain rates by PJM
21 that I don't think we're privy to the cost studies that
22 PJM provided to the FERC. I think that makes a big
23 difference here in what we're looking at.

24 Q. And those rates are established at the Federal
25 Energy Regulatory Commission, right?

1 A. That's correct.

2 Q. And are you saying here that this Commission
3 should be looking at their return on transmission
4 service as they might prove to the FERC before we could
5 establish a transmission rate for retail customers?

6 A. Well, I think what I'm saying, they should
7 look at the overall return that the company is earning
8 based on both the transmission and distribution
9 portions. What's billed into the FERC rates, we have
10 no way of knowing.

11 Q. Turn to page 7 of your testimony, please.
12 Also on the same point that in the first paragraph
13 there, again, as a reason to not accept Mr. Baron's
14 analysis, you note that there's the lack of a fully
15 allocated distribution transmission cost of service
16 study in this case.

17 Now, can a party, other than PPL, provide
18 such a study to this Commission in the context of a
19 case like this?

20 A. Yes, they can.

21 Q. All right. And do you agree with me that the
22 company has implicitly provided a cost of service study
23 that has allocated all of its transmission and
24 ancillary service charges on a energy basis?

25 JUDGE TURNER: What do you mean my

1 implicit?

2 BY MS. POLACEK:

3 Q. I don't think there's an implicit. I don't
4 think there's an actual study out there. But they
5 allocated all of their charges, all of the charges to
6 rate schedules on an energy basis. I guess they've
7 done that explicitly, haven't they? Do you agree?

8 A. Well, about the cost of service part, I guess
9 they have allocated those the costs on an energy basis,
10 the cost from PJM.

11 Q. All right. So you think they've actually done
12 that without using the cost of service study then?

13 A. That's my opinion, yes.

14 Q. And the Office of Trial Staff has actually
15 accepted that as being the correct way to establish the
16 transmission rates in this proceeding?

17 A. Accepted using the energy basis, yes. Energy
18 basis, yes, mainly because I think the company's cost
19 of service study has very limited uses since it's only
20 looking at one aspect of their business.

21 Q. You've accepted the transmission rate design
22 without having the transmission component provided by
23 the company, right?

24 A. Could you repeat that?

25 Q. You've accepted the transmission rate design

1 and allocation without having a transmission cost of
2 service study provided by the company?

3 A. I guess I did. I thought really what the
4 company did was, under the circumstances, a very
5 conservative approach to the overall design of the
6 rates.

7 Q. Conservative in what way?

8 A. Conservative in a way that look at rates maybe
9 for small company without a cost of service, that they
10 basically tried to set goals where every class would
11 receive equal treatment.

12 Q. Now, in the distribution filing, I think
13 you're familiar enough with the PUC regulations that
14 any rate increase over a million dollars, actually has
15 to have a cost of service study, right? Is that the --

16 A. That's correct.

17 Q. And I think you acknowledge that actually by
18 moving to a kWh allocation, the company has actually
19 switched the allocation methodology from for
20 transmission costs from what it has historically done,
21 do you agree?

22 A. Yes, I have. But, yes, they have. But ever
23 since restructuring, we're looking at different type of
24 company. Not fully integrated company with generation,
25 transmission and distribution. Now we have just

1 transmission and distribution company, for which we
2 really haven't seen the results of a fully distributed
3 cost of service study.

4 Q. Do you agree that when PJM bills PPL for
5 transmission service, that, roughly, 60 to 70 percent
6 of those charges are on a demand basis?

7 A. That appears to be how PJM bills PPL.

8 MS. POLACEK: Thank you. I have no
9 further questions.

10 JUDGE TURNER: Does any other counsel
11 have questions of this witness? Do you have redirect,
12 Mr. Kanaskie?

13 MR. KANASKIE: I have no redirect, Your
14 Honor.

15 JUDGE TURNER: Thank you for coming in,
16 Mr. Yocca.

17 THE WITNESS: Thanks, Your Honor.

18 (Witness left the stand.)

19 JUDGE TURNER: So, now we turn to J.
20 Bradley and J. Link.

21 MS. KNIGHT: Yes, Your Honor. At this
22 time, I call to the stand John Bradley.

23 JUDGE TURNER: Good afternoon, Mr.
24 Bradley.

25 MR. BRADLEY: Good afternoon.

1 JUDGE TURNER: Would you raise your right
2 hand?

3 Whereupon, JOHN BRADLEY, having been duly
4 sworn by the Judge, was examined and testified as
5 follows:

6 JUDGE TURNER: Does that also apply to
7 your prefile testimony?

8 THE WITNESS: Yes, it does.

9 JUDGE TURNER: Thank you. Please be
10 seated.

11 DIRECT EXAMINATION

12 BY MS. KNIGHT:

13 Q. Mr. Bradley, would you please state your name
14 and business address for the record?

15 A. Certainly. My name is John Bradley. I work
16 from Hampden Municipal Building, 230 Sporting Hill Road
17 in Mechanicsburg.

18 Q. You are the manager of Hampden Township,
19 Cumberland County; is that correct?

20 A. Yes, ma'am.

21 Q. And now, Mr. Bradley, I believe you have
22 probably taken to the witness table with you a document
23 marked as prepared direct testimony of John E.
24 Bradley. Do you have a copy of that testimony?

25 A. I do have that, yes.

1 Q. And do you also have a copy of a document
2 marked for purposes of identification as prepared
3 rebuttal testimony of John E. Bradley?

4 A. Yes, I do.

5 Q. And those statements are labeled respectfully
6 as PPL PLUG Statement Number 1 and PPL PLUG Statement
7 Number 1-R, correct?

8 A. Yes, ma'am.

9 Q. And there is also attached to PPL Statement
10 Number 1, a document which I will direct your attention
11 to, identified as PPL PLUG Exhibit Number 1?

12 A. Yes, it's here, ma'am.

13 Q. Okay. And that is a document that was
14 prepared -- that question was prepared by our client
15 group and answered by PPL?

16 A. Correct.

17 Q. Now, Mr. Bradley, if I were to ask you the
18 same questions that appeared in PPL PLUG Statement
19 Number 1 and statement 1-R today, would your answers be
20 the same?

21 A. Yes, they would.

22 Q. And Mr. Bradley, there is a point in your
23 testimony in Statement Number 1 where you give
24 testimony on a study that you did of the outages of
25 your streetlights in Hampden Township; is that correct?

1 A. That is correct.

2 Q. And you said in your testimony that you would
3 update that testimony, correct?

4 A. Correct.

5 Q. And do you have an update on whether the
6 streetlights that were part of that study were repaired
7 within three days or are repaired now?

8 MR. MACGREGOR: Objection, Your Honor.
9 Time for presenting any additional update would have
10 been by surre rebuttal testimony by Mr. Bradley, where
11 we would have had a chance to consider that testimony
12 and review and respond.

13 It's certainly not appropriate to be
14 presenting new study information by testimony at this
15 point, the last day of the hearings, the last date of
16 the record. We'll have no opportunity to review it and
17 respond to it.

18 JUDGE TURNER: I tend to agree with that,
19 Miss Knight.

20 MS. KNIGHT: Your Honor, I believe Mr.
21 Bradley did say in his testimony, he would update it.
22 I guess it was our thought that PPL would want to know
23 the latest update of the testimony.

24 I don't think it's subject to dispute.
25 PPL -- I think Mr. Bradley's testimony is forthright

1 and candid and would accurately -- if we want to
2 dispute whether he's right or not, I would ask them to
3 stipulate that there are still three lights out.

4 JUDGE TURNER: I'm not so sure that
5 candor is the issue here. It's not candor of the
6 witness. The question is, this is not a proper time to
7 present new testimony and new facts. I think PPL may
8 be interested in that, at the least. And you can
9 certainly provide it to them in a way that's not, you
10 know, really last minute.

11 MS. KNIGHT: Your Honor, I thought that
12 Mr. Bradley reserved the right to use the evidence. If
13 rule that, I will respectfully --

14 JUDGE TURNER: He did not.

15 MS. KNIGHT: In that case, I will move
16 into the record PPL PLUG Statement 1, 1-R and PPL PLUG
17 Exhibit 1 and turn Mr. Bradley over for cross
18 examination.

19 JUDGE TURNER: May be admitted subject to
20 cross examination and motions to strike.

21 (PPL PLUG Statement Number 1, 1-R and
22 Exhibit Number 1 were marked and admitted in evidence.)

23 JUDGE TURNER: And Mr. MacGregor, do you
24 have questions?

25 MR. MACGREGOR: I do have a few

1 questions, Your Honor.

2 CROSS EXAMINATION.

3 BY MR. MACGREGOR:

4 Q. Mr. Bradley, could you provide a summary of
5 your responsibilities as manager of Hampden Township?

6 A. I believe any manager of a first-class
7 township's responsibilities are spelled out in the
8 ordinance, which is typically passed by the
9 commissioners of such a township.

10 In a sentence, a manager's job is to run
11 the day-to-day business operations of a municipality
12 and to provide the elected officials with policy
13 advice.

14 Q. And through your work for the township, do you
15 believe that you provide a public benefit to the
16 citizens of the township?

17 A. I would certainly like to think I do. Maybe
18 the elected officials may be best to answer that.

19 Q. And I take it you're not the only employee of
20 the township. The township has other employees as
21 well?

22 A. We have approximately 100 employees.

23 Q. And just by way of summary, other than
24 streetlighting service, which is the subject of your
25 testimony here, what other services does the township

1 provide?

2 MS. KNIGHT: Your Honor, I'll object to
3 that question as outside the scope of Mr. Bradley's
4 testimony.

5 JUDGE TURNER: Wait. Could you repeat
6 the question, Mr. MacGregor?

7 MR. MACGREGOR: I asked him, in addition
8 to streetlighting service, and the cost of the
9 streetlighting service, which is discussed in his
10 testimony, what other general services are provided by
11 the township.

