TABLE I

PHILADELPHIA ELECTRIC COMPANY - ELECTRIC OPERATIONS

Measures of Value as of March 31, 1980
(Ex, DPS-5, p. A-2)
Revised as per ALJ Order of 12/4/79
($000)

	Original Cost	One-Year Trended Cost	Three-Year Trended Cost
Utility Plant in Service			
Electric	$3,455,500	$7,208,150	$6,945,8
Allocated Common	99,370	188,190	180,369
Total	$3,554,870	$7,396,340	$7,126,204
Less: Calculated reserve on Plant in Service	1,013,688	3,017,220	2,903,714
Depreciated Utility Plant	$2,541,182	$4,379,120	$4,222,490
Plus: Salem Unit #1 Nuclear Fuel	$ 13,414	$ 13,414	$ 13,414
Non-Revenue Producing CWIP	955	792	795
Land Held for Future Use	3,391	3,391	3,391
Materials and Supplies	88,389	88,389	88,389
Cash Working Capital	52,786	52,786	52,786
Total Additions	$ 158,935	$ 158,772	$ 158,775
Less: Accumulated Deferred Income Taxes			
Accelerated Amortization	6,630	6,630	6,630
Liberalized Depreciation on Plant in Service	188,735	188,735	188,735
Customer Deposits	2,794	2,794	2,794
Customer Advances	342	342	342
Total Deductions	$ 198,501	$ 198,501	$ 198,501
Measures of Value	$2,501,616	$4,339,391	$4,182,764

Table II

Measures of Value
($000)

	Original Cost $	Spot Trended Cost $	3-Year Avg. Trended Cost $	5-Year Avg. Trended Cost $
Claimed by Respondent: (Main Brief, P.56-A)	2,501,616	4,339,391	4,182,764	3,980,585
ALJ Recommended Adjustments:				
Cash Working Capital	(22,551)	(22,551)	(22,551)	(22,551)
Compensating Bank Balances	(10,244)	(10,244)	(10,244)	(10,244)
Salem Audit	(10,500)	(10,500)	(10,500)	(10,500)
Plant held for Future Use	(2,338)	(2,338)	(2,338)	(2,338)
CWIP	(955)	(792)	(795)	(830)
Audit Adjustment	(4,053)	(16,509)	(15,881)	(15,018)
Deferred Income Taxes	1,934	1,934	1,934	1,934
ALJ Recommended Measures of Value	$2,452,909	$4,278,391	$4,122,389	$3,921,038

Table III

Summary of ALJ Adjustments

Under Proposed Rates

($000)

	Proposed Rates Per Respondent (a) (1)	ALJ Adjustments (2)	Proposed Rates Per ALJ (3)
Total Operating Revenues	$ 1,287,148	$ 270	$ 1,287,418
Operating Revenue Deductions:			
Expenses	729,458	(18,132)(b)	711,326
Depreciation & Amortization	112,639	(2,349)(c)	110,290
Taxes - Other	47,342	-	47,342
Income Taxes	137,774	4,787 (d)	142,561
Gain or Loss from Sale of Plant	(58)	-	(58)
Total Deductions	1,027,155	(15,694)	1,011,461
Income Available for Return	$ 259,993	$ 15,964	$ 275,957

(a) Respondent's Main Brief, p. 147a

(b) Expense Adjustments:

Decommissioning	(1,944)
Spent Fuel	(8,238)
Budget Method Adjustment	(1,169)
LMFBR	(522)
Computer Expense	(1,328)
Property Expense-Salem II	(120)
Injuries and Damage-SalemII	(38)
Uncollectibles	(533)
Increased Nuclear Production O&M Expense	(4,240)
Total	$(18,132)

(c) Depreciation & Amortization:

Unamortized Original Cost	$(2,349)

(d) Taxes:

Revenue Adjustment	$ 270
Expense Adjustment	18,132
	18,402
Consolidated Tax Factor	x.49768
Increase in Income Taxes	$ 9,159
Income Taxes for Mothballed Plant	(121)
Interest Expense	1,242
Deferred Taxes:	
State	(3,518)
Federal	1,618
Mothballed Plant	(34)
Repair Allowance	(2,463)
Amortization at 46%	(1,096)
Total Tax Adjustment	$ 4,787

Table IV

Computation of Allowable Revenues

Expenses, Taxes, and Return

($000)

	Proposed Rates Per ALJ (a) (1)	ALJ Adjustment (2)	ALJ Allowance
Total Operating Revenue	$1,287,418	$(42,860)	$1,244,558
Operating Revenue Deductions:			
Expenses	711,326	-	711,326
Depreciation & Amortization	110,290	-	110,290
Taxes - Other	47,342	(858)	46,484
Income Taxes	142,561	(20,903)	121,658
Gain or Loss from Sale of Plant	(58)	-	(58)
Total Deductions	1,011,461	(21,761)	989,700
Income Available for Return	$ 275,957	$(21,099)	$ 254,858 (b)

(a) See Table III herein

(b) ALJ Recommended Rate Base x Recommended Rate of Return ($2,452,909 x 10.39%)

PHILADELPHIA ELECTRIC COMPANY SYSTEM

GENERATING CAPACITY

(Summer 1979)

Appendix A

	Net KW Station Generating Capability	
Steam Stations - Phila. Area	Winter Rating	Summer Rating
Schuylkill	257,000	236,000
Eddystone	1,424,000	1,395,000
Cromby	364,000	351,000
Chester	130,000	124,000
Delaware	256,000	250,000
Richmond	175,000	166,000
Southwark	376,000	356,000
Total	2,982,000	2,878,000
Steam Stations-Mine Mouth		
Keystone (a)	357,000	353,000
Conemaugh (a)	352,000	352,000
Total	709,000	705,000
Nuclear Station		
Peach Bottom No. 2 (a)	449,000	447,000
Peach Bottom No. 3 (a)	439,000	439,000
Salem No. 1 (a)	468,000	460,000
Total	1,356,000	1,346,000
Internal Combustion Stations		
Diesels - 7 Miscellaneous	19,000	19,000
Keystone (a)	2,300	2,300
Conemaugh (a)	2,300	2,300
Comb. Turbines - Schuylkill	38,000	28,000
Eddystone	76,000	56,000
Chester	54,000	39,000
Delaware	74,000	54,000
Richmond	742,000	544,000
Barbadoes	61,000	53,000
Southwark	72,000	52,000
Falls	60,000	45,000
Moser	60,000	45,000
Plymouth Meeting	78,000	58,000
Salem (a)	20,000	16,000
Croydon	504,000	392,000
Total	1,862,600	1,405,600
Hydro Stations		
Conowingo	512,000 (b)	512,000 (b)
Muddy Run (Pumped Storage)	880,000	880,000
Total	1,392,000	1,392,000
Total System	8,301,600	7,726,600

NOTES: (a) PE Company share of jointly owned or shared station

(b) Based on non-coincidence of capacity limiting river flow and the system peak.

OA-501 12-67

B

COMMONWEALTH OF PENNSYLVANIA

August 9, 1979

RECEIVED
AUG1 0 1979
Office of the A. L. J.
Public Utility Commission

Philadelphia Electric Company
(R-79060865)
SUBJECT: Rate Case Issues

TO: Chief Administrative Law Judge Shane

FROM: Chairman Goode W. Wilkinson Goode

I request that you instruct all parties of record to address the following issues:

I. Cost of Service

A. All parties should comment upon the following proposed Commission policy: "The Commission shall consider the following rates of return, as indicated in the appropriate cost of service study, to be reasonable goals:

Residential:	80-100% of System Average
Commercial:	95-105% of System Average
Industrial:	100-120% of System Average

B. All parties should comment upon the justification of the following allocation methods:

Peaking Units - Costs allocated on basis of contribution to system peak.
All Other Units - Costs allocated on basis of energy usage.
Portion of Transmission System Designed to Meet System Peak - Costs allocated on basis of contribution to system peak.
Remaining Investment in Transmission System - Costs allocated on basis of energy usage.

II. Declining block rates. Do declining block rates encourage consumption and/or inhibit conservation? Do rates such as proposed rate HT contain conservation incentives? Are declining block rates cost justified?

III. If the company were to design an "essential human need" rate for rate schedules R and RH:

A. What quantities of electricity would be necessary to supply the minimum energy needs of the average residential rate R and rate RH customer in the:

1. Heating months.

2. Non-heating months.

B. Assuming that the rates applicable to the minimum energy needs as found in "A" above are set at a rate designed to recover no more than 75% of the indicated cost of service, and if the resulting revenue shortfall was collected from the customers taking service under other rate schedules on a uniform ¢/KWH consumption basis:

1. What would be the revised structure and level of rates for schedules R and RH?

2. What would be the resulting effect upon other customers?

IV. Rate structure information to consumers. All parties should comment upon the attached proposed billing format.

V. Is it proper to eliminate revenue associated with the energy component contained in base rates prior to distributing the revenue increase? Why have other costs not directly responsible for this increase (such as rate base items included in the last rate case) not been eliminated from base rates prior to allocating the revenue increase?

VI. Salem Power Station Unit Number II

A. Is the sale of equivalent generation in the public interest?

B. In its rate filing, has the company assessed current ratepayers with any costs associated with Salem Unit Number II? Costs include rate base items, expense items, fuel costs and common equity, preferred stock or long-term debt costs and other interest costs.

C. If costs <u>are</u> being assessed against current ratepayers, how much of the current rate request is represented by those costs?

WWG:dg
cc: Commissioner Carter
Commissioner Johnson

Electric Utility

Service Dates From	Service Dates To	DAYS	Meter Reading Latest	Meter Reading Prev.	Total KWH	Rate Per KWH
5-18	6-19	32	1302	0982	380	.0527

YOUR ENERGY USE HISTORY
(For Your Information Only)

Energy Consumption Data (See Booklet for Details)	THIS YR. TO DATE	LAST YEAR TO DATE	LAST YEAR TOTAL
Electricity Used (KWH)	1200	1300	5600
Per Cent Change From Last Year	-7.7		
Amounts Paid	49.44	49.40	212.80
$$Value of Change at Today's Prices	5.84		

With rising energy prices, you may be paying higher bills even though you use less. Your household's total energy budget so far this year would have been $5.84 higher at today's prices if you had used the same amount of energy as you did during the same period last year. Differences in outside temperature have tended, on the average, to require 3.0 per cent more energy for home heating.

Your Account Number

Description of Charge	Amount Charged
Electricity (Rate R)*	20.02
Fuel Adj. ($.00084 per KWH)	0.32
State Tax Surcharge	0.88
Gross Receipts Tax	0.99
TOTAL	22.21
Total Rate Per KWH Including Taxes and Fuel	.0584

*See Reverse Side for Explanation

MAILING ADDRESS:

Mr. John Doe
21 West Street
Syracuse, New York
13210

SERVICE ADDRESS:

SAME AS ABOVE

PAY ABOVE AMOUNT BEFORE July 16, 1979

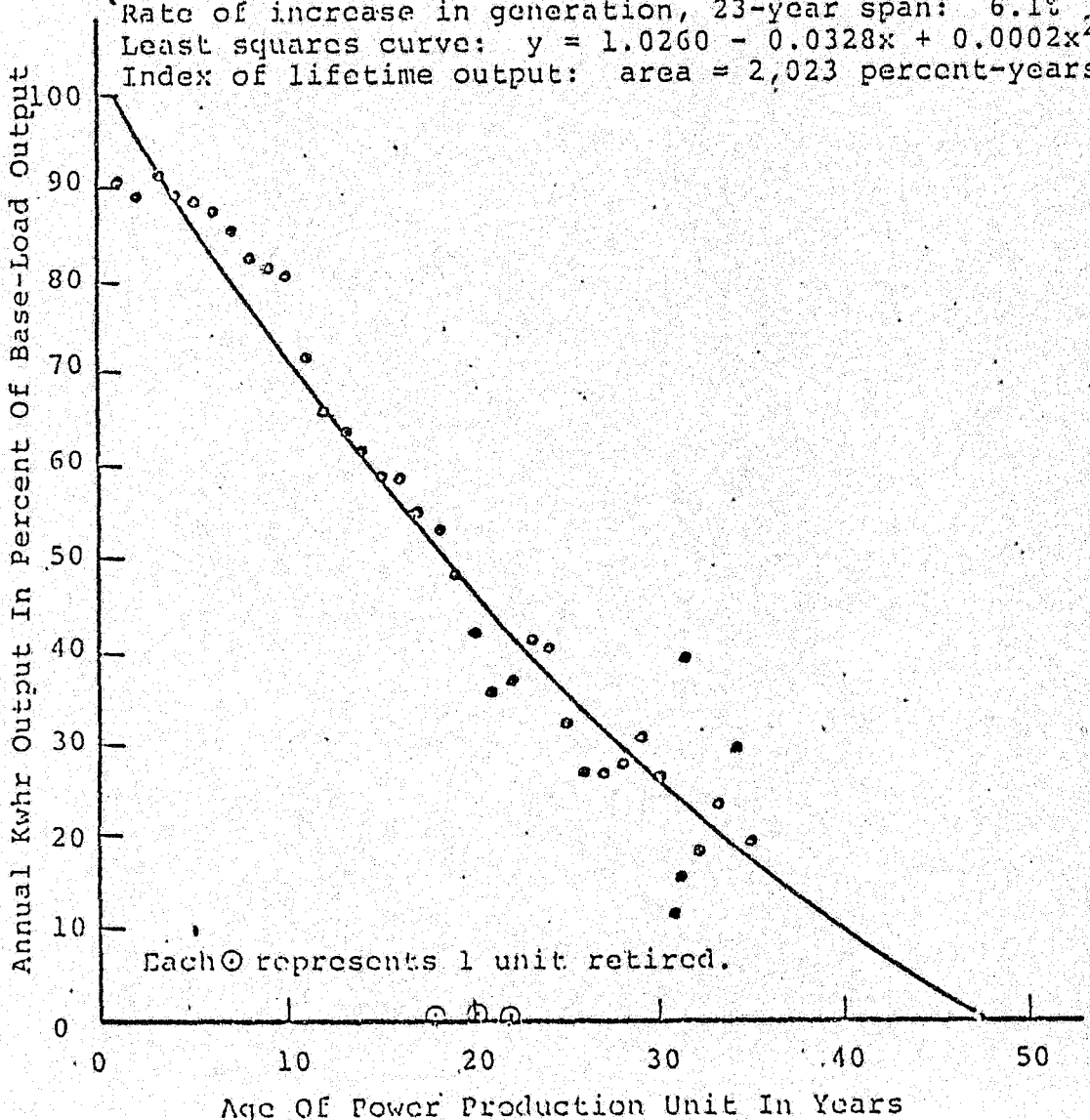
AFTER July 16 AMOUNT DUE WILL BE

22.49

Historic Progression Of Power Production Units
From Base-Load Status To Peak-Load Status

COMPANY A Public Edison Company - R.C

Economic life span: 47.5 years
Data base: 648 unit-years of experience at 12-31-73
Rate of increase in generation, 23-year span: 6.1%
Least squares curve: $y = 1.0260 - 0.0328x + 0.0002x^2$.
Index of lifetime output: area = 2,023 percent-years



Location of Property	Date Originally Acquired	Date Originally Included in Account 105	Rate Case First Claimed	Date Construction Expected to Start				
				R-865	RID 438	RID 295	RID 129	RID 29
Production								
Land for Future Generation Stations								
Fulton Site, Lancaster Co., PA	1972	1972	R.I.D. 295	1988	N.C.	1980		
Total Production								
Transmission								
Land for Future Substations and Lines								
Cromby--N. Wales Line	1960-1961	1961	RID 438	1982	1980			
220 kV Line New Hope--Buckingham	1968	1969	RID 29	1983	1980	1980	1980	1980
Cromby--Plymouth Meeting Line	1922-1943	1966	RID 438	1982	1980			
200 kV R/W Adj. to Waneeta Sub.	1973	1973	RID 29	1983	1980	1982		
500 kV Line Bradford--Newlinville	1972	1972	RID 29	1988	N.C.	1984	1978	1978
Limerick Substation Site	1967	1972	RID 865	1982				
Land for Expansion of Pres. Sta. & Lines								
Barbadoes--Cromby Line	1971	1971	RID 295	1982	1980	1978		
Peach Bottom--Newlinville Line	1963-1964	1972	*RID 865	1988				
Peach Bottom--Whitpain Line	1964-1970	1972	*RID 865	1985				
Total Transmission								
Distribution								
Land for Future Substations								
Hays Substation	1961	1961	RID 295	1982	1978	1978		
Woodside Substation	1957	1957	RID 295	1982	1978	1978		
High Substation	1974	1975	RID 295	1984	1980	1980		
Phillips Substation	1963	1963	RID 295	1984	1980	1980		
Land for Expansion of Pres. Stations								
Willis Substation	1961	1974	RID 438	1982	1978			
Hagys Substation	1963	1974	RID 438	1984	1978			
Bacton Substation	1960	1974	RID 438	1982	1978			
Salford Substation	1959	1974	RID 438	1984	1978			
Acorn Substation	1971	1974	RID 438	1982	1978			

N.C. = No Claim

*recommend inclusion in measures of value

TABLE B

Plant Held for Future Use (continued)

	Date Originally Acquired	Date Originally Included in Account 105	Rate Case First Claimed	Date Construction Expected to Start			
				R-865	RID 438	RID 295	RID 129
Land for Expansion of Pres. Stations							
Oaks Substation 33-4kV	1953	1974	RID 438	1982	1978		
Moser Substation	1952	1974	RID 438	1987	1985		
Oaks Substation 33 kV	1954	1974	RID 438	1987	1985		
Matthews Substation	1969	1974	RID 438	1982	1978		
Creek Substation	1968	1974	RID 438	1983	1979		
Bootjack Substation	1956	1957	RID 295	1984	1980	1980	
Landenberg Substation	1969	1974	RID 438	1983	1979		
Diltown Substation	1968	1974	RID 438	1981	1977		
Fgggs Substation	1956	1974	RID 438	1983	1979		
Boyd Substation	1960	1974	RID 438	1982	1978		
Highland Substation	1966	1974	RID 438	1981	1977		
Byers Substation	1967	1974	RID 438	1981	1977		
Ship Substation	1969	1974	RID 438	1982	1978		
Page Substation	1960	1974	RID 438	1982	1978		
Pocopson Substation	1970	1974	RID 438	1981	1977		
Crest Substation	1961	1974	RID 438	1981	1977		
Tanguy Substation	1971	1974	RID 438	1984	1980		
Pennsbury Substation	1973	1974	RID 438	1981	1977		
Montgomery Substation	1960	1968	RID 438	1981	1977		
Folly Substation	1954	1974	RID 438	1981	1977		
Kellers Substation	1956	1974	RID 438	1983	1979		
Aque Substation	1960	1974	RID 438	1981	1977		
Wright Substation	1963	1974	RID 438	1983	1979		
Piper Substation 1974	1959	1974	RID 438	1981	1978		
Turk Substation	1965	1974	RID 438	1982	1978		
Canal Substation	1962	1974	RID 438	1981	1977		
Woodburne Substation	1958	1974	RID 295	1984	1987	1985	
Broadale Substation	1972	1974	RID 438	1981	1977		
Worth Substation	1960	1973	RID 438	1984	1980		
Rickerts Substation	1973	1974	RID 438	1981	1977		

Test Year; R.I.D. 29 31 Aug. 1972 R.I.D. 295 31 Aug. 1975 R.I.D. 865 31 March 1980
R.I.D. 129 31 Oct. 1973 R.I.D. 438 31 Dec. 1977

Schedule 4 (Revised)
1/15/80

Philadelphia Electric Company
Fair Value Calculations
($000)

Method 1: Ratio Based on Company Data
F.V. = 1.2152 x 2,380,713 = 2,893,042

Method 2: Ration Based on Commission Findings
F.V. = 1.1933 x 2,380,713 = 2,840,905

Method 3: Trending C.E. to 5-Yr. Average

	Staff Recommended Capital Structure			
Debt & Preferred	65%	x 2,380,713	=	1,547,463
Common Equity	35%	x 3,863,473	=	1,352,216
		F.V.	=	2,899,679
		R =		1.2180

Method 4: Trending C.E. to Spot

	Staff Recommended Capital Structure			
Debt & Preferred	65%	x 2,380,713	=	1,547,463
Common Equity	35%	x 4,219,143	=	1,476,700
		F.V.	=	3,024,163
		R	=	1.2703

Average Methods 1-4

F.V = 2,914,447 R = 1.2242

Method 5: Trending Old--Adding New Plant at O.C.

O.C. @ R.I.D. 438		=	2,488,824
Depreciation:			
Annual Accrual	101,249		
$\frac{27}{12}$ x 101,249 = 227,810			
Less Depreciation			(227,810)
			2,261,014
Staff adj. O.C. @ R.I.D. 865			2,380,713
Difference = New Plant			119,699
Trended Old Plant = 1.1933 x 2,261,014		=	2,698,068
Fair Value (New Plant + Trended Old)		=	2,817,767
	R	=	1.1836

Schedule 1

LIMERICK

Date	Estimated Service Dates Limerick #1	Limerick #2	Reason	Millions of Dollars Booked Construction Costs Without AFC	AFC	Estimated Remaining Construction Costs Without AFC	AFC	Inflation Rate (%)	AFC Rate (%)
9/71	5/76	5/77	Revised Bechtel construction schedule.	28	1	590	97	6.0	8.0
5/72	5/77	5/78	Construction permit not received.	57	3	561	109	6.0	8.0
7/72	8/78	1/80	Construction permit not received.	64	4	857	284	9.5	8.0
8/73	7/79	12/80	Construction permit not received.	109	11	812	277	9.5	7.5
10/74	4/81	4/82	Financial constraints	223	26	774	270	9.5	7.75
5/75	4/81	4/83	Reduced load forecast & financial constr.	284	37	958	461	9.5	8.0
5/76	4/83	4/85	Reduced load forecast & financial constr.	417	65	1,185	657	7.8	8.2
5/78	4/85	4/87	Reduced load forecast & financial constr.	720	161	1,147	1,090	6.5	7.1*

*Reflects revised method of calculating AFC which is determined by dividing the after-tax cost of capital related to total CWIP base including prior AFC.

Appendix B

reversed over the life of the Company's plant as then-current income taxes payable are reduced by the flow-back of the associated deferred taxes.

Q. Have you prepared an exhibit which illustrates the effects of both the Company's incomplete method of normalizing income taxes and the complete normalization method that you propose?

A. Yes, I have prepared a two-page document identified as Exhibit___(RGT-1) and entitled "Comparison of Flow-Through, Incomplete Normalization and Full (Complete) Normalization Methods of Treating the Income Tax Effects of Tax/Book Timing Differences for Ratemaking Purposes". The first page bears the additional caption "BEFORE TURNAROUND" and page two is designated "AFTER TURNAROUND". The references to "incomplete normalization" are references to the effect of the normalization procedures used by Philadephia Electric; the references to "full" or "complete normalization" identify the method of normalization that I recommend.

Q. Please explain the illustrations.

A. The exhibit portrays in a simplified form the revenue requirement and income tax consequences of liberalized tax depreciation. For simplicity, I have ignored the rate base effects of deferred tax reserves and I have limited the calculations to two periods, one representing the period during which tax depreciation exceeds book depreciation (before turnaround) and the other in which tax depreciation is less than book depreciation. These differences are shown on Line 6 and, in the before-turnaround situation (page 1), cause taxable income (line 7) to be less than pretax book income per books (line 5). In the after-turnaround situation (page 2), the "excess" tax depreciation entries cause taxable income to be greater than pretax income per books.

Each page of the exhibit shows the utility's revenue requirement under three methods of accounting for income taxes on the assumption that the utility requires an operating income of $1,310 in each instance. The three methods are the flow-through method (Column B), incomplete normalization (Columns C and D) and full or complete normalization (Columns E and F). The exhibit shows the immediate effect on operating income of switching from flow-through to each of the normalization methods (compare Column B with Columns C and E) and the further changes required to restore earnings reflecting normalization to the required, pre-normalization level

(Columns D and F). Income taxes are calculated at the currently-effective incremental rate of 46 percent.

Under the flow-through method (Column B), there is no provision for deferred income taxes (lines 10 and 11).

With incomplete normalization, there is a single provision for deferred income taxes (line 10) equal to the income tax effect of the excess depreciation deduction (46 percent of $500 equals $230). In the before-turnaround period, this provision for deferred income taxes is positive; in the after-turnaround period the provision is negative, indicating that, over the life of the plant (the sum of the two periods), there is no effect on total income taxes. Note that, although the only change between Columns B and C is the recognition in Column C of $230 of deferred income tax expense, an increase in revenues of $425 is required to restore operating income to $1,310. That is indicated on line 3 in Column D. As I explained earlier, the company's revenue requirement is increased by an amount in excess of the provision for deferred income taxes because the revenue adjustment is taxable. Specifically, income taxes currently payable are increased from $690 to $885 (Line 8, Columns C and D) in order to restore earnings to the required level. The reverse effect occurs during the after-turnaround period as indicated on Page 2 of the exhibit.

Under the full or complete normalization method that I recommend, the exhibit shows that to restore earnings to the required level, revenues are increased or decreased by an amount which is exactly equal to the provision for deferred income taxes associated with the excess tax depreciation ($230). The revenue adjustment is limited to this amount by establishing an additional deferral (a negative $105) equal to the product of the tax rate and the change in revenue requirement and taxable income. Mechanically, since the increase in revenue requirements is equal to the provision for deferred income taxes associated directly with the excess tax depreciation, the additional provision also can be calculated as the product of the income tax rate and the $230 provision for deferred income taxes. Again, the after-turnaround situation is the mirror image of the before-turnaround condition. The $105 negative provision for deferred income taxes on page 1 is offset by the positive $105 flow-back on page 2.

During both the before and after turnaround periods, the full normalization method that I propose requires a change in the utility's revenue requirement which is exactly equal to the provision for deferred income tax expense associated with excess (positive or negative) tax depreciation. The Company's incomplete normalization method requires a rate adjustment which exceeds the

provision for deferred income taxes associated with excess depreciation because it fails to make a proper interperiod assignment of the effect that the change in revenue requirements triggered by normalization has on income taxes currently payable.

Comparison of Flow-Through, Incomplete Normalization and
Full (Complete) Normalization Methods of Treating the Income Tax Effects
of Tax/Book Timing Differences for Ratemaking Purposes
AFTER TURNAROUND

	(A)	Flow Through Method (B)	Incomplete Normalization Before Rate Adjustment (C)	Incomplete Normalization After Rate Adjustment (D)	Full (Complete) Normalization as Recommended by Witness Towers Before Rate Adjustment (E)	Full (Complete) Normalization as Recommended by Witness Towers After Rate Adjustment (F)
	Assumptions for illustration:					
1.	Required (allowable) return $1,310					
2.	Income tax rate 46%					
	Illustration					
3.	Operating revenues	$5,850	$5,850	$5,425	$5,850	$5,620
4.	Operating expenses (incl. book depreciation)	3,000	3,000	3,000	3,000	3,000
5.	Pre-tax income, per books	2,850	2,850	2,425	2,850	2,620
6.	Excess tax depreciation	(500)	(500)	(500)	(500)	(500)
7.	Taxable income	3,350	3,350	2,925	3,350	3,120
8.	Income taxes-Currently payable	1,540	1,540	1,345	1,540	1,435
9.	Provisions for deferred income tax					
10.	Tax effect of excess depreciation (46% of line 6)	-	(230)	(230)	(230)	(230)
11.	Tax effect of change in revenue reqmt. (46% of change in line 3)	-	-	-	105	105
12.	Total income taxes	1,540	1,310	1,115	1,415	1,310
13.	Total operating expenses	4,540	4,310	4,115	4,415	4,310
14.	Operating income (return)	$1,310	$1,540	$1,310	$1,435	$1,310

R.I.D. 865
Witness: R.G. Towers

Comparison of Flow-Through, Incomplete Normalization and Full (Complete) Normalization Methods of Treating the Income Tax Effects of Tax/Book Timing Differences for Ratemaking Purposes
BEFORE TURNAROUND

	(A)	Flow Through Method (B)	Incomplete Normalization Before Rate Adjustment (C)	Incomplete Normalization After Rate Adjustment (D)	Full (Complete) Normalization as Recommended by Witness Towers Before Rate Adjustment (E)	Full (Complete) Normalization as Recommended by Witness Towers After Rate Adjustment (F)
	Assumptions for Illustration:					
1.	Required (allowable) return $1,310					
2.	Income tax rate 46%					
	Illustration					
3.	Operating revenues	$5,000	$5,000	$5,425	$5,000	$5,230
4.	Operating expenses (incl. book depreciation)	3,000	3,000	3,000	3,000	3,000
5.	Pre-tax income, per books	2,000	2,000	2,425	2,000	2,230
6.	Excess tax depreciation	500	500	500	500	500
7.	Taxable income	1,500	1,500	1,925	1,500	1,730
8.	Income taxes-Currently payable	690	690	885	690	795
9.	Provisions for deferred income tax					
10.	Tax effect of excess depreciation (46% of line 6)	-	230	230	230	230
11.	Tax effect of change in revenue reqmt. (46% of change in line 3)	-	-	-	(105)	(105)
12.	Total income taxes	690	920	1,115	815	920
13.	Total operating expenses	3,690	3,920	4,115	3,815	3,920
14.	Operating income (return)	$1,310	$1,080	$1,310	$1,185	$1,310

TABLE I

ANNUAL PEAK LOAD AND INSTALLED GENERATING CAPACITY FORECAST

	Philadelphia Electric Company				PJM Interconnection		
Year	Generation Changes	Installed Generating Capacity-Mw	Estimated Peak Load Mw	Reserves %	Installed Generating Capacity-Mw	Estimated Peak Load Mw	Reserves %
1979		7727	5700	36	44888	33160	35
1980	+ 474 Mw: Salem 2 - 23 Mw: Retire Schuylkill 9 - 15 Mw: Derate Schuylkill 3	7689(1)	5850	31	45591	34140	34
1981		7689(1)	6000	28	46991	35350	33
1982	- 124 Mw: Retire Chester 5&6 - 6 Mw: Deration (2)	7559(1)	6150	23	49316	36720	34
1983	- 17 Mw: Deration (3)	7542(1)	6300	20	49408	37870	30
1984		7542(1)	6450	17	51069	38970	31
1985	+1055 Mw: Limerick 1 - 38 Mw: Retire Barbadoes 6&7 - 166 Mw: Retire Richmond 9	8867	6600	34	53097	40110	32
1986		8867	6800	30	54310	41270	32
1987	+1055 Mw: Limerick 2	9922	7000	42	56110	42400	32
1988		9922	7200	38	56735	43580	30

(1) Energy from Salem 2 contracted to GPU through 1984; capacity is not included in PECO installed total until 1985.
(2) The result of the addition of cooling towers at Cromby.
(3) The results of the addition of sulfur dioxide removal equipment at Eddystone and Cromby.

