

COMMONWEALTH OF PENNSYLVANIA

PUBLIC UTILITY COMMISSION

ORIGINAL

**DOCUMENT
FOLDER**

Pennsylvania Public Utility Commission :
versus PPL Electric Utilities Corporation. : Docket No.
 Supplement No. 54 to Tariff Electric - : R-00072155
 Pa. P.U.C. No. 201 Proposing a :
 Distribution Only Rate Increase in the :
 amount of \$83,521,261 or 2.67 percent. :
 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 and York Counties. Address of :
 Utility: 2 North Ninth Street, Allentown, :
 Pennsylvania 18101. :

SEP 03 10 09 AM '07
 [Handwritten Signature]

Further Telephonic Hearing

-----X
 Office of Consumer Advocate : R-00072155C0001

-----X
 PP&L Industrial Customers Alliance : R-00072155C0002

-----X
 Office of Small Business Advocate : R-00072155C0003

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 Andrew T. Bosak : R-00072155C0004

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SEP 04 2007

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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Commonwealth Reporting Company, Inc.

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BEFORE:

SUSAN D. COLWELL, Administrative Law Judge

APPEARANCES:

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1600 John F. Kennedy Boulevard
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Harrisburg, Pennsylvania 17105
(For Office of Trial Staff)

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ARON J. BEATTY, Esquire
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(For Office of Consumer Advocate)

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(Pro se)

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WITNESS INDEX

<u>WITNESS</u>	<u>DIRECT</u>	<u>CROSS</u>	<u>REDIRECT</u>	<u>RECROSS</u>
Joseph McAndrew	341	--	--	--
Joseph M. Kleha				
By Mr. MacGregor	345	--	--	--
By Mr. McAndrew	--	350	--	--

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FORM 1

EXHIBIT INDEX

NUMBER

FOR IDENTIFICATION

IN EVIDENCE

(None.)

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FORM 1

P R O C E E D I N G S

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2 ADMINISTRATIVE LAW JUDGE SUSAN COLWELL: Good
3 morning. This is the time and the place set for a further
4 hearing in the Pennsylvania Public Utility Commission versus
5 PPL Electric Utilities Corporation, docketed at R-00072155.
6 The purpose of today's hearing is to hear the complaint that
7 is docketed by Mr. Joseph McAndrew at R-00072155C0019.

8 Mr. McAndrew is on the line. Mr. MacGregor is on the
9 line for PPL. Mr. Kleha is on the line as his witness. Mr.
10 Mickens is on the line for OTS, and Mr. Beatty and Ms. Wong
11 are on the line for the OCA. I can hear all of them. They
12 have responded to me and I assume that they can hear me as
13 well.

14 Mr. McAndrew?

15 MR. McANDREW: Yes?

16 JUDGE COLWELL: For everybody's edification, Mr.
17 McAndrew has just gotten a shot in his back and he's
18 responding from his hospital bed.

19 So I ask you to raise whatever portion of your right
20 hand is comfortable.

21 Whereupon,

22 JOSEPH McANDREW

23 having been duly sworn, testified as follows:

24 DIRECT TESTIMONY

25 JUDGE COLWELL: Will you state your name and spell it

1 for the record, please?

2 THE WITNESS: Joseph McAndrew. Joseph, J-O-S-E-P-H,
3 McAndrew, M-C and then A-N-D-R-E-W.

4 JUDGE COLWELL: Could you give us your address,
5 please, sir?

6 THE WITNESS: 85 West Chestnut Street in Macungie,
7 Pennsylvania, 18062.

8 JUDGE COLWELL: And are you a PPL customer, sir?

9 THE WITNESS: I am a PPL customer.

10 JUDGE COLWELL: Okay. You have filed a complaint in
11 this case. Would you please go ahead and tell us why.

12 THE WITNESS: The reason I filed the complaint is I
13 feel -- I'm going to state several different reasons, ladies
14 and gentlemen -- is that my formal complaint is, of course,
15 against the PPL proposed rate increase.

