

COMMONWEALTH OF PENNSYLVANIA
PUBLIC UTILITY COMMISSION

ORIGINAL

Pennsylvania Public Utility Commission
vs. PPL Electric Utilities Corporation
Filed Supplement No. 54 to Tariff-
Electric PA PUC No. 201 proposing a
Distribution Only Rate Increase in the
amount of \$83,521,261, or 2.67%.
Number of Customers: 1,382,796.
Area Served: Portions of Berks Bucks,
Carbon, Chester, Clinton, Columbia,
Cumberland, Dauphin, Juniata, Lackawanna,
Lancaster, Lebanon, Lehigh, Luzerne,
Lycoming, Monroe, Montgomery, Montour,
Northampton, Northumberland, Perry, Pike,
Schuylkill, Snyder, Susquehanna, Union,
Wayne, Wyoming & York Counties.
Address of Utility: 2 N. Ninth Street,
Allentown, PA 18101.

Docket No.
R-00072155

J.S.M.
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PA PUC
SECRETARY'S BUREAU

Further Evidentiary Hearing.

DOCUMENT
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- x-----
Office of Consumer Advocate : R-00072155C0001
- x-----
PP&L Industrial Customers Alliance : R-00072155C0002
- x-----
Office of Small Business Advocate : R-00072155C0003
- x-----
Andrew T. Bosak : R-00072155C0004

Commonwealth Reporting Company, Inc.
700 Lisburn Road
Camp Hill, Pennsylvania 17011

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Daniel D. Graham      : R-00072155C0005
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Stephanie Crayton    : R-00072155C0006
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Judith A. Lewis-Walton : R-00072155C0007
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Margaret Gay         : R-00072155C0008
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Eric Joseph Epstein   : R-00072155C0009
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Deb Eastman          : R-00072155C0010
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Frank Torkarz        : R-00072155C0011
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Gregory B. Clemens   : R-00072155C0012
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William J. Vigilante, Jr. : R-00072155C0013
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Richard and Eleanor Cobb : R-00072155C0014
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Denise M. Sater      : R-00072155C0015
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: James Hronich : R-00072155C0016
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: Fred Charles : R-00072155C0017
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: City Complainants (Scranton) : R-00072155C0018
: :
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: Joseph McAndrew : R-00072155C0019
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: U.S. Department of Defense and All :
Federal Executive Agencies : R-00072155C0020
: :
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: Lillian Falcone : R-00072155C0021
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: Joseph Nabogis : R-00072155C0022
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: Michael Ochs : R-00072155C0023
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Hearing Room 2, Plaza Level
Commonwealth Keystone Building
Harrisburg, Pennsylvania

Monday, September 24, 2007

Met, pursuant to adjournment, at 10:00 a.m.

BEFORE:

SUSAN D. COLWELL, Administrative Law Judge

Commonwealth Reporting Company, Inc.

700 Lisburn Road
Camp Hill, Pennsylvania 17011

APPEARANCES :

DAVID B. MacGREGOR, Esquire
Post & Schell, PC
Four Penn Center
1600 JFK Boulevard
Philadelphia, Pennsylvania 19103
(For PPL Electric Utilities Corporation)

PAUL E. RUSSELL, Esquire
Two North Ninth Street
Allentown, Pennsylvania 18101
(For PPL Electric Utilities Corporation)

JOHN H. ISOM, Esquire
Post & Schell, PC
17 North Second Street, Twelfth Floor
Harrisburg, Pennsylvania 17101-1601
(For PPL Electric Utilities Corporation)

KENNETH L. MICKENS, Esquire
P.O. Box 3265
Harrisburg, Pennsylvania 17120
(For the Office of Trial Staff)

ARON BEATTY, Esquire
Forum Place, Fifth Floor
555 Walnut Street
Harrisburg, Pennsylvania 17101
(For Office of Consumer Advocate)

STEVEN GRAY, Esquire
Suite 1102, Commerce Building
300 North Second Street
Harrisburg, Pennsylvania 17101
(For Office of Small Business Advocate)

PAMELA C. POLACEK, Esquire
McNees, Wallace & Nurick
100 Pine Street
P.O. Box 1166
Harrisburg, Pennsylvania 17108
(For PP&L Industrial Customer Alliance)

Commonwealth Reporting Company, Inc.

700 Lisburn Road
Camp Hill, Pennsylvania 17011

APPEARANCES, (Continued):

THOMAS T. NIESEN, Esquire
Thomas, Thomas, Armstrong & Niesen
P.O. Box 9500
Harrisburg, Pennsylvania 17108
(For Sustainable Energy Fund)

JOSEPH McANDREW
85 West Chestnut Street
Macungie, Pennsylvania 18062
(Pro se)

DANIEL D. GRAHAM, Esquire
Apartment B
217 North Second Street
Harrisburg, Pennsylvania
(Pro se)

Commonwealth Reporting Company, Inc.

700 Lisburn Road
Camp Hill, Pennsylvania 17011

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CROSS

REDIRECT

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FORM 2

P R O C E E D I N G S

1
2 ADMINISTRATIVE LAW JUDGE SUSAN D. COLWELL: Good
3 morning. This is the time and the place set for a further
4 evidentiary hearing in the case captioned Pennsylvania
5 Public Utility Commission vs. PPL Electric Utilities
6 Corporation, at Docket No. R-00072155, and the accompanying
7 complaints filed against the proposed rate increase from
8 R-00072155C0001 through and including R-00072155C0027.

9 I'm Administrative Law Judge Susan Colwell, assigned
10 by the Commission to preside in this matter.

11 I note for the record the attendance of the
12 following: On behalf of PPL Electric Utilities Corporation,
13 Paul E. Russell, David B. MacGregor and John H. Isom.