Source: PECO Exhibit USB-2, p. 8

BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission, et al.	:	R.I.D. 438
v.	:	
Philadelphia Electric Company	:	
and	:	
Park Towne and Madway Engineers and Constructors	:	
v.	:	
Philadelphia Electric Company	:	C-R0438015

Opinion by Commissioner Louis J. Carter
Pennsylvania Public Utility Commission

May 7, 1979

May 7 [illegible]979

Opinion by Commissioner L[illegible]s J. Carter

On August 5, 1977, Philadelphia Electric Company (PECO) filed Supplement Nos. 72 and 73 to its Tariff Electric Pa.P.U.C. No. 24 to be effective October 4, 1977, which requested an increase in base rates of approximately $115.8 million. This Commission initiated an investigation, suspending each Supplement for a six month period provided under Section 308(b) of the Public Utility Law and directed that an Administrative Law Judge file a decision prior to December 12, 1977, on interim relief. On September 27, 1977, the Commission while not lifting the suspension of Supplement No. 72, permitted PECO to continue to accrue AFDC on Salem No. 1 until December 31, 1977. Petitions of the Consumer Advocate requesting that this order be modified by eliminating the AFDC accruals were denied by the Commission on November 1, 1977.

Administrative Law Judge Matuschak issued a Recommended Decision on December 30, 1977, approving interim relief of $32.5 million. Exceptions were filed and at Public Meeting February 24, 1978, the Commission allowed interim relief of $11.883 million and suspended the effective date of Supplement Nos. 72 and 73 to July 4, 1978. In an order entered July 10, 1978, the Commission established temporary rates at the level of the previously effective interim relief. Oral Argument was held before the Administrative Law Judge who issued his Recommended Decision on November 15, 1978. Exceptions and Reply Exceptions were filed by all parties.

Oral Argument was held before the Commission on December 8, 1978, in Philadelphia.

On December 28, 1978, this Commission rendered its decision in this matter, part of which included a determination not to make any adjustment for alleged excess generating capacity.

This matter is again before us as a result of Petitions for Reconsideration. Despite my earlier view on this issue, recent events have induced me to alter it.

For Philadelphia Electric Company, as for many such companies, a major issue in recent electric rate cases has been the claim by various participants that there is excess generating capacity for which ratepayers should not be required to pay a return. This claimed excess is the amount of capacity above the 20% reserve figure historically used by PJM[1/] and reliability councils as sufficient to cover peaks in demand. Such an "excess" of capacity has resulted from a combination of factors. After the Northeast blackout in 1965, Pennsylvania utilities were encouraged to expand their capacity so as to reduce the possibility of a similar occurrence. However, the oil embargo in 1973 and the subsequent jump in the cost of energy and "conservation" slowed the growth in demand. Consequently, plants completed in recent years created seemingly excessive capacity.

1/See Appendix A.

In this case most parties advocated that the Commission adjust either the rate base or revenues so that the ratepayer would not carry the entire burden of the alleged excess capacity. For example, the Administrative Law Judge deducted $40 million from rate base in his Recommended Decision. The Commission did not make any adjustment for excess capacity, however, the discussion at Public Meeting showed the interest and concern of various Commissioners regarding this issue. Commissioner Johnson would have increased revenues by various amounts dependent upon three excess reserve capacity margins. Chairman Goode proposed adoption of the Administrative Law Judge's adjustment.

My view was that to the extent an adjustment were to be made, it should be made by the imputation of additional revenue. Since I did not believe that PECO's reserve margins were a result of imprudent management decisions, and that one year's data were not a sufficient basis for an adjustment, I suggested the use of a moving average. Starting in 1972 through 1977 a moving average of the capacity above peak was constructed, which resulted in a reserve margin of 27.4%. Converted into megawatt terms this was equivalent to 435 MW: this multiplied by the PJM contract price of $22.63 per MW equalled $9,844,000. It is this amount which I then would have had imputed to revenue thereby reducing the amount required of the ratepayers.

Events over the past few weeks have illustrated the fallacy of determining capacity requirements on a single company basis rather than on the needs of the pool. While Philadelphia Electric may have more

capacity than it requires - it has proved to be essential capacity now that both TMI-1 and TMI-2 are not operating.[2]

The NRC, on March 13, 1979, ordered five nuclear power plants in the northeastern United States, including the Beaver Valley plant of Duquesne Light (800 MW), taken out of service within forty-eight hours.[3] This event reduced considerably the operating capacity from this region for many months to come. This demonstrated the fragility of what seemed to most of us, a more than adequate reserve margin of electrical generation capacity in this state.

Rate making traditionally has treated each utility as a separate entity, as though it existed alone, in a vacuum. For most portions of a rate case that view is appropriate. However, for the determination of adequate capacity levels one must look beyond a single company. Using economic dispatch the pool operates as one huge regional utility, with each company generating and buying power where and when it is the least expensive. What may be excess capacity to an individual company may be essential capacity when the needs of the pool are considered.

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[2] TMI-1 and TMI-2 are the two nuclear generating stations owned and operated by Metropolitan Edison, Pennsylvania Electric Company and Jersey Central Power and Light at Three Mile Island approximately 10 miles south of Harrisburg on the Susquehanna River. On the morning of March 28, 1979, an accident occurred in the reactor of TMI-2. It is expected to be out of commercial service for between two and four years. TMI-2 was capable of generating 880 MW of power. TMI-1 which is capable of generating 800 MW was down for refueling at the time of the accident. The operators estimate it may not be back in commercial service for the balance of 1979.

[3] Although Duquesne Light Company is part of the CAPCO System, the non-operation of Beaver Valley indirectly affects the PJM pooling arrangement.

Planning and building power plants has become a more complex process in this decade, with a longer lead time of ten to twelve years, rather than the previous three to four. Projecting load growth a greater number of years into the future is that much more difficult. Fewer gas and oil fired plants will now be built in the future due to the Powerplant and Industrial Fuel Use Act of 1978. Most new units will be coal fired and nuclear. Future plants will be more complicated and larger than older units and should be expected to experience higher outage rates than the gas and oil fired units of the past. Reserve margins must become correspondingly larger to allow for increased size and higher outage rates.

One must weigh the costs of additional reserve capacity against the benefits of adequate supply guarantees. Outage costs are both economic, which are subject to measurement, and social, which are not. But there is little dispute that the financial impact of the blackout in New York City in 1977 has yet to be fully assessed, since the cost of spoiled food in freezers is de minimis when compared with destroyed neighborhoods and businesses not rebuilt. Brownouts and restrictions on use of electricity are for the most part foreign to American life, but they may not be if we err. Additional capacity is very expensive and is rising but I believe it is a luxury we can and must afford, keeping in mind our national goals of conservation, efficiency and equitable rates. (See Title I of the Public Utility Regulatory Policies Act of 1978 (PURPA; Pub. L. 95-617).)

Not only is this Commission charged with seeing that rates are just and reasonable, but also with insuring that utilities will provide safe, adequate service. If this necessitates greater reserve capacity than was previously thought necessary, then an allowance for the cost of such greater capacity should not be disallowed.

I therefore withdraw from my position that an adjustment to rate base or revenue be made in this case at this time.

Appendix A

PJM coordinates the bulk power supply of 11 investor-owned electric utilities operating in Pennsylvania (P), New Jersey (J), Maryland (M), Virginia and the District of Columbia. This area encompasses 50,000 square miles of the Mid-Atlantic States, with a population of 21 million people. PJM schedules the operation of the lowest cost available generating units to meet the forecasted peak demands of the pool several times each day. By interchanging power generated at low cost, PJM companies provide economical service for customers. As demand for electricity increases, additional generating units are called into service on the basis of cost efficiency, regardless of where they are located in relation to the demand. Any interconnecting company may be purchasing power part of the day and as demand shifts, selling power to members at other times. The result of this cooperation is lower average power costs for customers of all PJM companies.

Individual PJM companies have different numbers and concentrations of customers. These differences result in varying kilowatt-hour sales and differences in the amount and time of peak loads within the Interconnection. Companies in metropolitan areas usually experience peak summer loads. Less urban companies have winter peaks. The bulk transmission of power to where it is needed, when it is needed, achieves PJM's objective to supply customers with dependable power. The interchange of power also provides substantial financial savings.

Q. Would you now like to address the development of alternative rate structures for consideration by this Commission?

A. Yes, I would. I have prepared full rate structure proposals for the residential class and recommendations on the rate form for the other major classes. In doing my work in this area I have attempted to raise approximately PECO's requested revenue requirement for the major customer classes. This was not done because I have accepted PECO's requested class revenue requirements, but rather it was done so that bill comparisons between my proposals and PECO's would be based on a common revenue requirement. My recommendations are these:

1. Residential

Rate R:	Minimum Bill	$2.87/month
	All KWH Use:	
	June-September	$.0912/KWH
	October-May	$.0420/KWH
Rate RNS:	Minimum Bill	$1.85
	All KWH Use:	
	June-September	$.0372/KWH
	October-May	$.0402/KWH

This rate should be available for any hard wired end use and should not be restricted to water heaters.

2. Small Commercial and Industrial

Rate GS - No Demand Meter: Minimum Bill

All KWH:

	June-September	$.0420/KWH + charge that meets revenue requirement
	October-May	$.0420/KWH

Rate GS - Demand Meter: Minimum Bill

All KWH:	
June-September	$.0420/KWH
October-May	$.0420/KWH
KW Demand:	Computed on the basis of the four peak month, June-September, use to raise the revenue requirement

Rate GSNS:	Meter Charge	$5.00/month
	All KWH:	
	June-September	$.0331/KWH
	October-May	$.0348/KWH
	KW Demand:	As determined by PECO.
	Period:	As determined by PECO

3. Large Commercial and Industrial

Rate PD:	Minimum Bill	
	All KWH:	
	June-September	$.0410/KWH adjusted to recognize KW use pattern
	October-May	$.0410/KWH adjusted to recognize KW use pattern
	KW Demand:	Computed on the basis of the four peak month, September-June, use to raise the revenue requirement

Rate PDNS:	All KWH:	
	June-September	$.0339/KWH
	October-May	$.0348/KWH
	KW Demand:	As determined by PECO
	Hours:	As determined by PECO
Rate HT:	Minimum Bill	
	All KWH:	
	June-September	$.0392/KWH adjusted to recognize KW use pattern
	October-May	$.0392/KWH adjusted to recognize KW use pattern
	KW Demand:	Computed on the basis of the four peak month, June-September, use to raise the revenue requirement
Rate HTNS:	All KWH:	
	June-September	$.0324/KWH
	October-May	$.0333/KWH
	KW Demand:	As determined by PECO
	Hours:	As determined by PECO

Schedule No. S-1

STAND-BY SERVICE

APPLICABILITY

This schedule is applicable to stand-by or breakdown service to customers whose premises are regularly supplied, in whole or in part, with electric energy from a privately owned source of supply; to auxiliary service to customers who at times take service (by means of a double-throw switch) from another public Utility; and to other electric service where the Utility must provide reserve capacity and stand ready at all times to supply electricity, but where the use of electric service is not of a usual, regular or continuous character.

TERRITORY

The entire territory served.

RATES

	Per Meter Per Month
Customer Charge in addition to any other Customer Charge	$5.00
Stand-by Charge per kw of Contract Capacity: (Subject to voltage adjustment as provided in Special Condition 11)	
Where customer's plant or other source employs Co-generation Technology or utilizes Renewable Resources as the energy source (as defined in Special Condition 13)	0.75
All other service	0.95
Stand-by Charge per kw of Contract Capacity, excess off peak service (Subject to voltage adjustment as provided in Special Condition 11)	0.40
Reactive Demand Charge (in addition to Stand-by Charge) per kvar of maximum reactive demand	0.15

Demand and Energy Charges (in addition to Stand-by Charge):

The Regular Schedule Applicable (see Special Condition 1) including the Customer Charge, if any, the minimum charges, Energy Cost Adjustment and all other provisions of said schedules.

SPECIAL CONDITIONS

1. Regular Schedule Applicable: Stand-by service, either alone or in combination with other load through the same meter, shall be billed in conjunction with that rate schedule which would be applicable to customer's total load including that portion of customer's load for which stand-by service is provided

2. Allowance For Customer's Plant Maintenance: After a customer has been connected to Utility's system under this schedule and its plant has been in operation for a period of six months, for that portion of the Contract Capacity that may be out of service for scheduled maintenance in the months of February, March, April and/or November, such outages up to 30 consecutive days per calendar year will be ignored for the purposes of determining demand charges under the Regular Schedule Applicable. This allowance shall be made only if the customer submits to the Utility (a) 90 days' prior notice of intent to perform maintenance and (b) records showing to the satisfaction of the Utility what part of the load on the Utility's system in any of the aforementioned months was due to such scheduled maintenance. The Utility, at its sole option, may defer customer's scheduled maintenance subsequent to which deferral an outage for maintenance will be allowed in accordance herewith. Notice of such deferral, if any, shall be given by the Utility not less than 60 days prior to customer's scheduled outage, except in event of an emergency. Where maintenance is performed during a part of one or more of these months, this provision shall apply only during that part. One allowance each calender year for a partial outage for maintenance for each unit of a multiple unit source or pair of outages of up to 72 hours, for each of one or more units, to remove and replace all or a portion of customer's source shall be made in accordance with the foregoing during the months specified.

(continued)

Pacific Gas and Electric Company
San Francisco, California

Revised Cal. P.U.C. Sheet No. 6972-E
Canceling Revised Cal. P.U.C. Sheets Nos. 6900-4940-E

Schedule No. S-1

STAND-BY SERVICE

(Continued)

3. Experimental Allowance For Unconventional Generation: Regardless of other stand-by requirements and charges therefore, there shall be no customer or stand-by charges hereunder for any class of service for up to 300 kw of unconventional generation. Unconventional generation is electric generation by wind power; solar heat, either direct conversion or steam; steam where the energy source is rubbish, animal waste or other waste fuel not a fossil fuel or a derivation thereof; tidal or wave energy; geothermal energy; and such other sources as the Utility may permit for this allowance from time to time. Service under this allowance is subject to all other applicable provisions of this schedule and tariff, including a service contract. This special condition is experimental and its application may be terminated by the Utility at its sole option at any time. Upon notice to customers of such termination, this special condition will remain in effect as to customers then served hereunder for a period of 60 calendar months thereafter.

4. Parallel Operation: Any customer served hereunder may operate its generating plant in parallel with Utility's system if customer's plant is constructed and operated in accordance with Utility's requirements. However, a customer who operates its plant in parallel must assume responsibility for protecting the Utility and other parties from damage resulting from negligent operation of the customer's facilities, except where the damage results from the Utility's requirements. The Utility will provide at its expense the normal metering equipment for the size and type of load served. The Utility will provide at the customer's expense other metering equipment on both the service and the alternate source as determined to be necessary by the Utility. Meters installed hereunder shall not allow reverse registration.

5. Circuit Breaker Setting: Where a circuit breaker is used to limit the maximum load upon the Utility's system, the Contract Capacity may be based upon the setting of such circuit breaker, in which case it will be 80% of the load in kva at which the circuit breaker will open instantaneously. Such circuit breaker setting will not be reduced during the contract period, but may be increased upon request of the customer and the signing of a new 3-year contract.

6. Demand: When the Utility's service is used for stand-by (either alone or in combination with other load through the same meter) and the customer submits to the Utility records showing to the satisfaction of the Utility what part of the load on the Utility's system in any month was due to scheduled shutdown, forced shutdown or failure of customer's plant (or other source) or a portion thereof for which a stand-by charge is being paid, then the Contract Capacity used to determine charges hereunder in that month will be reduced by a number of kilowatts equal to the number of kilowatts of metered demand caused by such shutdown or failure and for which a demand charge under the Regular Schedule Applicable (in excess of the stand-by charge) is paid in that month. Increases in metered demand resulting from abnormal Utility system operation will be ignored for the purpose of determining demand charges under the Regular Schedule Applicable during the first hour after the event causing such demand.

7. Contract: This schedule is applicable only on a 3-year contract when stand-by service is first rendered in any instance and year by year thereafter. If the customer at any time increases the capacity of the customer's plant (or other source) or increases the connected load served therefrom, the customer shall promptly so notify the Utility and the Contract Capacity shall be redetermined under the provisions of Special Condition 8 below to be applicable for the month in which such increase occurs and thereafter for so long as such contract shall remain in force or until such contract is again changed in accordance with the provisions hereof.

8. Limitation on Contract Capacity Served: Stand-by service to new or increased loads is limited to the Utility's ability to serve such loads without jeopardizing service to existing customers on rate schedules providing for firm service, including stand-by service. In the event stand-by service to any load or combination of loads is refused by the Utility, the Utility shall notify the Public Utilities Commission of the State of California (Commission) in writing, setting forth for the full particulars of the matter. Stand-by service to any installation of over 25,000 kilowatts or of an unusual character will require a special contract which shall be subject to approval of the Commission.

9. Contract Capacity: The Contract Capacity to be used for billing under the above rates shall be as set forth in the customer's contract for service. For new or revised contracts under Special Condition 7 above, the Contract Capacity shall be numerically equal to the lesser of (a) the normal rated capacity of the customer's generating facilities at unity power factor plus similarly rated capacity from any source other than the Utility's system, (b) the maximum amount of connected load in kva which can be served simultaneously from the customer's generating plant plus capacity from any source other than the Utility's system, or (c) 80% of the circuit breaker setting as provided under Special Conditon 5 above.

(continued)

Pacific Gas and Electric Company
San Francisco, California

Revised Cal. P.U.C. Sheet No. 6973-E
Canceling Revised Cal. P.U.C. Sheet No. 4940-E

Schedule No. S-1

STAND-BY SERVICE

(Continued)

10. Reactive Demand: When the customer's plant (or other source) is operated in parallel with the Utility's system, the customer will so design and operate his facilities that the reactive current requirements of the portion of the customer's load supplied from the customer's plant (or other source) are not supplied at any time from the Utility's system. In the event customer places a reactive demand on the Utility in any month in excess of 0.1 kvar per kw of Contract Capacity, the Reactive Demand Charge shall be effective that month and each month thereafter until the customer demonstrates to the Utility's satifaction that adequate correction has been provided.

11. Voltage Adjustment: The above stand-by charges are applicable without adjustment for voltage when delivery is made at transmission voltage (60 kv and above). When delivery is made at the standard primary distribution voltage at 2 kv or above available in the area from the Utility's distribution line or, where the Utility has elected to supply service at a standard primary distribution voltage from a transmission line, for its operating convenience, from Utility-owned transformers on the customer's property, the above charges for any month will be increased by 10¢ per kw of contract capacity. When (a) delivery is made at less than 2 kv, or (b) when delivery is made by means of Utility-owned transformers at a distribution voltage other than a standard primary distribution voltage, or (c) when delivery is made at a voltage that requires more than one stage of transformation from transmission voltage, the above charges for any month will be increased by 25¢ per kw of contract capacity.

The Utility retains the right to change its line voltage at any time, after reasonable advance notice to any customer affected by such change, and such customer then has the option to change his system so as to receive service at the new line voltage or to accept service through transformers to be supplied by Utility subject to the voltage adjustment above.

12. Excess Off Peak Service: Excess off peak stand-by service is available only where the Regular Schedule Applicable is Schedule No. A-22 or A-23 and applies to service which is provided only during the off peak periods specified therein and which is in excess of other stand-by service, if any.

13. Definitions:

(a) Co-generation Technology — the use for the generation of electricity of exhaust steam, waste steam, heat or resultant energy from an industrial, commercial, or manufacturing plant or process, or the use of exhaust steam, waste steam, or heat from a thermal powerplant for an industrial, commercial, or manufacturing plant or process.

(b) Renewable Resources — those sources of energy which are not diminished by use for electric generation, including wind power; solar heat, either direct conversion or steam; steam where the energy source is rubbish, animal waste or other waste fuel not a fossil fuel or a derivation thereof; tidal or wave energy; and geothermal energy. The use of renewable resources may or may not employ Co-generation Technology.

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MAR 10 1980

SECRETARY'S OFFICE
Public Utility Commission

BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

In Re:

R-79060865- PENNSYLVANIA PUBLIC UTILITY COMMISSION, et al.

V.

PHILADELPHIA ELECTRIC COMPANY

AND

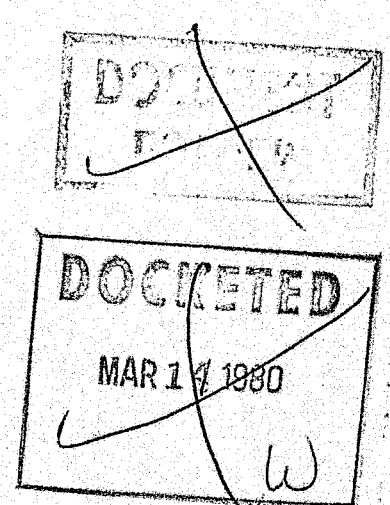
C-R0865001 - JACK J. ALOFF

V.

PHILADELPHIA ELECTRIC COMPANY

EXTRA COPY

EXCEPTIONS OF JACK J. ALOFF TO THE PROPOSED INITIAL DECISION DATED FEBRUARY 29, 1980, PREPARED BY ADMINISTRATIVE LAW JUDGE JOSEPH J. KLOVEKORN



Jack J. Aloff
The Plaza, #16F
The Parkway at Eighteenth Street
Philadelphia, PA 19103

COMPLAINANT

March 10 , 1980

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III.	CONCLUSION	7

I. SUMMARY

On page 2 of the proposed initial decision ("decision") of February 29, 1980, is contained an acknowledgment that Jack Aloff ("Aloff") has filed a brief as part of the record of the proceedings encompassed by the History set forth on pages 1 and 2 of the decision. Aloff's brief was filed with the Commission on January 11, 1980.

Pursuant to Title 66 of the Public Utility Code, Section 335, which provides that before a recommended or initial decision is issued the parties are entitled to a reasonable opportunity to submit proposed findings and conclusions for the consideration of the Commission, Aloff asked the Administrative Law Judge ("ALJ") to include in his recommended decision the fact that Aloff is asking the Commission to:

"1. Enforce its corrected order, entered September 10, 1979, which directed the presiding Administrative Law Judge to develop a complete record and make specific recommendations on various issues, in addition to other issues which are properly raised by the parties or which are inherent in the determination of just and reasonable rates.

"2. Enforce its order, entered May 16, 1979, which provided the procedure for the presentation by ALOFF

of evidence pertaining to the issues set forth in the ALOFF pre-hearing conference memorandum of September 5, 1979, which issues were included in the ALJ's pre-hearing order dated September 21, 1979, as issues to be the subject of the hearings.

"3. Enforce Sections 332(c) and 703(c) of the Public Utility Code, according to which Aloff is entitled to introduce evidence.

"4. Conduct an investigation under the Public Utility Code, §703(a) and §331(a) into the subject matter of the ALOFF formal Complaint C-R0865001, including the statement that 'The irregularities of the Respondent were perpetuated by Commission inefficiency, neglect of duty, and acts of obstruction of justice.'" [1]

Section 335 further provides that all decisions, including initial and recommended decisions, shall include a statement of findings and conclusions, and the reasons or basis therefor, on all material issues of fact, law or discretion presented on the Record and the appropriate Rule, Order, Sanction, Relief or Denial thereof.

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[1]Initial Brief of Jack J. Aloff, pages 16 and 17.

II. EXCEPTIONS

Since the ALJ has recognized as factual the matters set forth in the Aloff brief in view of the absence of any denials by him provided for under Section 335, Aloff files the following exceptions to the decision of the ALJ:

1. On pages 1 and 2 the ALJ has omitted the fact that he did not develop the complete record required by paragraph 4, pages 2 and 3 of the Commission corrected order adopted August 9, 1979, entered September 10, 1979. (Aloff Brief, pages 5-15 inclusive.)[2]

2. Page 14 of the decision contains a discussion of original cost, the amounts of which, the ALJ has stated, have been developed from the company's books of account which were originally approved by the Commission in the mid-1940's. The ALJ also states that these books have been maintained in accordance with the uniform system of accounts prescribed by the Federal Energy Regulatory Commission and adopted by this Commission, and that the accounts were last audited by the Federal Power Commission in 1973 and have also been audited annually by a firm of independent certified public accountants.

The record shows, however, that the ALJ is unable to substantiate these statements, as documented in the Aloff Brief as follows:

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[2] Nowhere in the decision does the ALJ aver that he developed the requisite complete record.

August 14, 1979: Aloff's formal complaint stated that PECO's failure to adhere to Pennsylvania Public Utility Law and court decisions relating thereto has resulted in extensive financial loss to Aloff since the 1950's, and that the irregularities of PECO were perpetuated by Commission inefficiency, neglect of duty, and acts of obstruction of justice. (Aloff Brief, page 2)

September 5, 1979: At the prehearing conference Aloff submitted for the record fourteen specific issues. Issues 1, 2, 3, 4, 5, 6, 9 and 12 relate directly to the ALJ's discussion of original cost on page 14 of the decision. (Aloff Brief, page 3, and Appendices A and C)

September 21, 1979: In a pre-hearing order the ALJ included the Aloff issues 1, 2, 3, 4, 5, 6, 9 and 12 as issues to be the subject of the hearings. (Aloff Brief pages 3 and 4, and Appendix A)

October 9, 1979: Aloff submitted a written request to the ALJ for permission to submit various categories of evidentiary exhibits and data in support of his allegations that PECO's books have not been maintained in accordance with the prescribed uniform system of accounts. The ALJ took the request under advisement. (Aloff Brief, pages 4 and 5, and Appendix B)

Aloff's records show that the ALJ failed to explain why he avoided the Aloff issues as subjects of the hearing,

and why he withheld permission for Aloff to submit his evidence bearing on the credibility of PECO's books. In the absence of valid reasons for these actions the ALJ would appear to have acted contrary to Title 66, Public Utility Code, Sections 316, 331(d)(3), 331(d)(6), 332(c), 703(c), and the terms of his own pre-hearing order of September 21, 1979. Such violations by the ALJ would render Tables II, III and IV, and the figure of $79,871,000 recommended as the amount of rate relief[3] unfit for use by the Commission with respect to accuracy, reliability and credibility, as no provision of the Public Utility Code legitimatizes a conclusion arrived at as a result of improper hearing procedures and the violations of Aloff's right to an adequate opportunity to submit relevant evidence.

The ALJ's unexplained actions also affect the validity of the underlying principles of the testimony of various expert witnesses, one of whom admitted under cross-examination that where a particular plant in service which represented a large portion of total rate base should be disallowed as a result of a study of PECO's numbers as

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[3] Proposed Initial Decision dated February 29, 1980, prepared by Administrative Law Judge Joseph J. Klovekorn, page 255.

to their accuracy, correctness, reliability and truth and the disallowance materially changes the total outlook of the company, then that could have an effect on the underlying principles of his testimony. (Aloff Brief page 8)

The ALJ's actions, resulting in an incomplete record, also have deprived the Commission of facts and attendant circumstances, the knowledge of which it needs to determine PECO's electric rate levels. (Aloff Brief, page 10)

3. On page 19 the ALJ refers to the Commission's decision in R.I.D. 438, but has omitted the fact that the Commission has not complied with the Commonwealth Court Order of May 23, 1979, requiring further proceedings and the entry of a final order with respect thereto. (Aloff Brief, Appendix C,page 1)

4. On page 55 of the decision the ALJ states: "Applying the teachings of the court to the instant proceeding, I recommend that the Commission find that the fair value of the utility's plant is the original cost of such plant less accrued depreciation."

However, the ALJ during the proceedings barred a full and true disclosure of the facts relative to the original cost figures historically used by PECO and the Commission. (Aloff Brief, pages 5-10 inclusive, and Public Utility Code 332[c])

III. CONCLUSION

A. Acceptance by the Commission of the ALJ"s proposed initial decision in its present uncompleted state would be a miscarriage of justice.

B. Aloff respectfully requests that your Honorable Commission correct the injustices and improprieties documented in his Brief, and uncontroverted by the ALJ or any party to the proceedings, by issuing a Final Order consistent with these Exceptions, and Section IV, pages 15, 16, and 17 of Aloff's Brief.

C. In view of the ALJ's violations of Public Utility Code provisions, previously enumerated, Aloff respectfully requests the Commission to reject the ALJ's recommendation No. 1 on page 256 of ALJ's decision inferring that Aloff's Complaint should be dismissed without a single reason having been advanced in the previous 255 pages in support of such a recommendation.

Respectfully submitted,

Jack J. Aloff

Jack J. Aloff

March 10, 1980

Aloff indicates that this document should be construed to serve also as his oral argument.

CERTIFICATE OF SERVICE

I hereby certify that I am, this 10th day of March, 1980, serving by first-class mail, the foregoing document upon the persons listed below:

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Jack J. Aloff

COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P. O. BOX 3265, HARRISBURG, Pa. 17120

March 10, 1980

IN REPLY PLEASE REFER TO OUR FILE

RECEIVED
SECRETARY'S OFFICE
PUBLIC UTILITY
COMMISSION

R-79060865

Mr. John J. Kirkwood
4630 Hartel Avenue
Philadelphia, Pennsylvania 19136

Dear Mr. Kirkwood:

Thank you for your letter of March 4, 1980 regarding the Philadelphia Electric Company's Limerick plant. If you have no objection, I treat your letter as an exception to my recommended decision and will distribute copies to the full Commission so that they might consider it during their deliberations.

Sincerely yours,

Joseph J. Klovekorn

Joseph J. Klovekorn
Administrative Law Judge

cc: Chairman Shanaman
Commissioner Johnson
Commissioner Cawley
Commissioner Taliaferro
Secretary Thierfelder

DUPLICATE RECORD.
ORIGINAL CERTIFIED
TO COMMONWEALTH COURT.

RECEIVED
MAR 1 1 1980
SECRETARY'S OFFICE
Public Utility Commission

John J. Kirkwood
4630 Hartel Av.
Phila., PA 19136

March 4, 1980

R-79060865

Mr. Joseph Clovecorn
Admin. Law Judge
PUC
PO 3265
Harrisburg, PA 17120

Dear Judge Clovecorn:

Phila. Elec. excess capacity	36 %
Excess capacity required	15-20 %
Excessive excess capacity	16 %
Nuclear power production	20 %
Deficit needed for maximum/ minimum requirement	4%

WHY LIMERICK? Any attempt to disprove the above figures is corporate casuistry at best. Our consumer advocate calls for small coal-fired units. But even these are extraneous relative to public need and in light of regional acid rains.

Cleanliness and safety are next on the energy agenda-nuclear, oil, coal & c...can't hold a candle to conservation and the sun. Their combined benefits cannot be realised if resources are continually misappropriated.

Cause has been shown by opponents to Limerick. Requirement of same from PE should follow.