16 And I've been researching and checking over a lot and
17 basically some of the -- this is not going to be very long,
18 it will be relatively short -- PPL has lost an excessive
19 amount of money in their Latin America power plant holdings
20 and this gross mismanagement in the sale of these plants and
21 other business ventures is unacceptable, and the American
22 PPL customer should not be expected to pay for errors on the
23 part of management. That's the one point.

24 The other is that in cost-cutting measures I think in
25 all businesses and in anything in life, homes, businesses,

1 we all have to cost-cut. We can't just keep on raising,
2 just spending and spending.

3 The PPL Plaza on Hamilton Street in Allentown is an
4 excessive cost, a monstrous big building, and customers feel
5 the property should be sold to defray these losses. In
6 fact, we feel every property not critical to production of
7 electricity should be sold immediately, and I hope you feel
8 the same.

9 We feel the cost of the management salaries are
10 excessively high for all PP&L. In fact, Sunday's paper this
11 Sunday just came out, the newspaper, an article on Lehigh
12 Valley executive salaries and the top 83, that you may be
13 familiar with yourself, you've seen.

14 In our area, PPL is almost the top leader with the
15 highest salaries. They have a monopoly on our area. They
16 can blunder anything they want all the way along and all
17 they have to do is just, it appears to us, they just raise
18 their rates and they start so high that they help the PUC
19 then will eventually give them a good one, anyway. That's
20 why they start very high. Okay, so the cost of management
21 salaries are excessively high and we feel they should be
22 reduced.

23 And the hefty retirement package that the CEO, Mr.
24 Hecht received, is \$12.2 million plus \$2 million in stock
25 options and we feel that's very greedy for a company of this

1 type that has a monopoly in our area.

2 We resent the fact that management should be rewarded
3 for business losses and ventures instead of being penalized
4 for company losses, and the customers are paying for
5 administrative poor judgment.

6 Basically, ladies and gentlemen, in conclusion, PPL
7 is more concerned about increasing quarter profits for
8 investors and than in lowering prices for customers. Their
9 focus should be on lowering electric rates and thereby
10 stimulating economic growth in their electric service areas.

11 And we just feel that they have to, like all of us,
12 they have to show sincerity that, if they want all of you
13 people to pass or those of you involved in the PUC and so
14 forth, to just go along with them, they have to be able to
15 show the responsibility in saying, we have to pull our belts
16 in tighter and we have to be accountable for the costs that
17 we are incurring and we can't just pass them on to the
18 businesses and the residences in our community.

19 Okay, I planned to even get attorneys if this goes
20 through to work on this. Basically, that's my formal
21 complaint.

22 JUDGE COLWELL: Okay. At this point, sir, I'm going
23 to ask the attorneys on the line if they have any questions
24 for you. Mr. MacGregor?

25 MR. MacGREGOR: No questions, Your Honor.

1 JUDGE COLWELL: Mr. Mickens?

2 MR. MICKENS: No questions, Your Honor.

3 JUDGE COLWELL: Mr. Beatty?

4 MR. BEATTY: No questions, Your Honor.

5 JUDGE COLWELL: All right. There are no questions.

6 Is there anything else you want to add at this time, Mr.

7 McAndrew?

8 THE WITNESS: No, there is nothing else at this time.

9 (Witness excused.)

10 JUDGE COLWELL: Okay. Then at this point I will ask

11 the company if they have any response.

12 MR. MacGREGOR: Yes, Your Honor. We would like to
13 briefly call Mr. Joseph M. Kleha, K-L-E-H-A, as a witness.

14 JUDGE COLWELL: Mr. Kleha?

15 MR. KLEHA: Yes, Your Honor?

16 JUDGE COLWELL: Would you raise your right hand,
17 please?

18 Whereupon,

19 JOSEPH M. KLEHA

20 having been duly sworn, testified as follows:

21 JUDGE COLWELL: Go ahead, Mr. MacGregor.

22 DIRECT EXAMINATION

23 BY MR. MacGREGOR:

24 Q. Mr. Kleha, would you state your full name and
25 business address for the record, please?

1 A. My name is Joseph M. Kleha, K-L-E-H-A. I'm
2 manager of regulatory projects for PPL Services Corporation
3 and working on behalf of affiliates of PPL Corporation.