12 JUDGE TURNER: Well, I can't claim to be
13 really familiar with his testimony word for word. But
14 I guess I would have also a question of relevance.

15 MR. MACGREGOR: What I'm trying to
16 explore is Mr. Bradley's testimony talks about the cost
17 of providing streetlighting to the township and the tax
18 burdens it imposes on the township. I'm trying to see
19 what other services they provide and to what extent the
20 streetlighting service they provide is a substantial
21 portion of the expenses of the township.

22 He has alleged in his testimony that it's
23 an important item and burdening the tax base of the
24 citizens of the township. And I think I'm entitled to
25 explore that.

1 JUDGE TURNER: To explore the burdens
2 there are?

3 MR. MACGREGOR: And whether
4 streetlighting is a substantial burden on a percentage
5 basis as compared with the other services provided by
6 the township.

7 MS. KNIGHT: Your Honor, I would note
8 that it imposed a substantial burden and looking in his
9 testimony to find that he said it imposes a burden. I
10 want to make sure that Mr. Bradley didn't have any
11 words --

12 MR. MACGREGOR: Testifies at the top of
13 page 3 that PPL's proposed increases impose a burden on
14 our residents. We will need either to find additional
15 revenues to pay PPL or reduce services. Exploring that
16 basis.

17 MS. KNIGHT: Mr. MacGregor said that he
18 testified was a substantial word and that's not what
19 the word said.

20 JUDGE TURNER: Okay. So, take that
21 correction. I did think that Mr. MacGregor is entitled
22 to explore somewhat what kind of a burden it is.

23 MR. MACGREGOR: Only have a couple of
24 questions.

25 JUDGE TURNER: That's good. Go ahead.

1 BY MR. MACGREGOR:

2 Q. The question was, if you recall, Mr. Bradley,
3 if you can just provide a general summary of the types
4 of services the township provides other than
5 streetlighting services?

6 A. Certainly, the township provides to its
7 residents a myriad of emergency services, fire, police
8 and ambulance. All though fire is all voluntary. We
9 provide recreational services. We provide utility
10 services in terms of wastewater.

11 We provide highway services, in terms of
12 minor repair, street sweeping and snowplowing. And we
13 provide planning and land development services to
14 anyone that wants to build or subdivide within the
15 township.

16 Q. As a general matter, if you know, what is the
17 approximate total for 2004 budget for Hampden Township?

18 A. Our -- I don't want to oversimplify things.
19 But the general fund is approximately 11 million
20 dollars.

21 Q. Are there other items beyond the general?

22 A. There are four other enterprise funds.

23 Q. I'm sorry. Say that again.

24 A. There are four other enterprise funds.

25 Enterprise funds is a fund which is not funded by tax

1 dollars, it is funded by user fees, such as wastewater.

2 Q. Wastewater sewer would be one of those?

3 A. Sure.

4 Q. And you state in your testimony, I believe, at
5 one point, page 2, lines 26 and 27, that your 2004
6 budget for streetlighting service from PPL is
7 \$274,560.00, is that correct?

8 A. That's correct.

9 Q. And am I correct that you take other utility
10 service from PPL, certain township building?

11 A. Yes, yes, we do.

12 Q. Do you have a figure for what your 2004 budget
13 is for total electric expense for PPL?

14 A. No, not off the top of my head. I'm sorry,
15 sir.

16 Q. And in round numbers, am I correct that the
17 company is proposing approximately a 10 percent
18 increase on streetlighting service in this case?

19 A. That's my understanding.

20 Q. And if we took your budget number 274,000,
21 that would be roughly \$27,000.00>

22 A. That's correct.

23 Q. And are you aware that this is the first rate
24 increase that PPL electric has sought since 1995?

25 A. I believe I read that somewhere, yes, sir.

1 Q. And can you cite any other services purchased
2 by the township that have not increased in price since
3 1995?

4 A. You know, when I do the budget, and I'm about
5 to get into that in October, yes, there are some line
6 items that have not changed in 13 years.

7 Q. Are there some that have?

8 A. Certainly.

9 Q. And have taxes gone up in the township since
10 1995?

11 A. No, sir. They have not gone up in the taxes
12 in 20 years.

13 Q. That's when -- do you know when the last
14 increase was?

15 A. I think it was 1982 or 3.

16 Q. And your rebuttal testimony, I think you
17 reference Section 1328 of the Public Utility Code; is
18 that correct?

19 A. You'll have to direct my attention. I don't
20 remember the number.

21 Q. It's the fire hydrant.

22 JUDGE TURNER: The what?

23 MR. MACGREGOR: Statute.

24 THE WITNESS: I can't verify the number.

25 I do remember the reference.

1 MR. MACGREGOR: Page 3 of your rebuttal.

2 JUDGE TURNER: I didn't understand what
3 you said when you said --

4 MR. MACGREGOR: I said fire hydrant.
5 Your Honor, it's a version of the Public Utility Code
6 that provides for a subsidy for rates to fire hydrants.

7 THE WITNESS: Number 1328.

8 BY MR. MACGREGOR:

9 Q. That's correct. Am I correct that that
10 statutory provision does not specifically mention
11 streetlighting?

12 A. To the best of my knowledge, it doesn't. But
13 I'm not a student of that particular section.

14 Q. As part of its responsibilities, does Hampden
15 Township maintain fire hydrants?

16 JUDGE TURNER: Maintain fire fighters.

17 MR. MACGREGOR: Hydrants.

18 THE WITNESS: Hampden Township has the
19 responsibility to maintain all but private fire
20 hydrants.

21 There are a few private fire hydrants.
22 But the way we maintain them, typically, is to have the
23 homeowner maintain around the base of them so that
24 they're serviceable. There are private hydrants on
25 township property.

1 And, yes, the township is responsible for
2 maintaining those. That number is very small.

3 BY MR. MACGREGOR:

4 Q. And as a general matter, would you agree that
5 fire hydrants don't consume water in the absence of a
6 fire?

7 A. I think you can basically say that, sure.
8 Assuming there's no leaks.

9 Q. And I asked you earlier, I think if the
10 township had had increase in its general taxes
11 recently. And you indicate that they had not. Have
12 the fees for utility wastewater services gone up since
13 1995?

14 A. We have raised fees for wastewater services
15 twice in the last 15 years.

16 Q. Thank you, Mr. Bradley. Oh, Traffic
17 lighting. I'm sorry. Page 5 of your direct testimony.
18 I believe you indicate that you have 24 traffic
19 intersections in Hampden Township?

20 A. I believe that's right. Maybe 25.

21 Q. And if you know, what is the annual utility
22 bill for those locations? Electrical. I'm sorry.

23 A. I don't have that figure at my fingertips. I
24 think we include that in our general electric bill. We
25 don't -- as I recall, we don't budget a specific figure

1 just for intersections.

2 MR. MACGREGOR: That's all I have, Your
3 Honor. Thank you.

4 JUDGE TURNER: Does any other counsel
5 have questions for this witness? Hearing none, then,
6 Miss Knight, redirect?

7 MS. KNIGHT: One question on redirect.

8 REDIRECT EXAMINATION

9 BY MS. KNIGHT:

10 Q. Mr. Bradley, Mr. MacGregor asked you several
11 questions about maintaining hydrants. And I want to be
12 sure we're clear on what you meant when you said
13 maintaining hydrants.

14 I thought I heard you say mowing around
15 the base of the hydrant. Were you talking about
16 actually checking the mechanical workings of the
17 hydrants?

18 A. No. The township does not check the
19 mechanical workings of the hydrant. To the best of my
20 knowledge, the water company does that as assisted by
21 our voluntary fire company.

22 MS. KNIGHT: Thank you. I have no
23 further questions.

24 JUDGE TURNER: Anything further? Thank
25 your for coming in, Mr. Bradley. I had no trouble

1 hearing you at all.

2 (Witness left the stand.)

3 JUDGE TURNER: We have moved everything
4 in for him?

5 MS. KNIGHT: I believe I did.

6 JUDGE TURNER: Okay.

7 MS. KNIGHT: Your Honor, I would call to
8 the stand Mr. Joseph V. Link.

9 JUDGE TURNER: Would you raise your right
10 hand?

11 Whereupon, JOSEPH LINK, having been duly
12 sworn by the Judge, was examined and testified as
13 follows:

14 JUDGE TURNER: And is that statement also
15 true for your prefiled testimony and exhibits?

16 THE WITNESS: It is.

17 JUDGE TURNER: Thank you. Please be
18 seated.

19 DIRECT EXAMINATION

20 BY MS. KNIGHT:

21 Q. Good afternoon.

22 A. Good afternoon.

23 Q. I believe you brought to the stand with you
24 two documents; is that correct?

25 A. Yes, that's correct.

1 Q. And are they prepared direct testimony and
2 your prepared surre rebuttal testimony?

3 A. Yes, that's correct.

4 Q. And are they labeled PPL PLUG Statement 2 and
5 PPL PLUG Statement 2 dash S, respectively?

6 A. Yes, that is correct.

7 Q. And attached to that -- to your prepared
8 direct testimony, is there an exhibit identified as PPL
9 PLUG Exhibit Number 2?

10 A. Yes, that is correct.

11 Q. And is that a proposed tariff?

12 A. Yes, it is.

13 Q. And is there also an exhibit attached to your
14 surre rebuttal testimony?

15 A. Yes, there is.

16 Q. And can you identify for us what that exhibit
17 is composed of?

18 A. Yes. It is labeled PLUG Exhibit Number 3.
19 There are five pages. It is an existing tariff for
20 it's called rate TL, traffic light services from PECO
21 Energy Company.