14 Appearing pro se we have Joseph McAndrew; on behalf
15 of the Office of Trial Staff, Kenneth Mickens; on behalf of
16 the PPL Industrial Customer Alliance, I see we have
17 Pamela Polacek; the Office of Consumer Advocate,
18 Aron Beatty; on behalf of the Sustainable Energy Fund,
19 Thomas T. Niesen; on behalf of the Office of Small Business
20 Advocate, Steven Gray; on behalf of Richards Energy Group,
21 Craig A. Doll.

22 Is there anyone who should have signed the attendance
23 sheet that has not?

24 Yes, sir.

25 MR. GRAHAM: Yes, I wish to testify opposing the rate

1 increase. Do I need to sign in? Is there a sheet here? I
2 have not seen any sign-in sheet.

3 JUDGE COLWELL: Well, the sign-in sheet for today is
4 the green sheet. And actually, I would like you to do that.
5 There's an extra green piece of paper down here. So if you
6 could go ahead and sign that. I do recognize you from the
7 Harrisburg public input hearing.

8 While you are signing that, we'll go ahead with some
9 preliminary matters.

10 There are several purposes for this hearing. The
11 litigating parties submitted an all-issue Joint Petition For
12 Settlement on August 30, 2007. There are several questions
13 I have regarding the settlement, and I have asked the Joint
14 Petitioners to provide answers to help me to understand what
15 the Joint Petition for Settlement does.

16 In addition, there are a few page substitutions that
17 the Joint Petitioners need to make to correct some errors in
18 the math.

19 The Joint Petition for Settlement was served on the
20 customer complainants who did not participate in the
21 litigation on August 31, 2007, along with a letter informing
22 them of their rights to file objections to the settlement.

23 Four objections were received, and this hearing gives
24 them an opportunity, the objecting parties, to further
25 articulate those objections.

1 In addition, four customer complainants came to my
2 attention last Wednesday, September 19, 2007. These four
3 were immediately sent notice of today's hearing and the
4 order I issued September 17, 2007, regarding this hearing.
5 In addition, the company sent them each a copy of the Joint
6 Petition for Settlement.

7 And this brings me to a case where I have to
8 apologize, because the time stamps on those four complaints
9 show that they were received in the Commission Secretary's
10 Bureau on June 6, June 8, June 28 and September 11.

11 The first three were received by the Office of
12 Administrative Law Judge on August 10, and the last on
13 September 11. They were not assigned to me until
14 September 19.

15 The actions of both bureaus is not consistent with
16 internal protocol, which dictates that any document with an
17 "R" docket is to be given priority and moved through at
18 once.

19 As you can tell, the first three were filed in plenty
20 of time to have afforded the complainants an opportunity for
21 more participation than they have now.

22 I thank the litigating parties, who have been
23 extremely cooperative, and who have done everything right.
24 And I apologize because I cannot sit here and assure that
25 there are not more complaints stuck somewhere between the

1 filing office and my desk. I don't have to tell you what
2 that could mean.

3 So on behalf of the regulatory agency, I apologize
4 for the errors, which have resulted in inconvenience and
5 increased cost that could have been avoided if the
6 Commission staff had done its job in a timely fashion.

7 The four objections were received from
8 Lillian Falcone, Joseph McAndrew, Stephanie Crayton and
9 Michael Ochs.

10 I note that I received a letter from
11 Stephanie Crayton indicating she would not be able to attend
12 this hearing, and asking that we accept her written
13 testimony instead.

14 I have copies of this letter for the parties. And I
15 assume that when she asks that, she means the objection
16 submitted, because no separate written testimony was
17 received.

18 Would anyone like to see a copy of that letter?

19 (Pause.)

20 JUDGE COLWELL: I note that my letter dated
21 September 12, 2007, to all parties of record sent each party
22 a copy of the objections received. And it was also sent to
23 the secretary for filing in the official file, and therefore
24 the objections are part of the record in this case.

25 Of the consumer complainants, only Joseph McAndrew

1 indicated in advance that he would be present here today. I
2 see we have one other person.

3 Mr. McAndrew, would you step up to the witness box,
4 please?

5 **Whereupon,**

6 **JOSEPH McANDREW**

7 **having previously been duly sworn, testified further as**
8 **follows:**

9 JUDGE COLWELL: You're already sworn in this
10 particular proceeding. So let me just remind you that you
11 are sworn in, and that you're still under oath for the
12 purposes of this proceeding. If you're more comfortable
13 standing, that's okay with me.

14 **DIRECT TESTIMONY**

15 JUDGE COLWELL: Would you please state your name and
16 spell it for the record, sir?

17 THE WITNESS: Okay. Joseph McAndrew, M-C, and
18 capital A-N-D-R-E-W.

19 JUDGE COLWELL: Are you the same Joseph McAndrew that
20 testified at a hearing held August 27 via telephone?

21 THE WITNESS: I am.

22 JUDGE COLWELL: Today you are objecting to the
23 settlement. So what specific terms of the settlement do you
24 find objectionable, and why?

25 THE WITNESS: All right. Specific terms of the

1 settlement. Okay. Now, I'm referring to my original formal
2 complaint letter. Is that acceptable?

3 JUDGE COLWELL: You have already testified regarding
4 that, sir.

5 THE WITNESS: All right. And specific formal. I
6 would say that I have a question as far as the one point.
7 More than one point.

8 But one point, on the PPL plaza on Hamilton Street,
9 the building that was stated was an excessive cost and so
10 forth. And indeed, from information that I have presently
11 in front of me from the CEO, William F. Heck, states that --

12 JUDGE COLWELL: Sir, what are you referring to? The
13 rest of us don't have copies.

14 THE WITNESS: Oh, okay. The PPL Corporation indeed
15 is a major player and participant --

16 JUDGE COLWELL: Mr. McAndrew, what are you reading
17 from?

18 THE WITNESS: Oh, I was just kind of paraphrasing it.

19 JUDGE COLWELL: Can you tell me what it is?

20 THE WITNESS: I am just basically reading -- not
21 just. I am reading from, this is right from the PPL
22 Corporation, and unveils the plaza on Hamilton Street, which
23 is the PPL Center.