4 MS. WONG: Your Honor, this is Darlene Wong. I'm not
5 sure that Mr. Kleha's rebuttal testimony is appropriate at
6 this time. I think Mr. McAndrew's testimony is similar in
7 nature to that of a customer at a public input. The company
8 does not at that time have an opportunity to rebut public
9 input testimony and I think the technical hearings that we
10 had was the opportunity for Mr. Kleha to present testimony.
11 The parties agreed to waive that. I'm not sure that this is
12 the appropriate time.

13 MR. MacGREGOR: May I respond, Your Honor?

14 JUDGE COLWELL: Yes.

15 MR. MacGREGOR: I disagree. The public input
16 hearings in a rate proceeding are normally held at a time
17 near to when opposing testimony was filed and that was true
18 in this case. The public input hearings were held at the
19 end of June. For various reasons, Mr. McAndrew's testimony
20 was not heard at that time when it normally would have been.

21 The company then has an opportunity in its rebuttal
22 testimony to respond to issues raised at the public input
23 hearing and we did so in this proceeding. There are five or
24 six pages of Mr. Krall's rebuttal testimony that
25 specifically address the four or five issues that came up at

1 the public input hearings.

2 My testimony from Mr. Kleha here is in the normal
3 nature of rebuttal to testimony raised at public input
4 hearings that happens in every rate case that I've ever been
5 involved with.

6 I don't intend to restate that testimony. I intend a
7 few very brief questions for Mr. Kleha to respond to
8 specific points raised by Mr. McAndrew that were not raised
9 previously at the public input hearings.

10 JUDGE COLWELL: Okay. Ms. Wong, while I understand
11 what you're saying, the problem with your reasoning is that
12 Mr. McAndrew filed a formal complaint and did not testify at
13 a public input hearing. He wanted to testify at the
14 evidentiary hearings and this is in fact an extension of
15 those evidentiary hearings.

16 And when a formal complainant does that, he opens
17 himself to the cross-examination of any other participating
18 attorney, and that's what's going on here.

19 Go ahead, Mr. MacGregor.

20 MS. WONG: Your Honor, may I just ask that we have a
21 chance to respond to Mr. Kleha's testimony then as we would
22 for cross.

23 JUDGE COLWELL: Why don't you wait until you hear it
24 and then see if you need to.

25 MS. WONG: Thank you.

1 JUDGE COLWELL: Okay. Go ahead.

2 BY MR. MacGREGOR:

3 Q. Mr. Kleha, regarding Mr. McAndrew's testimony
4 regarding projects in Latin America, are you familiar with
5 those projects?

6 A. Yes, I am.

7 Q. And did PPL Corporation suffer certain losses
8 associated with those investments?

9 A. Yes, it did.

10 Q. Is any portion of that loss in any way included
11 in PPL Electric's distribution rate case in this proceeding?

12 A. No, it's not. In preparing its exhibits in this
13 proceeding, PPL Electric conducted an exhaustive review of
14 its capital and operating expenses in order to functionalize
15 those costs into three categories: generation related,
16 transmission related and distribution related.

17 This functionalization is discussed at pages 17
18 through 22 of my direct testimony, Statement No. 6, and is
19 set forth on pages 13 through 36 of Exhibits JMK 2, JMK 2A
20 and JMK 2A-Revised.

21 As a result of this functionalization, PPL Electric
22 has excluded from its test year claim all generation related
23 costs and all transmission related costs as well as the
24 capital and operating expenses associated with them.
25 Therefore, there is no portion of the generation costs or

1 transmission related costs included in PPL's distribution
2 rate increase.