Sincerely,

John J. Kirkwood

John J. Kirkwood

DOCKETED
MAR 12 1980

ORIGINAL

COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P. O. BOX 3265, HARRISBURG, Pa. 17120

March 10, 1980

IN REPLY PLEASE
REFER TO OUR FILE

Mr. Bernard A. Wolf
River Run, R.D. #1
Glenmore, Pennsylvania 19343

RECEIVED
MAR 1 1 1980
SECRETARY'S OFFICE
Public Utility Commission

Re: Philadelphia Electric Company
(R-79060865)

Dear Mr. Wolf:

Thank you for your letter of March 6, 1980 regarding the Philadelphia Electric Company's rate request and, more specifically, its Limerick plant. I have filed my recommended decision with the Commission. Consequently, my part in these proceedings is ended. I have directed, however, that your letter be placed in the Commission's official files where it will be available to the Commission during its deliberations.

Thank you once again for taking the time to express your concern about this matter.

Sincerely yours,

Joseph J. Klovekorn

Joseph J. Klovekorn
Administrative Law Judge

DUPLICATE RECORD.
ORIGINAL CERTIFIED
TO COMMONWEALTH COURT.

RECEIVED
MAR 10 1980
Office of A. L. J.
Harrisburg

Beaver Dam, R D #1
Glenmoore, Pa. 19343

March 6, 1980

RECEIVED
MAR 11 1980
SECRETARY'S OFFICE
PUBLIC UTILITY COMMISSION

Judge Joseph Clovecorn
PUC
P.O. Box 3265
Harrisburg, Pa. 17120

Re: Philadelphia Electric rate case.

Dear Judge Clovecorn:

I understand that the hearings on the P.E. rate case are now over. I hope that before any new rates go into effect, you will order P.E. to show why it is in the public interest to continue construction at the Limerick nuclear plant. After all, P.E. already has excess generating capacity. Also, state consumer advocate Walter Cohen's report shows it is more economical for P.E. customers if P.E. abandons Limerick and constructs several small coal plants instead.

I hope your recommendations will reflect the truth in regards to consumer interests regardless of the consequences to the nuclear industry.

DOCKETED
MAR 1 1 1980

Sincerely yours,

Bernard A. Wolf

ORIGINAL

COPY

EXTRA COPY

BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

RECEIVED
MAR 1 2 1980
SECRETARY
Public Utility Commission

PENNSYLVANIA PUBLIC UTILITY COMMISSION, ET AL.	:	
	:	Docket No.
v.	:	
	:	R-79060865
PHILADELPHIA ELECTRIC COMPANY	:	

EXCEPTIONS OF RESPONDENT PHILADELPHIA ELECTRIC COMPANY To the Recommended Decision of Administrative Law Judge Joseph J. Klovekorn

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DUPLICATE RECORD.
ORIGINAL CERTIFIED
TO COMMONWEALTH COURT.

Dated: March 12, 1980

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I. STATEMENT OF POSITION

Philadelphia Electric Company ("PECO" or "the Company") began this rate proceeding July 27, 1979 by filing Supplement No. 6 to Tariff Electric-Pa. P.U.C. No. 25. The basic rate increase sought is approximately $123 million in additional annual revenues or 10.9% of adjusted base rate revenue for the future test year ended March 31, 1980.

Under date of February 29, 1980, Administrative Law Judge Joseph J. Klovekorn ("ALJ") issued a Recommended Decision proposing that this Commission approve additional annual revenues of $79,871,000, or $42,860,000 less than the Company requested.

These Exceptions summarize those matters on which PECO believes the ALJ is in error. In normal times, it could be said that the ALJ has reasonably addressed and properly decided the major issues presented in this proceeding. For example, the ALJ notes that "Rates must reflect economic realities and, eventually, they will. . . . There can be no avoidance of these costs, only a temporary postponement which will ultimately result in higher costs to consumers" (Recommended Decision, p. 256). Accordingly, the ALJ has properly rejected the more extreme proposals advanced by the Company's opposition.

However, these are not normal times. The ALJ has

failed to recognize that economic reality in several important areas. These include the failure to properly assess the record evidence of attrition and current equity costs and of PECO's critical and deteriorating financial condition, which cost levels and financial condition necessitate approval of substantially the entire rate relief here requested.

Due to attrition and current capital costs, PECO's experienced equity return and interest coverage under the Recommended Decision will be reduced to levels below even the inadequate levels achieved in recent years. As a result, PECO's present inability to issue additional preferred stock or mortgage debt under its Charter and Indenture earnings coverage tests will not be corrected by the Recommended Decision, and it may well be unable to complete its near term construction program. Failure to complete this program could result in additional costs to the Company and its ratepayers which would far exceed the additional revenue here at issue.

This Statement of Position will address this principal issue. These Exceptions will also address the Recommended Decision's rejection of decomissioning and spent fuel costs associated with current electric service provided by means of nuclear generation, claimed tax normalization allowances, the recommended use of the original cost measure of value as fair value in this proceeding and other lesser adjustments made by

the ALJ to claimed rate making allowances.

A. PECO Will Be Unable To Attract Capital At Reasonable Cost, If At All, Unless Substantially The Full Rate Increase Is Approved.

PECO presented uncontradicted evidence that without substantially all of the requested rate increase plus prompt submission of additional rate applications, it will:

1) Be unable to issue mortgage bonds under the mortgage indenture coverage test, very shortly resulting in denial of access to this source of capital and an increase in the cost of all remaining capital sources.

2) Be unable to maintain its minimally acceptable mortgage bond rating of A/A-, loss of which will result in increased financing costs and decreased capital availability.

3) Be unable to maintain earnings above its dividend of $1.80 per share, thus jeopardizing the dividend, which, if reduced, could deny access to equity capital.

4) Be unable to attract the capital necessary to support its present construction program at reasonable cost, if at all, or

5) Be unable to undertake the accelerated completion of the Limerick Generating Station.

Joseph F. Paquette, Jr., PECO's Vice President of Finance and Accounting, presented the uncontroverted evidence which establishes this disturbing picture. Employing financial results for the 12 month period ended October 31, 1979, the latest data available at the close of the record, Mr. Paquette

testified that for that twelve-month period the Company's earnings per share equaled but $1.90, only slightly in excess of its current annual dividend of $1.80. Its mortgage bond coverage, calculated as specified in its mortgage indenture, equaled but 2.08 times. Under the Company's mortgage indenture, additional mortgage bonds, the Company's principal source of debt capital, cannot be issued once coverage has been reduced to less than two times (PECO St. 1A, pp. 1, 5-6 & Table 3). Mr. Paquette further testified that, during 1980, this already precarious financial condition would gravely worsen.1/

Events since the close of the record further confirm this dismal and deteriorating financial picture. PECO's earnings per share for the twelve months ended December 31, 1979 have declined to $1.86.2/ As projected by Mr. Paquette during the hearings, PECO's mortgage bond interest coverage under the indenture is presently below two times and the Company is now precluded from issuing additional mortgage bonds except for

---

1/ Based on the Company's projected financial condition at December 31, 1980 if no rate relief were granted, Mr. Paquette testified that the Company's earnings per share would be reduced to $1.65 (and comprise 99% of AFUDC) and its mortgage bond coverage as calculated under the indenture would equal but 1.55 times.

2/ Attached as Appendix A to this Brief is a copy of the Consolidated Statement of Income and related Financial Statistics taken from the Company's 1979 Annual Report.

a limited quantity of bonds which may be issued against previously refunded issues (PECO St. 1A, pp. 5-6 & Table 3). The Company's current financing plans call for the issuance of $125 million of such bonds later this year, which will reduce to approximately $100 million the additional bonds which may be issued under the refunding mechanism.

On March 11, 1980, the Company issued $50 million of preferred stock at a public sale with a dividend of 15 1/4% - the highest ever cost rate for a fixed income security issued by the Company. An additional $22 million of preferred stock was recently sold in a private placement. As the Commission is doubtless aware, the Company's preferred stock has just been down-rated by Moody's Investor Services, Inc. from A to Baa.3/ With the sale of these issues, the Company is now precluded from issuing additional preferred stock as it is unable to meet the 1.5 times Charter coverage test.

Finally, to meet 1980 capital attraction needs of approximately $600 million (see PECO Initial Brief, pp. 10-12),

---

3/ A Baa rating is the lowest investment grade rating. Standard and Poor's Investment Service already rates PECO's preferred stock at its equivalent BBB grade (See Wall Street Journal, March 3, 1980, at p. 27). The Company's underwriters estimate that, as the result of the down-rating, the cost of the $50 million issue was increased by 200 to 250 basis points.

and because of its inability to issue either additional preferred stock or mortgage debt in sufficient quantities, PECO will be forced to issue $150 million of debentures at about the time this Commission's decision is rendered and an additional $100 million in the fall of this year. The Company, however, is concerned that its financial position may not permit it to obtain buyers for these debentures at any price. In past years, the Company's debentures have been rated BBB and have been issued at an interest cost significantly above that of its mortgage bonds (i.e. 1 to 2%) (PECO St. 13, pp. 4 & 14; Ex. DPS-2, p. B-19).

The Company also plans to market $100 million of common stock this summer, assuming that market conditions will permit such an issue. If issued March 7, 1980, such stock would have been sold at a market price to book value ratio of less than 64% ($12.25 March 6 closing stock price ÷ $19.06 12/31/79 book equity per share), i.e., approximately the same ratio as was experienced during the 1975 recession period (Ex. JFB-1, Schedule 8, p.3; Appendix A). As this Commission well knows, such sales reduce average book equity per share, thus confiscating the investment of existing shareholders, and dilute future earnings per share thus rendering the attraction of additional capital more difficult and costly.

In the 1981-1983 period, the Company's annual average

capital attraction needs are anticipated to approximate $400 million (PECO St. 1A, pp. 2-3). This level is almost double the annual average of recent years (i.e. pre-1980). Clearly, substantial corrective action is needed if, given the Company's present virtual inability to issue both mortgage debt and preferred stock, the Company is to be permitted to complete this program at reasonable cost, if at all.

Should the Company be unable to complete this program, future energy costs charged ratepayers will be greatly increased due to reduced availability of low cost nuclear and coal generation. For example, under the Company's consent decree applicable to its coal fired Eddystone and Cromby Stations, if PECO deviates in any way from the rigid schedule agreed upon with EPA for installation of sulfur dioxide removal equipment on these units, the Company will be forced to shut the units down immediately. The Company estimates that the energy cost penalty which would result from these units being unavailable would presently equal $125 million, and is certain to increase in the future. Similarly, delay in completion of the Limerick units would result in increased energy costs of as much as $300 million per unit per year in the mid-1980s, as well as increases in the costs of the plant's construction. Such delays, and the associated increase in energy costs to ratepayers, will unfortunately occur if the Company is unable to complete its

1980-1981 financing program as described above.

The Company's financial condition and its importance to this rate proceeding was summarized by Mr. Paquette (PECO St. 1A, pp. 6-8):

> "[W]e now do not have the ability to absorb unexpected cost increases without jeopardizing our ability to serve customers in the future. This picture presents a very serious condition which must be corrected if the Company is to continue with its construction program particularly if it is to consider acceleration of the Limerick Generating Station and make the pollution control investment required under our pending consent decree so that we can continue and increase our use of coal instead of oil. . . . If the Commission wishes to correct this situation, it must improve the rate-making process to permit us to actually earn a return on our investment consistent with the true cost of capital and to improve our internal cash flow and interest coverage ratios. . . . [U]nless we get the entire rate request of $123 million, we may not be able to complete the 1980 financing program now contemplated. It is obvious that we could not even consider accelerating the Limerick construction schedule unless substantially the entire amount of this requested rate increase is approved by the Commission."

The $80 million of additional revenue permitted by the Recommended Decision will improve this financial picture only very slightly. Based upon Mr. Paquette's financial

projections at December 31, 1980,4/ the Recommended Decision's permitted rate relief will produce earnings per share for the 12 months ended December 31, 1980 of but $1.81 (consisting of 91% AFUDC), or approximately equal to the Company's current dividend.5/ Under the Recommended Decision, the Company will be unable to issue preferred stock as interest and preferred dividend coverage will continue at less than the Charter required coverage of 1.5 times. Mortgage bond coverage will be improved to but 2.15 times, thus permitting an additional mortgage bond

---

4/ See PECO St. 1A, Table 1. This projection employed an anticipated inflation rate of 10% and long-term bond rates of 12%. These estimates are clearly inadequate as compared to the approximate 14% inflation rate, as measured by the Consumer Price Index, experienced during the 12 months ended January 31, 1980 and the cost rates of recent A rated electric utility mortgage bonds of 15% (See Wall Street Journal, February 25, 1980, p. 3 and March 7, 1980, p. 28).

5/ $1.63 AFUDC at 12/31/80 ÷ $1.81 Recommended Decision produced earnings per share = 91% (PECO St. 1A, p. 4). The $1.81 Recommended Decision produced earnings per share and associated mortgage indenture and SEC pre-tax interest coverage ratios have been determined by adjusting Table 1 of PECO Statement 1A to reflect the ALJ's approved $80 million revenue increase (i.e. $50 million additional revenues produced in 1980) and for presently anticipated as compared to the 12% long term security costs and 14% prime rate mortgage bond (15%), preferred stock (13%), debentures (15%) and prime rate (15%) interest costs assumed in the original table (i.e. total interest charges of $245 million and preferred dividends of $53 million). These costs are clearly conservative in light of experienced and current cost levels which exceed those employed. Income tax affects associated with the above changes have also been reflected. See Appendix C.

issue of but $83 million at current interest rates in 1981.6/ During 1981, even this inadequate financial picture will deteriorate further.

The financial results produced by the Recommended Decision are clearly unacceptable and in conflict with this Commission's past pronouncements. For example, the 2.15 times mortgage bond indenture coverage produced by the Recommended Decision is well below this Commission's finding in PECO's last electric rate case that for interim relief purposes "the minimum or target interest coverage for a utility should be in the neighborhood of 2.4 times." See PECO R.I.D. 438 Interim Rate Order, issued February 24, 1978. In fact, in that Order the PUC found that interim relief was necessary to permit an improvement in PECO's mortgage coverage ratio which then equaled 2.19 times. Obviously, coverage well in excess of 2.4 times is required as a result of a final rate order.7/

6/ Statement 1A, Table 3 shows mortgage coverage of approximately 2 times resulting from allowance of the full rate relief requested. The improvement evidenced by the 2.15 times coverage produced by the Recommended Decision results from the replacement in the Company's financing program of a mortgage bond issue with a debenture issue (at increased cost to the Company and its ratepayers) whose interest cost is not included in mortgage indenture coverage calculations.

7/ The rapidity with which inflation and capital attraction needs can reduce a 2.4 times mortgage coverage to below 2 times is demonstrated by the reduction in PECO's coverage from 2.37 in June, 1979 to 2.08 in October, 1979 (PECO St. 1A, p. 1).

Further, the Recommended Decision's proposed revenue increase will produce 1980 SEC pre-tax interest coverage of but approximately 2 times. It is extremely unlikely that this coverage will be sufficient to maintain the Company's present A mortgage bond rating. The record establishes that a 3 times pre-tax interest coverage is required to maintain a strong A bond rating and that a minimum of 2.5 times is required if the Company is to have an opportunity to maintain this rating (PECO St. 1, pp. 12-13; Tr. 29-34). Approval of the entire relief requested may be sufficient to maintain the Company's current A bond rating since it represents a slight improvement over recent coverage levels and because approval of all or substantially all of the requested additional revenues would be viewed by the investment community as a positive signal of this Commission's commitment to maintaining the financial integrity of the utilities subject to its jurisdiction.8/ This Commission has in recent Orders repeatedly stated that rate allowances should be sufficient to permit the maintenance or improvement of utility financial ratings. See PECO 1980 Gas

---

8/ As established in the record, a reduction in PECO's bond rating to Baa will result in increased capital costs and reduced capital availability (PECO Initial Brief, pp. 108-110). It should be noted that PECO's recent financial profile has been slightly worse than the average of present Baa rated companies.

Order, Docket No. R-79030781 (p. 41); PECO Electric Order, R.I.D. 438 (p. 45).

Finally, the earnings per share produced by the Recommended Decision's revenue allowance of $1.81 at December 31, 1980, of which 91% will constitute non-cash AFUDC, is clearly inadequate even as measured against PECO's recent historic earnings performance. That performance produced average earnings of $1.87 for the 5 year period 1975-1979 and, due to its inadequacy, produced market prices for PECO's stock which averaged but 85% of book value.9/ Such earnings severely jeopardize the Company's ability to maintain its current dividend level. Should PECO be forced to cut its dividend as the result of inadequate rate relief, the consequences would certainly be catastrophic. Consolidated Edison, the last major electric company to do so back in 1974, has for many years been unable to issue any form of long term securities (PECO St. 14, p. 45).10/

Moreover, this Commission has repeatedly recognized

9/ PECO St. 1, p. 4; PECO St. 1A, p.4; Ex. JFB-1, Sch. 8; Ex. JFB-2, Sch. 4.

10/ PECO last increased its dividend in 1977 from $1.64 to the current level of $1.80. This increase was the first such increase since 1967. Accordingly, the Company's dividends have increased at the annual rate of approximately 3/4 of 1%, as compared to an average annual rate of inflation during the period of approximately 7% (Ex. JFB-1, Sched. 2).

the necessity of maintaining a 1 to 1 market to book ratio. See PECO Electric Rate Order, R.I.D. 438, at p. 55; Recommended Decision at p. 124; PECO Gas Rate Order, Docket No. R-79030781 at p. 37. Clearly, a rate Order which produces earnings well in excess of $1.87 per share at the end of the first financial reporting period following its issuance is required to provide PECO with a fair opportunity to achieve this goal.

PECO urgently requests that this Commission approve the entire rate relief here requested. That action is essential if PECO is to have the opportunity to continue its current construction program or to advance completion of the Limerick Generating Station. The record establishes that the latter action, if made possible by this Commission's rate allowance in this case, will be to the benefit of ratepayers by substantially reducing the Station's construction cost and by obtaining the energy cost savings associated with nuclear generation at an earlier date (See PECO Initial Brief, pp. 21-23). Such acceleration will require, however, the attraction of $200 million of capital over the next two years in addition to the $400 million of annual financings presently planned. The Company must decide early this year if acceleration is possible, otherwise it will be irrevocably committed to the present completion schedule.

Were this Commission to approve the full amount of

the rate relief here requested, the improvement in the Company's financial picture would be significant, though not nearly the improvement which is needed. As the result of such a rate order, the Company's earnings per share for the 12 months ended December 31, 1980 would equal but $1.96 and its mortgage bond indenture coverage would be improved to but approximately 2.25 times.11/

Clearly, these financial results are not unreasonable and, indeed, are essential. By permitting this improvement in the Company's financial condition, the Commission will enable the Company to continue its construction program resulting in substantial future plant and energy cost savings to ratepayers. Finally, the Company will be enabled to employ less costly capital sources, such as mortgage bonds and preferred stock, thereby reducing capital costs borne by ratepayers.

11/ The above financial statistics have been developed from the financial projections of Mr. Paquette for the twelve months ended December 31, 1980, as adjusted to reflect the higher security and prime interest rates previously described and additional revenue, assuming approval of the full rate increase requested, of $77 million, (see note 5) (PECO St. 1A, Table 1).

B. The Recommended Cost Of Equity Of 14% Is Clearly Inadequate And Must Be Increased To In Excess Of 15%.

As discussed more fully in the equity cost section of these Exceptions, PECO's current and prospective cost of equity is not less than 15.5%. The ALJ's 14% equity cost recommendation fails to properly recognize the uncontradicted record evidence of attrition and the evidence as to current equity cost.

PECO's recent earnings experience has been gravely inadequate. During the last five years (1975-1979), PECO's achieved book equity return has averaged but 9.7%, which is approximately equal to the average yield upon new A rated debt security issues during this period (See PECO Initial Brief, pp. 13-16, 111-114). These operating results have occurred despite repeated rate relief granted by this Commission on the basis of approved equity costs on an original cost basis in the range of 14%. See Pa. PUC v. PECO, R.I.D. 438 (1979), R.I.D. 295 (1977), R.I.D 129 (1975) and R.I.D. 29 (1973). As demonstrated by this comparison, attrition has caused an approximate 5% differential between experienced and Commission approved equity returns. As explained by Mr. Paquette, this differential has been caused by both regulatory lag resulting from the use of an historic test year and inflation (PECO Initial Brief, pp. 115-117).

Hopefully, the future test year employed in this proceeding will alleviate a portion of this problem. However, Mr. Paquette demonstrated that, even with the future test year employed in this proceeding, approximately a 2 percentage point rate of attrition will, at a minimum, be experienced during the first year that the rates established in this proceeding are in effect. In fact, a much higher rate can be expected in light of the current high inflation rate, the Company's capital attraction program and high current capital costs.12/

Because of inadequate experienced earnings due to attrition, the return upon an investment in the Company has not kept pace with either inflation, increases in wage earner income or returns available from industrial companies (PECO Initial Brief, pp. 111-112). As summarized by Mr. Francis E. Jeffries, Executive Vice President and a Director of Duff & Phelps, Inc., an independent investment research organization with a large cross-section of investor clients:

12/ An approximate 6.5% inflation rate was projected as the basis for determining the Company's claimed expense levels in the future test year. The most recent 12 month inflation rate as measured by the Consumer Price Index equals approximately 14%. Moreover, during the last month of that period (i.e., January, 1980), inflation had increased to an annual rate of approximately 17%. Clearly, attrition is a serious problem and must be reflected in the Commission's equity cost allowance in this case. (See Wall Street Journal, February 25, 1980, p. 3.)

> " Philadelphia Electric Company has one of the worst financial and investment records of any electric utility company. PECO is the only major electric utility in the United States that has not been able to earn at least a 10% rate of return on common equity for 6 consecutive years, 1973-1978 inclusive. . . . In terms of purchasing power, PECO's common stockholders' dividends were worth 78% more in 1967 than in 1978; earnings were worth 122% more in 1967; and PECO's common stock was 255% more valuable in 1967 than in 1978. With such a dismal record, there is little incentive for equity investors to provide funds to PECO." (PECO St. 13, pp. 20-21).

This Commission's past equity allowances of 14% have obviously been inadequate to preserve the integrity of investments in PECO even as the result of inflation in recent years at levels well below that currently being experienced and anticipated for the future.

In the face of a prime interest rate in excess of 17%, current A rated mortgage bond interest rates of approximately 15%, a current inflation rate approaching 14%, a recent capital attraction cost for the Company's preferred stock of 15 1/4% and economic projections of continued record capital costs and inflation through at least the remainder of this year (PECO Initial Brief, p. 13), an equity cost allowance of 14% is clearly unsupportable. As discussed in the equity cost section of these Exceptions, current earnings-price ratio indicated equity costs are approximately 16% and bare-rent and

DCF indicated costs are 18-20%. In light of these current cost levels and the evidence of projected cost levels, an equity cost allowance of 15.5% would be conservative.

In Pa. PUC v. Philadelphia Electric Co., R.I.D. 129 (1975), this Commission, during a period of economic recession, high inflation and interest cost rates similar but less severe than that which exists today, granted PECO a book equity cost allowance of 15.2%.[13/] The Company's financial condition, and the resulting necessity for substantial rate relief to permit maintenance of its credit standing and the continued attraction

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13/ The Commission's approved original cost equity allowance, which is not stated in its Order as was Commission practice during this earlier period, is determined as follows:

Fair Value Allowed	$2.4 billion
Original Cost Allowed as Determined from Analysis of Claimed Original Cost less Commission Adjustments	$2.03 billion
Fair Value to OC Ratio	116.3%
Allowed Return on Fair Value	8.55%
Calculated Return on Original Cost Measure of Value	9.94%
Less Weighted Debt and Preferred Cost from Order	4.93%
Weighted Cost of Common Equity	5.01%
Return on Original Cost Equity (5.01 ÷ 33%)	15.2%

of capital needed to maintain its service operations, is similar and, indeed more severe, than conditions existing at the time of this prior Commission determination. Clearly, this Commission should now recognize, as it did then, the necessity for an equity cost allowance substantially in excess of 15%.

C. The Recommended Decision's Rejection Of Certain Claimed Tax Normalization Allowances And Its Other Adjustments To PECO's Claimed Tax Expense Should Be Rejected.

The Recommended Decision's rejection of normalization accounting associated with the state income tax reductive effects of accelerated depreciation and the federal and state income tax reductive effects of the ADR repair allowance when added to its other proposed tax expense adjustments reduces PECO's revenue requirement by $11 million. As will be stated more fully in a subsequent section of these Exceptions, the Commission should reject these proposals.

Tax normalization is an important accounting procedure by which the Commission can provide PECO with additional current cash flow, improved interest coverages and thus produce an improvement in the Company's present financial condition. As discussed above, such an improvement is critically needed if the Company is to be enabled to obtain for ratepayers the future cost savings which will result from its present construction program or accelerated completion of the Limerick Station.

Indeed, normalization accounting is less costly to ratepayers than the other alternative available to the Commission to achieve this needed result (i.e., an increased equity cost allowance).

Normalization accounting does not increase total cost over time to ratepayers, but merely advances to current accounting periods cash flow which would otherwise be received in later accounting periods. Because of the Company's current capital attraction needs, such cash flow and interest coverage improvement is critically needed at the present time, but will be less needed in the future following completion of this construction program. Irrespective of this Commission's prior rulings on tax normalization and of the propriety of that accounting procedure at other times or for other companies, it is an appropriate and necessary procedure which should be approved in this case in order to improve the Company's current dismal financial position.

D. PECO's Claimed Allowance For Spent Fuel And Decommissioning Expense Associated With Current Service Operations Should Be Approved.

The Recommended Decision's rejection of the Company's spent fuel disposal expense claim and partial disallowance of its proposed decommissioning cost accrual should be rejected for the reasons set forth in Section IV of these Exceptions.

These expense allowances represent PECO's best

estimates of costs which it will inevitably incur as the result of the continued operation and eventual retirement of the Company's three nuclear facilities. The Commission should recognize that their costs are attributable to current service operations, though they will not be incurred until the future. Both claims are based on the equitable principle that the users/beneficiaries of output should pay the costs associated with that generation. In addition, PECO has proposed a funding method which will not only guarantee the recovery of these monies in the most economical means available but will also ensure that future ratepayers, who will not benefit from the operation of these units, will not be required to absorb a disproportionate share of these costs. The Company urges the Commission to confront these critical issues now and not defer their consideration to a later date.

E. The ALJ's Recommendation That This Commission Should Find That The Fair Value Of PECO's Utility Property Is Equal To Original Cost.

As noted in the Recommended Decision, the Supreme Court's decision in Pa. PUC v. Pa. Gas & Water Co., No. 35 May Term, 1978 & No. 278 January Term, 1978 (February 1, 1980) does not mandate the rejection of the fair value rule as it has previously been employed in this jurisdiction. Rather, the Court states that the Commission is not required, either as a matter of constitutional or statutory law, to employ

reproduction or trended costs in determining fair value.

PECO has fully described the existing fair value rule as it has been employed in this jurisdiction and the many reasons why that rule should be continued in its Initial and Reply Briefs (at pp. 91-94 & 125-126 and at p. 30). PECO adheres to those views.

II. THE ALJ HAS ERRED IN RECOMMENDING CERTAIN REDUCTIONS IN PECO'S CLAIMED MEASURES OF VALUE

A. Salem Unit No. 1 Construction Management

In its final Order at R.I.D. 438, the Commission reduced PECO's claimed original cost measure of value by $10.5 million to reflect "savings" which allegedly could have been achieved in the construction of Salem Nuclear Generating Unit No. 1. This adjustment was based on a report prepared by a private consulting firm, Theodore Barry & Associates, and submitted upon behalf of the Office of Consumer Advocate. In concluding that an adjustment was appropriate in that proceeding, the Commission criticized principally PECO's role in the plant's construction management. The plant construction was directly managed by Public Service Electric & Gas Company, a New Jersey utility.

On February 15, 1980, the Commission affirmed an Order of the ALJ excluding on res judicata grounds the testimony of

PECO witness Mallard, Vice President-System Planning of PSE&G, and witness Boyer to the extent such testimony addressed the question of Salem construction management (see Order entered February 28, 1980).14/ At the same time, however, the Commission specifically reserved judgment on the propriety of making a rate base adjustment on account of Salem in this proceeding. Citing this Order, and without further discussion of the merits of the proposed adjustment at this time, the ALJ has recommended that the full $10.5 million rate base reduction be adopted once again (Recommended Decision, p. 19).

Such an adjustment is clearly inappropriate in the present case because, quite simply, there are no "savings" which could have been obtained in Salem's construction. The TBA Report's findings of alleged "savings", upon which the proposed adjustment is based, have been thoroughly discredited. In an Order entered March 28, 1979 (at p.2), the New Jersey Board of Public Utilities completed an extensive investigation of the Salem Nuclear Station's construction. Based upon both the TBA Report and testimony of PSE&G which was not available to

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14/ For the reasons previously stated (see PECO Brief in Support of Certified Question, filed December 17, 1979) and after review of the Commission's Order, the Company adheres to its strong belief that the principles of res judicata do not apply in this instance. Accordingly, it disagrees with that portion of the February 28 Order which holds to the contrary.

PECO at the time of R.I.D. 438, the New Jersey Board rejected any rate base deduction and specifically found that:

> "...PSE&G managed the construction of the Salem Nuclear Generating Station in a reasonable and prudent manner and that PSE&G exercised due diligence in implementing sophisticated management techniques in an effort to reduce costs and improve performance." Re Public Service Electric and Gas Company, Docket Nos. 7711-1107 and 776-492 (Order entered March 28, 1979, p. 2).

In so holding, the New Jersey Board adopted the decision of its Hearing Examiner in that case, who concluded:

> "In weighing the quality of the judgments contained in the TB&A audit against the quality of the testimony presented by PSE&G, not only the testimony of PSE&G's witnesses but also the major portion of the TB&A audit, supports PSE&G's position that it constructed the Salem facility in a reasonable and prudent manner."

PECO urges the Commission to review and analyze the findings of the New Jersey Board in this matter. The New Jersey Board is responsible for regulating PSE&G, Salem's constructor, and, in that capacity, has reviewed the construction of the plant in question on at least three separate occasions. See also Re Public Service Electric & Gas Company, Docket No. 774-335 (1974); Re Public Service Electric & Gas Company, Docket No. 761-68 (October 14, 1976). As such, it is far more familiar with construction problems and standards in New Jersey and

specifically with the practices employed in the construction of Salem Unit No. 1. Moreover, as indicated by the above-quoted passage, its determination as to this particular issue was based on a far more extensive record than was available to the Commission.