24 JUDGE COLWELL: Mr. McAndrew, is this a press
25 release, is it from the website, or is it a letter addressed

1 to --

2 THE WITNESS: This is from the web.

3 JUDGE COLWELL: From the website?

4 THE WITNESS: Yes.

5 JUDGE COLWELL: Thank you. Go ahead.

6 THE WITNESS: Okay. And it states, PPL Corporation,
7 New York Stock Exchange, PPL, and Liberty Property Trust
8 unveiled plans today for the plaza at PPL Center. Today
9 marks the beginning of a concrete, glass and steel
10 expression of a transformation of our company, of our
11 company, said William F. Heck, PPL Chairman. We are
12 building both literally and figuratively the new building,
13 the PPL Plaza Center.

14 So indeed, you know, it was stated previously that,
15 no, we didn't have anything to do with -- because also, if
16 they're building large things like this and they're asking
17 for large increases, folks, then we think maybe it would be
18 fair if they kind of cost, be cost-effective, as we all are
19 in our lives.

20 And so it was stated earlier that they did not have
21 anything to do with this building. But indeed, they're a
22 major player in the construction of the building. And I
23 just wanted that for the record.

24 JUDGE COLWELL: Do you have anything else, sir?

25 THE WITNESS: No, nothing else right now.

1 JUDGE COLWELL: Then I'm going to give the attorneys
2 here an opportunity to ask you some questions.

3 THE WITNESS: Oh, that's fine.

4 JUDGE COLWELL: Mr. MacGregor?

5 MR. MacGREGOR: I have no questions, Your Honor.

6 JUDGE COLWELL: Mr. Gray?

7 MR. GRAY: No questions.

8 JUDGE COLWELL: Mr. Beatty?

9 MR. BEATTY: No questions, Your Honor.

10 JUDGE COLWELL: Mr. Mickens?

11 MR. MICKENS: No questions, Your Honor.

12 JUDGE COLWELL: Ms. Polacek?

13 MS. POLACEK: No questions, Your Honor.

14 JUDGE COLWELL: Mr. Doll.

15 MR. DOLL: No questions.

16 JUDGE COLWELL: Mr. Niesen?

17 MR. NIESEN: No questions, Your Honor.

18 JUDGE COLWELL: All right. Thank you, Mr. McAndrew.
19 No one has any questions for you. You may step down.

20 THE WITNESS: Thank you.

21 **(Witness excused.)**

22 JUDGE COLWELL: Is Lillian Falcone or Michael Ochs
23 here?

24 (No response.)

25 JUDGE COLWELL: I note for the record that there was

1 no response.

2 I believe we do have one other individual present who
3 has filed a complaint, and may have an objection to the
4 settlement.

5 Would you step forward, please, sir?

6 **Whereupon,**

7 **DANIEL D. GRAHAM**

8 **having previously been duly sworn, testified further as**
9 **follows:**

10 JUDGE COLWELL: Now, you are also under oath in this
11 proceeding.

12 THE WITNESS: Yes.

13 JUDGE COLWELL: So I don't need to bring you back.
14 But I will remind you that you are under oath.

15 THE WITNESS: Okay.

16 **DIRECT TESTIMONY**

17 JUDGE COLWELL: Would you state your name and spell
18 it for the record, please?

19 THE WITNESS: Daniel D. Graham, 217 North Second
20 Street, Apartment B, in Harrisburg, Pennsylvania.

21 And again, I am opposed to these proposed PPL
22 Utilities rate increases. I am also opposed to the previous
23 rate increases which they have already received since the
24 beginning of the year 2005.

25 I understand that in January 2005 they got, is it 6.3

1 percent increase? Do I have those numbers right? And then
2 in 2006 an 8.3 percent rate increase. Now they're asking
3 for more rate increases.

4 Oh, no, wait a minute. No way. I can't afford any
5 more rate increases, and neither can other customers. In
6 the ten years, these rate increases are not justified. In
7 the ten years prior to 2004, the PPL Company went without a
8 rate increase, and everything went fine. We had
9 electricity.

10 And also, these PPL rate increases are inflationary.
11 Which robs each one of us of our buying power.

12 Also, we residential customers should not have to pay
13 a higher rate in order that businesses and industry can get
14 a lower electric rate.

15 Friends, we need to stop this inflation now. These
16 rate increases are a rip-off. They're sinful. And again,
17 we need to stop these rate increases and stop inflation
18 right here and now.

19 I am asking the Pennsylvania Public Utility
20 Commission to do the Christian thing and keep these electric
21 rates reasonable and affordable for every customer.

22 I show you again my electric bill for March of this
23 year after my energy assistance grant was used up. In March
24 2007 my electric bill was \$117.62.

25 Now wait a minute. I know we had cold weather and I

1 used a lot of heat. But if it were not for these rate
2 increases, I figure my bill would be not more than \$91 or
3 \$92 at the most. That was March bill. Then April bill came
4 down. I used less heat. But even then it was \$98.74.

5 The PPL representative who I talked to was good about
6 it. They let me pay just a part of that. And then in May
7 my electric bill was \$71, and I paid the full amount.

8 Thank God I was able to pay that up then before June.
9 And then my June bill, of course, I used very little heat,
10 was down to only \$14.64. Almost at rock bottom.

11 And then in the summer my electric bills, in July,
12 August, September, my electric bills are way down. Only
13 around \$11. But I use no heat and no air conditioning
14 either.

15 Now, clearly, there's no reason why electric heat
16 should cost that much in the winter. That is wrong. Heat
17 is something that everyone needs in the cold weather.

18 And electric utility rates, and all utility rates,
19 should be tightly regulated by the state and the Federal
20 Government.