3 Q. And that would include any losses from Latin
4 America and power projects?

5 A. It would.

6 Q. Mr. McAndrew also talked about the new office
7 building called PPL Plaza in downtown Allentown. Is any
8 portion of the cost of that building reflected in PPL's
9 distribution rates in this proceeding?

10 A. No, it is not. PPL Corporation nor any of its
11 subsidiaries own PPL Plaza. That is, it is owned by a
12 separate company that is not affiliated with PPL Corporation
13 in any way. PPL does release a portion of the space within
14 that building but that lease is held by PPL EnergyPlus LLC,
15 which is an affiliate of PPL Electric, but PPL Electric does
16 not own or lease any portion of that building nor are any of
17 PPL Electric's employees housed in that building.

18 Q. Mr. McAndrew also referred briefly to certain
19 severance payments made to a prior PPL CEO, Mr. Hecht. Can
20 you explain when those payments are made and whether any of
21 them are reflected in the company's rates in this
22 proceeding?

23 A. Mr. Hecht was the chairman and CEO of PPL
24 Corporation, which is the parent corporation of PPL Electric
25 and all of its affiliates. Mr. Hecht retired in 2006. All

1 of his compensation ceased at that point in time except for
2 his retirement plan that every employee is entitled to after
3 his or her period of service. As such, there are no costs
4 related to Mr. Hecht included in the future test year claim
5 in this proceeding, and therefore no costs related to Mr.
6 Hecht are included in the development of PPL's request for a
7 rate increase in this case.

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

10 JUDGE COLWELL: Mr. McAndrew, do you have any
11 questions for Mr. Kleha?

12 MR. McANDREW: Of course.

13 CROSS-EXAMINATION

14 BY MR. McANDREW:

15 Q. The only thing that I can say, Mr. Kleha, is
16 that I know you're taking the PPL stance and that you're --
17 but the very fact is, the Latin American holdings, any
18 venture that is a loss --

19 JUDGE COLWELL: That's not a question, sir.

20 MR. McANDREW: Oh, okay. I'll phrase it in a
21 question.

22 JUDGE COLWELL: Thank you.

23 BY MR. McANDREW:

24 Q. If there are losses -- and there are, and not
25 "if," there were losses as was stated and they're well aware

1 of in the Latin American plant and the power -- PPL's
2 holdings in Latin America, okay -- who is going to make up
3 those losses? Who makes up the losses, sir? If it isn't
4 us, who is going to make up losses?

5 A. Any losses that are incurred are placed on the
6 shareholders of PPL Corporation. They are not included in
7 PPL Electric Utilities Corporation's costs. It is a
8 separate company.

9 Q. Well, that is -- I think we have thoughts on
10 that. It's easy to say the shareholders, but indeed, the
11 people who are actually the customers, Mr. Kleha, who are
12 actually paying on a regular basis are going to the persons
13 who are hit up. I mean, I think that's very obvious to
14 anyone.

15 The next thing is, as far as the PPL Plaza, who
16 indeed built that extremely large -- and why is it called
17 PPL Plaza when we were told that they built it? If they
18 didn't build it, who did?

19 A. The original owner of PPL Plaza was Liberty
20 Property Trust. It is a large developer out of the City of
21 Philadelphia. That company owned and operated the building.
22 It was called the Plaza, PPL Center because PPL, some of its
23 affiliates leased a portion of that building, and that is
24 PPL EnergyPlus Company.

25 Q. Well, they definitely had a strong financial

1 interest in the building, and to that extent I think we are
2 aware. Beyond that is irrelevant.

3 And as far as this package, the retirement package, I
4 mean, everyone knows in this area what the other people --
5 it's well publicized, all the major corporations, and this
6 is extreme, \$12.2 million, \$2 million stock options and so
7 forth, and then they go and ask the businesses and customers
8 in this area, you've got to pay more money, and this is just
9 one person, the CEO. There's a whole list of them in the
10 newspaper list that are in the millions of dollars,
11 receiving, and I'm just talking their salaries, way above
12 any other corporation in this area. It is excessive. All
13 of us are intelligent people and this is not acceptable, and
14 then to raise rates for this poor businesses in our area who
15 are struggling.