At R.I.D. 438, PECO established that the cost to construct Salem No. 1 was comparable to that of other large nuclear plants which went into service at approximately the same time. The Commission, in its Order, found that such comparability had been established (see R.I.D. 438 Order, p. 17). In view of the New Jersey Board's rejection of the TBA Report based adjustments, and indeed its finding that the TBA Report in fact demonstrates the prudence of PSE&G's construction management, and this Commission's finding at R.I.D. 438 that Salem's cost is comparable to that of other similar units, clearly no "savings" exist which could form the basis of a rate base adjustment. Accordingly, this Commission should find that there is no basis for imposing a further rate base adjustment in this proceeding.

At a minimum, if an adjustment is to be made, the ALJ's recommendation must be reduced to reflect depreciation since the plant went into service on July 1, 1977. The necessary adjustment through the March 31, 1980 end of the test year is $800,000 (2.95% depreciation rate set at R.I.D. 438 x 2.75 years

x $10.5 million) (Ex. DPS-2, p. C-14). The net deduction to the Company's claimed original cost measure of value, assuming a deduction is appropriate, is thus $9.7 million.

B. Cash Working Capital

PECO's cash working capital claim is fully described with supporting record evidence in the Company's Initial and Reply Briefs (at pp. 76-88 & 16-20 respectively). The ALJ has recommended three adjustments to the Company's claimed cash working capital allowance which are improper and should be rejected. First, he has misstated his finding as to PECO's pro forma operating and maintenance expenses and thereby has understated the cash working capital requirement associated with those expenses. Second, he has proposed an approximate $16.6 million working capital reduction on the assumption that funds available for use as working capital are provided by ratepayers as a result of a lag in the payment of debt interest and preferred stock dividends. Even if the ALJ's assumption is appropriate, the indicated adjustment has been miscalculated and is therefore overstated. Finally, the ALJ has recommended the disallowance of virtually all of the Company's compensating bank balance requirement on the unsupported theory that these balances are included in PECO's working capital claim for operating and maintenance expense.

1. Operating and Maintenance Expense - In this proceeding, the Company claimed cash working capital attributable to Operating and Maintenance expense in the amount of $72.4 million, based on pro forma O&M expenses of $777.1 million and a 34-day lag between receipt of revenues and payment of operating expenses (Ex. DPS-5, p. C-25, revised as per ALJ Order of December 4, 1979). This figure was then offset by the net of taxes accrued and collections payable against taxes prepaid and other prepayments in the negative amount of $30.1 million.

Although he adopted the Company's lag-day calculation, the ALJ reduced PECO's O&M cash working capital allowance from $72.4 million to $66.2 million on the basis of a stated recommended operating and maintenance expense level of $711,326,000 (Recommended Decision, p. 43). This proposed adjustment is wrong as the result of two miscalculations. First, the ALJ erred in reducing the Company's operating and maintenance expenses as employed in the determination of cash working capital by that portion of PECO's decommissioning cost claim whose disallowance is recommended (Recommended Decision, Table III). Unlike spent fuel or certain other costs, decommissioning is a depreciation, rather than operating and maintenance, expense item and, accordingly, was not included in the Company's cash working capital calculation (Ex. DPS-5, p. C-25). Its partial disallowance, therefore, does not alter the Company's cash

working capital requirement.

More significantly, the $711,326,000 O&M figure employed by the ALJ principally differs from PECO's total O&M expense employed in computing claimed cash working capital not because of ALJ recommended expense disallowances, but rather due to the ALJ's failure to recognize energy costs recovered under the energy clause of $47.6 million (Ex. DPS-2, p. D-4). No party in this proceeding has challenged the reasonableness of these expenses nor the fact that there is a working capital requirement associated with them. Indeed, these costs are no different than energy costs (i.e. fuel or interchange) recovered through base rates which the ALJ has recognized in his working capital allowance (PECO St. 7, p. 3). The correction of this error and the erroneous deduction of decomissioning costs requires an increase in the Company's cash working capital allowance of $4.6 million.15/

Consistent with recent Commission practice, the ALJ has also proposed a substantial rate base deduction to reflect an alleged lag in payment of bond interest and preferred stock

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15/ $711,326,000 (O&M figure used by ALJ) + $1,944,000 (Decommissioning Expense) + $47,656,000 (Energy expense not recovered in base rates) = $760,926,000 ÷ 365 = $2,084,729 (Daily O&M) x 34 (Lag Days) = $70,880,775 - $66,266,000 (ALJ finding) = $4,614,775.

dividends. This adjustment assumes that interest and preferred dividend costs are collected from ratepayers in advance of their payment. No evidence to support this assumption was presented in this record nor cited in the Recommended Decision. To the contrary, the evidence establishes that these costs are a cause and not an offset to working capital.

PECO collects from ratepayers only that debt and preferred dividend cost which it is permitted to recover by the Commission after investigation in a rate proceeding. When new debt and preferred stock is issued, the debt and preferred stock has a higher cost than the embedded cost approved by the PUC in PECO's then most recent rate Order (PECO St. 7A, pp. 1-2). This higher cost is not collected from customers until after it has been investigated and approved by the Commission in a subsequent rate case. By that time, the Company will have paid that cost for a year or more. Thus, these interest and preferred dividend costs are experienced well prior to Commission approval of their recovery and, consequently, create a substantial cash working capital requirement.

This fact is not, and cannot be, disputed. Fully 81% of PECO's total debt capital and 85% of the Company's total preferred stock has been issued since 1968 at a cost in excess of the Company's then prevailing embedded debt and preferred dividend costs employed as a basis in establishing its rates.

These issues are principally additions to the Company's capitalization (i.e. which has grown by $2.8 billion during this period). Clearly, these new debt and preferred stock issues, and thus interest and dividend costs, create a need for working capital to permit their payment pending Commission approval of the increased cost level.

The proposed adjustment is improper and inequitable for the additional reason that PECO's cash working capital claim is limited (as is customary) to an allowance for operating and maintenance expenses paid in advance of the receipt of revenue. If debt interest and preferred stock dividends are to be considered, consideration should be given to the lag in the collection of depreciation and other capital related costs. Such lags clearly exist in that, for example, depreciation expense is incurred at the time service is provided, yet payment is not made until 57 days later (PECO St. 3C, pp. 4-5). Fairness requires that if a lag in payment of one capital cost is considered, all costs associated with capital costs must be recognized. This is not done in the Recommended Decision.

Finally, even assuming that some rate base reduction for debt interest and preferred dividend payments can be justified, it is obvious that the ALJ has miscalculated the necessary adjustment. The calculation of the $16,431,000 reduction adopted by the ALJ is not set forth in the Recommended

Decision. However, this figure was apparently derived by multiplying the ALJ's original cost finding by his embedded debt and preferred stock cost recommendations.16/ This formula is clearly in error as it completely ignores the lag day and capital structure data upon which the ALJ's reasoning is based and, moreover, is not supported by any testimony in the record.

PECO reiterates its view that no such adjustment is appropriate. However, in the event that the Commission elects to adhere to its previously stated position on this issue, the proper calculation is set forth below:

	Interest ($1,000)	Preferred Dividends
Original Cost	$2,454,909	$2,454,909
Capital Structure Ratio	x .522	x .128
	$1,280,418	$ 313,972
Capital Cost	x .0861	x .0778
	$ 110,244	$ 24,427
	÷ 365	÷ 365
Cost per day	$ 302	$ 66.9
Net Lag days (Midpoint of payment period - revenue lag)	x (90 - 57)	x (45 - 57)
	$ 9,966	$ (802.8)

16/ $2,452,909,000 (Original Cost) x 8.61% (Debt Cost) x 7.78% (Preferred Stock Cost) = $16,431,000.

As indicated above, based on the ALJ's recommended original cost finding, capital structure and cost rates and lead/lag findings, the proper adjustment is $9,163,200. This calculation employs the same methodology as accepted by the Commission in PECO's Gas case and whose adoption was clearly intended by the ALJ. Accordingly, the Company's working capital allowance should, at a minimum, be increased by $7,267,800 ($16,431,000 - $9,163,200) to correct this error.

2. Minimum Bank Balances - The ALJ has also recommended that $10,244,000, or all but $256,000, of PECO's claim for minimum bank balances be disallowed (Recommended Decision, p. 47). This proposal is clearly improper and should be rejected.

No witness testified in support of the recommended adjustment. Rather, this proposal was advanced for the first time in the Trial Staff's Initial Brief and has been adopted by the ALJ on the basis of a cryptic exchange during the cross-examination of PECO witness Rimerman. In that vague passage, Mr. Rimerman merely states that the Company is not required to segregate the balances which it maintains to support bank lines of credit from those maintained to support other banking services also received as the result of the maintenance of the minimum balances. In no respect can Mr. Rimerman's testimony

be understood to suggest that PECO's claim for minimum bank balances and cash working capital are either conceptually or in fact duplicative (PECO St. 7, pp. 3-10).

As explained by Mr. Rimerman (PECO St. 7, pp. 5-7), minimum bank balances serve a number of different functions for which the Company is not compensated through the operating and maintenance expense component of its cash working capital claim (see PECO Initial Brief, pp. 86-87). Moreover, like PECO's investment in plant and fuel inventory, these funds are "frozen" and cannot be used to satisfy day-to-day cash requirements. The Company's "cash working capital investment", on the other hand, must be constantly expended to meet those of its operating expense requirements which fall due prior to the receipt of revenue. To employ a simplistic example to illustrate this point, PECO has claimed and the ALJ has found that PECO's revenues associated with service operations are not collected until 57 days following the rendition of service. Expenses associated with the rendition of that same service, on the other hand, must be paid on the average 23 days following the rendition of service. Accordingly, the Company's cash working capital investment must be expended prior to the receipt of revenues and is not available on a continuous basis for use in meeting minimum bank balance requirements.

There is simply no basis in either logic or the record

for the ALJ's proposed adjustment to PECO's minimum bank balance claim and it should, therefore, be rejected.

C. Land Held for Future Use

PECO's claimed land held for future use is fully described in its Initial Brief (at pp. 70-73). The Company has claimed, in accordance with this Commission's established policy, only 25% of all land and land rights currently held for future use. The ALJ has recommended that $2,338,000, or approximately 69%, of the Company's claim for land held for future use be disallowed (Recommended Decision, p. 34). The effect of this adjustment is to deny PECO rate base treatment for all parcels of land which have been included in future use claims in the Company's prior rate proceedings. The rationale advanced in support of this proposal is two-fold: (1) only land which will be placed in direct service operations (as opposed to construction) within ten years of the end of the test year may be claimed; and (2) any revision in the anticipated construction start-up date for a particular project automatically negates the existence of a definite plan for use of the land in question.

The principle that a utility should be permitted to earn a return on land held for future use developed out of recognition of the difficulty which utilities often experience

in acquiring adequate generating sites and land for related facilities. In recent years, the scarcity of land available for utility purposes has become even more aggravated. Recognizing these problems, and also the benefit to customers of early acquisition of land at reduced costs given skyrocketing increases in land values, this Commission has included in rate base land which a utility intended to put to use within a ten-year period. The rationale underlying such a ten-year planning period was clearly articulated in Pa. P.U.C. v. Pennsylvania Electric Co., 1 PUR 4th 272, 280 (1973):

> "The need for planning and acquisition of associated land and land rights is imperative if we are to have dependable, adequate, and reliable supplies of electric energy where and when it is needed. We are also aware of the utility planning process that must allow for ample lead-time so that environmental factors can be thoroughly studied and reviewed in timely fashion with public agencies and responsible citizen conservation groups. Such review processes usually create long delays upon which the utility receives no return on nonproductive committed capital."

The ALJ's recommended adjustment would, quite obviously, frustrate these policies. Thus, for example, the adoption of a rigid ten-year "in-service" test would effectively preclude a utility from claiming future use treatment for a new nuclear generating plant site during the period of its acquisition. Even in the absence of unanticipated delays, the construction and licensing of these modern units alone now

consumes in excess of ten years. Obviously, this land must be acquired many years prior to the construction and licensing process. Accordingly, under the rule proposed by the ALJ, a utility would be required to make a substantial expenditure and yet be denied the opportunity to earn a return on that necessary investment for a substantial period.

The second condition imposed by the ALJ, i.e. that the exact date of projected use never change, should similarly be rejected. While the ALJ acknowledges that the Commission has never compelled utilities to predict with pinpoint accuracy their future operating needs, his proposal would require companies to do precisely that. This is clearly evidenced by the fact that he has included in the recommended exclusion two transmission lines (Cromby - N. Wales, Cromby - Plymouth Meeting) which were first claimed and allowed at R.I.D. 438, merely because initial construction has been postponed from 1980 to 1982.

Obviously, any number of intervening events, including shifts in population, technological improvements or changes in usage patterns, can delay or alter the best-laid plans. Merely because such factors may necessitate the revision of a construction schedule in no way lessens or negates the "definite plan" for use of that particular land. This fact has repeatedly been recognized by the Commission in the past

and no logical reason has been advanced for abandoning the underlying principles of future use allowances in this proceeding. Accordingly, the ALJ's recommended adjustment should be rejected.

III. THE ALJ'S RECOMMENDED 14% EQUITY COST ALLOWANCE UNDERSTATES CURRENT AND PROSPECTIVE EQUITY COSTS AND MUST BE INCREASED TO IN EXCESS OF 15%.

The ALJ has recommended an equity cost for application to original cost for PECO of 14% (Recommended Decision, p. 127). In arriving at this recommendation, the ALJ correctly concludes that the "most recent data provides the best indication of prospective common equity cost rates", that equity cost rates should be established at a level which will be adequate during the prospective period that the rates under consideration will be in effect and that PECO's earnings-price ratios understate the Company's equity costs (Recommended Decision, p. 123).17/ Certainly, given a current inflation rate of approximately 17%, mortgage bond interest rates for A rated debt of approximately 15% and a prime rate in excess of 17%, a 14% recommended equity cost allowance is unreasonable. Indeed, even the equity cost

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17/ All witnesses agreed that this Commission's equity cost allowance should be established at the level which the evidence indicates is adequate for the period during which the rates under consideration will be in effect (PECO St. 14, p. 5; Tr. 2047).

data cited by the ALJ establishes the unreasonableness of that conclusion.

For example, the most recent data as respects adjusted earnings-price ratios, stated by the ALJ to be a principal equity cost determinant, which data is summarized in the Recommended Decision, is as follows (Recommended Decision, pp. 122-123):

	Jan. - Oct. 1979	Spot 11/14/79	Spot 9/30/79	Spot 3/7/80[18/]
PECO	12.7%	14.4%	----	16%
Moody's 24 Public Util.	14.8%	15.9%	----	---
Barometer 6 Elec. Cos.	14.8%	16.1%	----	---
Barometer 8 Elec. Cos.	----	----	15.8%	---

As a second principal method of equity cost determination, the ALJ employed the discounted cash flow methodology. However, in his DCF analysis, the ALJ has avoided recognizing current equity cost levels by employing an average dividend yield for the 12 month period ended June 30, 1979. This period will be approximately 1 to 2 years old by the time

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18/ PECO's earnings per share for 12 months ended December 31, 1979 of $1.86 divided by March 6, 1979 closing stock market price of $12.25 equals 15.18% ÷ .95 market pressure adjustment equals 15.98%. (See Appendix A; Wall Street Journal, March 7, 1980, p. 37.)

this Commission issues its Order in this proceeding. Moreover, the record evidence indicates that equity cost rates have increased substantially in the interim. As noted by the ALJ (at p. 125), the average dividend yield for the 12 months ended September 30, 1979 exceeds that which he employed by 1.2%. If this latter dividend yield were employed in the ALJ's analysis, the indicated equity cost would equal 15.5%19/ A spot DCF analysis employing the Company's current dividend yield, and the ALJ's growth finding of 2.5% indicates an equity cost of 18.1%.20/

The Recommended Decision also employs a bare rent analysis employing a 10% cost for A rated utility mortgage bonds and a 4% equity cost premium. This analysis, however, is understated both because the assumed 10% mortgage bond cost rate is clearly below current and anticipated cost levels and because of the ALJ's failure to adjust the indicated result for market pressure and selling expenses. If only the latter adjustment is made, at the level accepted by the ALJ, a 14.7% (14% ÷ .95) indicated equity cost is obtained. However, the

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19/ 12.2% average dividend yield for 12 months ended September 30, 1979 plus 2.5% growth rate ÷ .95 equals 15.5%.

20/ PECO 1979 annual dividend $1.80 ÷ March 6, 1980 closing market price $12.25 equals 14.69% spot dividend yield at March 6, 1980 plus 2.5% growth ÷ .95 equals 18.1%.

10% assumed mortgage bond rate is clearly unrealistic in light of current and even recent historic data. As noted by the ALJ, PECO's most recent A rated mortgage bond issue had an interest cost of 12.5%. Currently, A rated mortgage bonds are bearing an interest cost of approximately 15% (See Wall Street Journal, March 7, 1980, p. 28). If this current rate were employed in the ALJ's analysis, the indicated equity cost is 20%.21/ Employing a 10.4% inflation rate (i.e., projected by the Administration as the 1980 inflation rate in its Proposed Budget - Philadelphia Inquirer, January 29, 1980, p. 10-A), 2.75% bare rent cost of money and 4% equity risk premium, the indicated equity cost is 18%.22/

The Recommended Decision also employs earnings-net proceeds ratios as adjusted to reflect a market/book ratio of 1 to 1 as an equity cost testing tool. However, it limits its analysis to the indicated equity cost data for the years 1976, 1977 and April, 1979. The ALJ thereby fails to give any recognition to the earnings-net proceeds ratio indicated equity cost for 1975, a period whose financial characteristics are similar though less severe than that presently being experienced. Employing all of the earnings-net proceeds ratio data as shown

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21/ 15% + 4% ÷ .95 = 20%.

22/ 2.75% + 10.4% + 4% ÷ .95 = 18.1%.

on Exhibit JFB-1, Schedule 8, page 3 for the period 1975-1979, PECO's indicated equity cost after adjustment to obtain a 1 to 1 market to book ratio is 17.2%.23/

Certainly, as measured against the above data, a 14% equity cost allowance is inadequate and, indeed, confiscatory. The Recommended Decision has, in fact, refused to recognize the record evidence as to current and anticipated equity costs, relying instead upon data as to cost conditions for the 1977 and 1978 period. Equity costs during that period reflected the low inflation and interest rates then existing, which rates are even below the average for the past five years (Ex. JFB-1, Schs. 2+7). Current and anticipated future inflation and interest costs are substantially higher.

With current equity costs as measured by earnings-price ratios (which understate true equity costs, see PECO Initial Brief, pp. 120-121) at 16% and as measured by DCF and bare rent analyses at 18-20%, clearly there is no support for an equity cost of as little as 14%. Even if the current cost evidence is discounted, the record evidence of 1979 equity cost data, as well as the evidence of long-term inflation and interest

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23/ Calculated as follows: earnings/net proceeds ratio ÷ net proceeds/book ratio, then averaging the five individual issue indicated equity costs.

projections, demonstrate the need for an equity cost allowance of approximately 16%.

Accordingly, based upon the equity cost evidence of record and demonstrated attrition, this Commission should permit PECO an equity cost allowance of not less than 15.5%.

IV. THE ALJ HAS ERRED IN RECOMMENDING CERTAIN REDUCTIONS IN PECO'S CLAIMED EXPENSES AND TAXES

A. Decommissioning and Spent Fuel Costs

PECO's claim for nuclear spent fuel disposal costs, nuclear plant decommissioning costs, and its proposed funding mechanism for the recovery and payment of these costs is fully described in its Initial and Reply Briefs (at Appendix C and pp. 40-48 respectively). The discussion here will accordingly be limited to responding to the reasons cited by the Recommended Decision for wholly or partially rejecting these claims.

1. Spent Fuel Disposal Expense

The Recommended Decision proposes that the Company's claim for nuclear spent fuel disposal expense be disallowed in its entirety (Recommended Decision, p. 161). In so doing, the ALJ cites "the speculative nature" of the costs in question.

PECO's spent fuel expense claim is based on the fact,

which has not been disputed, that by 1985, but five years from now, the on-site storage capacity at PECO's three nuclear generating units will be nearing exhaustion. At that time, an alternative means to dispose of or store spent nuclear fuel will be required. Consistent with current national policy, the Company has calculated, in accordance with the most recent Federal Government cost estimates, the total expense which it will incur in disposing of spent fuel, first at an interim storage site and ultimately at a permanent facility (see PECO Initial Brief, Appendix C, pp. 2-4).

The fact that spent fuel disposal costs cannot be predicted with pinpoint accuracy provides no basis for rejecting the Company's claim. As noted by the Commission in Pa. P.U.C. v. Pennsylvania Electric Company, R.I.D. 392 (June 22, 1978), estimates, regarded by some as speculative, can easily be dealt with through periodic review and subsequent rate case adjustment. Rather, the critical factor is whether "the rejection of the claim would ignore the vital issues of health and safety which are reasonably foreseeable" (R.I.D. 392, p. 23).

The concerns articulated by the Commission are not merely reasonably foreseeable - they are known and imminent as stated above. Moreover, as with decommissioning costs whose recovery this Commission has approved in a number of recent cases, spent fuel disposal costs will be substantial. As

calculated by the Company, costs associated with spent fuel in storage in 1985, when shipments to a federal storage facility are anticipated to begin, will equal $85 million, nearly equal to the Company's anticipated total decomissioning costs of $100 million.

Finally, as noted by PECO witness McLeod, it is inconceivable that meaningful reprocessing could take place until 1990 even if the Federal Government were to reverse its policy tomorrow, and even then the savings in total spent fuel disposal costs would not be significant (PECO St. 12-B, pp. 1-2). Therefore, the fact remains that beginning in 1985 the Company will incur substantial expense in disposing of a substance of concern to public health and safety. The Recommended Decision does not criticize the methodology employed by the Company in its claim and it should therefore be approved.

The Company urges the Commission to reject the suggestion in the Recommended Decision that it bury its head in the sand and pretend that this problem will go away. In so doing, the P.U.C. should follow the lead of other Commissions which have recognized that current federal policy makes spent fuel disposal expense unavoidable and that it would be inequitable to require future ratepayers to absorb these costs (PECO St. 12-B, p. 4).

As this Commission has repeatedly concluded in the past in approving decommissioning allowances, equity demands that the users/beneficiaries of output should pay the costs associated with that generation. It must be emphasized that the spent fuel costs here claimed are attributable to today's service operations. However, unless the Company's claim is adopted, future ratepayers who will not be benefited by the fuel in question will be required to finance its disposal. This would quite obviously be unfair and should not be permitted by this Commission.

The disposal benefits tomorrows ratepayers!

2. Decommissioning Expense

The Recommended Decision proposes that the Company be permitted to recover only the nuclear-related portion of its claimed decommissioning expense. As stated in PECO's Initial Brief (Appendix C, pp. 9-10), PECO believes that this is inappropriate, but in any event that Mr. Sieving's 65% estimate, rather than the 46% figure employed by the ALJ, more closely approximates the nuclear-related portion of those costs and is more consistent with recent Commission findings. See, e.g., Pa. P.U.C. V. Duquesne Light Company, R.I.D. 373, p. 32 (1978); Pa. P.U.C. v. Pennsylvania Electric Company, R.I.D. 599, p. 28 (1979); Pa. P.U.C. v. Pennsylvania Electric Company, R.I.D. 392, p. 23 (1978).

In addition, the ALJ has recommended that the Company be required to escrow these funds and invest the monies in tax free bonds issued by the Commonwealth of Pennsylvania (Recommended Decision, p. 165). In so doing, the ALJ has neither criticized nor, for that matter, even addressed the alternative funding mechanism proposed by PECO in this proceeding.

A detailed description of the Company's proposal is set forth in PECO's Initial Brief (Appendix C, pp. 11-19) and the Commission is urged to carefully review that discussion and the analysis upon which it is based (PECO St. 12, pp. 9-25). Briefly stated, significant cost savings can be achieved for ratepayers if the Company is permitted to employ the accumulated decommissioning funds internally. In addition to being the least costly alternative available, PECO's proposed funding mechanism would result in a cost which would increase at the approximate rate of inflation, such that the burden on ratepayers in real dollar terms would remain roughly constant over time. Accordingly, the Company's proposal is considerably more equitable as between future and present ratepayers than the system currently employed by the Commission, under which a disproportionately heavy burden is imposed on future customers who will derive no benefit from the facilities in question.

The only substantive criticism leveled at PECO's recommendation was the concern expressed by certain Complainants

that it lacks sufficient safeguards to ensure that these funds will be available when needed. Surely these unsupported and unarticulated "concerns" over the control of these monies should not prevent the Commission from adopting the most economical and equitable funding mechanism.

The Commission could place any number of limitations upon the use of these funds, including the requirement that they be invested in productive plant whose collateral value is reserved to permit borrowing to obtain funds for the expenditure involved (PECO St. 12B, pp. 6-7). Rate case argumentation should not obscure the critical point that the Commission's present funding system fails to consider the impact of inflation and will, accordingly, impose a heavy burden on future ratepayers who will not derive any benefit from the facilities in question.

B. Operating and Maintenance Expense

1. Additional Nuclear Expense - During the course of this proceeding, the Company submitted revised data to reflect unanticipated increases in nuclear operating and maintenance expense levels (Ex. JJC-1). PECO's additional claim was attributable to three factors: 1) a seven week outage (the normal duration for a nuclear unit) at Peach Bottom, rather than the five week outage initially estimated; 2) a higher

experienced cost escalation rate and 3) increased costs resulting from compliance with various Nuclear Regulatory Commission Bulletins.

Only the latter of these three cost items was specifically addressed in the Recommended Decision (p. 166). Although acknowledging that greater federal nuclear enforcement activity may be anticipated in the future, the ALJ concludes that it would be too speculative to assume that the expense level claimed will be experienced on an ongoing basis. Without further discussion, this rationale is then applied as well to PECO's claim for increased outage and escalation expense and the entire amount amortized over a five year period. The effect of this adjustment is a $4.24 million reduction in the Company's allowance for nuclear operating and maintenance expense.

The Company believes that its claim for NRC compliance-related costs represents a reasonable estimate of continuing increased nuclear expense which it will incur in the aftermath of the Three Mile Island incident and, for that reason, excepts to the ALJ's proposed amortization. The basis of this claim and the reasons which support its allowance as a reasonable approximation of PECO's continuing nuclear operating and maintenance expense are fully stated in PECO's prior Briefs (Initial Brief, pp. 159-160; Reply Brief, p. 36).

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However, even if these expenses may arguably be characterized as non-recurring, the same can certainly not be said for the other cost items which make up this particular claim. To the contrary, both the increased outage and escalation rate expenses are clearly normal and continuing in nature and should therefore be recognized in full. Accordingly, the proposed adjustment should, at a minimum, be reduced by $976,800.24/

2. Budget Method Adjustment - The ALJ has recommended a reduction in PECO's claim for operating and maintenance expenses of $1,169,000, thereby adopting the position advanced by Trial Staff witness Crawford that the Company erred in taking 25% of total 1980 forecast data to estimate anticipated expense levels during the first quarter of the year (Recommended Decision, p. 150). The adjustment itself is based on Mr. Crawford's analysis of the percentage which budgeted expenses for the first three months of 1979 bore to total budgeted expenses for calendar year 1979 and the application of those ratios, rather than the flat 25% figure employed by PECO, to 1980 forecast data.

The various reasons why this method of projecting

24/ $425,000 (Peach Bottom outage) +
$796,000 (Escalation) = $1,221,000 -
$244,200 ($1,221,000 ÷ 5 years) = $976,800.

future expense levels should be rejected are set forth fully in the Company's Initial Brief (p. 157) and need not be repeated here. However, two additional comments are appropriate. First, unlike his associated revenue account analysis, Mr. Crawford did not examine PECO's expense experience during prior years to determine whether 1979 budgeted figures were atypical (Tr. 3194-95). As such, the "identifiable historical basis" which, according to the ALJ (Recommended Decision, p. 135), justified the adoption of Mr. Crawford's revenue adjustment is completely lacking.

More significantly, actual expense levels during the first six months of the future test year far exceeded budgeted figures (Exs. DPS-3 and DPS-4). In light of current inflationary pressures, the Company will no doubt experience the same during the 1980 forecast period. As such, PECO's claim in this proceeding obviously, and, as demonstrated on the record, understates the costs which it will incur when the proposed rates are in effect. For this reason alone, any reduction in the Company's operating and maintenance expense allowance, based solely upon an analysis of budgeted data for a single year, would be wholly inappropriate.

3. Corporate Computer - The ALJ has proposed that all expenses ($1,660,000) related to the installation of the Company's new computer be amortized over a five year period

and, accordingly, has reduced PECO's claim by approximately $1.3 million (Recommended Decision, p. 149). PECO opposes this approach, recommended by Trial Staff, which consists of little more than analyzing individual expenditures in PECO's miscellaneous Administrative and General Account 930 to determine whether such expenditures are unusual or not annually recurring and, if so, the expenditure is amortized. The problem with this approach is that Account 930 is in fact intended as a collection of such expense items and, in aggregate, they create a normal and annually recurring expense level. Amortization of such expenses incurred during a test year prevents their collection during non-test years. As PECO's aggregate Account 930 balance is at a normal level, no adjustment is appropriate (PECO Initial Brief, pp. 155-156).

At a minimum, as noted by the ALJ, this issue was addressed in the Company's most recent gas rate proceeding (Pa. P.U.C. v. Philadelphia Electric Co., Docket No. R-79030781, Order entered January 4, 1980). In that case, the Commission concluded that certain expenses, specifically application conversion costs, were ongoing in nature and found that their amortization was therefore improper (Order, pp. 58-59). Full recognition of those costs, which account for $418,000 of the total claimed in this proceeding, requires a reduction in the ALJ's proposed adjustment of $334,400.25/

C. Depreciation Expense

The ALJ has recommended that the Company's claimed amortization allowance of $2,349,000 associated with the unrecovered original cost of the retired Richmond and Barbadoes Generating Units be rejected (Recommended Decision, p. 168). PECO believes that this proposed adjustment should not be adopted for the reasons stated in its Initial Brief (see PECO Initial Brief, pp. 180-85).

In Pennsylvania Power & Light Co. v. Pa. P.U.C., 10 Pa. Cmwlth. 328, 311 A.2d 151, 155 (1973), our Commonwealth Court stated the well-established regulatory principle under which PECO's claim is made: "It is well settled that a privately-owned utility is entitled to recover the original cost of its investment in depreciable plant from its customers." Accord Penn Sheraton Hotel v. Pa. P.U.C., 198 Pa. Super. 618, 184 A.2d 324 (1962); Scranton Steam Heat Company v. Pa. P.U.C., 194 Pa. Super. 143, 168 A.2d 693 (1960), aff'd., 405 Pa. 397, 176 A.2d 86 (1961). Depreciation amortization allowances to permit the recovery of unrecovered investment costs have repeatedly been

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25/ $418,000 (Conversion Costs) + $248,400
($1,660,000 - $418,000 ÷ 5 years) =
$666,400 - $332,000 (Allowed by ALJ) = $334,400.

approved by both the Commission and the courts. See Harrisburg Steel Corp. v. Pa. P.U.C., 176 Pa. Super. 550, 109 A.2d 719 (1954); Duquesne Light Company v. Pa. P.U.C., 176 Pa. Super. 568, 187 A.2d 745 (1954); Pittsburgh v. Pa. P.U.C., 171 Pa. Super. 187, 90 A.2d 607 (1952).