21 So therefore, again, I am asking the Pennsylvania
22 Public Utility Commission to reject these proposed rate
23 increases, and also to repeal the previous rate increases,
24 and to order the PPL Electric Utilities Company to keep
25 their electric rates the same as they were in the year 2004.

1 And if these rate increases are granted to PPL, then
2 I am asking the state legislature and the governor to
3 intervene and deny and reject these rate increases, and
4 again, keep the PPL electric rates the same as they were in
5 the year 2004.

6 Thank you, Your Honor. Thank you, ladies and
7 gentlemen in the audience. God bless.

8 JUDGE COLWELL: Thank you, Mr. Graham. Mr. Graham,
9 just a few questions for you.

10 THE WITNESS: Yes.

11 JUDGE COLWELL: Are you the same Daniel Graham that
12 filed a formal complaint in this case?

13 THE WITNESS: Yes, I am.

14 JUDGE COLWELL: It's docketed at C0005; correct?

15 THE WITNESS: I don't remember the docket number.

16 JUDGE COLWELL: Okay. Well, that's what my records
17 show.

18 THE WITNESS: Okay. But I am the same Daniel D.
19 Graham, 217 North Second Street, in Harrisburg,
20 Pennsylvania.

21 JUDGE COLWELL: Okay. Thank you. Did you receive a
22 copy of the settlement agreement in the mail?

23 THE WITNESS: I think I did. I read about it in the
24 newspaper.

25 JUDGE COLWELL: You should have received one of

1 these. Something that looks just like this, this thick, in
2 the beginning of September, or the very end of August.

3 THE WITNESS: I don't think I received one of those
4 like you have

5 JUDGE COLWELL: Well, it might not have been bound.
6 But it would have been this size, and it would have said
7 Joint Stipulation for Settlement of Rate Investigation on
8 it. Did you receive one like this?

9 THE WITNESS: I think I did. It said something about
10 a settlement. I think I did, yeah.

11 JUDGE COLWELL: Do you have any issues with what was
12 in this document?

13 THE WITNESS: What exactly do you mean?

14 JUDGE COLWELL: I mean that this particular document
15 is a Joint Petition for Settlement that was submitted to me
16 by all of the litigating parties in this case. And it was
17 then served on all of the individual complainants. And this
18 is the opportunity to tell me what you do or don't like
19 about this document.

20 THE WITNESS: All right.

21 JUDGE COLWELL: Do you have anything to say about
22 this document?

23 THE WITNESS: Okay. Again, I am opposed to the
24 settlement granting the PPL Electric Utilities those rate
25 increases which they asked for.

1 JUDGE COLWELL: Okay. Do you have anything else to
2 add?

3 THE WITNESS: No. No, that is all, just what I have
4 said already.

5 JUDGE COLWELL: Let me ask the attorneys if they have
6 any questions for you.

7 THE WITNESS: Okay.

8 JUDGE COLWELL: Mr. MacGregor?

9 MR. MacGREGOR: No questions, Your Honor.

10 JUDGE COLWELL: Mr. Gray?

11 MR. GRAY: No questions.

12 JUDGE COLWELL: Mr. Beatty?

13 MR. BEATTY: No questions.

14 JUDGE COLWELL: Mr. Mickens?

15 MR. MICKENS: No questions.

16 JUDGE COLWELL: Ms. Polacek?

17 MS. POLACEK: No questions.

18 JUDGE COLWELL: Mr. Doll?

19 MR. DOLL: No questions.

20 JUDGE COLWELL: Mr. Niesen?

21 MR. NIESEN: No questions, Your Honor.

22 JUDGE COLWELL: Thank you very much, Mr. Graham. You
23 may step down.

24 THE WITNESS: Okay. Just about this settlement,
25 that's what I have to say, that I am opposed to -- about

1 this settlement, that again, I am opposed to this settlement
2 granting the rate increases to the PPL Electric Utilities.

3 That is wrong. That's all

4 JUDGE COLWELL: Okay. Thank you, sir.

5 THE WITNESS: Thank you, Your Honor.

6 (Witness excused.)

7 JUDGE COLWELL: All right. Are there any other
8 individuals present who have either filed a complaint in the
9 case or an objection to the settlement?

10 (No response.)

11 JUDGE COLWELL: Let the record show there was no
12 response. And this concludes the consumer complainant
13 portion of the hearing. Now we'll move on to the settlement
14 portion.

15 Mr. MacGregor?

16 MR. MacGREGOR: Thank you, Your Honor.

17 Since we filed the settlement, a number of questions
18 and identification of some errors have been identified by
19 Your Honor's office and by others. And some questions were
20 raised by you.

21 We have responded in two ways. First, with respect
22 to those questions that deal with the proof of revenues and
23 the tariff sheet, we decided that there were enough of
24 those, we put together a brief piece of written testimony
25 from Mr. Kasper.

1 There were enough change pages in both the proof of
2 revenues and the proposed compliance filing tariff that it
3 made sense to replace those documents that were attached to
4 the settlement.

5 So we have put those together into a red covered
6 document that we have distributed to Your Honor, the court
7 reporter and the parties. And they deal with the tariff
8 questions. We have Mr. Kasper here today to answer any
9 questions that may arise about those issues.

10 We did not distribute it until this morning. So if
11 Your Honor and the parties, if we want to take a short break
12 and let the folks read through that and see if they have any
13 questions about it and see if it's clear, we could do that.

14 You also identified several other questions, asking
15 questions about various provisions of the settlement and
16 other quasi-legal questions that I'm prepared to respond to
17 separately on the record.

18 So we can proceed in whatever order you wish.
19 Mr. Kasper's here, and there are a couple of areas that I
20 can address as well.

21 JUDGE COLWELL: Okay. Well, I would like to have an
22 opportunity to look it over. So why don't we take a short
23 break. Let's take 15 minutes.

24 (Recess.)