22 And the next page is from Metropolitan
23 Edison Company, rate schedule services and rate riders
24 and riders for traffic signal and telephone booth
25 lighting service.

1 Metropolitan Edison Company rate
2 schedules, services and rider, traffic signal and
3 telephone booth lighting service. That's the second
4 page of that one.

5 Duquesne Light Company, rate MTS,
6 Municipal traffic signals. And the last page is a
7 continuation of that.

8 JUDGE TURNER: Did you speak correctly,
9 it was Exhibit 3?

10 THE WITNESS: Yes.

11 JUDGE TURNER: Statements in everything
12 else is Statement 2, right? Did I mishear?

13 THE WITNESS: That's correct. The
14 statement is 2. And the surre rebuttal statement is 2S
15 and the exhibit attached to 2S is labeled Exhibit
16 Number 3.

17 JUDGE TURNER: Okay. Thank you.

18 BY MS. KNIGHT:

19 Q. If I were to ask you the same questions that
20 were posed in your prepared direct testimony and your
21 prepared rebuttal testimony today, would your answers
22 be the same?

23 A. Yes, they would.

24 Q. Do you have any correction to your testimony?

25 A. Not at this time.

1 MS. KNIGHT: Your Honor, at this time, I
2 would move admission of PLUG Statement 2 and 2S, as
3 well as PLUG Exhibits 2 and 3 into the record subject
4 to motions to strike and any other appropriate motions
5 and cross examination.

6 JUDGE TURNER: Let's go off the record
7 briefly.

8 (Discussion off the record.)

9 JUDGE TURNER: Back on the record. Yes,
10 they may be admitted as requested.

11 (PPL PLUG Statement Number 2 and
12 Statement Number 2-S, PPL PLUG Exhibit Numbers 2 and 3
13 were marked and admitted in evidence.)

14 MS. KNIGHT: Now, Mr. Link is available
15 for cross examination.

16 JUDGE TURNER: Mr. MacGregor.

17 MR. MACGREGOR: Yes. I just have a few
18 questions.

19 CROSS EXAMINATION

20 BY MR. MACGREGOR:

21 Q. Good afternoon, Mr. Link.

22 A. Afternoon.

23 Q. On page 2 of your direct testimony, you
24 reference the amount paid annually to PPL electric by
25 the City of Harrisburg for streetlighting service?

1 A. Yes, sir.

2 Q. And the effect of the rate increase in this
3 proceeding. Just for the record, if you know, what in
4 round numbers, is the total the City of Harrisburg
5 budget for 2004?

6 A. I'm not quite sure. I'm not responsible for
7 preparation of the entire city budget. I'd rather not
8 hazard a guess.

9 Q. I take it the City of Harrisburg is also a
10 general PPL electric customer, apart from
11 streetlighting?

12 A. Oh, yes, by -- by paying for other electric
13 services, yes, we do.

14 Q. And if you know, what's the 2004 budget amount
15 in round figures for that total electric service?

16 A. No, no, that's not part of the budget that I
17 prepare. So I'm not aware of those numbers.

18 Q. On page 3 of your direct testimony, you state
19 that traffic lighting, beginning on line 8, has a large
20 amount of directly assignable end-use equipment; is
21 that correct?

22 A. Yes, that's the statement.

23 Q. And that's one of the reasons you cite in
24 support for the establishment of a separate rate
25 schedule for traffic lighting; is that correct?

1 A. I'm sorry. Would you repeat the question?

2 Q. And is that factor, the fact that traffic
3 lighting has a large amount of directly assignable
4 end-use equipment one of the reasons you cite as
5 supporting the establishment of a separate rate
6 schedule for traffic lighting service?

7 A. Yes, that's correct, that is a part of the
8 reason.

9 Q. And what is directly assignable end-use
10 equipment?

11 A. In my mind, there are a number of -- not a
12 number, but a few other types of pieces of equipment
13 that are in the cabinet. When the people see the
14 signalized intersection, all they see is red, yellow
15 and green light hanging above the street is all they
16 care about.

17 There's a control box on the side and
18 equipment inside and controls the amount of time that
19 the signal is in any particular mode.

20 And that is other equipment that, in my
21 mind, it's assignable. It's there at the intersection.

22 Q. And end-use equipment, does that mean it uses
23 electricity?

24 A. Yes, that's correct, it does.

25 Q. And, now, how is that different from any

1 electric end-use equipment that would be in your home
2 or my home, such as a refrigerator or lights or
3 anything else, that's directly assignable end-use
4 equipment that consumes electricity?

5 A. Well, I believe -- I'm sorry.

6 Q. Is it not? I mean, I don't understand the
7 difference.

8 JUDGE TURNER: Okay. Let him answer.

9 THE WITNESS: I believe I see where
10 you're going with the question. And what I would like
11 to say is, currently, over -- up until the last several
12 years, traffic signals throughout the world were
13 controlled with incandescent bulbs. There were voltage
14 fluctuations with incandescent bulbs.

15 There were heaters and fans to keep the
16 equipment warm or cool in the summer or winter. Other
17 types of equipment like that that draw intermittent
18 uses of electricity.

19 Today, we're talking about LED
20 technology. And that is the -- the whole purpose of my
21 testimony today is to bring to the Public Utility
22 Commission's attention that this new technology is
23 available. It's being highly recommended throughout
24 not only throughout the United States, but throughout
25 the world.

1 But it's in use throughout the world,
2 uses LED technology and Solid State technology and
3 transistor technology that's not subject to the voltage
4 fluctuations.

5 There are a few, two or three different
6 types of equipment in the cabinet at the intersection.
7 Those things are rated at certain voltage or current
8 draws that can be calculated.

9 And once that is done, once the
10 calculation is made, those voltage or current draws
11 remain constant or within a very, very small tolerant.

12 The objection to an unmetered service
13 before you is very frequent fluctuations, as pointed
14 out in testimony this morning, with the incandescent
15 system. With the new technology, that's not the case
16 any more. That's why we're requesting that.

17 A municipality is constantly under the
18 gun to keep its taxes as low as possible --

19 MR. MACGREGOR: Object. Way beyond the
20 scope of my question. I didn't ask him about taxes or
21 anything.

22 JUDGE TURNER: Well, it's true that he is
23 not directly answering your question. But you accepted
24 a great deal before then. Let me say this, he asked
25 you, although it may not seem logical to you, what is

1 the difference between a box at an intersection and a
2 refrigerator.

3 MR. MACGREGOR: In terms of being
4 directly assignable end-use equipment, I mean, as I
5 understand it --

6 JUDGE TURNER: Can you answer that?

7 THE WITNESS: I don't think I feel
8 qualified to answer questions like that. I know what
9 it means in my mind. But I don't feel qualified to
10 answer a question like that.

11 BY MR. MACGREGOR:

12 Q. Let me try this. I mean, as directly
13 assignable end-use equipment, any electric using
14 equipment on the customer side of the meter?

15 A. I would concede that that's a broad, general
16 statement or broad correct statement, yes.

17 Q. And your role in this proceeding -- well, let
18 me step back for a minute. As things exist today, as I
19 understand it, each of the intersections served by PPL
20 Electric in the City of Harrisburg has a meter
21 installed; is that correct?

22 A. To the best of my knowledge, yes, it is.

23 Q. And you are proposing the establishment of an
24 unmetered traffic lighting rate?

25 A. That's correct.

1 Q. By PPL: is that correct? And for our existing
2 intersections where we have a meter in place, and we
3 either read it manually or do an automatic meter
4 reading system and determine precisely what the amount
5 of the usage is, is it your proposal that we establish
6 a separate unmetered traffic light rate and pull those
7 meters out and abandon the exact measurement of
8 electricity?

9 A. Yes, that's correct.

10 Q. And the rate you proposed attached to your
11 testimony, PLUG Exhibit 2, there are no rates in that
12 tariff; is that correct?

13 A. That is correct.

14 Q. And you have not proposed any specific rates?

15 A. No.

16 MR. MACGREGOR: Thank you. That's all I
17 have, Your Honor.

18 JUDGE TURNER: Any questions for this
19 witness from any other counsel? Miss Knight, do you
20 have redirect?

21 MS. KNIGHT: I have one question, Your
22 Honor.

23 REDIRECT EXAMINATION

24 BY MS. KNIGHT:

25 Q. If I may approach the witness. Mr. MacGregor

1 asked you several questions about your characterization
2 of the traffic light equipment as being direct end-se
3 equipment.

4 I'm handing you a document that was
5 previously marked for purposes of identification as PPL
6 PLUG Exhibit Number 4. Do you recall seeing that
7 exhibit previously? Could you take a look at it?

8 A. Yes. I believe I saw this earlier today.

9 Q. And that's Mr. Kleha's answer to a question
10 about characteristics of streetlighting, correct?

11 A. Yes, that's correct.

12 Q. And what's the first -- what's the first
13 characteristic he gives of streetlighting that
14 distinguishes it from other classes?

15 A. Streetlighting class is distinguishable from
16 other classes of service because it has a large amount
17 of directly assignable end-use equipment.

18 MS. KNIGHT: Okay. I have no further
19 questions.

20 JUDGE TURNER: Okay. That completes our
21 time with this witness. Thank you very much for coming
22 in, Mr. Link. You are excused.

23 (Witness left the stand.)

24 JUDGE TURNER: Now, I gather that PPL has
25 put in its case. You don't have any PPL witnesses

1 left?

2 MR. MACGREGOR: Your Honor, that's
3 correct. I can report at this time there was one
4 question to Mr. Kleha this morning by the OCA that was
5 accepted subject to check.