This Commission at Pa. P.U.C. v. PECO, R.I.D. 781 (January 4, 1980), substantially approved PECO's claim for an amortization allowance to permit the recovery of unrecovered investment associated with retired manufactured gas plant. As in that case, PECO has here claimed as an amortization allowance only that depreciation expense which in fact it would have been permitted to receive as annual depreciation expense had the plant not been retired. Also, as in that case, under the life-span method of depreciation, unless the allowance is approved, PECO will be unable to recover this investment through any other means.

Trial Staff witness Hagan argued that the claimed amortization allowance should be denied as PECO has been deficient in failing to conduct depreciation studies at sufficiently close intervals. In the absence of this criticism, however, the witness testified that approval of the amortization allowance would be proper (Staff St. HJH-2; Tr. 3104-3109). Mr. Hagan's criticism might be relevant if the Company were claiming a depreciation allowance based upon its complete cost

undercollection relating to these facilities, including both cost under-recovery as the result of inadequate depreciation rates employed during the life of the plant and cost under-recovery due solely to retirement prior to expiration of the anticipated life employed in depreciating the plant at the time of the retirement (Staff St. HJH-2, p. 2).

However, as explained by Mr. Waddington, the claimed amortization is based solely upon the Company's unrecovered cost as indicated by the units' Commission-approved life-span and interim retirement curves employed in their depreciation upon the date of their retirement (i.e. 30.4 years as shown in the witness' table; Staff St. HJH-2, p. 3). The additional under collections resulting from the even lower depreciation rates employed during the units' earlier years has not been claimed.

Stated differently, the Company's claim assumes that the most recent approved Commission accrual rate, the highest employed in depreciating the plant at any time during its useful life, was employed throughout that period. Accordingly, witness Hagan's criticism must be rejected, and in fact he supports allowance of the claimed amortization. Moreover, to the extent cost under-recoveries have occurred because of the difference between historic accrual rates and those employed in measuring the claimed amortization, the Company is sharing with its

customers the burden of its total investment loss on these facilities.

D. Credit and Collections Expense

The ALJ has recommended a $533,496 reduction in the Company's claim for uncollectible expense (Recommended Decision, p. 155). This adjustment is based on a belief that the number of overdue accounts with balances in excess of $1,000 is excessive and will likely be reduced by various changes recently made in PECO's collections program.

The impropriety of this adjustment is fully described in PECO's Initial Brief (at pp. 165-170). In this regard, the record in this proceeding clearly indicates that the majority of outstanding arrearages in excess of $1,000 identified by the Trial Staff arose due to factors, i.e. meter access problems, litigated bill disputes or medical disabilities, which are beyond the Company's control (see PECO Initial Brief, pp. 166-68). Clearly, this proposed adjustment should be rejected.

E. The ALJ's Recommended Adjustments to Claimed Tax Expense Are Not in the Best Interests of the Company and its Ratepayers, and Should Therefore Be Rejected.

The Recommended Decision makes a number of adjustments to claimed tax expense (at pp. 168-181). Although recognizing the benefits of tax normalization (p. 171), the ALJ has directed

that flow-through accounting be employed in the treatment for rate purposes of the state income tax reductive effects of accelerated depreciation and of the state and federal tax reductive effects of the ADR repair allowance. Despite rejection of PECO's claimed amortization allowance to permit recovery of the unrecovered original cost of the mothballed Richmond and Barbadoes generating units, the ALJ has reduced PECO's allowed tax expense to amortize various assertedly unreturned tax credits associated with this plant. Finally, the Recommended Decision further reduces tax expense to amortize previously accumulated deferred income taxes to the extent of their accumulation at a 48% federal tax rate, in excess of the present 46% rate.

In its Initial and Reply Briefs before the Administrative Law Judge (at pp. 185-196 & 56-57), PECO has fully discussed both the legal prohibitions and the policy reasons why these proposed adjustments should be rejected. Turning first to normalization accounting, Mr. Solecki explained the many benefits which the Company and its ratepayers obtain as a result of employing this accounting procedure (PECO St. 4, pp. 5-6). Normalization accounting, unlike flow-through, recognizes the true pattern of the Company's expenses, recognizing for rate purposes the tax deduction associated with an expense in the same period as the expense itself is

recognized. As a result, as was recognized by the ALJ (at p. 171), normalization is more equitable as between present and future ratepayers as it assigns the tax deduction to that ratepayer class which must also defray the underlying expense.

Of critical importance though, especially in this case, employment of normalization accounting improves cash flow, thus improving the quality of earnings and interest coverage ratios. This, in turn, produces a reduction in the cost of attracting capital and in the amount of capital which must be attracted. In the absence of normalization, future ratepayers, in addition to paying for an expenditure whose associated tax benefit has been usurped for the benefit of present ratepayers, must pay the higher capital costs which result from the application of flow-through (PECO St. 4, p. 6).

Both Mr. Paquette and Mr. Jeffries in testifying as to the Company's weak financial condition, stressed that the adoption of normalization accounting for tax/book timing differences would have a substantially beneficial effect on the Company's financial position and should be adopted (PECO St. 1, p. 14; PECO St. 13, pp. 17-18). In light of the Company's present mortgage bond and preferred stock and interest coverage ratios, which ratios preclude or will shortly preclude the Company from issuing additional bonds or preferred stock, the necessity that normalization accounting be adopted is clear.

Indeed, normalization accounting, which advances cash flow from later accounting periods during which capital attraction needs may not be as severe as at present to present accounting periods, is far less costly to ratepayers than other available alternatives (i.e., such as an increase in the Company's equity cost allowance) for improving PECO's financial ratios. Clearly, the approval of normalization accounting is appropriate for this Company in this case, even though at other times and for other companies in less financial need it may not be appropriate.

Finally, from a purely regulatory standpoint, normalization accounting is preferable in that it promotes rate stability through levelized tax deductions for ratemaking purposes, in marked contrast to flow-through accounting, under which the deduction amount is constantly being reduced. See, e.g., Re Texas Gas Transmission Corporation, 84 PUR 3rd 193 (FPC 1970); Re Alabama Power Company, 97 PUR 3rd 371 (Ala. PSC 1972); Re Baltimore Gas and Electric Company, 17 PUR 4th (Md. PSC 1976).

In rejecting normalization accounting for the state tax reductive effects of accelerated depreciation and the state and federal tax reductive effects as of the ADR repair allowance, the ALJ cites only this Commission's prior decisions and the burden of double digit inflation upon ratepayers (at pp. 169-171). This Commission's prior decisions in this area certainly

provide no guidance in this case given the Company's demonstrated financial needs. Present, recent and anticipated future inflation rates are, in fact, a strong argument in support of the adoption of normalization accounting. As demonstrated by Mr. Solecki and as previously discussed, adoption of flow-through as recommended by the ALJ will in fact result in greater costs for ratepayers than does normalization.

The Recommended Decision's proposed amortization of asserted over-collections in deferred taxes due to the change in the federal income tax rate from 48% to 46% is clearly misguided and should be rejected. The net effect of this adjustment, if the tax rate should change again, would be to require this Commission to approve a further amortization to recollect from ratepayers the amount refunded. Clearly, from the standpoint of regulatory policy, PECO's proposal that these deferred taxes be refunded at the end of the associated property's useful life or Trial Staff's proposal that such refunding occur over the life of the associated property avoids this risk and should be approved. Moreover, as Mr. Solecki testified, this proposal clearly violates IRS regulations by making an adjustment to the deferred tax reserve which is not permitted in those regulations (PECO St. 4A, p. 5).

Finally, the proposed amortization of tax credits associated with the mothballed Barbadoes and Richmond plants

is clearly inequitable if the Commission affirms the ALJ's rejection of PECO's claimed amortization allowance to permit the recovery of the original cost of these facilities. Adoption of this proposal under such circumstances is little more than double counting. If PECO's proof as to original cost recovery is not accepted, then neither should its measurements as to the amount of unrefunded tax credits be accepted.

V. THE RECOMMENDED DECISION'S PROPOSED RATE STRUCTURE AND PURPA RECOMMENDATIONS.

With respect to the Recommended Decision's Rate Structure and PURPA findings, PECO excepts to the proposed rejection of its suggested method for allocating the approved revenue increase between rate classes. In addition, PECO wishes to comment on two statements made in the Recommended Decision as to Rate WH-Off Peak and the Rate GS Night Service Rider and upon the PURPA advertising standard.

PECO's allocation of the requested revenue increase uses a "zero fuel methodology" as an imput together with the existing rates of return from the various customer classes as a means of distributing the increase so as to move the rates of return to the system average. Regardless of the validity or invalidity of the "zero fuel methodology" in a general sense, it should be accepted here as it produces proper class revenue increases supported by the twin concerns of recognizing cost of service while maintaining rate stability (PECO Initial Brief, p. 198; PECO Reply Brief, pp. 62-63).

In response to the ALJ's request (Recommended Decision, p. 213), the Company has prepared three schedules illustrating the effect of rejecting the "zero fuel" concept. This data, which has been attached hereto as Appendix B, contrasts the percentage

revenue increase and impact upon class rates of return under the "zero fuel" and "across the board" methodologies. The ALJ, however, rejected each of these alternatives. Accordingly, a third "compromise approach" is also included. This approach has been developed specifically to satisfy the directives in the ALJ's Recommended Decision, i.e. that the revenue increase be allocated on a total base revenue (i.e. fuel included) approach but with adjustments to move to class returns closer to the system average (at pp. 212-13).

Under this proposal, which for illustrative purposes employs the ALJ's approved revenue increase, the 7.08% "across the board" percentage increase, i.e. with base fuel included, is increased by the product of multiplying one-third of the increase which would otherwise be required to bring a customer class currently providing a below average rate of return up to the system average by the average 7.08% class increase.[26] The additional

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[26] For example, the Rate R class currently provides the Company with a 5.48% rate of return. To bring Rate R up to the current system average, a 46% increase (8.00÷5.48=1.46) would be required. Under the Company's "compromise approach," one-third of this increase would be multiplied by the 7.08% across-the-board average increase bringing the Rate R class rate of return up to 8.17%--[1+(.46x1/3)]x7.08=8.17%.

revenues obtained from such classes reduce the revenues required from those classes with present above average rates of return. As indicated by Schedule 3 of Appendix B, this approach results in a more significant narrowing of the rates of returns of the different customer classes from the system average than is obtained in an "across-the-board" approach. Accordingly, the Company recommends that, if the Commission rejects PECO's "zero fuel" analysis, it adopt the alternative proposal designed in accordance with the ALJ's recommendations, as set forth in Appendix B.

In note 71 on page 189 of the Recommended Decision, the ALJ comments that PECO has not detailed expense savings which will result from implementation of the Rate GS Night Service Rider. This is in fact the case as there will be no immediate or near term cost savings. The benefits obtained from implementation of the Night Service Rider will be the reduction of peak demand costs and of the incurrance of high energy costs during peak sales periods. The latter is automatically returned to customers through the energy clause, while the savings from the former will not be realized by the Company until some years in the future since the necessary facilities to meet present demand levels have already been installed. Therefore, no adjustment to expenses is appropriate.

The ALJ recommends at page 193 of the Recommended Decision that "anticipated additional customer charge revenues should be used to reduce the uniform charge per kilowatt hours for all WH customers." The additional revenue obtained as the result of this charge will exactly offset the additional costs incurred by the Company to provide this expanded off-peak service. In addition, time will be required to obtain the necessary metering devices, prepare the procedures for their installation and publicize the device's availability with customers. Accordingly, imposition of the charge will not alter the class return obtained from this customer group and no reduction in energy charges is appropriate.

Finally, PECO excepts to the ALJ's Recommendation that the Commission adopt at this time, and based upon the current record, a "small lump-sum allowance" of indeterminate amount to cover all "institutional advertising." While there may be merit to the ALJ's proposal on a proper record, the current record does not address the definition of "institutional advertising" or the appropriate level of the "lump-sum allowance" which the ALJ proposes. PECO recommends to the Commission that it find, as the ALJ has found, that the specific expenses here at issue as discussed in the Recommended Decision do not conflict with PURPA requirements and that therefore an expense adjustment is not appropriate.

VI. CONCLUSION

For the reasons set forth above, the Recommended Decision, if adopted by the Commission, would deny the Company the just and reasonable rates to which it is entitled. The Recommended Decision should, therefore, be modified in the manner described herein and the Commission should approve the full amount of the increase requested in Supplement No. 6.

As directed by the February 29, 1980 letter of Secretary Thierfelder, PECO here requests Oral Argument on these Exceptions and will argue the following issues:

1. Due to attrition, high current and projected capital costs and PECO's critical and deteriorating financial condition, the additional revenues provided by the Recommended Decision are insufficient to permit the Company to attract capital at reasonable cost, if at all.

2. The Recommended Decision's proposed equity cost allowance of 14% is clearly inadequate and should be increased to at least 15.5%.

3. The Recommended Decision's proposed disallowance of claimed spent fuel and a portion of decommissioning expenses accruing as the result of current service operations should be rejected.

4. The Recommended Decision's proposed adjustments to tax expense, particularly its rejection of certain claimed tax normalizations, are in error and should be rejected.

5. The Recommended Decision's proposed adjustments to rate base on account of alleged "savings" which could have been obtained in the construction of Salem Unit No. 1 and on account of cash working capital are in error and should be rejected.

In addition, the Company may well argue issues in addition to those stated above in response to the Exceptions or Argument of opposing parties. In fixing argument time, your attention is directed to the fact that time should be divided equally between those supporting the rate increase and those opposed, not on a basis which gives each party, including Philadelphia Electric, equal time.

Respectfully submitted,

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MORGAN, LEWIS & BOCKIUS

APPENDIX A

APPENDIX A

1979

PHILADELPHIA ELECTRIC COMPANY & SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF INCOME

AND

ASSOCIATED FINANCIAL STATISTICS

Consolidated Statements of Income

Philadelphia Electric Company and Subsidiary Companies

	For the Year Ended December 31	
	1979	1978
	(Thousands of Dollars)	
Operating Revenues		
Electric	$1,311,891	$1,224,404
Gas	221,135	189,522
Steam	45,479	42,832
Total Operating Revenues	1,578,505	1,456,758
Operating Expenses		
Fuel and Energy Interchange	661,724	573,905
Other Operation Expense	247,152	220,543
Maintenance	117,491	109,407
Depreciation	120,608	116,527
Taxes on Income	79,055	98,896
Taxes, Other than Income	106,676	95,832
Total Operating Expenses	1,332,706	1,215,110
Operating Income	245,799	241,648
Other Income		
Allowance for Other Funds Used During Construction	46,008	37,617
Income Tax Credits, net	33,884	26,355
Other, net	1,710	4,605
Total Other Income	81,602	68,577
Income Before Interest Charges	327,401	310,225
Interest Charges		
Long-Term Debt	192,990	176,290
Short-Term Debt	7,315	2,454
Allowance for Borrowed Funds Used During Construction	(67,375)	(53,380)
Net Interest Charges	132,930	125,364
Net Income	194,471	184,861
Preferred Stock Dividends	44,773	43,512
Earnings Applicable to Common Stock	$ 149,698	$ 141,349
Average Shares of Common Stock Outstanding (Thousands)	80,529	75,391
Earnings Per Average Common Share (Dollars)	$1.86	$1.87
Dividends Per Common Share (Dollars)	$1.80	$1.80

See notes and schedules to financial statements.

Financial Statistics

Summary of Earnings (Millions of dollars)	1979	1978	1977	1976	1975	1974	1969
Operating Revenues (for details see pages 30 and 31)	$1,578.5	$1,456.8	$1,394.8	$1,224.1	$1,134.8	$1,011.7	$440.5
Operating Expenses							
Fuel and Energy Interchange	661.7	573.9	575.3	480.7	457.8	439.2	110.0
Labor	209.3	195.0	179.2	161.9	152.2	134.0	93.9
Other Materials, Supplies and Services	155.4	135.0	121.4	88.9	72.6	73.4	32.2
Total Operation and Maintenance	1,026.4	903.9	875.9	731.5	682.6	646.6	236.1
Depreciation	120.6	116.5	107.8	98.0	91.2	77.8	49.3
Taxes	185.7	194.7	188.9	183.2	163.9	134.3	53.8
Total Operating Expenses	1,332.7	1,215.1	1,172.6	1,012.7	937.7	858.7	339.2
Operating Income	245.8	241.7	222.2	211.4	197.1	153.0	101.3
Other Income							
Allowance for Other Funds Used During Construction	46.0	37.6	36.2	30.1	23.3	25.3	—
Income Tax Credits, net	33.9	26.3	25.3	24.2	22.3	25.5	—
Other, net	1.7	4.6	3.5	2.6	2.0	0.3	0.1
Total Other Income	81.6	68.5	65.0	56.9	47.6	51.1	0.1
Income Before Interest Charges	327.4	310.2	287.2	268.3	244.7	204.1	101.4
Interest Charges							
Long-Term Debt	193.0	176.3	161.0	147.6	136.5	106.3	38.2
Short-Term Debt	7.3	2.5	2.6	3.6	7.9	14.2	6.8
Allowance for Borrowed Funds Used During Construction	(67.4)	(53.4)	(49.8)	(47.5)	(43.6)	(45.5)	(7.9)
Net Interest Charges	132.9	125.4	113.8	103.7	100.8	75.0	37.1
Net Income	194.5	184.8	173.4	164.6	143.9	129.1	64.3
Preferred Stock Dividends	44.8	43.5	40.7	39.0	36.0	33.7	5.9
Earnings Applicable to Common Stock	149.7	141.3	132.7	125.6	107.9	95.4	58.4
Dividends on Common Stock	145.0	135.7	124.9	107.7	95.4	86.4	48.8
Earnings Retained	$ 4.7	$ 5.6	$ 7.8	$ 17.9	$ 12.5	$ 9.0	$ 9.6
Earnings per Average Share (dollars)	$ 1.86	$ 1.87	$ 1.87	$ 1.91	$ 1.86	$ 1.81	$ 1.97
Dividends per Common Share (dollars)	$ 1.80	$ 1.80	$ 1.76	$ 1.64	$ 1.64	$ 1.64	$ 1.64
Common Stock Equity (Per Share)	$ 19.06	$ 19.28	$ 19.26	$ 19.13	$ 19.05	$ 20.21	$18.84
Average Shares of Common Stock Outstanding (Millions)	80.5	75.4	70.8	65.6	58.1	52.7	29.6

See page 16 for Discussion and Analysis of the Consolidated Statements of Income.

NYSE—Composite Common Stock Prices, Earnings and Dividends by Quarters (Per Share)

	1979				1978			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
High Price	$15½	$17	$16⅝	$17⅝	$17¾	$18⅞	$19	$19¾
Low Price	$13½	$14¾	$15⅛	$15⅝	$15	$17	$16⅞	$18⅜
Earnings	35¢	54¢	37¢	60¢	41¢	61¢	25¢	61¢
Dividends	45¢	45¢	45¢	45¢	45¢	45¢	45¢	45¢

Summary of Financial Condition—December 31 (Millions of dollars)

		1979	1978	1977	1976	1975	1974	1969
Assets	Utility Plant, at Original Cost	$5,885.5	$5,502.5	$5,121.1	$4,747.2	$4,445.6	$4,123.9	$2,188.6
	Less: Accumulated Depreciation	1,144.1	1,053.3	955.3	860.3	775.8	717.8	514.2
	Total Utility Plant	$4,741.4	$4,449.2	$4,165.8	$3,886.9	$3,669.8	$3,406.1	$1,674.4
	Nonutility Property and Other Investments	47.4	30.0	27.4	13.2	12.3	12.7	5.0
	Current Assets							
	Cash and Temporary Investments	10.6	38.6	30.8	23.8	17.4	16.0	17.0
	Accounts Receivable	230.9	223.5	184.0	168.0	139.8	111.9	44.1
	Deferred Fuel Expense	83.5	4.2	23.0	19.9	17.9	21.7	—
	Materials and Supplies	110.0	93.3	102.3	88.3	88.0	72.5	29.1
	Other	4.6	4.3	3.8	2.6	2.5	21.1	1.6
	Deferred Debits	12.9	7.5	10.9	14.7	13.8	6.0	4.9
	Total Assets	$5,241.3	$4,850.6	$4,548.0	$4,217.4	$3,961.5	$3,668.0	$1,776.1
Liabilities	Common Stock	$1,239.6	$1,139.7	$1,106.7	$1,002.8	$ 916.6	$ 782.9	$ 365.0
	Other Paid-In Capital	2.2	2.0	1.8	1.7	1.5	1.3	1.2
	Retained Earnings	338.2	333.6	328.7	321.2	304.7	293.7	235.4
	Common Shareholders' Equity	1,580.0	1,475.3	1,437.2	1,325.7	1,222.8	1,077.9	601.6
	Preferred Stock	579.3	583.4	534.2	535.1	485.9	486.4	127.5
	Long-Term Debt	2,241.9	2,173.2	2,078.3	1,936.4	1,776.9	1,597.7	848.8
	Total Capitalization	4,401.2	4,231.9	4,049.7	3,797.2	3,485.6	3,162.0	1,577.9
	Current Liabilities							
	Short-Term Debt	85.2	16.2	14.9	7.2	108.0	177.9	98.8
	Current Maturities Of Long-Term Debt	127.8	52.9	28.7	36.9	60.9	91.9	8.5
	Accounts Payable and Dividends Declared	133.5	120.3	92.4	83.9	80.1	78.8	34.0
	Taxes Accrued and Deferred	65.1	44.5	36.7	30.7	44.2	28.0	8.3
	Interest Accrued	58.1	51.0	48.6	43.2	37.8	30.5	10.9
	Other	13.9	7.9	4.1	4.6	3.5	3.8	1.9
	Deferred Credits	356.5	325.9	272.9	213.7	141.4	95.1	35.8
	Total Liabilities	$5,241.3	$4,850.6	$4,548.0	$4,217.4	$3,961.5	$3,668.0	$1,776.1

APPENDIX B

Schedule 1

PERCENTAGE REVENUE INCREASE,
BY CUSTOMER CLASS, UNDER VARIOUS
ALLOCATION METHODOLOGIES

Customer Class	(1) Zero Fuel	(2) Across the Board	(3) One Third Weighting
HT	6.10%	7.08%	6.59%
PD	7.08	7.08	6.52
GLP	7.08	7.08	6.35
GS	7.08	7.08	6.36
GS-MEAS.	7.08	7.08	6.36
FLP	7.08	7.08	6.26
MLP	7.08	7.08	6.36
TL	7.08	7.08	6.34
RH	6.97	7.08	6.56
R	8.25	7.08	8.17
WH	6.20	7.08	5.92
SLP	8.52	7.08	11.76
SLS	9.90	7.08	9.29

CLASS RATES OF RETURN
UNDER VARIOUS ALLOCATION METHODOLOGIES

			With Revenue Increase			
	Per Books		(1) Zero Fuel		(2) Across the Board	
Class of Service	R/R	% System Ave.	R/R	% System Ave.	R/R	%System Ave.
HT	8.57%	107.1%	10.11%	105.8%	10.36%	108.4%
PD	9.81	122.6	11.47	120.0	11.47	120.0
GLP, GS, GS-MEAS., FLP, MLP & TL	12.55	156.9	14.32	149.8	14.32	149.8
RH	9.03	112.9	10.79	112.9	10.81	113.1
R & WH	5.60	70.0	7.16	74.9	6.96	72.8
SLP	2.68	33.5	3.67	38.4	3.51	36.7
SLS	4.13	51.6	5.32	55.7	4.98	52.1

Schedule 2

CLASS RATES OF RETURN
UNDER VARIOUS ALLOCATION METHODOLOGIES

Class of Service	Per Books		With Revenue Increase (3) One Third Weighing	
	R/R	% System Ave.	R/R	% System Ave.
HT	8.57%	107.1%	10.24%	107.1%
PD	9.81	122.6	11.34	118.6
GLP, GS, GS-MEAS., FLP, MLP &TL	12.55	156.9	14.14	147.9
RH	9.03	112.9	10.68	111.7
R & WH	5.60	70.0	7.15	74.8
SLP	2.68	33.5	4.05	42.4
SLS	4.13	51.6	5.25	54.9

Schedule 3

APPENDIX C

ELECTRIC OPERATING INCOME
EARNINGS PER SHARE
REVISED EARNINGS FOR 1980
(Millions $)

Assuming 10% inflation rate

	Revised Earnings 1980	Reference Notes
Electric Operating Revenue		
Base Excluding Fuel	$ 869	Includes Recommended Decision
Fuel	759	Based upon current cost level
Total	$1,628	
Electric Operating Expense		
Fuel & Interchange	$ 759	Based upon current cost level
O&M	220	Escalated at 10% from 1979 of Table 5-Exhibit JFP-1
Nuclear Fuel Storage	8	
Nuclear Decommissioning	4	
Total Elec. Oper.	$ 991	
Custs. Accts, A&G	$ 128	Escalated at 10% from 1979 level of Table 5-Exhibit JFP-1
Depreciation & Amort.	114	
Income Taxes	61	
Taxes other than Income	101	Escalated at 10% from 1979 Level of Table 5-Exhibit JFP-1
Total Taxes	$ 162	
Total Electric Operating Expenses	$1,395	
Electric Operating Income	233	
Sale Salem Output-Excl. Fuel, O&M	$ 5	
Gas Operating Income	$ 25	Including est. $15 million gas rate increase, effective 1/1/80
Steam Operating Income	$ 3	Including $3 millions steam rate increase effective 10/1/79

Other Income	
AFDC	$ 66
Income Taxes	43
Other	4
Total Other Income	$ 113
Income Before Interest Charges	$ 379
Interest Charges	
Interest	$ 245
AFDC-Credit	(72)
Total Interest Charges	$ 173
Net Income	$ 206
Preferred Dividends	53
Earnings for Common Stock	$ 153
Avg. Common Shares	84.7
Earnings per average share	$ 1.81
Ratios	
AFUDC per share	$ 1.63
AFUDC - Total Earnings	90%

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COMMISSION

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	Docket No.
v.	:	R-79060865
PHILADELPHIA ELECTRIC COMPANY	:	

EXCEPTIONS OF LUKENS STEEL COMPANY, THE CELOTEX CORPORATION AND UNION CARBIDE CORPORATION TO RECOMMENDED DECISION OF ADMINISTRATIVE LAW JUDGE JOSEPH J. KLOVEKORN

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Henry R. MacNicholas, Esq.

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P. O. Box 1166
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Counsel for Industrial Complainants

Due: March 12, 1980

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	Docket No.
v.	:	R-79060865
PHILADELPHIA ELECTRIC COMPANY	:	

EXCEPTIONS OF LUKENS STEEL COMPANY,
THE CELOTEX CORPORATION AND UNION CARBIDE
CORPORATION TO RECOMMENDED DECISION
OF ADMINISTRATIVE LAW JUDGE JOSEPH J. KLOVEKORN

I.

STATEMENT OF EXCEPTIONS

Industrial Complainants, Lukens Steel Company, The Celotex Corporation and Union Carbide Corporation, except to the recommended decision of Administrative Law Judge Joseph J. Klovekorn in that:

1. The decision recommends, at page 206, rejection of Industrials' proposal to reallocate demand costs on a basis which better reflects the contribution of each class to the summer system peak in that it is the summer system peak which determines the magnitude of the demand costs incurred by the company;

2. The decision recommends, at pages 238-240, rejection of the proposal to distribute revenue responsibility among classes on the basis of each class's "zero fuel" revenues (i.e., base revenues exclusive of fuel related revenues).

II.

ARGUMENT IN SUPPORT OF EXCEPTIONS

A. The Administrative Law Judge Erred in Concluding that the Company's Demand Cost Allocation Methodology is Proper.

The Administrative Law Judge and all parties to this proceeding agree that judicious utility regulation requires that rates for utility service be related to the cost of providing that service. The Administrative Law Judge, therefore, recommends, and Industrials' agree, that when a utility submits a well-reasoned cost-of-service study, rates for that utility's service must be based on that cost-of-service study.

The cost-of-service study reflects the functionalization, classification, and allocation of the Company's total cost of service. Essentially, it defines the Company's costs as either demand-(capacity-), energy-, or customer-related, and apportions those costs among each of the various classes of service.

The Industrials raise but one objection to the Company's cost-of-service study: that being, the Company's allocation of demand- or capacity-related costs. While we acknowledge the propriety of allocating demand-related costs on some "contribution to peak" basis (for capacity costs are incurred to satisfy the Company's peak demand), we object to the particular variant of "contribution to peak" employed by the Company in that it tends to distort the true demand cost responsibility of each of the Company's classes.

The Company allocates demand cost on the basis of each class's contribution to the average of the Company's four summer monthly peaks. Thus the Company takes its monthly peaks for June, July, August, and September,

calculates the contribution of each class to each of those peaks, and then averages the results of those calculations to arrive at the demand-cost responsibility factor of each class. In so doing, the Company mitigates the effect on any one class of using only the single peak methodology.

Whether the Company should attempt to mitigate the impact of the single peak methodology is a matter of dispute. The fact remains that the Company's plant is sized to meet that single peak demand and that the demand of each individual class at the time of the peak is what determines the peak, and therefore, the "size" of the plant installed to meet that peak. Class contribution to system peak is the best representation of class contribution to fixed cost.

If, however, the Commission believes some sort of averaging of peak demands is appropriate, then it falls to the Commission to direct the company to select an averaging methodology which least distorts the contribution to single summer peak; for class contribution to system summer demand peak, on a summer peaking utility like PE, is the actual determinant of class demand cost.

This the Company has attempted to do through its historical reliance on contribution to each of the four summer monthly peaks. The historical relationship between those peaks, however, has, in the past five-year period, exhibited marked change. Whereas, as Trial Staff Exhibit MPB-4 Pa. No. 1 shows, the relationship among the four summer monthly peaks used to be significant, there is no manifest relationship any longer between the September peak and each of the other three peaks over the past five years (Tr. 3713). The only conclusion possible is that the September peak is now unrelated to the Company's summer peaks, and therefore is unrelated to the

Company's demand cost incurrence. Contribution to the September peak should no longer be calculated in the allocation of demand-cost responsibility.

There are, of course, alternatives to the Company's averaging of four summer monthly peaks which do not require slavish adherence to contribution to single system peak. The Company might elect to use an average contribution to each of the three summer monthly peaks (June, July and August), or an average contribution to each of four summer peaks - no matter the month in which they occur. Either of these two methodologies would continue to offset the impact of single system peak, yet do so without effecting a significant distortion in class summer peak demands.