25 JUDGE COLWELL: Let's go back on the record.

1 We've had a short recess, an opportunity to look over
2 the testimony.

3 Mr. MacGregor, go ahead.

4 MR. MacGREGOR: Your Honor, we would like to call as
5 a witness for this hearing Mr. Oliver G. Kasper.

6 **Whereupon,**

7 **OLIVER G. KASPER**

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

9 MR. MacGREGOR: Your Honor, we had previous submitted
10 to Your Honor, to the court reporter and to the parties
11 three documents that are bound in a binder. The first entry
12 is a document entitled Settlement Testimony of Oliver G.
13 Kasper. I'd ask it be marked for identification as PPL
14 Statement No. 7-S.

15 JUDGE COLWELL: Okay.

16 **(Whereupon, the document was marked**
17 **as PPL Statement No. 7-S for**
18 **identification.)**

19 MR. MacGREGOR: Behind that testimony is a document
20 which is a copy of the proposed settlement compliance filing
21 tariff. I would ask that it be marked for identification as
22 PPL Exhibit OGK-4.

23 JUDGE COLWELL: Okay.

24 **(Whereupon, the document was marked**
25 **as PPL Exhibit No. OGK-4 for**

1 admitted as previously marked.

2 JUDGE COLWELL: They're admitted.

3 (Whereupon, the document marked as
4 PPL Statement No. 7-S was received
5 in evidence.)

6 (Whereupon, the documents marked as
7 PPL Exhibit Nos. OGK-4 and OGK-5 were
8 received in evidence.)

9 BY MR. MacGREGOR:

10 Q. Mr. Kasper, am I correct that in your Statement
11 No. 7-S you addressed certain questions raised by the
12 Administrative Law Judge and her review of the settlement in
13 this proceeding?

14 A. Yes, I did.

15 Q. And Exhibit OGK-4 and Exhibit OGK-5 reflect the
16 changes that you have made to the settlement proofs of
17 revenue and settlement tariff to reflect those changes
18 identified in your testimony?

19 A. Yes.

20 MR. MacGREGOR: Mr. Kasper's available for
21 questioning by Your Honor or by the parties, Your Honor.
22 Thank you.

23 JUDGE COLWELL: Are there any questions, Mr. Gray?

24 MR. GRAY: No, Your Honor.

25 JUDGE COLWELL: Mr. Beatty?

1 MR. BEATTY: No, Your Honor.

2 JUDGE COLWELL: Mr. Mickens?

3 MR. MICKENS: No questions.

4 JUDGE COLWELL: Ms. Polacek?

5 MS. POLACEK: No questions.

6 JUDGE COLWELL: Mr. Doll?

7 MR. DOLL: No questions, Your Honor.

8 JUDGE COLWELL: Mr. Niesen?

9 MR. NIESEN: No questions, Your Honor.

10 JUDGE COLWELL: The only question that I would have
11 is regarding the funding for the small business loan. The
12 rest of them are quite technical, and I'm sure will speak
13 for themselves.

14 Page seven of your testimony, sir. You say that the
15 rate schedule or schedules that will provide funding for the
16 small business loan guarantee program have not been
17 identified. Does that mean that the funding is going to be
18 spread across all rate schedules?

19 THE WITNESS: Well, it hasn't been identified in the
20 settlement. There was no particular cost of service that
21 was adopted. So with this settlement, we really did not
22 assign it to any rate classes at this point.

23 JUDGE COLWELL: Okay.

24 I have nothing further for Mr. Kasper. Anybody else?

25 (No response.)

1 JUDGE COLWELL: Thank you, sir. You may step down.

2 (Witness excused.)

3 MR. MacGREGOR: Your Honor, you had also, in some of
4 your questions, asked for further explanation of various
5 other matters that were more in the nature of a policy or
6 quasi-legal nature. And we thought they were best addressed
7 by counsel. So I will proceed through those at this time,
8 if that's okay.

9 JUDGE COLWELL: That's fine.

10 MR. MacGREGOR: The first, there were two questions
11 dealing with paragraph 25 of the Joint Petition, and the
12 description of the universal service programs.

13 JUDGE COLWELL: Yes.

14 MR. MacGREGOR: The first was a reference to
15 paragraph 25(a)(4), which describes a term of the settlement
16 such that if the company's average CAP enrollment exceeds
17 22,000, there will be a \$40 credit to the universal service
18 rate to reflect an agreed-upon estimate of the parties of
19 savings and collection costs, uncollectible accounts expense
20 and cash working capital from incremental CAP enrollment.

21 This addresses an issue that was raised in the
22 testimony of Mr. Colton on behalf of the OCA, beginning at
23 page 26 of his testimony and proceeding for four or five
24 pages after that.

25 It's also an issue that was identified in the

1 Commission's policy statement on universal service program
2 cost that was also discussed in the testimony.

3 There has been an issue for a number of years about
4 whether when a customer moves into the CAP program there may
5 be reductions in cost to the company in the terms of reduced
6 uncollectible accounts expense, because it may be less
7 likely that the customer will be terminated and result in
8 uncollectible accounts.

9 Once the customer's in the CAP program, there's an
10 argument that there may be reduced credit and collection
11 costs because the company would not have to expend funds to
12 pursue collection for nonpayment.

13 And there's also been an argument that there could be
14 a possible impact on the company's cash working capital
15 balance resulting from the customer going into the CAP
16 program and making more current payments on his or her bill.

17 Those are all addressed at length in Mr. Colton's
18 testimony. And we responded in rebuttal testimony that we
19 did not believe there would be any significant incremental
20 savings. The OCA identify and calculated certain savings
21 they thought would be achieved.

22 And this \$40 essentially reflects a settlement number
23 that was agreed upon by the parties to reflect an offset in
24 costs for incremental CAP customers.

25 We're going to start off with the universal service

1 rate January 1, '08, that is based on an assumption of
2 22,000 customers being on the CAP program.