6 And after review, we cannot accept it
7 without further clarification. So, we can leave it at
8 that.

9 JUDGE TURNER: Do you want to recall him?

10 MR. MACGREGOR: I think it's okay with
11 OCA to recall. Or we can leave the record as we don't
12 accept it.

13 MR. BEATTY: I would prefer Mr. Kleha
14 come up and explain.

15 JUDGE TURNER: Okay.

16 MR. MACGREGOR: We can do that at the end
17 of the day.

18 JUDGE TURNER: I think this may be the
19 end of the day. Is Mr. Baron here?

20 MS. POLACEK: Yes, he is, Your Honor.
21 If it's possible, I think we might be getting closer to
22 the time where we normally take a break. I haven't had
23 a chance to confer with Mr. Baron. If we can take a
24 break, I'd really appreciate it so I can get him
25 acclimated.

1 JUDGE TURNER: Fifteen minutes.

2 MS. POLACEK: That would be great. Thank
3 you, Your Honor.

4 JUDGE TURNER: It's now 2:25. We'll be
5 back at 2:35. Am I adding that right? 2:40. Thank
6 you.

7 (Whereupon, a brief recess was taken.)

8 JUDGE TURNER: Is this Mr. Baron?

9 MR. BARON: Yes.

10 JUDGE TURNER: Thank you for coming up
11 this afternoon, ahead of schedule. May I swear you in?

12 Whereupon, STEPHEN BARON, having been
13 duly sworn by the Judge, was examined and testified as
14 follows:

15 JUDGE TURNER: Is that the same for your
16 exhibits and prefiled testimony?

17 THE WITNESS: Yes.

18 JUDGE TURNER: Thank you. Please be
19 seated. And since we've had to go through this for
20 several witnesses, if you could remember to remain
21 seated this way and speak in that microphone, the court
22 reporter will hear you better. And she's the one that
23 really needs to hear you. Because if you want your
24 answers to come out golden, she's the one. Okay. So,
25 Miss Polacek.

1 MS. POLACEK: Thank you, Your Honor.

2 DIRECT EXAMINATION

3 BY MS. POLACEK:

4 Q. Mr. Baron, would you please state your name
5 and spell your name for the record?

6 A. My name is Stephen J. Baron, S-t-e-p-h-e-n,
7 B-a-r-o-n, one R.

8 Q. And can you provide your business address too?

9 A. My business address is J. Kennedy and
10 Associates, Inc. 570 Colonial Park Drive, Suite 305,
11 Roswell, Georgia 30075.

12 MS. POLACEK: Your Honor, at this time,
13 I'd like to mark and identify Mr. Baron's various
14 statements. The first we would like to mark as PPLICA
15 Statement Number 1, the direct testimony and exhibits
16 of Stephen J. Baron, consists of 55 pages of testimony
17 in question and answer format, and related exhibits
18 that have been marked as Exhibits SJB 1 through SJB 12.

19 We'd also like to mark as PPLICA
20 Statement Number 1R, the rebuttal testimony and
21 exhibits of Stephen J. Baron, which consists of 16
22 pages of testimony in question and answer format and
23 related exhibits, SJB 1R and SJB 2R.

24 And finally, as PPLICA Statement Number
25 1-S, the surre rebuttal testimony of Stephen J. Baron,

1 which consists of 20 pages of testimony in question and
2 answer format.

3 JUDGE TURNER: May be so marked.

4 (PPLICA Statement Numbers 1, 1R and 1S
5 and SJB Exhibit Numbers 1 through 12, and SJB Exhibit
6 Numbers 1R and 2R were marked for identification.)

7 MS. POLACEK: And we have previously
8 distributed those documents to the parties as well as
9 provided the court reporter with two copies of the
10 statements.

11 BY MS. POLACEK:

12 Q. Mr. Baron, do you have the documents that I
13 just identified in front of you?

14 A. Yes, I do.

15 Q. And were those documents prepared by you or
16 under your direct supervision?

17 A. Yes, they were.

18 Q. And do you have any changes to those
19 documents?

20 A. I -- yes, I do. I have identified one
21 typographical error. There may be more, but I've
22 identified one in PPLICA Statement Number 1, page 41,
23 at line 11. In reference to -- near the end of the
24 line, to table 5, should read table 6.

25 Q. And do you have any other changes?

1 A. None to my knowledge.

2 Q. And with that change, if I were to ask you the
3 same questions today, would your answers be the same as
4 reflected in these three statements?

5 A. Yes, they would.

6 Q. And are those answers true and correct to the
7 best of your information, knowledge and belief?

8 A. Yes, they are.

9 MS. POLACEK: And, Your Honor, I would at
10 this point, move for the admission of PPLICA Statement
11 Number 1-R and 1-S and related exhibits, subject to
12 cross examination and any other timely motions to
13 strike.

14 JUDGE TURNER: They may be so admitted.

15 (PPLICA Statement Numbers 1, 1R and 1S
16 and SJB Exhibit Numbers 1 through 12, and SJB Exhibit
17 Numbers 1R and 2R were admitted in evidence.)

18 MS. POLACEK: Thank you. And the witness
19 is available.

20 JUDGE TURNER: Mr. MacGregor.

21 MR. MACGREGOR: I have no questions, Your
22 Honor.

23 JUDGE TURNER: I see by the absence of
24 Mr. Kanaskie, that OTS has no questions.

25 MR. KANASKIE: No questions, Your Honor.

1 JUDGE TURNER: I didn't mean absence. I
2 meant absence from the counsel table. Mr. Beatty.
3 Miss McCloskey.

4 MS. MCCLOSKEY: Thank you, Your Honor.

5 CROSS EXAMINATION

6 BY MS. MCCLOSKEY:

7 Q. I have a few questions. Good afternoon, Mr.
8 Baron.

9 A. Good afternoon.

10 Q. I'd like to discuss with you your transmission
11 service charge proposal. And in simplest terms, you're
12 proposing to reflect the underlying basis for the
13 transmission charges from PJM to PPL when PPL collects
14 its transmission costs from the customers; is that
15 correct?

16 A. Yes. The rate proposal is designed to reflect
17 the cost structure of the bills from PJM to PPL.

18 Q. And one element of this would be to allocate
19 the portion of the cost charged by PJM to PPL on a
20 demand basis to the rate schedules based on the demand
21 basis; is that correct?

22 A. That is correct, yes.

23 Q. Now, when PPL is charged by PJM, is it charged
24 on the basis of its total system demands?

25 A. No. PPL is charged based on the zonal, first

1 is charged based on the zonal peak of PPL and then some
2 wholesale load is removed.

3 And the residual amount is then assigned
4 to the POLR service or bus service as referred to, or
5 the EGS service.

6 Q. And that would be for the total POLR service?
7 In other words, PPL is not handling a bill for
8 residential customers and a separate bill for separate
9 customers for PJM?

10 A. That's correct. It's a total bill and total
11 charge for all PPL POLR servers.

12 Q. And what you're proposing then is PPL take
13 those total charges from PJM and allocate them to each
14 class on the same demand basis as PPL incurs the total
15 cost; is that correct?

16 A. Yes. Essentially, in order for PPL to collect
17 revenues from customers for -- to cover this cost,
18 there has to be an allocation. The company's original
19 -- the company's proposal was, essentially, allocate
20 the cost on basis of kWh sales for each rate class and
21 collect it from customers on that basis.

22 The proposal that I'm making is designed
23 to properly reflect the way the bill actually is
24 incurred by PPL, which means, first classify it or
25 separate the costs into those that are demand related,

1 which is about 73 percent.

2 And those are energy related and then
3 allocate those to each rate class based on the
4 corresponding allocator that corresponds to the billing
5 term that is actually used to charge PPL.

6 Q. Now, you would agree with me that residential
7 customers of PPL do not have demand meters that measure
8 their actual demand?

9 A. That's correct. Generally, there are load
10 research samples that provide information as to what
11 the demand is. But individual customers do not have
12 that kind of -- are provided that kind of billing
13 information to the company.

14 Q. So, demand for the residential customers are
15 based on load research and what are often called load
16 profiles which are estimates of the demands of that
17 class; is that correct?

18 A. Yes, that is correct. But that is the nature
19 of the electric utility industry. For example, that
20 same information is used to decide whether -- if a
21 customer were to leave --

22 JUDGE TURNER: Excuse me, Mr. Baron. I
23 think you've answered the question.

24 THE WITNESS: Okay.

25 MS. MCCLOSKEY: Thank you, Your Honor.

1 BY MS. MCCLOSKEY:

2 Q. Now, you would agree with me that within the
3 residential class and particularly for rates RS and
4 rates RTS, allocating the transmission costs in the
5 manner that you propose would cause substantial
6 volatility in the rate, depending on whether PPL peaked
7 in the wintertime or in the summertime?

8 A. Well, I would agree that depending on whether
9 -- in the test year, it was winter peaks, and I would
10 agree that there would certainly be differences in the
11 rate, the allocation to each individual class,
12 depending on whether PPL peaked in the summer or the
13 winter. Whether that constitutes substantial
14 volatility, that's a judgment call.

15 Certainly would be different depending on
16 whether it was summer or winter. But that is the way
17 PPL is billed by PJM.

18 Q. As part of your proposal, Mr. Baron, are you
19 opposed to trying to address that volatility within the
20 residential class?

21 A. No. I think that that would be an appropriate
22 ratemaking mechanism. Once the costs are allocated to
23 the rate classes, I think it would be appropriate to
24 consider for the residential class, for example, a
25 mechanism that could be used to smooth out the

1 volatility.

2 Again, once the costs have been assigned
3 the rate schedules and the reconciliation process could
4 be used to do this.

5 Q. So your proposal then is really just focusing
6 on the allocation to the different rate schedules and
7 not specifically the rate design within each schedule?