16 Question: who deems that this is a proper way of
17 running a utility company in rewarding these monstrous
18 salaries to these people? Who arrived at this decision?

19 A. All executive compensation for PPL Corp., the
20 executives of PPL Corporation are determined by the
21 compensation committee of the Board of Directors of PPL
22 Corporation.

23 Q. Well, it appears to the people in this area that
24 this is an independent board that does not have the interest
25 or does not have the input of the people who are actually

1 paying the bill, and it does not seem equitable and fair.

2 And those are the points that you hit upon and those
3 are the points that I gave my comment on, Mr. Kleha.

4 JUDGE COLWELL: Do you have any other questions, Mr.
5 McAndrew?

6 MR. McANDREW: No, I don't, Your Honor.

7 JUDGE COLWELL: All right. Mr. Mickens, do you have
8 any questions of Mr. Kleha?

9 MR. MICKENS: No questions, Your Honor.

10 JUDGE COLWELL: Ms. Wong or Mr. Beatty, are there any
11 questions for Mr. Kleha?

12 MR. BEATTY: No, Your Honor.

13 JUDGE COLWELL: Any redirect, Mr. MacGregor?

14 MR. MacGREGOR: No, Your Honor.

15 (Witness excused.)

16 JUDGE COLWELL: All right. Well, at this point,
17 then, it doesn't appear that there's anything else to be put
18 on the record. Ms. Wong, do you still need an opportunity
19 to respond to Mr. Kleha's testimony?

20 MS. WONG: No, we don't. Thank you, Your Honor.

21 JUDGE COLWELL: Okay. Mr. McAndrew, is there any
22 final comment you'd like to make before we go off the
23 record?

24 MR. McANDREW: No, there isn't, and the only final
25 comment, I really appreciate that you were all able to do

1 this and, Your Honor, that you were able to schedule this
2 because I feel it is very important and I'm glad you all
3 could do it.

4 JUDGE COLWELL: Thank you, Mr. McAndrew. Let me tell
5 you what's going to happen next. The parties, the major
6 parties to the case have come to a settlement for the
7 utility rate increase and they will present a package
8 sometime this week, I believe.

9 And when I get that, copies will be sent to all the
10 formal complainants with an opportunity to make comments and
11 respond to it. You'll be given about ten days to do that.
12 If you do not do that, then it will be evaluated without
13 your comments. If you do make the comments, the comments
14 will be evaluated in conjunction with the settlement
15 package.

16 At that point, I will write a recommended decision
17 which will either recommend to the Commission that they
18 accept the settlement or that they reject it for whatever
19 reasons there happen to be, and it will go out again. The
20 recommended decision will go out again and the formal
21 parties to the case will have an opportunity to file
22 exceptions, and then it will go to the Commission for final
23 decision.

24 Do you have any questions about what's going to
25 happen next?

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MR. McANDREW: No questions, Your Honor.

JUDGE COLWELL: All right. Does anybody have anything else we need to put on the record here?

(No response.)

JUDGE COLWELL: Mr. MacGregor?

MR. MacGREGOR: No, Your Honor.

JUDGE COLWELL: Mr. Mickens?

MR. MICKENS: Nothing further, Your Honor.

JUDGE COLWELL: Mr. Beatty or Ms. Wong?

MR. BEATTY: No, Your Honor. Thank you.

JUDGE COLWELL: And Mr. McAndrew, are you satisfied?

MR. McANDREW: Yes, Your Honor. Thank you very much.

JUDGE COLWELL: All right. I hope you're feeling better, sir, and we are off the record.

(Whereupon, at 10:23 a.m., the proceedings were concluded.)

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FORM 1

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 my direction, and that this transcript is a true and accurate record to the best of my ability.

COMMONWEALTH REPORTING COMPANY, INC.

By: John A. Kelly

John A. Kelly,
Certified Verbatim Reporter

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FORM 1

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