3 JUDGE COLWELL: Is that what a net annual average is?

4 MR. MacGREGOR: Yes.

5 JUDGE COLWELL: Okay.

6 MR. MacGREGOR: And so if during the course of the
7 next year, 2008, there are on average more than 22,000
8 customers in the program -- because customers go on the
9 program, off the program each month. The number may swing
10 above or below 22,000.

11 If in 2008 on average there were more than 22,000
12 customers in the program, then those costs of the CAP
13 program will automatically be reflected in the universal
14 service rate.

15 And in addition to that, there will be a \$40 offset
16 for each incremental customer to reflect incremental savings
17 in uncollectible accounts, credit collection, and cash
18 working capital.

19 JUDGE COLWELL: Now, you mean the rider, not the
20 rate?

21 MR. MacGREGOR: Rider, yes, Your Honor. Sorry.

22 So we have now instituted under this settlement for
23 the first time, PPL will have a tracker rate that will track
24 its universal service cost for its CAP program.

25 And previously, that number would have been set in

1 this rate case. And that's the amount that would have been
2 collected in rates until the company's next rate case. And
3 in each rate case, adjustments would be made in the
4 company's budget to reflect uncollectible accounts, expense
5 savings, etcetera.

6 Now, now we're going to have a rate that changes each
7 year that reflects incremental changes in the number of CAP
8 customers. And so we propose to recover those incremental
9 costs in our rates of the CAP program. And the OCA argued,
10 yes, that's okay with us, but you also have to reflect
11 incremental savings that may be achieved by those customers
12 moving to the CAP program.

13 So this is an effort to balance the additional costs
14 of a new CAP customer in terms of the CAP credit and
15 arrearage forgiveness with the cost savings identified by the
16 OCA that may occur when a customer moves from being a non-
17 CAP customer to a CAP customer.

18 JUDGE COLWELL: Okay. So you're starting off with a
19 base amount and assuming that it's going to be about right,
20 and you've made a provision for what happens if it goes over
21 that.

22 MR. MacGREGOR: Right.

23 JUDGE COLWELL: What happens if it goes under that?

24 MR. MacGREGOR: Can I have just a minute?

25 (Pause.)

1 MR. MacGREGOR: No, there's no -- the 22,000 has the
2 estimated amount of savings built into it. If the number
3 happens to be less than 22,000, which is highly unlikely,
4 but if it were to be less than 22,000, there's no
5 decremental addition of \$40.

6 JUDGE COLWELL: Okay.

7 MR. MacGREGOR: The second question in particular 25
8 dealt with 25(d), which states that during 2008 and 9 the
9 company can prepare and provide to interested parties for
10 informational purposes only a parallel filing which adjusts
11 the universal service rider on a quarterly basis and without
12 reconciliation.

13 That provision relates to an issue raised by the
14 Office of Trial Staff. The company had proposed that the
15 universal service rider be reconciled annually. The Office
16 of Trial Staff had proposed that the rate adjust quarterly
17 on a prospective basis, and without reconciliation.

18 And in order to reach a settlement on that issue, we
19 agreed that for 2008 and 2009 the rider will reconcile on an
20 annual basis, and that during 2009 the parties will meet to
21 discuss whether reconciliation is still required and
22 necessary and appropriate for 2010 and going forward.

23 And as part of that collaborative to meet and
24 consider whether reconciliation is still needed, we agreed
25 that we would do a parallel or shadow calculation of what

1 the universal service rider would have been if we had
2 adjusted it quarterly and without reconciliation during 2008
3 and 2009.

4 It won't be filed with the Commission; it will not be
5 the rate that's in the tariff. But we're going to
6 accumulate and retain that data, and provide it to the
7 parties so they can see what difference it would have made
8 if we had had reconciliation or not, and if we had quarterly
9 adjustment or not.

10 And I think the Trial Staff believed, and we agreed,
11 that that information would be useful for the parties to
12 consider to see whether there's a material effect of
13 providing for reconciliation.

14 JUDGE COLWELL: Okay. Thank you.

15 MR. MacGREGOR: A further question you asked was,
16 which rate schedules were responsible for the small business
17 loan program.

18 Mr. Kasper did address that. And he was correct,
19 that it's not specified, because that is not a program that
20 was included in our rate filing. It was a program that we
21 agreed to in response to a settlement proposal by the
22 Sustainable Energy Fund.

23 So since it's not in our original filing, we agreed
24 to a black box \$55 million rate increase. So you can argue
25 that it's in rates and paid by everybody, or you can argue

1 that it's not in rates and being paid by shareholders. It's
2 simply, we have a 55 million increase, and we've agreed to
3 do certain things. So there's no specification of where the
4 dollars are coming from.

5 JUDGE COLWELL: Thank you.

6 MR. MacGREGOR: There were several questions
7 regarding the LEED program. The first of which, what does
8 it stand for? It's LEED, which stands for Leadership in
9 Energy and Environmental Design.

10 The second question was what rate schedules would
11 benefit from the LEED program. Again, the matter's not
12 specified in the settlement. There's simply a rate
13 increase. It's allocated by compromise agreement of the
14 parties. And we agreed to pursue the LEED program.

15 This program was included in our original filing.
16 And in the cost of service study presented by Mr. Kleha, it
17 was allocated to residential customers and small commercial
18 customers.

19 But again, no specific cost of service study was
20 adopted. The revenue increase was allocated based on
21 agreement of the parties rather than based on any specific
22 adoption of any particular cost of service study.

23 So again, it's not being specifically allocated to
24 any rate classes.

25 You also asked that we reconcile statements made on

1 PPL Statement 8, page 21; the transcript, page 349.

2 The testimony indicated a description of the LEED
3 program, and provided an example of that program, that the
4 proposed LEED certification initiative dovetails with PPL
5 Electric's approach, which the company clearly demonstrated
6 when it worked with Liberty Property Trust to obtain LEED
7 gold double certification for the PPL Plaza Building in
8 downtown Allentown.