8 A. Yes, that's correct. Except to the extent the
9 only caveat to that is for the interval metered
10 classes, the large customer classes. My recommendation
11 is to build a customer based on their actual demands.

12 In the case of the transmission rate,
13 that would be the contribution to the five coincident
14 peak demands. For those classes, I am proposing a
15 specific rate design proposal. For residential, for
16 the residential class and other classes that are billed
17 on a kWh basis, the -- in the end, those customers
18 would be billed on a kilowatt hour basis.

19 But I certainly would have no objection
20 to some type of smoothing approach or levelizing
21 approach within the class to use a reconciliation
22 process to address potential changes from year to year.

23 MS. MCCLOSKEY: Thank you, Your Honor.
24 I don't have anything further for Mr. Baron.

25 JUDGE TURNER: Thank you, Miss Polacek.

1 MS. POLACEK: I don't have any questions
2 for him. He's my witness, so.

3 JUDGE TURNER: Sorry.

4 MS. POLACEK: Maybe I'll have some later.

5 JUDGE TURNER: You'll have redirect.

6 Miss Knight.

7 MS. KNIGHT: Yes. Thank you.

8 CROSS EXAMINATION

9 BY MS. KNIGHT:

10 Q. Good afternoon, Mr. Baron.

11 A. Good afternoon.

12 Q. I only have a couple questions for you. I
13 guess you've gathered by now that I represent that the
14 Public Lighting User Group?

15 A. Yes.

16 Q. And I have a couple questions about your
17 proposed allocation of the rate increase. And just
18 tell me if I understand this accurately, you propose to
19 increase rates to the streetlighting customers along
20 with any other customer that's receiving a subsidy,
21 bring them up to system average rate of return in three
22 years?

23 A. Yes, that is the proposal.

24 Q. And did you do any analysis when -- as you
25 were coming to your ultimate conclusion of how that

1 reconciled with the theory that increases in rates
2 should be gradual?

3 A. Well, the -- the answer is yes. And that is
4 the reason why the proposal that I'm making is phased
5 in or proposed to be phased in over three years.

6 That, initially, in the first traunch of
7 the increase, 50 percent of the subsidy, the dollar
8 subsidy in present rates would be removed. And in the
9 following two years, the remaining 50 percent would be
10 removed, 25 percent each year. So that was a
11 recognition of the -- of gradualism.

12 Q. Okay. And, so, at the end of three years, the
13 streetlighting groups -- I'm sorry, rate increase would
14 be over 43 percent; is that correct? I'm looking on
15 page 42. Sorry. On distribution. I should be clear.

16 A. That -- actually, that increase on page 42
17 represents the 50 percent increase. In other words,
18 excuse me, the 50 percent subsidy reduction, that's the
19 first traunch.

20 Q. Give me the second and third traunch.

21 A. I don't believe I have a table similar to
22 table 6 that shows that. But if you give me a moment,
23 I believe -- the increase, I believe, on my Exhibit
24 SJB 9 shows the increases in order to equalize rate of
25 return at proposed rates. And the increase would be 53

1 percent.

2 JUDGE TURNER: I'm sorry. I missed your
3 reference to what.

4 THE WITNESS: I'm sorry, Your Honor.
5 Exhibit SJB 9 in PPLICA Statement Number 1.

6 JUDGE TURNER: SJB Number 1.

7 THE WITNESS: Yes. That is a table that
8 shows what the increases would have to be for
9 distribution rates if you were to equalize rates of
10 return in one adjustment, one single adjustment.

11 BY MS. KNIGHT:

12 Q. I must have difficulty with the math a little
13 bit. I thought your proposal was 50 percent, 25 and 25
14 and the total is 53?

15 A. It's the subsidy reduction from present rates
16 and it doesn't work exactly. In other words, it's not
17 a -- it's not 50 percent of the rate -- of the required
18 rate increase, the first time 25 percent, 25 percent.
19 But, rather, eliminating the subsidies in that manner.

20 Q. I understand now. Thank you for clarifying.

21 A. Okay.

22 Q. Just so I understand, in your proposal, the
23 gradual approach would result in what -- what total
24 increase for streetlighting the first year?

25 A. That would be -- assuming the company got its

1 entire revenue request in this case, 162 million, table
2 6 shows the increases to remove 52 -- to reduce the
3 present rate subsidies for each rate class, either paid
4 or received by 50 percent. Table 6 shows that.

5 Q. Okay.

6 A. And that is the 43 percent on distribution
7 compared to the overall increase the company is
8 requesting of 32 percent, so.

9 Q. All right.

10 A. That's shown on table 6.

11 Q. Okay. And, so, it is your testimony that, in
12 your opinion, that constitutes gradual rate increase to
13 my client?

14 A. Yes. In the context of the overall revenue
15 requirement increase that the company is requesting on
16 distribution of 32.8 percent, it does, yes.

17 And of course, that is the distribution
18 component of the total bill. The table that we
19 referred to, well, table -- exhibit 10 shows the total
20 amount.

21 Q. Right. For my clients, for the streetlighting
22 class, the proposed increase was 11.9 percent on
23 distribution, correct?

24 A. That the company proposed, yes, that's
25 correct.

1 Q. Okay. So, you're, basically -- your proposal
2 would be three and a half times that?

3 A. That's correct. Assuming the company received
4 its full revenue increase request.

5 Q. I will stipulate our discussion is based on
6 the full request. It's your understanding that
7 customers do not -- and is it your understanding that
8 customers have not received the rate increase for
9 approximately 20 years?

10 A. I would -- my recollection is that the last
11 PPL rate case was in 1995. And I honestly don't recall
12 the actual outcome of that case. But that was the last
13 time that, to my knowledge, that the rates were
14 reviewed other than the restructuring, which left in
15 place the basic results of that 1995 case. So, that
16 would be, I guess, nine years.

17 Q. You're not aware of whether there was an
18 actual rate increase during that -- in that particular
19 1995 proceeding?

20 A. I don't recall that. But I do know that the
21 rates were reviewed. I actually participated in that
22 case. And, so, clearly, the rates were reviewed
23 subject to review by the parties or consideration by
24 parties.

25 So, whether -- I don't recall the extent

1 to which if any rates were changed at that case. But I
2 would -- I would characterize that as constituting a
3 rate review.

4 Q. Okay. So, at least the background of your
5 consideration of your proposal was that rates have not
6 changed for at least nine to ten years?

7 A. To the extent that -- to the extent that that
8 was the last time revenue requirements were examined,
9 because the restructure which occurred in 1999, took
10 the then applicable rates that were in effect and
11 unbundled them as they were found. So, that there was
12 no change, vis-a-vis, one class or another.

13 But, of course, obviously, restructuring
14 constituted a huge change in the rate environment.
15 But, to the extent that the revenue requirements were
16 set or reviewed in 1995, that was the last time.

17 Q. Thank you. So, in your opinion, increasing
18 rates to streetlight customers by 43 percent assuming,
19 again, the entire increase, clearly would not
20 constitute rate shock?

21 A. Not in the context of an -- of an overall
22 increase that the company is requesting of 32.8
23 percent, it would not, in my opinion. And given the
24 fact that there are substantial subsidies being
25 received by the streetlighting rate schedule.

1 MS. KNIGHT: Your Honor, I have no
2 further questions of this witness.

3 JUDGE TURNER: Mr. Gray.

4 MR. GRAY: Thank you, Your Honor. My
5 limited cross was covered by Miss McCloskey, so I have
6 nothing. Thank you.

7 JUDGE TURNER: Okay. Mr. McCormick.

8 MR. MCCORMICK: I have no cross for this
9 witness.

10 JUDGE TURNER: Mr. Epstein.

11 MR. EPSTEIN: No cross, Your Honor.

12 JUDGE TURNER: Mr. Niesen.

13 MR. NIESEN: I'm right here, Your Honor.
14 Yes, I do have some questions for Mr. Baron.

15 CROSS EXAMINATION

16 BY MR. NIESEN:

17 Q. Good afternoon, Mr. Baron. My name is Tom
18 Niesen. And I represent the Sustainable Energy Funds.

19 A. Good afternoon.

20 Q. If you would, please, turn to page 54 of your
21 direct testimony. And I'm interested in the question
22 and answer that starts on line 2 and continues down
23 through line 15. Do you have that?

24 A. Yes, I do.

25 Q. And, in particular, line 6 and 7, where you

1 state a proponents must establish that the S.E.F. is
2 related to distribution cost or service and provides
3 demonstrable benefits to distribution service
4 customers. Now, did I read that portion of line 6 and
5 7 correctly?

6 A. Yes.

7 Q. Now, if you would then please turn to your
8 surre rebuttal testimony, page 19, and look at lines 14
9 through 16. There you state, the proponents of the
10 funding have failed to establish that there are
11 demonstrable benefits for ratepayers and that those
12 benefits outweigh the costs that are proposed to be
13 imposed on ratepayers. Did I read that sentence
14 correctly?

15 A. Yes.

16 Q. Could you tell me where, in your direct
17 testimony, you've expressed an opinion about proponents
18 of funding being required to establish that benefits
19 outweigh costs?

20 A. The reference that you read on page 54, and
21 line 6 and 7 of my direct testimony reference
22 demonstrable benefits.

23 Now, I did not use the word net benefits,
24 which would probably be a more accurate representation
25 of that statement. But I think that it's -- the plain

1 language interpretation of that portion of my
2 testimony, I think, will include net benefits.

3 Meaning that if an action or activity
4 undertaken by the utility or an agent on behalf of a
5 utility or some relation, agency relationship, provided
6 some \$10.00 of benefits but caused the customer to
7 incur a hundred dollars worth of cost, I don't think
8 anyone would agree that that was a benefit.