B. The Administrative Law Judge should not have Recommended Rejection of Zero-Fuel Based Distribution of Revenue Responsibility.

There can be no dispute that PECo, like all other Pennsylvania electric utilities, recovers fuel costs incurred in providing service through the Energy Clause. The Company has not suggested that this increase is related in any way to an increase in the cost of fuel, setting forth as justification for the proposed rate increase the force of inflation on non-fuel related expenses. Thus, the Company has proposed to allocate the increase among classes, not strictly on a zero-fuel basis, but at least taking into account, the need for a balance between fuel and non-fuel related revenues of each class.

Chairman Goode, in his memorandum of August, 1979, inquired as to whether the allocation of a rate increase as a percentage increase to non-fuel related revenues was appropriate. The ALJ found that allocation of a rate increase on such a zero-fuel basis would be inconsistent with past

Commission decisions, and, on the basis of this precedence, recommended rejection of the zero-fuel approach.

Industrials take strong exception to this recommendation of the Administrative Law Judge. Industrials, as the evidence demonstrates, already pay a disportionate percentage of the total bill for fuel-related charges, charges made both in base rates and in the fuel adjustment clause. It is because fuel cost are recovered as incurred on a per kilowatthour basis in direct proportion to customer use that industrials believe that any attempt to allocate a non-fuel related increase as a percentage increase to fuel and non-fuel revenues is, to the extent that it increases fuel-related revenues, an increase on an increase.

Not every class faces the same ratio of fuel to non-fuel charges in its bills for service. High-efficiency, high-load factor customers pay an increasingly greater percentage of fuel charges than do low-efficiency, low-load factor customers. When an increase in fuel costs occurs, high-load factor customers bear the brunt of that cost increase - as they should. When a non-fuel cost increase occurs, however, the burden of the increase should shift to those who most cause the company to incur those non-fuel costs. Unless a non-fuel increase is allocated on a non-fuel revenue basis, there is a mismatching between cost incurrence in revenue recovery - a mismatching which penalizes the high load factor customer. For that reason, we believe the Commission should approve the use of zero-fuel allocation in a zero-fuel related rate case.

The recommended decision, rejecting pure zero-fuel, makes no recommendation as to the allocation of the proposed rate increase other than to advise that it be on a basis which moves each class's rate of return closer to

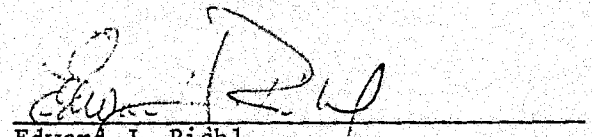
system average rate of return, in accordance with cost-of-service ratemaking. This approach, we believe, is reasonable. Thus, while we believe the Commission should approve "zero-fuel" ratemaking, we believe that the Commission is able to effect a just result without zero-fuel ratemaking by simply accepting the Company's proposed rate structure. The Company's proposal, while it takes non-fuel revenues into account, is not a pure zero-fuel methodology, and does comport with the Judge's recommendation that rates be structured to move class return closer to system average return. We, therefore, conclude that the Commission should accept the Company's proposal.

III.

CONCLUSION

For these reasons, we urge the Commission to accept the Recommended Decision of the Administrative Law Judge, subject to the modifications we suggest in this pleading.

Respectfully submitted,



Edward J. Riehl
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Attorneys for Industrial Complainants

Of counsel:
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March 12, 1980

CERTIFICATE OF SERVICE

I hereby certify that I have served copies of the foregoing on all persons listed below, by first class mail, postage prepaid, and properly addressed as follows:

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Dated this 12th day of March, 1980, at Harrisburg, Pennsylvania.

Edward J. Riehl

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION - R-79060865

COPY

Pennsylvania P.U.C., et. al. v. Philadelphia Electric Company

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EXCEPTIONS OF DAVID C. THOMSEN, COMPLAINANT (Pro se) - C-R0865006

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1. As an individual complaint in this rate increase proceeding (the third PECO rate case in which I have filed a complaint), I presented an expert witness, Mr. Norman G. Kurland, in voluminous written testimony prior to his appearance and in person on November 28, 1979. In person he presented direct testimony and was cross examined by Respondent and other parties. The written testimony included portion's of Mr. Kurland's expert testimony before committees of both houses of the U.S. Congress, a resolution of the Delaware General Assembly, and a two part article from The Tax Executive.. Mr. Kurland is an attorney and investment banker, and a nationally recognized authority on Employee Stock Ownership Plans and broadened capital ownership concepts as they can be applied to PECO through Customer Stock Ownership Plans and leveraged Employee Stock Ownership Plans. Mr. Kurland's testimony also discussed a two-tier Federal Reserve Board discount rate proposal, which would provide a much lower rate for leveraged ESOP or CSOP loans. There is no need to further summarize Mr. Kurland's testimony, which is a part of the record in this case.

I take exception to the failure of the Administrative Law Judge's proposed Initial Decision to mention in any way my Complaint or Mr. Kurland's testimony. On pages 7 and 8, the Initial Decision discusses the plight of the ordinary ratepayer, but no mention is made of my proposals to relieve that plight through a CSOP or ESOP.

On pages 8 and 9, the Initial Decision discusses the plight of the PECO common stockholder. I amd my father are such stockholders. The Decision does not discuss the proposals to protect stockholders and create new ones presented in my expert witness's testimony. I take exception to this failure to mention my proposals in this context.

On page 9, the Initial Decision says that the anti-nuclear power groups have addressed the wrong forum. Perhaps I too have addressed the wrong forum, or have used the wrong proceeding, but I take exception to the failure of the Administrative Law Judge's Decision not to mention me.

2. With regard to the revenue relief of $79,871,000, on page 2 of the Initial Decision, I take exception to it as being too low to protect the common stockholder's dividends, and too low to provide the continuation of the reliable, safe electric service now available.

3. With regard to the nuclear power question, I believe that the P.U.C. is a proper forum for the anti-nuclear groups, at least as far as costs are concerned, and take exception to the Initial Decision's conclusion on page 9 to the contrary. However, I believe that the anti-nuclear groups would be refuted on the facts, and take exception to the Decision's pages 63 through 66 discussing testimony by non-expert witnesses when my own expert witness is ignored completely. I believe that this contention is supported by my own questions to Messrs. Nogge and Breslow.

Dated 9 March 1980

Respectfully submitted,

David C. Thomsen

NO ORAL ARGUMENT REQUESTED.

DUPLICATE RECORD
ORIGINAL CERTIFIED
TO COMMONWEALTH COURT.

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R-79060865 - PENNSYLVANIA PUBLIC UTILITY COMMISSION

C-R0865010 - UNITED STATES STEEL CORPORATION ET AL.

v.

PHILADELPHIA ELECTRIC COMPANY

EXCEPTIONS OF UNITED STATES STEEL CORPORATION

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Due Date: March 12, 1980

DUPLICATE RECORD.
ORIGINAL CERTIFIED
TO COMMONWEALTH COURT.

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Before the
PENNSYLVANIA PUBLIC UTILITY COMMISSION

R-79060865 - PENNSYLVANIA PUBLIC UTILITY COMMISSION

C-R0865010 - UNITED STATES STEEL CORPORATION, ET AL.

v.

PHILADELPHIA ELECTRIC COMPANY

EXCEPTIONS OF UNITED STATES STEEL CORPORATION

I. STATEMENT OF THE CASE

On July 17, 1979, Philadelphia Electric Company (hereinafter "PECO"), filed Supplement No. 6 to Tariff Electric-Pa. P.U.C. No. 25, proposing increases and changes in existing rates to become effective September 25, 1979.

Supplement No. 6 was calculated to increase revenues by $122 million, based on the test year ending March 31, 1980. The increase was proposed to be applied in an "across-the-board" manner, producing approximately even increases (excluding fuel costs) in total revenues to all classes of service, as detailed below:

Rate Class	Percent Increase (Excluding Fuel Cost)
Residential (R)	16.87%
High Tension (HT)	16.89%
System Average (Industrial Ex. 1, Schedule 4)	16.33%

The Commission, by corrected order entered September 10, 1979, suspended Supplement No. 6 until April 25, 1980, pursuant to Section 1308(b) of the Public Utility Law (66 Pa. C.S.A. §1308(b)). The Commission also instituted an investigation, docketed at R-79060865, for the purposes of determining the fairness, reasonableness, justness and lawfulness of the rates, charges, rules and regulations proposed in Supplement No. 6. Finally, the Commission also directed presiding Administrative Law Judge Joseph Klovekorn (hereinafter "ALJ") to develop a complete record and make specific recommendations on certain issues, including whether the National Energy Act requirements would be met and whether PECO should adopt some form of inverted rates. Former Chairman W. Wilson Goode, by memorandum, dated August 9, 1979, also requested that all parties of record address certain issues, including cost of service, declining block rates and "essential human need" rates.

On September 10, 1979, United States Steel Corporation (hereinafter "USS"), a Rate HT customer, filed a Complaint, docketed at C-R0865010, alleging that the changes and increased rates proposed by Supplement No. 6 were discriminatory, unjust, unreasonable and unlawful. Complaints were also filed by a number of other parties, which were all consolidated by the ALJ's order, dated September 21, 1979. Hearings were held in Harrisburg and Philadelphia between October and December, 1979, and the record in the proceeding was closed on December 21, 1979.

Main Briefs and Reply Briefs were filed by the various parties at the conclusion of the hearings concerning the increases in rates proposed in Supplement No. 6. The ALJ, by Recommended Decision, dated February 29, 1980, recommended a total annual increase of $79,871,000, a reduction of $42,860,000 from that originally requested by PECO. The ALJ also recommended that the increase be spread by an equal percentage for each rate class applied to the base revenue figures with the fuel cost included. USS now files exceptions to the ALJ's Recommended Decision.

II. EXCEPTIONS

USS makes the following exceptions to the ALJ's Recommended Decision (hereinafter "Decision"), dated February 29, 1980:

1. The Decision, at page 206, recommends that the proposal submitted by the Industrial Complainants to modify PECO's demand allocation methodology should be rejected. The ALJ's recommendation is in error and should be rejected by the Commission.

PECO, in its Cost of Service Study, utilized the four-peak method to allocate demand-related costs. This method is based on the average of the contributions of each of the customer classes to PECO's peak demands occuring in the months June through September. (PECO Stat. 2, pp.9-10) Jeffry Pollock, one of the Industrial Complainant's expert witnesses, analyzed the Study and agreed that the contribution to four summer peaks may be a reasonable cost allocation method. However, Witness Pollock testified that some weight should be given to the results of a cost of service study based on the contribution to the annual peak method in determining the relationship of PECO's rates to cost of service. (Industrial Stat. 1, pp.7-8)

Under PECO's present method, the demand responsibility of the more weather-sensitive customer classes (e.g., Rate R), whose demands tend to be proportionally higher during June,

July and August than in September, is diluted. This results from the fact that the fourth summer month (September) is not as critical as the other three summer months in determining PECO's capacity requirement. (Industrial Ex. 1, Schedule 1)

Witness Pollock compared PECO's four-peak allocation with the suggested annual system peak allocation, and found that Rate R customers are assessed a higher demand responsibility under the annual system peak method due to this rate class' strong propensity to use air conditioning on those hot days when PECO's annual system peak typically occurs. In contrast, Rate HT customers are assessed a lower demand responsibility under the annual system peak method because of the more consistent nature of their use. (Industrial Stat. 1, p.8) Thus, as demonstrated by Witness Pollock's testimony, the use of the annual system peak allocation method more accurately reflects actual usage patterns on PECO's system and should be utilized in this proceeding.

2. The Decision, at pages 212-213, recommends that the increase be spread by an equal percentage for each rate class applied to the base revenue figures with the fuel cost included. This recommendation, in as much as it recommends that the increase is to be applied to the base revenue figures with the fuel cost included, is in error and should be rejected.

The application of the increase to the base revenue figures with the fuel cost included is discriminatory to Rate HT customers since it results in rates which are not strictly based on cost of service. It is clear from the record that the major factors motivating PECO's request for the instant rate increase are increases in all costs other than the cost of fuel, which is separately recovered by the Energy Adjustment Clause. Since it is these "nonfuel" costs which have increased for rate-making purposes, a more cost-related revenue allocation can best be achieved by ignoring the fuel cost component. Including fuel costs in the distribution of a nonfuel-related increase is tantamount to applying an increase on top of an increase and results in a less cost-related revenue allocation. (Industrial Stat. 1, p.12; Stat. 2, p.17) Moreover, as noted by Witness Bloom, on behalf of the Commission's Trial Staff,

> [a]t the present time all major electric utilities in the Commonwealth are made whole on fuel/energy costs by means of the Energy Adjustment Clause. Thus, while the reasons for a rate increase may be many and varied, recovery of fuel/energy costs clearly is not at issue. This being the case, it is totally proper to exclude the energy component of fuel from base rates prior to distributing any rate increase. By not excluding the energy component in base rates the true percentage increase--the reason for the increase--is disguised, warped and distorted. . . . (Trial Staff Stat. MPB-1, p.57)

Thus, as is apparent from the above, the Commission should apply any rate increase in this proceeding to the base revenue figures with the fuel costs excluded.

3. The ALJ erred in not providing that, upon the approval of any rate increase in this proceeding, all parties be given an ample opportunity to review the compliance tariff filed by PECO. Such review should include a sufficient period of time for the parties' expert witnesses to review the compliance tariff and a scheduled meeting with all the interested parties prior to the submission to the Commission of the compliance tariff. The adoption of this procedure would help eliminate any later complaints by the interested parties that the compliance tariff was in error.

III. CONCLUSION

The Commission, in determining the proper allocation of any increased revenues granted to Philadelphia Electric Company, must base the allocation on the cost to serve each customer class. The Commission should apply the increases to the various customer classes in the reasonable and nondiscriminatory manner recommended by Witnesses Pollock and Brubaker. To the extent the ALJ's Recommended Decision fails to do so, it should be rejected by the Commission.

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Due Date: March 12, 1980

CERTIFICATE OF SERVICE

I hereby certify that I have this day served copies of the foregoing Exceptions of United States Steel Corporation, by first class mail, postage prepaid, upon the following parties of record:

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Dated at Pittsburgh, Pa. this 11th day of March, 1980.

Charles J. Streiff

Charles J. Streiff

COPY

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Public Utility Commission

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION, et al.	:	
v.	:	R-79060865
PHILADELPHIA ELECTRIC COMPANY	:	

EXCEPTIONS TO THE ADMINISTRATIVE LAW JUDGE'S RECOMMENDED DECISION

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Assistant Consumer Advocate

Craig R. Burgraff
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Walter W. Cohen
Consumer Advocate

DATE: March 12, 1980

DUPLICATE RECORD.
ORIGINAL CERTIFIED
TO COMMONWEALTH COURT.

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LIMERICK INVESTIGATION

The Advocate took with utmost importance its request for an investigation into the question of the necessity to continue construction or complete the Limerick generating units in lieu of alternatives. As noted in its Main Brief, the issue of the capital needs for Limerick construction will fuel major rate cases until completion of the units, at which time additional major rate increases will be needed for the plants to bring them into rate base, all for a reserve margin in excess of 50% with a system top heavy with large base load generation that will, if Judge Klovekorn's excess capacity logic and factual treatment are adopted as Commission policy, be carried entirely by ratepayers.

Indeed, PECO, in this proceeding, argued that its earnings picture and need for tremendous amounts of capital caused by and needed for Limerick's construction alone justified the $123 million rate increase sought regardless of the ratemaking issues and regulatory principles involved in this case.

The Advocate submits that this situation will get worse in the future as the real price tag appears and that it is imperative for the Commission to investigate this question now by special proceeding. The Advocate's Main Brief in the Introduction and pages 8-48, especially 8-11, adequately explores the entire question.

The ALJ, in refusing the Advocate's recommendation, has erred both factually, conceptually and legally in his determination to ignore this request.

The Advocate submitted the testimony of Dr. Shakow which evidenced that Limerick is not needed under the theory of social cost

and that the ratepayer is simply overinsuring the system given other alternatives. Factually, the ALJ did not fully understand the issue nor the character of the evidence.

The Administrative Law Judge considered in his determination as to whether the Commission should investigate in-depth the question of whether construction on Limerick should be halted, "the effect on PECO." (Recommended Decision, page 70). In his discussion the ALJ adopted the testimony of the Company as to the effect a write-off of current Limerick investment, which would be $700 million assuming tax benefits are available, on the Company's shares--a reduction in value of 44%. It was concluded that "[t]his would, in effect, preclude PECO from access to the capital markets." This basis of the decision is erroneous for several reasons: it misunderstands the Shakow analysis on a factual basis and it leads the Commission down a path that would effectively preclude the Commission from ever being able to set just and reasonable rates to the extent rates are based on uneconomic generation planning.

The ALJ, in his above-cited analysis, appeared to be motivated by a lack of understanding of Dr. Shakow's analysis as it related to the use of incremental versus full cost scenarios. (See Advocate Reply Brief, pp. 6-13). The important point in this area is that, even if one assumes incremental cost analysis, i.e., which assumes that the amount already invested in Limerick is in rate base and, thus, absorbed by the ratepayer, Limerick only comes into the generation mix by 1992 under the Company's cost assumptions, which understate capital cost and inflation rates and overstate capacity factors for the units. Dr. Shakow's estimates are more reasonable. His nuclear cost escalation rate is below the historical trend for nuclear power plants, his inflation rate

was reasonable, and his assumed capacity factor falls closer to the historical range for nuclear stations of 800 MW size or greater.

Thus, the ESRG model showed that it is cheaper to ratepayers if ratepayers--not stockholders--pay the sunk cost of Limerick and also pay the cost to construct several small coal plants in the future than if ratepayers pay the cost of continued construction of Limerick. This is shown in line 6 of the table listed in the Recommended Decision, page 69. These types of complexities as well as the difficult issues they raise indicate the need for a further, single-focused investigation by this Commission into the true costs of Limerick, its impact on rates, alternative cheaper generation plans and who should pay what portion of these sunk costs.

The acceptance of the ALJ's misplaced factual rationale, i.e. the "write-off" fear as a basis for denying an investigation endangers the Commission's ability to ever investigate the propriety of the construction of Limerick. To preclude consideration of the decision as to the need for and economy of Limerick now on the ground of an alleged current financial impact on PECO that is not material to the issue by necessity precludes it later because the financial impact will be greater, as will be developed, infra. If in fact the additional cost to complete Limerick, i.e., the cost yet to be spent in order to construct the plant exceeds the Company's estimate of $2.0 billion to a substantial degree, the harm of waiting to decide also increases substantially. The ALJ's recommended approach, in the final analysis, would tie the hands of the Commission as to continued meaningful regulation of utilities and the establishment of just and reasonable rates to the extent those rates are determined by uneconomic generation planning.

To decide later would also be impractical. If Limerick is continued and several small coal fired plants are not built, the following variables will be required to be quantified in future rate cases once Limerick is requested in rate base and for 30 to 40 years thereafter:

1. Increased reserve requirements resulting from two large plants as compared to several small ones.

2. Increased purchased power costs resulting from outages of either of the large plants as compared to purchased power costs resulting from outages of any one or several of the smaller plants.

3. Varying costs of capital resulting from decreased need to go to the market now and more flexibility as to frequency of going to the market over the next ten years.

4. Lack of planning flexibility that might be needed due to further reduction in demand in the future.

In addition, the ALJ has misinterpreted the record as to Dr. Shakow's estimate of the cost of Limerick. Dr. Shakow's original estimate of the cost of Limerick is found at C.A. Statement No. 4, Exhibit E, Table E-4, Sheets 4 and 5 of 7, columns 2 and 4, and was summarized and affirmed again in C.A. Statement No. 4-A, page 8, lines 19-26. The reference on cross-examination at Tr. 2959 is apparently the difference between the PECO and ESRG low estimate and the PECO and ESRG high estimate, which is approximately $4 billion.

The figures on Table E-4 for ESRG's Limerick capital cost are in current $/kw. As can be seen on sheet 5 of 7 of Table E-4, ESRG

direct construction expenditures in current dollars is $1,994.08/kw* (low) to $2321.67/kw (high). Although the yearly ESRG AFDC expenditures in current dollars are not totaled, an addition of the yearly AFDC expenditures listed here result in $1,059/kw (low) to to $1,287/kw (high). An addition of the direct expenditures and AFDC results in a range of $3,053/kw to $3,708/kw. A multiplication of each by the total megawattage of 2,110 of the two units results in a range of $6.44 billion to $7.82 billion.

As stated by Dr. Shakow on surrebuttal, even granting the $958 million AFUDC reduction, the resulting net figure does not materially affect the total estimates of the costs of these plants.

The Commission, based upon the factual record presented in this case, must reaffirm positive regulation and consider this issue in a separate proceeding. If not, regulation in the future will be guided, as it has in the ALJ's approach here, by "financial woes" and the ratepayer will suffer dramtically.

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* It should be noted that Shakow's lower range of direct cost/kw is about the same as Stone and Webster's estimates. PECO Statement 15 at Table EK-3.

The ALJ has erred conceptually in accepting as a basis for refusing the Advocate's request, in essence, PECO witness Paquette's argument at page 4 of PECO Statement No. 1-B that the Commission cannot make a decision on any rate base item until the utility has requested inclusion of the investment in rate base. This argument fails conceptually since the "economic" argument will undoubtally prevail when the units are complete. Regardless of whether the units cost $3.2 billion, $4 billion or $7 billion, the rate base impact of just these units will approximately double the ALJ's finding of fair value in this case, i.e., original cost rate base of $2.5 billion. (Recommended Decision, p. 56).

The ALJ's recommendation that an investigation into Limerick should not be undertaken until six months prior to rate base treatment ensures this result. The Advocate submits that any recommended treatment for Limerick as to its lack of necessity, social cost impact, contribution to excess capacity, management prudence, etc., no matter how correct, will be swallowed up by the proportion of the rate base which the plants will represent. The Company will plead the "economic" case; that to penalize it for any reason will cripple it financially and endanger service. The Advocate simply refers to the present Metropolitan Edison proceedings to evidence the scenario.

The Advocate contends that to foster this perception effectively decides the matter in the future.

Further evidence of this is the weight given the ALJ in this proceeding to the alleged present economic impact of a cancellation of Limerick to PECO. Even though the Advocate submits that this alleged impact is misplaced, it shows the effect of the "economic" argument.

The Advocate also contends that the ALJ erred in ruling that the Public Utility Code does not grant this Commission power to proceed in this regard and make a decision re: Limerick.

The Commission clearly has the authority to institute an investigation or issue a show cause order in this instance under 1 Pa. Code 35.14. As the Advocate noted in its Main Brief at page 46, precedent exists for an investigation of this type in the Commission investigation of the Beaver Valley 1 outages and the CAPCO construction schedule delays arising out of the last Duquesne Light case at R-79010740 (July 13, 1979).

Even PECO conceded this point during this rate case. In its Brief in Support of Request for Certification of the appropriateness of Limerick being considered in the context of this rate case, the Company noted: "An examination of Limerick in PECO's view, should only be undertaken in a separate investigation." (p. 5). Also, at page 2 of its Brief in Support of the Certified Question, PECO noted: "Finally, the Public Utility Code provides more appropriate and mandated procedures for the investigation and resolution of an issue as Limerick."

The Advocate submits also that the Commission is not the passive regulatory body that the ALJ would posit. It does not seem credible to the Advocate that the Commission has no ability to act until it is too late to determine if the completion of these two units is appropriate or whether it will result in huge, undue costs for ratepayers in the future while doing little more than exacerbating PECO's current situation vis-a-vis reserve margins, reliability criteria, and excess base load generation.

Section 308(c) of the Public Utility Code, 66 Pa. C.S. §308(c), states, in part:

> The Bureau of Conservation, Economics and Energy Planning shall conduct studies and research all matters within the Commission's jurisdiction and advise the Commission of the results thereof in order to enable the Commission to provide prospective regulation in the best interest of all parties concerned. Such studies and research shall include long range forecasting of energy needs and development; ...the review of the efficiency of the present generating systems operated within this Commonwealth; ...The bureau shall review all proposals for electric and gas public utility plan expansion and shall submit for consideration of the Commission its findings on what impact, if any, the electric and gas public utility plan expansion will have on rates charged by the public utility.

Of course, such an investigation would have to be the subject of a full evidentiary hearing prior to any Commission action. (66 Pa. C.S. §331(a)). That section also notes the general grant of power to the Commission to investigate and examine the condition and management of any public utility on its own motion and whenever it may be necessary in the performance of its duties.

It seems clear to the Advocate that the implied and express powers of the Commission to regulate all public utilities in the Commonwealth, to insure just and reasonable rates, and the prospective character of regulation contained in Section 308 of the Code, supra, form a basis for this Commission to deal with the question of a generation station under construction that may be more economic to ratepayers to halt in lieu of alternatives. The fact that construction has or has not started is of no moment. As the ALJ noted, there is no siting commission in Pennsylvania, thus there is no competing legislative authority restricting the Commission. To suggest that there is no authority once construction starts, as did the ALJ, creates a

vacuum that the Advocate submits the General Assembly did not intend. It seems logical to the Advocate that the porvision of a prospective regulation section suggests a legislative intent of implied powers to carry out that mandate.

In like manner, recent Commission action in the Met-Ed case (I-79040308) would belie the ALJ's statement that the Commission has no specific jurisdiction over the selection of fuel type for generation. The Commission asked Met-Ed during the March 11, 1980 hearing to present it with the cost details, timing consideration, and pitfalls of converting TMI-1, a nuclear unit, into a coal fired station.

In addition, utilities in Pennsylvania have argued that the Commission's registration of security certificates under Section 1903 of the Code, 66 Pa. C.S. 1903, impliedly puts Commission sanction on the construction programs the capital is to be used to support. The Advocate does not agree with that conclusion as a general principle. However, the Advocate submits that the Commission could investigate Limerick and the need therefore by separate proceeding and use the results of that investigation as a distinct basis for approval or rejection of registration of security certificates tied to Limerick. The Commission has the express power, under Section 1903(a) of the Code, supra, to:

> ...register the same if it shall find that the issuance or assumption of securities in the amount, of the character, and for the purpose therein proposed, is necessary or proper for the present and probable future capital needs of the public utility filing such securities certificate....

If a determination were made that, in the long run, it would be less expensive to amortize the current costs of Limerick through rates rather than complete the projects, and pursue other alternatives, the Commission has also the authority to adjust rates for that purpose.

The Advocate submits that the Commission has authority to act to carry out the results of an investigation or show cause order proceeding of the type requested by the Advocate. Consequently the Commission must investigate this matter fully, with participation by all the parties.

As noted in the Advocate's Main Brief, the Commission has a second chance to deal with the serious implications of Limerick to future ratepayers and PECO. It should do so. The Advocate's analysis shows that even though the $1.2 billion has been invested, steps may be taken to reduce further unnecessary and unreasonable costs that will be incurred if construction continues. If the Commission does not look at the merits of the issue soon, it will be a fait accompli in the sense no meaningful adjustment can be made, i.e., one that would fully reflect what rates would have been under the more economical generation plan. Nor will deferred action give the Company the opportunity to rectify the uneconomic choice of Limerick in terms of building alternative capacity while that is still possible. The adoption of the legal and conceptual views of the ALJ would effectively emasculate the Commission in this area and effectively make PECO's ratepayers the captives of Limerick and its huge future rate and capacity consequences under the non-existent rubric of review when completed.

EXCESS CAPACITY

The ALJ has erred in refusing to recognize PECO's excess capacity and make an adjustment to prevent the Company's ratepayers from carrying unnecessary plant. This action was taken despite the testimony of four witnesses proposing three distinct adjustments for excess capacity.

The Advocate's case on this point is sufficiently set forth on pages 8-44 of its Main Brief. It is submitted that the record evidences imprudent management but the Advocate is of the opinion, based upon current Commission policy, that such a finding, is not necessary. By requiring it, the ALJ has applied too strict a legal basis for an adjustment in this case. The Judge has also applied too strict a factual basis for making an adjustment; one that effectively bars a proper ratemaking determination as to what a ratepayer should carry.

In summary, the record evidences the following:

1. PECO's past load forecasting has been unreliable. This Commission noted that fact at page 13 of its decision in R.I.D. 438. Dr. Stutz's Figure 1.1 in C.A. Exhibit JS-4 shows PECO's energy forecasts from 1972. The disparity between PECO's forecasts and reality is acutely noted thereon.

2. PECO overconstructed due to excessive load forecasts, especially large base load generation.

3. PECO's alleged increasing reserve margins under its application of a one day in ten year reliability criterion is the result of its excess base load generation.

4. Based on social cost, the proper reliability criterion for PECO is 14-22 percent.

5. Even PECO admits to extensive generation reserve. Table 1 of PECO Exhibit VSB-2, using the Company's load forecast, evidences a 36 percent reserve level for 1979 and a 31 percent reserve level for 1980 without Salem 2.

6. PECO's generation planning has been and is remiss. As noted above, it has led to excess reserves in a system top heavy with base load generation, thereby creating a higher reliability criterion which, in turn, leads to greater construction. In addition, it has failed to adequately deal with this spiralling situation and protect its ratepayers since it:

a. Failed to adequately plan for the orderly retirement of its most expensive and unneeded generating capacity.

b. Failed to adequately review its generation planning once construction had begun. Even if one accepted PECO's argument that it was trapped by events in the early 1970's, the record clearly indicates that no review of changing circumstances was made once a plant had been decided on. As the Advocate noted at page 41 of its Main Brief, the Company could get lucky and have a "cost effective" plant or it could not get lucky and the ratepayers were expected to bear the consequences.

In light of the above, the Advocate submits that there is an ample basis for an adjustment in this case. The ratepayer should not be the insurer of PECO in its load forecasting, generation planning and construction decisions without any onus falling on the investors.

The Commission has failed to confront this problem concerning PECO and the Advocate submits that it must do so at this time. Given Limerick, it is imperative that this Commission do so since, with those

units, Dr. Stutz's load forecast evidences a reserve margin in 1992 of 52.4 percent. Excess capacity and the proposed investigation of the need for the completion of Limerick are, to a degree, part of the same problem.

ALJ Klovekorn's decision concerning both these areas, in effect, assigns to ratepayers every risk and effect of PECO's post and future practices of load forecasting, generation planning, and construction practice. Under his analogy, ratepayers will be carrying a 52.4 percent reserve margin in the future.

The ALJ's error is fundamental. In his opinion, a finding of management imprudence is a necessity in allowing a ratemaking adjustment for excess capacity. In so deciding he has ignored Commission precedent and mis-applied the West Penn Power montage of decisions.