9 At transcript 349, Mr. Kleha testified that the PPL
10 Plaza Building is owned by PPL Corporation, not by PPL
11 Electric Utilities.

12 As a result, PPL's Electric's participation with
13 respect to the LEED program for the PPL Plaza Building was
14 as PPL Electric Utilities would have treated any other
15 customer who was seeking LEED certification.

16 PPL Electric Utilities works with any customer who
17 wants to help achieve LEED certification.

18 JUDGE COLWELL: I don't know what that means.

19 MR. MacGREGOR: It's essentially a program that sets
20 standards for energy and environmental efficiency for new
21 construction projects.

22 JUDGE COLWELL: Whose program is it?

23 MR. MacGREGOR: The United States Green Building
24 Council. They set parameters for silver, gold and platinum
25 LEED status. And you have to have certain types of

1 lighting, you have to recycle so much of your wastewater in
2 a certain way, you have to have certain recycling programs,
3 you have to have certain energy efficiency for your windows
4 and insulation and design.

5 And if you design your building to meet those
6 standards, you achieve the appropriate level of LEED
7 certification.

8 The way that relates to this rate case is that PPL
9 has agreed to spend a certain amount of money to assist
10 customers in needing the electrical efficiency requirements
11 needed to obtain LEED certification.

12 JUDGE COLWELL: How does that differ from what the
13 company does now?

14 MR. MacGREGOR: We provide information now, but not
15 money.

16 JUDGE COLWELL: So this would provide them with a
17 subsidy?

18 MR. MacGREGOR: Yes. Apparently, as I understand it,
19 Your Honor, and we can provide more information if you need
20 it, but it's fairly expensive. It's maybe five to ten
21 percent of the cost of construction of certain buildings in
22 order to achieve LEED certification.

23 Now, over the life of the building, it will produce
24 energy savings. That may or may not more than offset that.
25 But it's a fairly detailed and extensive program. In order

1 to meet it, there's a significant fee that's paid to the
2 entity that runs the LEED program. So it's not without
3 expense. And this is essentially a fund of money that's
4 designed to help encourage customers who are building new
5 facilities to seek LEED certification when they otherwise
6 might not do so.

7 JUDGE COLWELL: Is there a limitation to the type of
8 facilities? Can they be residences?

9 MR. MacGREGOR: I don't believe --

10 VOICE: Yes.

11 MR. MacGREGOR: Yes, they can.

12 And the final question I have, I think, Your Honor,
13 is related to paragraph 29(f) of the settlement, in which we
14 agreed to provide some rate comparisons to GH-1 and GS-3
15 customers, and that we'll provide a recommendation to the
16 customers. But the ultimate decision would be the customer
17 as to which rate schedule to adopt.

18 Now, Mr. Kasper did address that in his testimony
19 briefly, and referred back to the tariff provision of the
20 company that ultimately puts the decision on the customer as
21 to which rate schedule they wish to be served on. Because
22 we can't know everything about their changing service
23 conditions.

24 And the company does not want to be in a position of
25 making a recommendation that may turn out to be wrong if the

1 customer's operations change.

2 I simply wanted to note that a similar issue -- the
3 facts are a little different, but the principles are the
4 same; were addressed in the case of Springfield Township vs.
5 PA PUC 676 Atlantic 2nd, 304, which summarizes the case law
6 under Section 1303, and dealt with a PECO Energy tariff
7 provision that is very similar to the one in our tariff, and
8 I believe provides support for our interpretation of Section
9 1303.

10 And I may have missed a question, but I think that
11 addresses what we believe is the list of questions that
12 we've been asked. But we'd be happy to answer any others.

13 JUDGE COLWELL: Okay. The universal service rider is
14 to cover all universal service programs?

15 MR. MacGREGOR: Yes. Not just CAP. It includes RAP
16 and -- well, all the programs that are funded by ratepayers.
17 There are a couple that are funded by PPL employees and PPL
18 shareholders. And those are not included, obviously.

19 JUDGE COLWELL: Okay. Did you have it broken down to
20 estimate how much those cost in terms of the increase? Or
21 is it all just -- can you not hear me at all?

22 (Laughter.)

23 MR. MacGREGOR: No, just barely, Your Honor. I'm
24 sorry.

25 JUDGE COLWELL: Sorry. Do you have the increase

1 broken down to where you can tell me how much of that goes
2 to the universal service programs?

3 MR. MacGREGOR: Yes. Give me just a minute.

4 (Pause.)

5 MR. MacGREGOR: Your Honor, I can say the following.
6 And we can provide more information. At page 18 of the
7 proposed tariff establishes a universal service rider of
8 6.52 percent for the period January 1, 2008 to December 31,
9 2008. And I believe that it's designed to collect roughly
10 \$27,896,000, which is specified on Mr. Colton's testimony,
11 page 23, line 14.

12 I don't know incrementally what portion of that 27.9
13 million reflects an increase over what's in present rates.
14 Which I guess would allow you to back into what portion of
15 the 55 million reflects an increase in universal service
16 cost. But we can try to develop that number if it would be
17 helpful.

18 JUDGE COLWELL: Can we recall Mr. Kasper for a
19 question?

20 MR. MacGREGOR: Yes.

21 JUDGE COLWELL: Mr. Kasper, would you step up here,
22 please? Bring your red book with you.

23 MR. MacGREGOR: Your Honor, I would also refer you to
24 Mr. Doll's testimony at page nine, which breaks down what
25 was in our universal service programs for 2005; which would

1 be generally what's reflected in our existing rates versus
2 what's proposed for 2008.

3 So incrementally it's an increase of around
4 \$7 million. So I think round numbers, roughly 7 million of
5 the 55 million reflects an increase in universal service
6 cost.