9 And, so, that's where -- I think that's
10 really my answer to your question. I did not use the
11 word net. But it certainly should be read in there.

12 Q. Did not use the word net on page 54 in your
13 direct testimony, did you?

14 A. I did not.

15 Q. Did not reference a cost benefit analysis at
16 page 54 of your direct testimony, did you?

17 A. No, I didn't.

18 Q. Now, I'd like to turn to your rebuttal
19 testimony, if you would, please. We're looking at page
20 11. And here you're discussing, at page 11, line 8
21 through line 12. You're discussing Mr. Hangars' direct
22 testimony. At the middle of line 8, you state, Mr.
23 Hangar provides no studies in support of the assertion
24 that demonstrable reliability benefits exist due to the
25 projects funded by the S.E.F.

1 More importantly, even if there are such
2 benefits, the appropriate issue for the Commission to
3 examine is whether such benefits exceed the cost of
4 S.E.F. payments to be made by PPL customers.

5 Where, in your direct testimony, did you
6 identify what you call in your rebuttal as the
7 appropriate issue? Where did you have that in your
8 direct testimony?

9 A. My testimony -- I think the same reference
10 that you read on page 54, the general concept.

11 Q. Where in the testimony is there a statement as
12 there is in the rebuttal, about what you feel is the
13 appropriate issue for the Commission, in the direct
14 testimony?

15 A. There's no language that's identical to my
16 rebuttal testimony.

17 MR. NIESEN: Thank you. That's all I
18 have, Your Honor. Thank you.

19 JUDGE TURNER: Okay. Thank you, Mr.
20 Niesen. Is there any other counsel or party who has
21 cross examination for this witness? In that case, I
22 can now turn to --

23 MS. POLACEK: Can I have a moment with my
24 witness?

25 JUDGE TURNER: Yes, you may.

1 (Discussion off the record.)

2 MS. POLACEK: Took all three of us to
3 determine we do not consider have I didn't redirect.

4 JUDGE TURNER: In this case, we can
5 dismiss Mr. Baron. I want to thank you for coming in
6 and saving us time. Thank you. That leaves us with
7 tomorrow's schedule.

8 We have four witnesses who are, I
9 believe, customer witnesses for PPLICCA.

10 MS. POLACEK: Yes, Your Honor.

11 JUDGE TURNER: I believe you told me
12 that, in fact, no one had any questions of them.

13 MS. POLACEK: That's correct. Everyone
14 has agreed to waive the cross on them. And in return
15 for that, PPL does have some cross examination exhibits
16 which were interrogatory responses provided by each of
17 the witnesses that they would like to enter into the
18 record.

19 JUDGE TURNER: All right. And are you
20 prepared to do that this afternoon?

21 MS. POLACEK: Yes, Your Honor.

22 JUDGE TURNER: Okay. We also have -- did
23 we call Mr. Kleha to explain is there any other
24 business to attend to this afternoon?

25 MS. MCCLOSKEY: Earlier in the week, Mr.

1 Morgan had indicated that he was going to correct the
2 schedule after cross examination. And we have that
3 correction available, an affidavit explaining the
4 correction.

5 And I didn't know if you wanted us to go
6 ahead and put that into the record. We can do that as
7 well today.

8 JUDGE TURNER: Well, today would be a
9 good day to do it because -- because this part of us
10 will not be meeting tomorrow. Has Mr. MacGregor had a
11 chance to look at it?

12 MS. MCCLOSKEY: Yes, I provided it to Mr.
13 MacGregor. I don't know if he wanted additional time.

14 MR. MACGREGOR: It's acceptable to me in
15 its present form.

16 JUDGE TURNER: All right. Why don't we
17 take Mr. Kleha first and then do whatever paper
18 proceedings we need to do. Good afternoon, Mr. Kleha.

19 MR. KLEHA: Good afternoon.

20 JUDGE TURNER: Just couldn't let you go.
21 You are still under oath.

22 MR. KLEHA: Always.

23 JUDGE TURNER: I believe -- I believe
24 you understand the nature of what we're doing here.
25 You have an answer to Mr. Beatty he asked you to accept

1 something to check. You checked it. Don't accept it.

2 And I think he would like to understand
3 why you don't understand it. Is that right, Mr.
4 Beatty?

5 MR. BEATTY: Yes, Your Honor.

6 JUDGE TURNER: Do you have -- was there
7 any document prepared or was there just a matter of
8 you're going to give a statement?

9 MR. KLEHA: I'm going to give a
10 statement, Your Honor.

11 JUDGE TURNER: Did you want to question
12 him on direct, Mr. MacGregor, or do you want him to
13 just go ahead?

14 MR. MACGREGOR: I can question him, Your
15 Honor.

16 JOSEPH M. KLEHA was recalled to the
17 stand.

18 FURTHER REDIRECT EXAMINATION

19 BY MR. MACGREGOR:

20 Q. Mr. Kleha, during your cross examination by
21 the Office of Consumer Advocate, you were asked certain
22 questions regarding changes in the number of
23 transformers on the PPL system since its last rate
24 proceeding.

25 And you were asked to accept certain

1 figures subject to check. Do you have additional
2 information regarding your answer to that question?

3 A. Yes, I do. I went back to the -- or called
4 into my office and asked one of our assistants to get
5 the information with regard to the number of
6 transformers in the last rate proceeding, which were
7 shown in exhibit JMK 3 in that docket.

8 And the number of transformers, both,
9 excuse me, overhead and underground transformers was
10 384,481 transformers.

11 In this proceeding, the number of
12 overhead and underground transformers shown in Exhibit
13 JMK 3 in this docket is 382,506 transformers or a
14 difference of 1,975 transformers less in this
15 proceeding than in the prior proceeding. Not the
16 22,000 as originally asked.

17 Q. And just by way of clarification, the 22,000
18 or the 20 odd thousand figure referenced during your
19 earlier cross examination reflected the change in
20 overhead transformers, and your additional testimony
21 here reflects the cumulative number of both overhead
22 and underground?

23 A. That's correct.

24 MR. MACGREGOR: Thank you.

25 JUDGE TURNER: Mr. Beatty, do you have

1 any questions?

2 MR. BEATTY: No, Your Honor.

3 JUDGE TURNER: Thank you. Thank you very
4 much for coming back, Mr. Kleha.

5 (Witness left the stand.)

6 JUDGE TURNER: I have, with the
7 assistance of some PPL comments, been trying to
8 understand the transmission rate, and how it applies to
9 PJM, how it applies and how it's calculated.

10 And I asked and directed where in the
11 record the actual OATT rates were. And they are found
12 at, I believe, DMK 2?

13 MR. MACGREGOR: Right, Your Honor.

14 JUDGE TURNER: Okay. And in fact, I have
15 been looking at the system map that's included in, I
16 think, feature 1, as these lines being the basis of the
17 charge.

18 And DMK 2 also shows the auxiliary
19 charges. I'm not sure that I remember any cross
20 examination on that exhibit. But that's the exhibit
21 I'll be relying on to understand the amounts of the PJM
22 charges.

23 And if you want to refer me to anything
24 else in the record of any of your witnesses, please let
25 me know.

1 The other thing that I have contemplated
2 is incorporating the OATT tariff by reference. I
3 understand it's about two-feet thick. And there's no
4 sense to try and include it in the record. But if it's
5 incorporated, if there's anyone in the Commission or
6 anyone on the Commission staff who feels so inclined,
7 they could look at it. Would there be any objection to
8 that?

9 MS. MCCLOSKEY: We have no objection.
10 Your Honor.

11 JUDGE TURNER: Okay. Okay. I'll have to
12 check exactly what the regs say about incorporating
13 such documents.

14 At this point, I don't think I have
15 anything else. And we should turn towards the final
16 stipulation of testimony, moving in the customer
17 witnesses.

18 MS. POLACEK: Your Honor, before we do
19 that, I know you just made a comment about the
20 transmission charges. I'm assuming that's for briefing
21 purposes. Or would you like us to -- I could probably
22 direct you to Mr. Baron's testimony on that right now
23 and where we get the rates. Or is that something you
24 just want us to explain in detail in our briefs?

25 JUDGE TURNER: If you want to refer me to

1 it now, obviously haven't memorized the testimony. And
2 I do not have 1S. I have 1R. And I have the original
3 testimony.

4 MS. POLACEK: Okay. I will certainly get
5 you a copy of 1S. Unfortunately, the only one I have
6 is my original. But I will make sure that we get that
7 to you.

8 JUDGE TURNER: Hold on. We might have an
9 extra. Maybe mine was sent to her. I don't know.
10 What reference would you like me to go to?

11 MS. POLACEK: Reference for Mr. Baron
12 would be, I believe, SJB 2, which is with his direct
13 testimony. And that also -- it references back to the
14 OATT schedules, open access transmission tariff
15 schedules.

16 But it does show at least the charges
17 that are there. And in his testimony, he does have an
18 explanation of how those different types of services
19 that are listed on this exhibit are charged, whether
20 they are on a kilowatt hour basis or a demand basis, kW
21 basis.

22 JUDGE TURNER: So he didn't accept DMK 2?

23 MS. POLACEK: May be based on DMK 2. I
24 apologize I don't have a copy of DMK 2 with me. But, I
25 think, at this point, the company and PPLICA will at

1 least we're pretty comfortable that we're all using the
2 same numbers and rates.

3 JUDGE TURNER: That's why I wanted to be
4 sure if you felt you weren't using the same numbers and
5 rates. It looks to me like the total charge amount is
6 the same.

7 MS. POLACEK: And no, they are. They do
8 look like they're approximately the same. Mr.
9 MacGregor was kind enough to show me DMK 2. So, yes.