As noted by the Advocate, it is the policy of the Commission that imprudent management is not necessary in arriving at a determination of excess capacity and a ratemaking adjustment therefore. That policy has been clearly enunciated by the Commission in Pennsylvania PUC v. Pennsylvania Power Co., R-77110521, 27 PUR 4th 426, 437 (1978), wherein the Commission stated:

> For purposes of this proceeding we agree with the Judge that the sudden burden of this new plant investment of the Company's customers was no fault of Penn Power or of its investors; but neither was it the fault of the ratepayers. Under these circumstances there must be some sharing of the risk associated with bringing large plants on line.

The Commission iterated that policy at page 14 of R.I.D. 438:

> Neither was it the fault of the ratepayers. We must consider such abnormal situation (excess capacity) to be a business risk. We cannot view as equitable or fair the placing of all such risk on the consumer

> alone. Investors, as well, in such situations, should bear a part of the risk.

The Advocate submits that this represents sound regulatory policy and a proper view of ratemaking.

The ALJ has attempted to bootstrap a remand decision of the Commission in the R.I.D. 183 West Penn Power case into a change of position on this question. A review of this litigation illustrates the fallacy of this position.

The Commission, in Pa. PUC, et al. v. West Penn Power Company, R.I.D. 183 (July 7, 1976), looked at the reserve margins of West Penn Power, made a statement that reserve capacity for the test year was excessive and customers should not be unduly burdened therefore (p. 18), and made an unexplained adjustment to West Penn's fair value rate base. (p. 19). A like situation existed with regard to the fair rate of return finding.

What is important in this case and indeed what is the critical fact for our purposes, is that the Commission in its 1976 decision framed the question of excess capacity only in terms of an abuse of managerial discretion. Page 15 of the decision in that case states:

> It is necessary for us to examine the question as to whether there has been an abuse of managerial judgment and discretion in providing reserve capacity for APS and respondent.

There was no discussion of alternate legal approaches or any statement evidencing the Commission's legal determination that this was the sole criteria in this area. Once this fundamental fact is established, all that follows is understandable.

Commonwealth Court, by Order of January 26, 1978, considered an appeal of R.I.D. 183 and remanded the case to the Commission because

of its failure to make adequate factual determinations in support of its conclusions, especially concerning excess capacity.

In considering the remand, the Commission issued an Order on June 29, 1979 which, as the ALJ noted, echoed the language contained in an earlier order to the effect that no excess capacity was present as found in the initial decision.

What is important to keep in mind is what this opinion stated and the context in which it was stated. One must remember that a remand was involved to demonstrate the factual basis for a finding of excess capacity based upon imprudent management, which was the only basis upon which the Commission based its decision. All that the Commission's decision on remand noted was that there was an insufficient record to support the conclusion based upon that test. Of course, the Commission upon remand was left with the standard which it originally adopted. It could not very well approach the problem from a different standard over two years after the fact.

With this in mind, it is important to consider the language from the June 29, 1979 Order cited by the ALJ.

> Having recognized the need for some reserve capacity, we must consider whether the reserve capacity here is so excessive as to demonstrate serious miscalculation of the system's requirements resulting from management imprudence. As noted above we interpret the Court's remand here as an admonition to us to review thoroughly the record here to determine whether our original position that there was imprudence can be clearly and convincingly demonstrated. After such a review we find that while there is evidence for our original position, it does not meet the high standards of proof necessary to support such a finding of imprudence. Under these circumstances we are compelled to conclude that our original finding must be modified.

The Advocate submits that this decision in no way vitiates the

current policy of the Commission in this area as suggested by the ALJ. The Commission did not "review the issue of excess capacity" in its order of June 29, 1979 as the ALJ suggests. (p. 93 of Recommended Decision). Legally, it could not do that under a remand from Commonwealth Court two years after the fact. It had to look only to see if the record justified a finding in a case where it had limited itself to management imprudence as a standard. To suggest otherwise is patent error.

The Commission did not specifically refer "to the standard necessary to warrant an adjustment for excess capacity" (p. 93 of Recommended Decision). The standard for excess capacity at the time was and is that embodied by Penn Power and R.I.D. 438, supra. A remand of a case decided two years prior to that which applied only management discretion does nothing but concern itself with what was done in that prior case. That is no basis for altering a standard developed two years later.

It also is of no moment that the remand decision occurred after the intervening expression of the current standard. The time of decision is irrelevant since the remand decision can only concern the basis of the original decision, which occurred in 1976. The remand decision could have been in 1990 and would have had no other consequence. The ALJ's treatise that the remand decision must be a review, since it occurred after the Penn Power decision and R.I.D. 438, is a legal fallacy.

In summary, the Advocate submits that the ALJ has applied a phantom standard based upon faulty legal conclusions. As such, his decision as to excess capacity was based upon a faulty view of

Commission policy in this area and is in clear error. The Advocate submits that the record clearly evidences excess capacity that the ratepayers should not totally bear.

The Advocate also contends that the adjustment offered by Mr. Weiss properly removes ratepayers contribution for excess capacity. He properly determined the level of excess capacity and identified units representative of the excess on the basis of the elimination of the least economical units. The adjustment is sound and represents a reasonable and supportable sharing between ratepayers and the Company. (See Advocate's Main Brief, pp. 37-44).

The ALJ has also erred in his recommended level of excess capacity assuming the Commission reversed his finding. The Advocate submits that its adjustment for ratemaking purposes is not seriously flawed becasue it does not represent the "real world". As noted at pages 43-44 of the Advocate's Main Brief, Mr. Weiss' adjustment was made reflecting disallowance of undepreciated original cost on uneconomical units consisting of plants which Mr. Boyer suggested might be retired in the future and plants with the highest heat rates in the system. This is proper for ratemaking purposes in attempting to define, for rate purposes, what portion of excess capacity will not be borne by ratepayers.

PECO suggested that the effects of the actual retirements of these plants had to be looked at. This is not necessary since actual retirements were not suggested or recommended by Mr. Weiss. His methodology is simply a reasonable measure of the excess capacity not to be borne by ratepayers for ratemaking purposes. In that regard it does not differ from the adjustment made by this Commission in

Pennsylvania Power, supra, which assumed a firm sale of excess capacity could be made.

The ALJ apparently did not read the Advocate's Main Brief o rMr. Weiss' cross-examination cited at page 44 thereof since he makes the factual statement on page 100 of his Recommended Decision that Mr. Weiss' adjustment proposes the elimination of certain units. This is clear factual error.

The ALJ then adopts a "real world" strategy as to an adjustment which is inapposite for two reasons. First, no one is suggesting that PECO actually reduce its installed generating capacity by any amount, especially 206 mw in 1980-81 or 213 mw in 1981-82. (See Recommended Decision, p. 101). This is simply a red-herring. The PECO-PJM contracts remain as PECO desires them. It can retire or not retire, sell or buy as the case demands, etc. The adjustments recommended by the parties only affect ratemaikng treatments. They in no way request the Commission to order certain retirements of certain stations. There is no affect on the PJM agreement. Actual retirements are left up to the Company; the parties are just suggesting that ratepayers should not bear all costs of existent excess capacity for ratemaking purposes. The ALJ has, in essence, knocked down his own strawman. Second, by definition, PECO's estimates to PJM erase excess capacity since the functioning of the system is based upon the same factors that create excess capacity, i.e., overconstruction of base load plants, higher reliability criteria under PECO's use of one day in ten years reliability standard, higher reserve estimates from PECO to PJM for planning purposes, etc. To suggest, as does the ALJ, that PECO's "real world" excess cannot be greater than 200 mw, which is close to its capacity obligation for PJM, begs the question.

Based on the above, the Advocate suggests that the ALJ's decision be reversed and Mr. Weiss' ratemaking adjustment adopted. If not, the Commission will be altering its policy in the area of excess capacity to the extent of eliminating it as a proper ratemaking issue since that is what the ALJ's legal and factual approach, in essence, does.

FULL NORMALIZATION

The ALJ has erred in refusing to recognize the unrefuted timing difference in current income taxes payable resulting from PECO's normalization of certain taxes for Federal income tax purposes. The adjustment and its rationale is clearly set forth in Mr. Towers testimony (C.A. Statement No. 7) and in the Advocates Main Brief (pp. 138-147). Suffice it to say that the record clearly indicates that normalization creates a tax/book timing difference associated with income taxes currently payable since tax deferrals create a revenue requirement subject to current Federal taxes, i.e. the $2 for $1 effect, and that this situation penalizes current ratepayers. Mr. Towers recommendation simply carries normalization to its complete effect by creating a deferral for current Federal income taxes incurred in order to create a proper interperiod allocation of current Federal income taxes.

In arriving at his decision to not allow full normalization for ratemaking purposes, and therefore continue the anomoly of penalizing current ratepayers under normalization while attempting to not penalize future ratepayers, the ALJ has made two fundamental errors.

The first error is factual. ALJ Klovekorn states at page 176 of his Recommended Decision:

> This adjustment would affect those items which the Commission permitted to be normalized in R.I.D. 438: the normalization of the tax benefits resulting from accelerated depreciation and the normalization of the debt interest deduction with respect to construction work in progress. Its effect would reduce PECO's income tax expense by some $29.2 million. That is, money which the Company would have collected under the provisions of R.I.D. 438 and set aside in reserve accounts to pay future taxes, would as a result not be collected.

This statement is not supported by the record and is, simply, wrong. The ALJ apparently is not able to separate the difference between deferred taxes and the current income tax effect which it has; i.e., the tax-on-tax effect. Given this fundamental inability, it is not hard to see why the adjustment was refused.

The record clearly evidences that the tax-on-tax effect exists under normalization as practiced by PECO. As noted at page 138 of the Advocate's Main Brief, when a regulated Company is allowed to recover from its customers a larger tax allowance than it is required to actually reimburse to the government, the excess allowance represents taxable income to that regulated company net of Federal income taxes. The result creates a situation where each $1.00 of the "benefit" associated with normalization costs PECO's ratepayers approximately $2.00. Mr. Towers testimony (C.A. Statement No. 7, p. 17) supports this principle and no refutation could nor was offered by any other party. Indeed, the Commission recognized this effect at R.I.D. 438. (See pp. 75-87).

Thus, the Advocate submits that there are two parts to the equation that are different but that are each subject to timing differences insofar as current and future ratepayers are concerned.

Contrary to the belief of the ALJ, these two items do <u>not</u> collectively comprise PECO's deferred Federal income tax account. That amount actually related to deferred taxes hits that account. The current income tax effect created by deferred federla income taxes is just that, a direct impact on current income taxes. The ALJ's statement that money collected under normalization and set aside in reserve accounts to pay future taxes would not be collected if one reduced

PECO's current income tax expense by Mr. Towers deferral is a classic mixture of apples and oranges.

The record clearly evidences that:

1. The Federal income tax deferral account of PECO, i.e. the "benefit" of normalization, is not disturbed by the Advocate's use of full normalization. (See C.A. Statement No. 7 p. 32).

2. The additional deferral created by Mr. Towers adjustment only affects the current income tax payable as a result of normalization and it, in effect, normalizes that interperiod timing difference to not penalize current ratepayers. There was no rebuttal offered to these facts and, thus, the record supports no other conclusion.

In addition, the ALJ seems to suggest in the above-cited quote that the Commission in R.I.D. 438 stated that normalization created a deferral that included both the effect of the normalization for Federal income tax purposes and the current income tax effect it creates. There was no issue involved in the case that would lead to such a conclusion and the Advocate has searched that decision in vain for any support for that proposition.

The Advocate submits that the ALJ has violated both the record and principles of regulation in his factual determination. It cannot stand as a basis for his decision.

In addition, the ALJ has misinterpreted the legal standards applicable to this matter. Similar to his view of the facts, Judge Klovekorn's legal view is based upon the supposed Congressional "intent" that utilities retain the "full" benefit of these deferred taxes. (See Recommended Decision p. 176). Once this assumption is made, then one is led to the ALJ's conclusion that full normalization could, not would,

jeopardize PECO's ability to take accelerated depreciation under Section 167(l) of the Internal Revenue Code, 26 U.S.C.A. 167(l).

Initially, it should be noted that there is no cite in the Recommended Decision to any decision, or indeed, any discussion of legislative history to the effect that Congress intended that utilities be allowed not only Federal income tax deferrals due to the normalization of the effects of accelerated depreciation but also to the immediate recovery of the current Federal income tax effect of deferred Federal income taxes on a utilities revenue requirement. There is a good reason for this; there is no Congressional intent to this effect.

As noted in Mr. Towers testimony and in the Advocate's Main Brief (p. 117), Federal tax law requires the normalization for Federal income tax purposes of the effect of liberalized depreciation and ADR on PECO's post-1969 expansion property. In addition, the Advocate has not objected to the normalization of the tax benefits associated with debt interest related to construction work in progress. Section 167(l) of the Internal Revenue Code, supra, requires nothing else but normalization for Federal income tax purposes of liberalized depreciation and ADR on PECO's post-1969 expansion property.

What the record indicates is that the Advocate's recommended full normalization does not make any change to or alter in any way PECO's Federal income tax deferred account resulting from normalization. (See prior cite). The effect also creates no change in the Company's actual Federal income taxes payable currently. It simply defers for cost of service purposes the recognition of a portion of the taxes until the time when the turnaround period has arrived. Given the record and the effect of the Advocate's adjustment, the Advocate submits that there

is nothing present in the adjustment that violates the Internal Revenue Code or would even lend itself to a possibility of PECO losing its ability to normalize. Certainly no uncited and nonexistent "Congressional intent" is of enough substance to overcome the facts.

As the Advocate noted at page 143 of its Main Brief, the only noted definition of Congressional intent concerning Section 167(1) of the Internal Revenue Code, supra, was enunciated by the United States Supreme Court in Federal Power Commission v. Memphis Light, Gas & Water Division, 411 U.S. 458, 461. That Court noted that the genesis of Section 167(1) was the concern of Congress:

> . . . .with the loss of tax revenues that stemmed from the combined effect of accelerated depreciation (leading to higher deductions) and flow-through for fixing rates (leading to lower rates and thus lower gross revenues).

It would appear to the Advocate that a finding of flow-through or partial flow-through is needed to indeed violate Congressional intent. The record does not evidence that is present here nor is that the case since there is no alteration to the deferred Federal tax account.

The only cases where Courts have affirmed a violation of Section 167(1), supra, have all involved the partial flow-through of a part of the reserve for deferred taxes. This is evident from PECO's Reply Brief and the cases which it cited. The California situation cited by the Company involved a projected average deferred tax reserve which, as the Company quotes, the Internal Revenue Service considered to be a violation of the Congressional intent of Section 167(1), supra, because it flowed-through to ratepayers a part of the reserve for deferred taxes.

Similarly, the cited case of Central Maine Power Co. v. Public Utilities Commission, 405 A.2d 153 (1979), at p. 168, quotes from New England Tel. and Tel. Co. v. Public Utilities Commission, 390 A.2d 8, 18 (1978), also cited by PECO at page 52 of its Reply Brief, to the effect that its extensive review of the legislative history of Section 167(l), supra, led that Court to the conclusion that Congress intended "to create a deferred tax reserve which ¼would provide½ interest-free capital to the utility . . .for plant expansion." (405 A.2d at 168). In Central Maine, the Court also found that partial flow-through was present, which violated the Internal Revenue Code, since the Commission Staff had used a different method of depreciation which required calculation of depreciation expense for ratemaking purposes defferently than for tax purposes, a direct violation of Section 167(l) (3)(G)(i) of the Code, 26 U.S.C.A. 167(l) (3)(G)(i).

The Advocate submits that both cases are inapposite since the deferred tax reserve is not altered in any way by the Advocate's proposed adjustment here, nor is the use of accelerated depreciation altered. There is absolutely no evidence in this record that establishes that the proposed adjustment is partial flow-through.

The Advocate contends that the basic reason for the ALJ's decision appears to be timidity at making an adjustment for the first time in this complicated area. He cited the case of Valley Gas Co. v. Burke, 406 A.2d 366 (1979), which the Company raised in its Reply Brief, for the proposition that the adjustment "would" conflict with Internal Revenue Service regulations. (Recommended Decision, p. 177). Even a reading of the passage cited by the ALJ evidences that both the Rhode Island Commission and that state's Supreme Court decided as they

did since the proposal, to them, could jeopardize the Company's ability to use accelerated depreciation.

The Advocate's position is that full normalization in no way violates Section 167(1) of the Code, supra, nor any tax regulations and PECO's ability to normalize would not be jeopardized by an interperiod allocation of the effect of normalization on currently payable Federal income tax. However, the Advocate anticipated that making the adjustment for the first time might, in and of itself, lead to its refusal and suggested at page 144 of its Main Brief that the Commission allow the adjustment, for ratemaking purposes, conditional on Internal Revenue Service review of the matter.

The Advocate suggests that the adjustment should not be disallowed solely based upon a "could happen" timidity and, if that is the case, then the above suggestion is the appropriate course to follow.

The ALJ has also erred in suggesting that adoption is prohibited by the Commission's policy of income tax allocation concerning interest deductions associated with debt employed in construction activities.

Initially, it should be noted that only part of the adjustment in question concerns the current Federal income tax effect resulting from debt interest. Secondly, the record clearly indicates that the ALJ, and PECO since the Company first raised the issue, both are remiss in the purpose of the adjustment. As with accelerated depreciation, it in no way affects the Commissions policy in this regard.

A complete discussion of the record in this case is contained at pages 146 and 147 of the Advocate's Main Brief. Stated simply, Mr. Towers adjustment did not put the Company on a before tax AFUDC rate but

simply did calculations to find the level of the deferral if the Company was on a before tax rate. This was necessary to obtain the effect on current Federal income taxes payable.

The Advocate submits that this is easily understandable and simply relates to the methodology used to obtain a proper level for the full normalization adjustment. The ALJ has assumed that the proposal reverses the use of income tax allocation. It does not just as it is not partial flow-through of the "benefit" of accelerated depreciation and ADR service lives.

RATE STRUCTURE

Allocation of Revenue Increase: The Administrative Law Judge erred in ruling that the residential class should provide a disproportionately larger percentage increase in revenues than the large industrial (PD) class and the commercial class (GS). Recommended Decision at 212.

The Administrative Law Judge has offered no reason to justify departure from the policy relied upon by the Commission in the most recent Philadelphia Electric Company gas and electric rate proceedings in which the rate increases were spread in an even across-the-board fashion. Further, as will be discussed below, the Consumer Advocate has presented four substantial reasons why the company's cost-of-service study and the rates of return that result thereform cannot be slavishly followed. In addition, one Commission in the United States has very recently developed information as to the risk differential between classes justifying varying rates of return by class. Thus the Company's proposed movement in rates of return by class should not be accepted, absent conclusive evidence as to risk presented by each class. As a result the more equitable policy of an even across-the-board increase for the major classes should be continued.

Company's Cost of Service Study: The Administrative Law Judge erred in both accepting the Company's cost-of-service study, which reflects the Company's higher summer cost due to the system's summer peaking nature, and the staff recommendation that the Company's cost to serve may be the same in the summer and the winter. Recommended Decision at 185 and 212.

Although not accurately translated into price signals to the customers, the Company's cost-of-service study by its cost allocation methodology does recognize the most fundamental aspect of the Company's system and that is its extreme summer peak. As can be seen by the graph supplied by the staff at Staff Exh. MPB-SR1, which compares the peak monthly output for 1971 to 1978 of all the major electric utilities in the state, Philadelphia Electric Company's system is noteworthy in that it has a sharp summer peak that is substantially above the demand on its system the remaining eight months of the year. This is reflected in PECO's cost of service study. As noted by the Administrative Law Judge in his Recommended Decision at 182, the Company allocates its production and transmission plant and related expenses on the basis of each classes' contribution to the summer peak demand. Some distribution costs are also allocated on the basis of annual class peak which, for all classes except the residential heating class in the summer.

The Consumer Advocate does not quarrel with the Company on the recognition of summer costs in its cost-of-service study. In fact, the cost-of-service study and these summer allocations were utilized by Consumer Advocate Witness Rohr. The Consumer Advocate's criticism of the Company's rate design proposal, as accepted by the ALJ and further weakened by the ALJ's adoption of Staff's recommendations, is that the cost allocation study is not properly transferred to pricing signals. To wit, the summer peaking nature of the system is not adequately communicated to the customers of the Company in the price signals, i.e., the rates.

This can be seen by a comparison of percentages of cost allocated by season and percentage of revenues collected (due to

seasonal prices) collected seasonally. The total percentage of the Company's cost that it has allocated in the summer period is 61% for residential and 68% for industrial class (HT). Yet, for the test year under the Company's proposed rates, only 39% of revenues will be collected from the residential class. Under the Consumer Advocate's proposal, 54% of the residential revenues will be collected in the summer months.

Minimum Distribution Grid: The Administrative Law Judge erred in accepting the Company's allocation of minimum distribution grid as reasonable and thus the rates of return by class that result from the Company's cost-of-service study. Recommended Decision at 186.

The Administrative Law Judge has relied on the Company's statement that it conplies with the NARUC Cost Allocation Manual which states, as follows:

> The customer component of distribution facilities is that portion which varies with the number of customers. Recognizing that polls, conductors, transformers, services and meters are required to serve customers regardless of their load requirement. The customer component is the theoretical minimum distribution system required to serve customers at nominal load conditions. Polls, wires, etc., would be required even if the customer had only a 25 watt light bulb.

The evidence of record clearly contradicts the Company's unsubstantiated statement that "[t]he Company has carefully calculated the cost of the minimum size of each of these components of the distribution system and allocated that amount on a customer basis." PECO Statment 2-B at 2. The quotation from the manual, it is respectfully submitted, begs the very question at issue which is what portion does varies with the number of customers. Rohr testified that there are parts of the Company's minimum distribution grid, as so allocated, that are not causally varied by the

number of customers. For example, account number 593, maintenance of lines, does not, it is respectfully submitted, causally vary with the number of customers on the system. Even according to the Company's testimony, one customer may leave the system and another come on and the only cost that actually varies is the cost to turn on and off the meter. Tr. 1042. This fact is not reflected in the Company's allocation of its minimum distribution grid which assumes that a vast majority of these costs vary with the number of customers.

For all the foregoing reasons it is respectfully submitted that the Administrative Law Judge erred. The Commissioners are urged to allocate all of the common costs on the basis of demand.

Average Energy: The Administrative Law Judge erred in accepting the Company's cost-of-service study and the rates of return by class resulting therefrom because of the Company's failure to allocate energy costs on a cost causation basis rather than on an average basis.

The Company has used only an average energy cost which takes the total energy cost by each class for the entire year and divides it by the kwh produced for the entire year to give one unit average energy cost.

The Company's allocation of energy on an average basis does not properly reflect the cost to serve each class of customers. There is no evidence on the record as to which class is being harmed by this average energy cost allocation. The only evidence on this question is that three witnesses stated it may have an impact on the cost allocations. The industrial's testimony that average energy cost may penalize industrial customers was admittedly based on his experience

with other utilities. A generalization from other utilities is not an adequate basis for this record. If it were, the testimony of Mr. Brennan filed in Delaware that the residential class served by Delmarva Power and Light provides a lower risk than the industrial class would be sufficient for this record. Neither the Company nor the Consumer Advocate could testify as to which class is paying a disproportionate energy cost as a result of this allocation. What is clear is that the cost of service study does not accurately recognize energy cost variations.

For these reasons the Company's cost-of-service study should not be slavishly followed and the rates of return resulting therefrom moved in any direction at this proceeding. Rather the Company's efforts would better be served by developing a time of day rate for industrial users for consideration in the next proceeding as recommended by Rohr so that their energy costs can more accurately be reflected in their energy charges.

Reserve Margins: The Administrative Law Judge erred in accepting the Company's cost-of-service study and the rates of return resulting therefrom because of the study's failure to recognize energy saving resulting from certain generation plant. Recommended Decision at 187.

All generating plant is allocated on the basis of class contribution to summer peak. Yet a key argument put forth by the Company in its excess capacity argument is the energy savings that result from these plants, i.e., $6.7 million in the first ten months of 1979 for Southward 1 &2, due to the PJM pricing scheme. PECO Statement No. 15-A, p. 4; Recommended Decision at 92. The Company's failure to recognize these facts in its cost-of-service study means that the rates

of returns by class that result from the study are not sufficiently reliable to form the basis of a decision to move these rates of return from their existing relationship.

Class Risk: The Administrative Law Judge erred in accepting the Company's assumption, unsupported by evidence of record, that there is no risk differential among classes. Recommended Decision at 187.

The burden of proof is upon the Company to support its proposed rate allocation. There was absolutely no evidence in the record that supports the assumption that there is no risk differential among classes. There has been only one study done of this nature and that was done Mr. Joseph Brennan for the Delaware Public Service Commission in the most recent Delmarva Power and Light Company rate proceeding. This question is one that has more recently evolved in the ratemaking context. It is respectfully urged that the Commission not make such an important policy decision without further evidence. Rather, it is respectfully requested that the Commission order the Company to attempt to employ Mr. Brennan to do such a study for its service territory.

The Administrative Law Judge erred as a matter of sound policy and reversed of prior Commission direction in reducing the summer-winter differential for the residential class further than that proposed by the Company. Recommended Decision at 190.

As can be seen in the Recommended Decision at 190 the Company's summer winter differential as 1.17¢ per kwh. Staff proposal No. 1 is 1.08¢ per kwh and staff proposal No. 2 is 1.05¢ per kwh.

The Commission recognized in its last decision for this Company and the Company recognizes in its cost allocation study (though

not as well in its pricing signals) the summer peaking nature of the system. The proposal adopted by the Administrative Law Judge reduces or minimizes the signal to the customer that the Company must build plant and/or purchase or run incremental oil-fired energy to meet the summer demand. To allocate all production and transmission costs and part of distribution system cost on the residential class because of their contribution to summer peak and at the same time reduce the signal to them that this is occurring is, for obvious reasons, inequitable and unacceptable.

The Administrative Law Judge erred in rejecting Rohr's proposed rate design on the basis of its disruptive impact on residential customers. Recommended Decision at 197.

The major difference between Rohr's proposal and the Company's proposal is the extent to which Rohr would have the Commission recognize in the Company's pricing signals the summer nature of the Company's cost. The Company collects 39% of its residential revenues during the summer period and Rohr would have the Company collect 54% during the summer. The Company, in cost allocation study which is poorly translated into prices, attributes 61% of the cost to serve this class in the summer months. [As discussed above, the staff would have the Commission move further away from this recognition of summer winter differential].

The Administrative Law Judge rejected the Consumer Advocate's proposal for residential rates on the basis that it would have too disruptive effect on the some of the residential customers. Rohr's proposal would result in an increase of 65% for residential customers who use 500 kwh in the summer time. However, the winter bills, for an

eight month period, would decrease. Space heaters would receive a 35.7% increase in the winter.

The Administrative Law Judge's in his reasoning did not mention the testimony of Rohr in to the specific problem of disruption. Rohr testified that the Commission could use as a guideline some percentage of the Company's proposed percentage increase as a cap on the increase in any one customer. He suggested in his testimony 150%. C.A. Statement No. 2 at 43-44. Certainly any other variable could be used as a reasonable basis of effectuating the legitimate goals of avoiding large disruptions in rates. Rohr recognized this and incorporated this into his testimony. The Administrative Law Judge erroneously omitted recognition of this important aspect of Rohr's testimony.

The Commission must not continue to accept as reasonable a cost of service study that allocates the major portion of the Company's cost based on the various classes' contribution to summer peak, yet continue to refuse to give the Company's residential customers the signals that properly reflect this cost differential. As the Company stated in its Reply Brief at 64, "The major distinction between Dr. Rohr's proposal and the rates presently employed by the Company is the former's emphasis on revenue collection during a four-month summer period. Other than for this emphasis, Dr. Rohr's rates are not more reflective of the time varying costs of electricity than are those presently employed by PECO."

The continuation of the policy adopted by the Commission in the last case of increasing the summer winter differential would be sound. For this reason the Consumer Advocate's proposed residential rates should be adopted and, if desired, capped to avoid disruption to

certain summer users. Adoption of these rates would properly signal the high cost of summer usage.

The Administrative Law Judge erred in rejecting the PJM system running rate as an accurate approximation of PECO's marginal energy cost as recommended by Rohr. Recommended Decision at 197.

The Consumer Advocate has proposed that the Commission utilize the PJM lambda or running rate as the lower bound for the energy charge portion of PECO's rates. This is proposed as a method of recognizing that PECO experiences, an immediate change in energy cost when its ratepayers choose to consume or not to consume an additional kwh at the margin.

One can see the inequities of not utilizing the PJM running rate as the lower bounds of PECO energy cost by looking at the tail block change per kwh proposed for industrial customers. To the extent that this tailblock energy charge in less than the incremental cost to PECO, i.e., PJM purchase costs and to the extent that these industrial customers are purchasing energy at the tailblock price that is below the PJM lambda then some party is paying the differential. This subsidy occurs through the fuel clause. All customers are paying the difference between the tailblock charge and the cost to PECO for this marginal energy which is approximately the PJM running cost. (Because of the split savings arrangement the PJM lambda or running cost is not the exact cost to PECO but an approximation.)

First, the Administrative Law Judge erroneously relied on the Penn Power decision at R.I.D. 521 in which a similar proposal was rejected. As can be seen from staff exhibit MPD-SR1 the peak monthly output for PECO is consistently different from that of Pennsylvania

Power Company. Penn Power's load shape is virtually flat whereas PECO's is marketly varied.

The additional reasons relied upon by the Administrative Law Judge for his rejection of the utilization of the lambda was the testimony of staff at Statement MPB-2,pp.2-5. Each of these points was responded to by the Consumer Advocate at C.A. Statement 2A, 1 through 4 as well as Tr. 3722 et seq., yet the merits of this surrebuttal were not addressed in the Recommended Decision.

First, a discussion of PECO's relationship to PJM. The nine member companies of the PJM operate on a concept of economy dispatch. At any given time the most economical plant owned by any of the member companies is run to provide any additional increment in demand by any of the member companies. Thus PECO chooses whether to run its incremental or marginal units depending on whether it is cheaper to run them or to purchase from PJM. To deny the importance of PJM purchases for the PECO system and to deny the value of PJM running rates as an approximation of PECO's incremental cost is ludicrious. One hundred pages of statistical formulas and calculations will not deny this reality.

Secondly, on the merits of the statistical analyses by staff and adopted by the Administrative Law Judge for his conclusion: there were many erroneous basic assumptions in these analyses as pointed out by Consumer Advocate Statement No. 2A at 2 in great detail. In summary, staff examined the relationship between <u>average</u> system monthly lambas and monthly load as contrasted to PECO <u>hourly</u> load and hourly system lambda. RJR-1A shows that there is a significant relationship between the two latter variables. The data put forth by Staff in the hearing room to rebut Rohr's proposal contained data from the first quarter of

1978 and compared it to the first quarter of 1979. This comparison was fatally biased in that it contained the highly unusual circumstance of the coal strike. Tr. 2723. Finally, Rohr never himself asserted that there was a linear relationship between the lambdas and the loads. Tr. 3724. Staff has essentially created a strawman and knocked down the strawman no more. Rejection of Rohr's proposal, based on the reasons stated at Recommended Decision at 198 would be without basis in the record.