7 JUDGE COLWELL: All right. Thank you.

8 **Whereupon,**

9 **OLIVER G. KASPER**

10 **having previously been duly sworn, testified further as**
11 **follows:**

12 JUDGE COLWELL: Mr. Kasper, if you would turn to page
13 three of your testimony. You give us a number -- well, it's
14 actually the question on line number five. So that shows up
15 in the first attachment correctly. But in the back, there
16 seems to be a slight discrepancy. If you go to page eight
17 of Attachment IV of OGK-5. Mr. Sherski's going to show you
18 where it shows up.

19 (Witness perusing document.)

20 THE WITNESS: Yeah, they didn't round it quite right.
21 What's in the tariff is going to be correct.

22 (Pause.)

23 THE WITNESS: Yeah, it should have been the one two
24 eight oh.

25 JUDGE COLWELL: So in OGK-5, Attachment VI-C, page

1 eight, under a proposed rate, distribution, all kilowatt
2 hours, over underneath the rate column, it should be what
3 number?

4 THE WITNESS: 1.280.

5 JUDGE COLWELL: All right. Thank you, sir.

6 Any questions about that from anybody else?

7 (No response.)

8 (Witness excused.)

9 MR. MacGREGOR: I believe that's all we have, Your
10 Honor. Any other questions, we'll try to answer them.

11 JUDGE COLWELL: All right. My final question is, do
12 you have a new one of these for me?

13 MR. MacGREGOR: I do not, but I will.

14 JUDGE COLWELL: Okay.

15 MR. MacGREGOR: Well, I guess I should ask. What is
16 that?

17 (Laughter.)

18 JUDGE COLWELL: This is your settlement on disk.

19 MR. MacGREGOR: Oh, okay. Yes. Does it have all
20 the --

21 JUDGE COLWELL: I haven't actually plugged it in. I
22 assumed it had everything in it that this document had, the
23 original filing of the Joint Petition for Settlement itself.
24 I didn't look at it.

25 MR. MacGREGOR: We will replicate that.

1 JUDGE COLWELL: Okay.

2 MR. ISOM: We can get it to you sooner if you want it
3 emailed instead.

4 JUDGE COLWELL: As long as it's in Word and it can be
5 attached to the recommended decision. It doesn't really
6 matter if you email it or if you send it this way.

7 MR. MacGREGOR: Let us check, and we'll find out
8 what's on there and what we can provide.

9 JUDGE COLWELL: But you're going to substitute what
10 you substituted here for what was here?

11 MR. MacGREGOR: Right.

12 JUDGE COLWELL: Yes. All right.

13 Does everybody understand what was going on here
14 today; right? Does anybody have anything to add before we
15 close?

16 Mr. Graham?

17 MR. GRAHAM: Yes. Ladies and gentlemen, Your Honor.
18 I want to make another suggestion on how the PPL Electric
19 Utilities Company can reduce their indeterminable costs so
20 that they will not be -- so that PPL Electric Utilities
21 Company will not be asking for more rate increases.

22 I suggest one way to control their internal costs is,
23 I suggest the president and chief executive officer, and
24 everyone else in the PPL company, from the president and CEO
25 on down to the lowest laborer, take a ten-percent reduction

1 in their salaries and wages; and also no more bonuses for
2 the big executives. They're already making salaries, as I
3 understand, in the six figure bracket. Hey, wait a minute.
4 That's enough.

5 And employees. How much do the PPL employees get?
6 I'll make a guess. Like \$25 an hour. Did I come close?
7 Hey, wait a minute. That's a high wage by any standards.

8 And again, I suggest everyone in the PPL company take
9 a ten-percent reduction in their salaries and wages. And
10 they will have enough money left over to live well. And
11 they can save money. And then they should not be asking for
12 any more rate increases.

13 Thank you much.

14 JUDGE COLWELL: Thank you, Mr. Graham.

15 Anyone else?

16 Mr. McAndrew?

17 MR. McANDREW: Okay, just for the record. As far as
18 the settlement of the rate increase investigation, I am
19 against the rate increase, period. So that basically would
20 be my end. Get those rate increases, that no increases
21 should go down, and work it out with what we have.

22 Also, forget the new regulation now. We want
23 competition. And therefore for you, for all of us, we want
24 reasonable rates, and not all this settlement for rate
25 increases. I hope I made that clear enough

1 JUDGE COLWELL: I believe you've made your position
2 clear, sir.

3 MR. McANDREW: Thank you.

4 JUDGE COLWELL: Anyone else?

5 MR. ISOM: One procedural question, Your Honor. We
6 have at this point provided what you've called the red book,
7 fairly descriptive, on everyone in attendance here.

8 JUDGE COLWELL: Yes.

9 MR. ISOM: We have not served the parties who are not
10 here. I assume we should do so by first-class mail. But we
11 will do as you suggest.

12 JUDGE COLWELL: Let think about that.

13 (Pause.)

14 JUDGE COLWELL: It doesn't seem that obvious to me.
15 If you had filed something, that would be one thing. But
16 you submitted it here and had it admitted to the record.
17 And the people who are here will have copies.

18 I believe if people contact you and ask for copies,
19 you should give them to them. But if they do not, I do not
20 think you need to incur the extra cost of sending it to
21 them.

22 MR. ISOM: Thank you.

23 JUDGE COLWELL: Does anybody disagree with that?

24 (No response.)

25 JUDGE COLWELL: Hearing no response, I assume you do

1 not. Anything else?

2 (No response.)

3 JUDGE COLWELL: All right. Thank you all very much.

4 With any luck, this will be our last meeting on this case.

5 My recommended decision will be issued before too long.

6 Thank you. We're off the record.

7 (Whereupon, at 11:15 a.m., the hearing was
8 concluded.)

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C E R T I F I C A T E

I hereby certify, as the stenographic reporter,
that the foregoing proceedings were taken stenographically
by me, and thereafter reduced to typewriting by me, or under
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