10 JUDGE TURNER: But what you're saying is
11 that his explanation of them might be helpful?

12 MS. POLACEK: Might be helpful.

13 JUDGE TURNER: All right. Does anyone
14 else have any comments on the use of DMK 2 as the basis
15 for calculating the charges and, you know, Mr. Baron's
16 schedule as well, maybe a change? Mr. McCormick.

17 MR. MCCORMICK: I believe while DOD
18 witness, Kenneth Kinsel took no exception to the use of
19 DMK 2 charges. There is a discussion of those charges
20 and how they might be allocated in his prepared direct
21 testimony.

22 JUDGE TURNER: Okay.

23 MR. MCCORMICK: DOD Statement Number 2.

24 MR. MACGREGOR: Your Honor, I'm sorry to
25 interrupt. Just so the record is clear, I might have

1 started this problem. It's DAK not M. Douglas A.
2 Krall, not M. So the exhibit references are DAK. I
3 apologize for that.

4 JUDGE TURNER: You might have noticed
5 that I have trouble with names sometimes. Since I have
6 actually addressed you as Mr. McCormick, so, which I
7 apologize.

8 MR. MACGREGOR: I consider that a
9 compliment, Your Honor. No offense.

10 JUDGE TURNER: So, DAK, Mr. Krall would
11 probably be grateful to have his initials correct. Are
12 there any other issues that anyone would like to raise
13 about the record, Mr. Epstein?

14 MR. EPSTEIN: There is a matter of two
15 on-the-record-data requests. One which was mine and
16 one which was yours. First I would like to --

17 JUDGE TURNER: One that was mine?

18 MR. EPSTEIN: Yes. During my testimony,
19 you requested a breakdown of compensation --

20 JUDGE TURNER: No. I merely requested
21 that Mr. Russell send information to a witness. I
22 didn't ask for any breakdown.

23 MR. EPSTEIN: Right. But, at that time,
24 Mr. Russell said he would get back to you. And I was
25 wondering whether or not you had resolved that issue

1 with Mr. Russell and whether or not that information
2 has been sent to the witness in Williamsport.

3 JUDGE TURNER: Mr. Russell and I had
4 arranged to speak. And we canceled that at the end of
5 yesterday because I think everyone was a little
6 frazzled at the end of yesterday. But I assure you, I
7 will follow through.

8 MR. EPSTEIN: Just curious.

9 JUDGE TURNER: You are always curious.

10 MR. EPSTEIN: Yes.

11 JUDGE TURNER: What do you have to put in
12 the record?

13 MR. EPSTEIN: I would like to, if you
14 permit, to enter Epstein Cross Exhibit 1 into the
15 record, move it into the record. It was data supplied
16 to me by Mr. MacGregor by my request, on-the-record
17 data request concerning forecasted number of customers.

18 JUDGE TURNER: And you've talked to Mr.
19 MacGregor about that?

20 MR. EPSTEIN: Yes, ma'am.

21 JUDGE TURNER: And he has no objection?

22 MR. EPSTEIN: I don't want to speak for
23 him. He seemed to indicate that he would not object.

24 MR. MACGREGOR: I don't object.

25 Information provided by Mr. Woodruff after his cross

1 examination.

2 JUDGE TURNER: Okay. And how are you
3 going to mark it?

4 MR. EPSTEIN: I have them marked as
5 Epstein Exhibit 1.

6 JUDGE TURNER: Isn't it a cross
7 examination exhibit?

8 MR. EPSTEIN: Epstein 1 Cross
9 Examination, is that okay?

10 JUDGE TURNER: Sure. We don't have any
11 other exhibits?

12 MR. EPSTEIN: No. It looks like time is
13 running out for that.

14 JUDGE TURNER: Yes, I think so. So, and
15 you have sufficient copies?

16 MR. EPSTEIN: Yes.

17 JUDGE TURNER: Okay. Does any other
18 counsel have objections? It will be admitted.

19 (Epstein Cross Exhibit Number 1 was
20 marked and admitted in evidence.)

21 JUDGE TURNER: All right. Can I conclude
22 at this point all the parties are satisfied with the
23 state of the record and they have had a full
24 opportunity to make the record as they want regarding
25 their positions?

1 MS. POLACEK: Your Honor, at this point,
2 we still have to put into the record the statements of
3 the PPLICA customer witnesses.

4 JUDGE TURNER: So you want me to ask this
5 question after that?

6 MS. POLACEK: I believe, yes.

7 MR. MACGREGOR: Your Honor, I think Miss
8 McCloskey has an exhibit to hand out.

9 JUDGE TURNER: That's correct.

10 MR. MACGREGOR: And I have four. If we
11 can go off the record and hand them out.

12 JUDGE TURNER: That would be fine.

13 (Discussion off the record.)

14 JUDGE TURNER: Back on the record.
15 Receiving fully distributed and marked?

16 MR. MACGREGOR: Yes.

17 JUDGE TURNER: Okay. Do you want to
18 proceed?

19 MR. MACGREGOR: Thank you. We have
20 distributed to Your Honor and the parties and to the
21 court reporter, four exhibits. Each have been
22 premarked in the upper right-hand corner as PPL
23 Electric Cross Examination Exhibit Number 5, 6, 7 and
24 8, respectively. And I ask they be so marked for
25 identification.

1 JUDGE TURNER: They may be so marked.

2 (PPL Electric Cross Examination Exhibit
3 Number 5, 6, 7 and 8 were marked for identification.)

4 MR. MACGREGOR: And these are essentially
5 answers from each of the four individual PPLICA
6 customer witnesses asking them, in general, the
7 percentage of their electricity expenses as a percent
8 of their total operating budget. And the answers are
9 as contained therein.

10 And in lieu of cross examination, Miss
11 Polacek and I have agreed that they can be entered into
12 the record in lieu of cross.

13 JUDGE TURNER: Fine. You agree with that
14 statement?

15 MS. POLACEK: Yes, Your Honor.

16 JUDGE TURNER: You also have presented to
17 us a copy of the affidavit that goes with each
18 statement?

19 MS. POLACEK: Yes, Your Honor, I have.

20 JUDGE TURNER: And they have been
21 presented to the court reporter?

22 (PPL Electric Cross Examination Exhibit
23 Number 5, 6, 7 and 8 were admitted in evidence.)

24 MS. POLACEK: They have been presented to
25 the court reporter along with copies of the actual

1 statements. And I guess I would ask to identify those
2 for the record so we can have them.

3 JUDGE TURNER: Please proceed.

4 MS. POLACEK: Okay. The first statement,
5 obviously, for PPLICA had been Statement Number 1 which
6 was Mr. Baron, starting in numerical order, we would
7 mark as PPLICA Statement Number 2, the direct testimony
8 and exhibits of Jennifer Hunsperger, who is an employee
9 of Praxiar. And that includes six pages of testimony.
10 And her exhibits JH 1 through JH 8.

11 Mark as PPLICA Statement Number 3, the
12 direct testimony and exhibits of Larry Stalica,
13 S-t-a-l-i-c-a, who is an employee of BOC Gases.

14 His testimony consists of seven pages of
15 answers and exhibits LS1 and 2. We'd mark as PPLICA
16 Statement Number 4, the direct testimony and exhibits
17 of James H. Rooney, R-o-o-n-e-y, which is 12 pages of
18 testimony and exhibits JHR 1 through 4.

19 And, finally, as PPLICA Statement Number
20 5, the direct testimony of Aaron P. Croop, C-r-o-o-p,
21 which is 8 pages of testimony. And Mr. Croop also has
22 a separate exhibit that we'd mark as Exhibit APC 1,
23 which was separately provided. It is a map of his
24 substation. Ask they be marked for the record.

25 JUDGE TURNER: May be so marked.

1 (PPLICA Statement Numbers 2, 3, 4 and 5
2 and PPLICA Exhibit Numbers JH1 through JH 8, LS1 and
3 LS2, JHR1 through JHR4 and APC 1 were marked for
4 identification.)

5 MS. POLACEK: And for clarification
6 purposes, if you'd like, I can identify which of the
7 PPL cross exhibits relates to which piece of testimony,
8 if you'd like.

9 JUDGE TURNER: I don't think that's
10 necessary, because they each have at the bottom of them
11 who provides them.

12 MS. POLACEK: Okay. Your Honor, at this
13 point, I did provide affidavits from each of the
14 witnesses, verifying to the accuracy of the prepared
15 testimony.

16 I've provided that to the court reporter.
17 I have copies for anybody that would like that. And we
18 would move the admission of PPLICA Statements Numbers
19 1, 2, 3, 4, I'm sorry, 2, 3, 4 and 5, and the related
20 exhibits at this time.

21 JUDGE TURNER: Okay. Did we move in all
22 of Mr. Baron's testimony and exhibits?

23 MS. POLACEK: I believe we had done that
24 during his testimony.

25 JUDGE TURNER: Okay. They may be so

1 admitted.

2 (PPLICA Statement Numbers 2, 3, 4 and 5
3 and PPLICA Exhibit Numbers JH1 through JH 8, LS1 and
4 LS2, JHR1 through JHR4 and APC 1 were admitted in
5 evidence.)

6 JUDGE TURNER: Now, we also have items
7 provided by OCA, which has been marked as OCA LKM-A.

8 MS. MCCLOSKEY: Yes, Your Honor. Thank
9 you. We'd like to have marked formally for
10 identification OCA LKM dash A.

11 JUDGE TURNER: May be so marked.

12 (Exhibit OCA LKM-A was marked for
13 identification.)

14 MS. MCCLOSKEY: Thank you, Your Honor.
15 And this is an exhibit prepared by Lafayette Morgan,
16 reflecting certain corrections to his schedule as a
17 result of clarification on cross examination of the
18 income tax expense and amortization of deferred income
19 taxes.

20 The exhibit consists of an affidavit
21 stating that it's true and correct to the best of his
22 information, knowledge and belief, a brief explanation
23 of the changes, and the revise scheduled, all of the
24 schedules that needed to be revised as a result of the
25 change.

1 We would like to move for the admission
2 of exhibit OCA LKM dash A.

3 JUDGE TURNER: Have all counsel had a
4 chance to review this? Was there any objection? In
5 that case, it shall be admitted as marked.

6 (Exhibit OCA LKM-A was admitted in
7 evidence.)

8 MS. MCCLOSKEY: Thank you, Your Honor.

9 JUDGE TURNER: Now, we have Epstein
10 Exhibit 1 Cross.

11 MR. EPSTEIN: Yes, ma'am.

12 JUDGE TURNER: Did every party receive a
13 copy of that? And it was part of his -- it was a
14 question to PPL. And it regards projections of the
15 change of the number of customer by customer classes.
16 So, any objection to it?

17 MR. MACGREGOR: No objection.

18 JUDGE TURNER: Then it will be admitted
19 as Epstein Exhibit Number 1, Cross. Any other party
20 have any evidence to propose for consideration at this
21 point?

22 MR. MACGREGOR: Your Honor, Mr. Kanaskie
23 reminded me at the break that Mr. Moul was
24 cross-examined on Tuesday. He accepted one item
25 subject to check.

1 And I would like to report for the record
2 that this regards exhibit PRM 1, page 22 of 38,
3 schedule 11. He was asked on cross examination that if
4 that schedule were updated, that none of the average
5 values shown on that schedule would be above 5.5
6 percent.

7 Mr. Moul has confirmed that that is
8 accurate, that one of the values would have been 5.5
9 percent. But none of the values would have been above
10 5.5 percent. And I discussed that with Mr. Kanaskie
11 off the record and offered to make that clarification.

12 JUDGE TURNER: Okay. How did you come
13 by --

14 MR. MACGREGOR: Mr. Moul e-mailed it to
15 me on Mr. Russell's Black Bear, actually.

16 JUDGE TURNER: Well, does Mr. -- you were
17 counsel for Mr. Moul. So, does anybody object to this?
18 Are you going to admit it that way? Is that the
19 statement?

20 MR. MACGREGOR: Yes, Your Honor.

21 JUDGE TURNER: So, if somebody wants to
22 look for it in the transcript, they will look for it in
23 the last page of the transcript or close to it.

24 MR. MACGREGOR: End on a happy note, Your
25 Honor.

1 JUDGE TURNER: Okay. I hate to ask
2 again, does any other counsel have any other evidence
3 to put forward in the record? No other outstanding
4 data requests? No answers subject to check?

5 MS. POLACEK: We confirmed that Mr.
6 Krall accepted a calculation of mine subject to check
7 yesterday. And I believe we have checked and he does
8 now accept the number.

9 JUDGE TURNER: What calculation was that?

10 MS. POLACEK: The network transmission
11 service is approximately 66 percent or two-thirds of
12 the total PJM ancillary service and transmission
13 charges.

14 MR. MACGREGOR: Why, we have checked
15 that. And that's accurate.

16 JUDGE TURNER: Okay. Was there an
17 exhibit or page in the testimony that you remember?

18 MS. POLACEK: No. I think it was kind of
19 free-flowing at that point. So, I don't think there's
20 any specific --

21 JUDGE TURNER: Okay. We'll take it as
22 you've stated it.

23 MS. POLACEK: Thank you.

24 JUDGE TURNER: Okay. Any other counsel,
25 any other evidence to put forward for the record at

1 this time?

2 Okay. Then I can assume at this point
3 every party has put forward their best case and is
4 satisfied with the record. You've completed your
5 cases. Okay.

6 Now, Mr. Kanaskie, you had reserved the
7 right to raise issues on brief that weren't the subject
8 of testimony where testimony wasn't required.

9 MR. KANASKIE: Yes, Your Honor.

10 JUDGE TURNER: And I had instructed you
11 to notify the parties of those issues that you were
12 going to raise in that fashion.

13 MR. KANASKIE: Yes, Your Honor.

14 JUDGE TURNER: And I haven't seen a copy
15 of anything. So, I guess you're not going to raise any
16 of those issues.

17 MR. KANASKIE: Correct, Your Honor.

18 JUDGE TURNER: Okay.

19 MR. KANASKIE: Your Honor, if I may add,
20 correct, with one qualification. The matter of the
21 DSIC, which has been testified to is going to be
22 largely a legal interpretation. But that has been
23 represented already throughout testimony.

24 JUDGE TURNER: Legal issue?

25 MR. KANASKIE: Yes.

1 JUDGE TURNER: Okay. So, you feel that,
2 don't be surprised to make a legal argument over that?

3 MR. KANASKIE: Correct.

4 JUDGE TURNER: I see nods. And that
5 leads us to the table to be attached to the briefs.
6 Now, I circulated tables with my original prehearing
7 order. Do you all have them? No?

8 MR. MACGREGOR: Yes. Okay. Company has
9 them.

10 MS. MCCLOSKEY: OCA.

11 MS. POLACEK: PPLICA has them.

12 JUDGE TURNER: PLUG has them. Table to
13 follow, attached following the brief.

14 MS. KNIGHT: I don't think we have them.
15 I will get them.

16 JUDGE TURNER: Yes. Because you entered
17 after the prehearing conference.

18 MS. KNIGHT: Right. I will make sure I
19 get a table.

20 JUDGE TURNER: Okay. And Mr. Gray.

21 MR. GRAY: They were on your prehearing
22 order?

23 JUDGE TURNER: Yes. My actual prehearing
24 order. It was before any hearing that came out.

25 MR. GRAY: I believe we have them. Thank

1 you. Yes.

2 JUDGE TURNER: If there is some party,
3 Mr. McCormick.

4 MR. MCCORMICK: Your Honor, I have a copy
5 of the prehearing order, has the tables attached, the
6 instructions of the tables attached to it. That's what
7 we're wanting to make sure. And we will follow in
8 accordance with those instructions.

9 JUDGE TURNER: Okay. Mr. Epstein.

10 MR. EPSTEIN: Yes.

11 JUDGE TURNER: Do you have those tables?

12 MR. EPSTEIN: Yes.

13 JUDGE TURNER: Okay. So, your brief
14 should -- your adjustment should be put forward in that
15 form.

16 MR. EPSTEIN: Whatever you said, I will
17 follow.

18 JUDGE TURNER: My goodness. All right.
19 Then the reason that that is so important is that I
20 have some financial analysts assisting me with this
21 case.

22 And those tables will then be reviewed by
23 the Commission when they're reviewing the case. And
24 it's important that when you're making your
25 adjustments, everybody begin in the same place and end

1 in the same place so we can really tell the difference
2 between positions.

3 So, please do not regard this as
4 bureaucratic boilerplate. It will really make a
5 difference to the Commission. And they, of course, are
6 the final decision-makers.

7 So, I think that concludes all of my
8 instructions on the brief. Kind of expecting requests
9 from PPL for an exception to the number of pages
10 allowed in briefs. I want the briefs to confirm with
11 the Commission's regulations.

12 MR. ISOM: Perhaps I misremembered. I
13 thought there was no page limit on base rate cases.

14 JUDGE TURNER: That may be correct. I
15 have not done a rate case for 10 years.

16 MR. ISOM: I will double-check. If there
17 is a limit that will cause a problem, we'll get back to
18 you quickly. I don't believe there is.

19 MS. MCCLOSKEY: Also our understanding
20 there is no limit on rate case briefs. No page limited
21 on rate case briefs. There are for other briefs.

22 JUDGE TURNER: If that's true, I'm happy
23 to hear it.

24 MR. ISOM: Still be page limits on
25 exceptions.

1 JUDGE TURNER: But --

2 MR. ISOM: That's the next round.

3 JUDGE TURNER: Nothing to do with me. A
4 decision I don't have to make.

5 MR. ISOM: Copies of them though.

6 JUDGE TURNER: So, and do we have a
7 briefing schedule set in terms of dates? Everybody has
8 that schedule and okay with everybody? You can all
9 meet it? Okay.

10 In that case, is there anything else?
11 Mr. Russell and I have some business, and there are the
12 customer complaints tomorrow afternoon. I set that
13 time on recommendation from the parties.

14 So, I'm afraid Mr. Russell will be here
15 for an extra day. Can I really now close the record,
16 if it's sufficient? Any reason you want me to hold it
17 open for another day?

18 Actually probably close it on the 13th
19 because of the customer complaints. So, close it then.
20 But that is acceptable to everyone? All right then.
21 Thank you very much for your endurance and your
22 patience and all of your efforts. And have a good
23 weekend. Thank you. We're adjourned.

24 (Whereupon, at 4:00 p.m. the hearing was
25 concluded.)

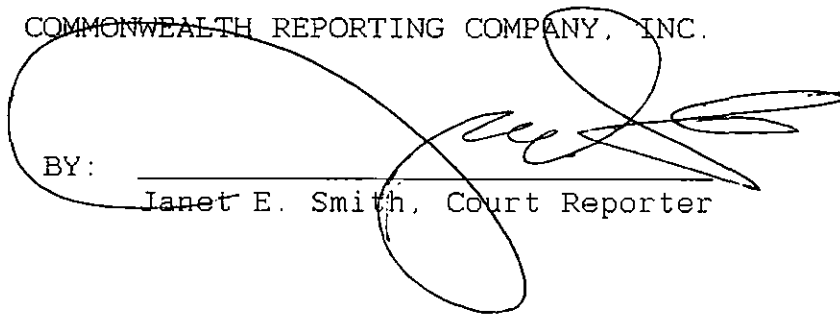
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3 I hereby certify, as the stenographic reporter,
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