The Administrative Law Judge erred in relying on the staff's incorrect conclusion that the Consumer Advocate's proposal would result in excess revenues for the HT class. Recommended Decision at 197 and 198.

The testimony relied upon by the Administrative Law Judge and discussed in his Recommended Decision at 197 erroneously omits any discussion of the rebuttal to the excess revenue argument by Consumer Advocate at C.A. Statement 2A, page 4. The Consumer Advocate witness testified and similarly on initial cross-examination prior to rebuttal, that the energy charge was too low for that class because it was not adjusted for the most recent oil price (the August fuel cost has used which included a two-month lag) and further that the lambda price estimate for that class should be adjusted to reflect the load factor.

The Commission's interest in having monitoried power factor for these customers could easily be met by having a minimum demand charge for these customers in the winter months. The entire concept should not be thrown out because of this minor component.

PURPA

The Administrative Law Judge erred in accepting PECO's cost-of-service study and rates as being consistent with PURPA's Cost-of-Service and Seasonal Rate standards. Recommended Decision at 221, 224, 225.

While the Company's cost-of-service study adequately recognizes historic cost causation (primarily summer) for capacity, the rates do not carry through this recognition into price signals. If the Consumer Advocate's proposals are adopted cost-of-service and the seasonal rates standard would be met. To recognize in the cost of service study sharp seasonal differences in cost but not to follow through this recognition in price signals should not be continued and supported by the Commission.

It is not clear whether marginal pricing as such will be determined in voluntary guidelines to be considered by the PURPA. The voluntary guidelines have not been finalized although proposed guidelines for solar applications are based on marginal cost theory, as quoted in the Consumer Advocate's Brief. It is clear that such pricing is conceptually consistent with the cost-of-service standard in the Act, i.e., that costing methods should to the maximum extent practicable

> take into account the extent to which. . .costs. . . are likely to change if
>
> (A) additional capacity is added to meet peak demand relative to base demand; and
>
> (B) additional kilowatt hours of electric energy are delivered to electric customers.

In these inflationary times average embedded (historical) costs cannot accurately reflect additional capacity costs. Nor can average energy costs in times of rapid escalation of oil prices, accurately reflect the

cost of additional energy. On these grounds PECO's cost-of-service study and rates do not fully comport with the purpose of the Act nor the specific standards. It is respectfully respected that the goals and purposes of the Act and the standards should be adopted by the Commission and Rohr's rates should be accepted as most consistent with the goals of the Act and the standards enunciated therein.

The Administrative Law Judge erred in deferring decision of seasonal cost causality until further study as suggested by staff. Recommended Decision at 225.

The staff has suggested that PECO's rates perhaps should not reflect the higher cost to serve in the summer because of a graph based on data for the year ended December 31, 1977 which purports to show there is no causal relationship between total monthly average production costs and monthly peak demand. Staff Exh. MPB-SR3. This graph was not adjusted for weather conditions. Nor did it adjust for an enormous change in operation which was the addition of Salem to the system in the summerof 1977. Nor did it purport to adjust for maintenance schedules or forced outages of large plants. This position represents statistics gone amok. If there is one thing all parties agreed to in this proceeding is the sharp summer peak PECO has due primarily to residential and commercial air-conditioning load. To ignore this uncontroverted fact and to even consider the possibility of decreasing price signals that reflect this based in these graphs would be ridiculous. What has apparently happened is that the Company has adapted to the extreme summer requirements on the system, inter alia, by running its cheaper energy cost but high capital cost baseload plants in the summer and doing maintenance on them in the winter. This

adaptation should not and does not obliterate the primary fact of high summer load. Prices are properly addressed to customers because customers by their consumption patterns ultimately control costs. To garble the price signal to customer because of the effects of maintenance is to elevate statistics over reason.

The Administrative Law Judge erred in considering lifeline in this proceeding and in grandfathering evidence developed in a prior proceeding which was an essential component of the conclusion that lifeline rates should not be adopted. Recommended Decision at 232.

The Administrative Law Judge reached outside of the record in this proceeding in order to make his lifeline recommendation. Obviously three months of hearing time, in which traditional rate base, tax, accounting and financial as well as all other PURPA ratemaking and regulatory standards and generation planning matters are considered, is not a forum for a full and adequate evidentiary hearing on lifeline. This reliance on a 1976 generic investigation is forbidden by Section 114(c) of PURPA. 16U.S.C. 2624. The sole basis of rejection of lifeline rates was the assumption that the needy are not necessarily small consumers. The limited way in which this purported problem was dealt with shows either a philosophical/political view that lifeline should not be implement through rates--a view contrary to PURPA--or it shows the need for full statewide consideration wherein this evidentiary question may be fully investigated and, if confirmed, a narrowly drawn rate developed. For example, some utilities have tailored their lifeline rate to all individuals who already receive traditional income supplements or other such benefits.

For the foregoing reasons, it is respectfully requested that the Commission order hearings into lifeline rates including either a study as to correlation of income to usage or proposed rates that would be available to individuals already eligible for and/or receiving cash grants from the state.

The ALJ erred in his conclusion as to political advertising and in recommending that a decision be made in this rate case in light of the investigation at Keystone Alliance, et al. v. Philadelphia Electric Co., C-78080549. Recommended Decision at 254.

The Commission by its inaction denied the Company's petition that requested that the Commission not consider the Company's political advertising activities in the Keystone docket as allowed by the Administrative Law Judge in that proceeding. For the many and lengthy reasons stated in the Consumer Advocate's Main Brief at 102-112 the instant rate proceeding is not the proper forum for resolution of the many issues related to political advertising.

In reaching his conclusion that utilization of Company employees to develop and disseminate pro-nuclear literature at local schools and other community gatherings does not fall within the PURPA standard, the ALJ ignored the language in the Act that "direct or indirect" expenditures must be considered. Such a narrow construction of the word "commercial" is not supported by a full reading of these portions of the Act. Further, even if this is a proper interpretation of PURPA, the Commission is free to establish whatever policy it considers sound and legal.

To say that because the Company never achieves its allowed rate of return, these expenses should be granted in a small lump sum makes a mockery of the ratemaking process.

For all of the foregoing the Commission should reaffirm its position of allowing full development of this issue in the Keystone proceeding.

The Administrative Law Judge erred in rejecting former Chairman Goode's proposed information to consumers. Recommended Decision at 246.

Goode's proposed form promotes conservation as well as intelligent usage choices by consumers. To deny this information--kwh usage, cost per unit, comparative usage figures, etc.--is out of step with the current pressing need for informed consumption. Industrial consumers receive individual attention from the Company employees as to usage matters. No justification exists for the inequity of denying this information to residential consumers.

Respectfully submitted,

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Assistant Consumer Advocate

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Assistant Consumer Advocate

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DATE: March 12, 1980

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PENNSYLVANIA PUBLIC UTILITY COMMISSION

V.

PHILADELPHIA ELECTRIC COMPANY

RATE INVESTIGATION DOCKET NO. R-79060865

EXCEPTIONS OF COMMISSION TRIAL STAFF TO RECOMMENDED DECISION OF THE ADMINISTRATIVE LAW JUDGE

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Date Due: 12 March 1980

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I. SUMMARY OF EXCEPTIONS

In his Recommended Decision of February 29, 1980, Administrative Law Judge Joseph J. Klovekorn recommended that respondent Philadelphia Electric Co. ("PECO") be allowed an annual increase in revenues of $79,871,000 out of its proposed increase of $122,731,000.

Trial Staff's recommendation offers the Commission two alternatives in computing an adjustment for excess capacity and two alternative adjustments to operation and maintenance expenses. Trial Staff therefore proposed four alternative revenue increase allowances, ranging from $29,193,000 to $13,452,000 (Trial Staff Main Brief at 190, 193, 196, 199).

Trial Staff generally and specifically excepts to the following findings in the Recommended Decision of ALJ Klovekorn:

A. Excess Capacity. ALJ Klovekorn erred in failing to adopt either of Trial Staff's proposed adjustments for excess capacity, which apportion the burden of PECO's excess capacity between shareholders and ratepayers.

B. Useful Lives of Base Load Generating Units. ALJ Klovekorn erred in adopting PECO's claims of 35-year lives for its nuclear stations, 35 years for the Conemaugh 1 and 2 stations, and 30 years for Eddystone 1 and 2 and Keystone 1 and 2. The weight of the evidence supports Trial Staff's recommendation of a 40-year life for each unit.

C. Cash working Capital. ALJ Klovekorn erred in accepting PECO's calculation of 57 revenue lag days and rejecting Trial Staff's recommended allowance of 45 days.

D. Rate of Return Allowance for Selling Costs. ALJ Klovekorn erred in adjusting return on common equity upward by 5% (70 basis points) for selling expenses, rather than adopting Trial Staff's recommended calculation based on a reasonable dollar amount of selling expenses.

E. Revenue from Nonjurisdictional Customers. ALJ Klovekorn erred in failing to impute the same rate of return from wholesale customers as required of retail customers.

F. Revenue from Customers Added During the Test Year. ALJ Klovekorn erred in rejecting Trial Staff's adjustment, more accurate than Respondent's, for new customers.

G. Normalized Level of Expenses. ALJ Klovekorn erred in rejecting Trial Staff's adjustment reducing expenses to a normal level appropriate to the test period.

H. Decommissioning Expenses. ALJ Klovekorn erred in computing PECO's decommissioning expense allowance in a way that gives PECO an interest-free loan from ratepayers, and which is contrary to previous Commission decisions.

I. Rate Structure.

1. ALJ Klovekorn neglected to recommend which of two Staff proposed residential rates (Rate R) should be adopted.

2. ALJ Klovekorn should have adopted Staff's recommendation to expand the controlled water heating rate to other hard-wired appliances.

3. ALJ Klovekorn's Recommended Decision apparently fails to specify the method of distributing the revenue increase among rate classes.

4. ALJ Klovekorn's recommendation of a generic investigation of marginal cost pricing has already been considered by the Commission.

II. ARGUMENT

A. The Commission Should Adopt One of the Trial Staff's Two Proposed Excess Capacity Adjustments [Recommended Decision, p. 98].

ALJ Klovekorn rejected all proposed excess capacity adjustments on the ground that the record did not show "such management imprudence as to warrant an adjustment" and the additional ground that "the adjustments proposed are severely flawed." (Recommended Decision at 98).

Trial Staff submits that there is sufficient evidence of management imprudence. Dr. Birx testified (Statement DLB-1, p.15) that PECO has not performed studies which could lead to decreases in reserve capacity while maintaining reliability, in the areas of management techniques, optimum maintenance techniques and optimum sizes of capacity additions. He also testified (DLB-1, pp.18-19) that PECO is not responding to the lack of increase in its peak load for the last six years (Tr.724), but is "doing no more than maintaining a holding pattern until some day in the future load hopefully will grow again to meet installed capacity." The mere fact of a 36% reserve margin, when existing PJM requirements are 22%, is evidence of imprudence. Even PECO predicts no higher than 25-29% PJM planning requirements (Statement 15A, p.7). PECO's contractual reserve requirement for the 1980's is expected to be only 24-26% (Exhibit VSB-2, APP-A5).

Even assuming for the sake of this argument that the record is barren of any evidence of imprudence, the Commission should still make an excess capacity adjustment. It is one of the risks of business when, for example, an automobile manufacturer overbuilds. Such a private industry is not free to pass on to its customers the costs of excess capacity. Trial Staff submits that even if PECO's building program was wholly prudent, and even if its response to the cessation of growth of its peak has been appropriate, it is neither fair nor reasonable for the ratepayers to bear all of the risk and all of the expense of what is obviously far more than needed to serve the ratepayers adequately. The main issue on the question of excess capacity is not management imprudence, but whether the ratepayers must bear all the burdens of over-capacity.

To allow PECO to pass along all costs associated with excess capacity is to allow "cost-plus" regulation, and to create incentives for PECO and all other utilities to overbuild.

Dr. Birx's adjustment is not "seriously flawed." His use of the current contractual 22% margin is fully consistent with the one day in ten year loss of load probability criterion for the future test year. ALJ Klovekorn did not fully explain that Dr. Birx's adjustment proposes a sharing of the burdens of excess capacity between ratepayers and shareholders. He proposes the removal of $85,000,000 of rate base only from the equity return. He recommends that the

company continue to receive a return covering its fixed obligations (debt and preferred stock) on the $85,000,000, and he recommends that the company be allowed its full annual depreciation expense. The difficulties of forecasting and the problems caused by the oil embargo are risks of doing business. Consequently, Trial Staff submits that the costs of these risks should be at least partially borne by the shareholders.

The adjustment proposed by witnesses Boonin and Barrett does reject the PJM's contractual requirement. There is no penalty within the PJM system for a utility that has too much capacity; there are only penalties for insufficient capacity. This Commission has never yet allocated responsibility to PECO for its excess capacity. Therefore, a utility manager need not be imprudent but only fully awake in order to realize that all regulatory and economic signals point to "build" rather than to "retire, sell or lease" or to non-structural alternatives such as load management, active conservation or cogeneration. The PJM planning and capacity obligations are certainly subject to error. They are based in part on the forcasts of all PJM utilities, which have been too high for years (Tr. 3533, 3536). It is also in the economic self interest of the other PJM companies, which are also blessed with a good deal of excess capacity (Exhibit VSB-2, pp.7-8), to contract among themselves for as high a reserve margin as a regulatory commission can be expected to swallow.

Neither is it sufficient to state that PECO's excess generating units are valuable for "split savings" on the PJM interconnection. Without its expensive peakers, PECO's costs for "emergency power purchases" (cost plus 10%) might well have been less than its costs under the split savings calculation. The Commission found emergency power purchases more beneficial than split savings to Met Ed and Penelec in the TMI investigations (P-79100200 Order entered November 27, 1979; see also I-79040308 Order entered June 19, 1979 at p.16).

Witnesses Boonin and Barrett found a total of 850MW to be in excess, and recommended an upward adjustment to the company's total revenues of $21,717,500 (850MW x $25.55/KW). This adjustment uses in its calculation of excess capacity a 20% reserve margin, the only official Commission finding on reserve margin. The witnesses also cite several studies where reserve margins in the range of 15-20% were found to be adequate. The witnesses chose a rate for capacity which, according to PJM, is based upon the costs of new combustion turbines and provides a prospective buyer of capacity a reasonable short term alternative to a new installation, while giving the supplier a fair and equitable return on investment. They did not assert that the company would definitely be able to sell or lease the amount of the excess capacity. The purpose of the adjustment is to allocate the burden of the costs of excess capacity. The decision as to the disposal of capacity is a decision for PECO's management, subject to the Commission's

review. Sales might actually take place at more than $25.55 per kilowatt, which could benefit the company.

Trial Staff further takes exception to the conclusion that load forecasts have limited use for ratemaking purposes. (Recommended Decision, pp. 95-96). The Commission Staff is currently conducting a comprehensive investigation to determine how Pennsylvania's electric utilities can develop forecasts that will provide information on future load curves of everything that consumes electricity, including data on appliance saturations. Improved forecasts should enable the utilities and the Commission to: develop rate structures that will effectively induce conservation and load management, provide more accurate estimates of required capacity additions and appropriate generating mix, provide estimates of the potential impact of the Commission's rate decisions on service area economies, and provide relatively accurate revenue impact analyses of choices of potential rate increases. Trial Staff submits that a close analysis of forecasting techniques should provide the Commission with a very valuable ratemaking tool.

B. Useful Lives of Base Load Generating Stations [Recommended Decision, pp. 23, 28].

1. The Commission should adopt a 40-year lifespan for PECO's nuclear units.

ALJ Klovekorn adopted PECO's claim of a 35-year lifespan for its nuclear units. Both the Recommended Decision (at 22-23) and PECO's testimony (PECO Statement 9A, page 4) rely heavily on past Commission allowances of 35-year lifespans on nuclear units. Aside from reliance on past decisions, PECO's testimony is based on its prior testimony in R.I.D. 438 recommending a 25-30 year period (Statement 9A, p. 4) and on the period of the NRC operating license (Statement 9A, pp. 2-4). Both the prior testimony and the license period were rejected by the Commission in R.I.D. 438 as the basis for lifespans.

Trial Staff's testimony, summarized in its Main Brief at pages 22-24, is based in part upon Dr. Birx's opinion that the reactor vessel of a nuclear plant should last at least forty years, and that the remainder of the plant is based on familiar technology. Nuclear plants are in fact better built than fossil plants. Trial Staff agrees with ALJ Klovekorn that there is not sufficient experience to establish precise lifespans for nuclear units (Recommended Decision at 23-24). However, in such a case, the Commission should not then accept the company's estimate; it should adopt the position of whichever party has produced more substantial and credible testimony.

2. The Commission should adopt a 40-year lifespan for PECO's newer fossil fuel units.

ALJ Klovekorn criticizes Trial Staff's use of a study made by Mr. Joseph Egg of Duquesne Light Co. because of its use of "economic lifespans" (Recommended Decision at 26-28). Mr. Egg's definition of "economic lifespan" is "the period of time required to go from maximum output to zero output (retirement)." (Trial Staff Statement DLB-1, Appendix C, page 3). This definition of economic lifespan fits the concept of lifespan as used for depreciation purposes by the Commission.

The "actual experienced lifespan" of 31 years in the Egg study, cited by ALJ Klovekorn at page 27 of the Recommended Decision, was only the lifespan of the early retirements (see Tr. 2684-2686, and Statement DLB-1, Appendix C, page 26 and Appendix D, page 1). The basic conclusion of the Egg study was a finding of lifespans of 44+ years, and a study by Joseph P. Sivulich of the PUC Staff found expected lifespans of 50 years (Statement DLB-1, page 11).

ALJ Klovekorn did not discuss several other important pieces of evidence:

(1) PECO's Eddystone plant supervisor told Dr. Birx he expects the Eddystone units to continue to be base load units for 20 years after scrubbers are installed in 1982, implying a useful life of 42 years (Statement DLB-1, page 12; the on-line date was 1960, according to PECO Exhibit HTW-2, page 23).

(2) ALJ Klovekorn notes at pages 24-25 of the Recommended Decision that the Eddystone units cannot be cycled. Cycling can be very stressful to the physical integrity of a power plant. Mr. Egg, in his study, pointed out for nuclear plants (which also do not cycle) that the non-cycling "could extend the economic lifespan . . . and thus reduce the lifetime financial cost." (DLB-1, Appendix C, page 9).

(3) PECO's claimed useful life of 35 years for the Conemaugh 1 and 2 units disagrees with the 41 and 40-year lives used by its co-owner, Metropolitan Edison (DLB-1, page 12).

(4) PECO's witness Harold Waddington testified in Duquesne Light Co., R-78100740 that "the outlook for the newer generating units is for lifespans of approximately 40 years." (Quoted in West Penn Power Co., R-78100685 Order at 15). The Commission followed Mr. Waddington's 40 year testimony in the West Penn case.

(5) Most utilities are now favoring refurbishing of old plants at a cost of $200 per kilowatt rather than building new plants costing at least $700-800 per kilowatt (Tr. 2666). This would extend their useful lives.

C. PECO's Claim for Revenue Lag Days Was Calculated Improperly and Should Be Reduced from 57 Days to 45 Days [Recommended Decision, p. 42].

PECO's method for calculating its revenue lag days was a simple division of its 12 test year monthly accounts rceivable figures (which are spot figures from its balance sheets; Tr. 378), by its 12 monthly average daily revenue figures. This is clearly not a lead-lag analysis, and the result of 38 days is unreasonable on its face. The 38 days is calculated from the date the customer receives the bill, which implies that on the average, each customer pays his bill more than two weeks after late charges are assessed (see discussion in Trial Staff's Main Brief at 35-37).

The total claim of 57 days is arrived at by adding to the 38-day figure an additional 15 days from the midpoint of the billing period and 4 days for bill preparation and mailing. Trial Staff does not dispute the 15 and 4-day figures.

Trial Staff had neither the time nor the data to perform the lead-lag study which the company chose not to make with respect to its revenues. Trial Staff's more reasonable estimate should be adopted. Trial Staff witness Mr. Markovci in Statement GFM-1 calculated the lag days which would have resulted if all customers paid their bills on the last day before late charges are assessed. He also assumed that the revenue associated with late charges actually collected by PECO was paid a conservative 95 days late (Exhibit GFM-1C; not 45 days as stated by ALJ Klovekorn at Recommended Decision

page 39). Mr. Markovci further demonstrated in Statement GFM-2 and Exhibits GFM-1D and 1E that his conclusion would not change even if he additionally lagged for 95 days the revenue associated with penalties forgiven by PECO. Trial Staff's method is not a balance sheet method, and should be adopted as the best available estimate of revenue lag.

PECO should also be directed by the Commission to perform a true lead-lag study for its entire cash working capital claim in its next rate filing. It should not be permitted to use a balance sheet method for revenues and then, as it has attempted to do in this case, turn to a true lead-lag study for the expense lag offset to cash working capital (Tr. 389, 397-400).

D. A 5% Allowance for Selling Costs, Applied to All of PECO's Equity, is Unsupported in the Record and Provides an Enormous Windfall for PECO [Recommended Decision, p. 124].

ALJ Klovekorn, at page 124 of the Recommended Decision, treated common equity selling costs as follows:

> "A review of the three positions concerning an adjustment for common stock selling costs indicates that Muth's is too small, based on spot data and not applied to the total equity of PECO; Marcus' 5% is reasonable and acceptable but should be applied to the total equity and not only to part of it and; Brennan's 5% also appears reasonable and is applied in a reasonable manner."

This decision was wrong for the following reasons:

(1) Even Mr. Brennan's adjustment for common equity selling costs was less than 5% of PECO's total equity. Mr. Brennan's 5% adjustment (actually 5 1/4%, since he divides by 95% rather than adding 5%), was composed partly of issuance or selling expenses and partly of market pressure. The Commission disallowed any adjustment for market pressure in the PECO-Gas Division case (R-79030781 Order at 36), and ALJ Klovekorn has made no allowance for it in this case. Mr. Brennan's allowance for selling costs is only 3.39% (Statement 14, Appendix D, page 4).

(2) A 5% adjustment (computed by dividing by 95%) to the cost of equity provides PECO an enormous windfall. The following table demonstrates that ALJ Klovekorn's allowance for selling expenses produces a revenue requirement of nearly $12,000,000 annually.

ALJ Return on Equity		14.00%
Selling expense adjustment		X95.00%
Equity return before selling expenses		13.30%
		14.00%
		-13.30
Equity allowance for selling expenses		.70%
Equity portion of capital structure		X35.00%
Overall return allowed for selling expenses		.245%
ALJ Recommended Rate Base	$2,452,909,000	
	X.245%	
Income Requirement	$ 6,010,000	
Return Rate (Complement of effective tax rate)	÷50.232%	
Revenue Requirement		$11,964,485

Issuance and selling costs are specific identifiable costs resulting from new issues of common stock. The issuance and selling costs applicable to each of PECO's last seven common stock offerings are a matter of record in PECO's Exhibit No. 1, Attachment II-A-19. The actual dollar cost computed from this table incurred by the company for each of these issues is summarized below:

Date of Issue	Number of Shares Sold	Cost Per Share $	Total Cost to Company $
4/17/73	2,200,000	.84	1,848,000
9/12/73 (1)	5,138,119	.13	667,955
4/22/75	4,000,000	.68	2,720,000
9/17/75 (1)	6,000,000	.24	1,440,000
10/6/76	4,000,000	.61	2,440,000
10/5/77	4,000,000	.572	2,288,000
4/3/79	4,000,000	.546	2,184,000

Note 1: Rights offerings

Trial Staff witness Muth based his 14 basis point adjustment on the actual per share cost of issuance and selling expenses incurred by PECO for its most recent (4/3/79) stock issue (Trial Staff Statement DHM-1, page 25). Any adjustment made to the cost of equity capital for issuance and selling costs should recover no more than actual expenses incurred or expected to be incurred for a normal year. A normal year, according to the above table, contains one non-rights common stock issue. Mr. Muth's adjustment is by far the most accurate of the adjustments in this case.

It should be apparent that the arbitrary application of a 5% adjustment to total equity capital results in an undeserved windfall for PECO. While the record supports a cost of equity capital of more than 13.30% plus .14% for selling expenses, considering continued high interest and inflation rates, it clearly does not support a 5% adjustment to total equity for issuance and selling expenses.

E. The ALJ's Failure to Impose a Rate of Return and Revenue Requirement for Nonjurisdictional Sales Consistent With the Rate of Return Allowed on Retail Sales or in the Alternative Determine Revenue Requirements on the Jurisdictional Portion of Rate Base and Expenses Results in an Excessive Revenue Requirement From Retail Customers [Recommended Decision, pp. 132-133].

Trial Staff's Brief filed January 21, 1980, points out (pp.140-141) PECO's failure to either (1) allocate plant and expenses between wholesale and retail customers as has been done by Bell Telephone Company in all its filings or (2) impute the same return requirement of wholesale customers as required of retail customers as has been done by Metropolitan Edison Company and Pennsylvania Electric Company in their filings. This failure results in revenue requirements of retail customers in excess of the amount that would support retail operations.

By properly assigning revenue requirements between retail and wholesale customers on a consistent return basis, this Commission is not passing judgment on the reasonableness of wholesale rates. An extreme example should demonstrate this point. If the F.E.R.C. disallowed certain PECO expenses for ratemaking purposes while this Commission recognized these same expenses as reasonable and proper, should retail customers be required to foot the entire bill for these expenses?

If this Commission determines total Company revenue requirements based upon total Company plant and cost

of operations and then subtracts non-jurisdictional revenue from this figure to determine retail revenue requirements, there is no incentive on the part of PECO to seek rate increases from wholesale customers. In fact, PECO could give non-jurisdictional energy away and be made whole by this Commission.

The discussion of this issue is found at pp.132-133 of the Recommended Decision.

F. The ALJ Improperly Accepts PECO's Methodology For Calculating Annualized KWH Sales From Customers Added During the Test Year [Recommended Decision, pp. 133-134].

At pp. 133-134 of the Recommended Decision is found the discussion of PECO and Trial Staff methodologies for adjustment to reflect additional revenues from sales generated by the addition of new customers during the test year.

Trial Staff's method of adjustment recognizes the change in the number of customers that actually occur during each month throughout the test year. This method results in a more accurate and refined calculation than respondent's methodology which, by using the mid-point of the test year, assumes that new customers are added uniformly throughout the year.

Respondent did not challenge Trial Staff's methodology under cross-examination (Staff Witness Kleha) nor did it dispute the accuracy of Staff's methodology in respondent's brief (PECO Brief pp. 150-151).

Respondent's methodology should not be accepted simply on the basis that it "is a reasonable one, having been used in the past." Improvements in methodology should be nurtured and encouraged.

It is our understanding that this Commission accepted the methodology that the Trial Staff now proposes

when this method was used by utilities at C-19244 (PP&L) and R.I.D. 84 (Duquesne Light Company). Staff's method is not a new approach, but rather a continuing effort to seek a uniform method throughout the industry for calculating annualization adjustments that reflect a more accurate and useful calculation to support a claimed position.

Trial Staff's methodology would result in an increase in respondent's annual operating revenues of $476,000 and operating expenses of $64,000 (see pp. 142-144, brief of Commission Trial Staff).

G. The ALJ Improperly Rejects Trial Staff Adjustments to PECO's Claimed Operation and Maintenance Expense [Recommended Decision, pp. 148-149].

Discussion of Staff adjustments are found at pp. 138-149 of the Recommended Decision. Certain adjustments advanced by the Staff are not discussed in the Decision but are rejected by implication based upon expenses allowed in the Order.

Respondent's claim in this proceeding is based on a future test year. Any look into the future requires estimating and the use of models. PECO had to use estimation and model techniques to arrive at its claim. A simple straightline projection is a model, however, it is known that Respondent has and uses, the very sophisticated statistical computer program known as SAS (Statistical Analysis System). It goes without saying that any such procedure must be based on what has happened in the past. (See cross-examination of PECO witnesses at Tr. 4041-3, and 4089-90).

The procedure used by Trial Staff Witnesses Wagner and Nellis in this proceeding (Trial Staff Statement No. EKW/REN-1), patterned after the procedure utilized in the widely used Regulatory Analysis Model (RAM), was not designed, or intended, to estimate how much money PECO will spend in the test period. Rather, the procedure is intended to estimate the normal level of expenses appropriate to the test period for rate-making purposes. Thus, the fact, as pointed out by the Administrative Law Judge, that the Staff estimates do not match actual expenses in a particular year is superfluous and irrelevant for rate-making purposes.

The models utilized by the Staff were developed from PECO data for the fifteen calendar years immediately preceding the future test year, and were developed solely for the purpose of estimating normal levels of expenses for rate-making purposes for the future test year. Staff has made no claim as to the appropriateness of these models for estimating beyond the future test year.

The beauty of the Staff's methodology is that it eliminates the necessity of nit-picking through 90-odd operation and maintenance accounts, which is both time-consuming and haphazard. It also eliminates the seeming endless debates over whether a particular one-time, nonrecurring expense, e.g. a rate case expense or a flood or storm damage expense, should be amortized over a three-, five-, ten-, or twenty-year period. The Staff's regression analysis recognizes such expenses and automatically smoothes them out. The procedure also takes into consideration the fact that the level of activity in any group of accounts is influenced by spending excesses or deficiencies of previous years.

Staff recognizes that blind acceptance of the results of its analyses would not be proper in the face of demonstrated newly incurred continuous expenses. However, as argued in Staff's Main (pp. 119-124) and Reply (26-27) Briefs, Respondent has made no claims for such expenses.

Needless to say, Trial Staff takes exception to all of the Administrative Law Judge's criticisms of the Staff methodology found on pages 140-143 of his Recommended Decision, which are mere recitals of arguments already advanced by Respondent. All of these points have been put to rest by the Staff in its Reply Brief, pages 27-29, which the Judge has totally ignored.

The Administrative Law Judge cites three recent Commission orders to support his aversion to basic statistical procedures, carefully avoiding precedent cited by Trial Staff in its Main Brief (p. 99). The objections posed in the West Penn order at R-78100685 have been met in this proceeding, as discussed in Staff's Main Brief (pp. 99-102) and need not be repeated here.

The Trial Staff used an entirely different methodology in the Pennsylvania Electric Company proceeding at R-78040599 and the Metropolitan Edison Company proceeding at R.I.D. 626. In those cases the Trial Staff simply regressed expenses against time which is fundamentally quite different from the procedure used to develop cost curves in the present proceeding, and which is summarized by the judge in his Recommended Decision at pp. 138-139. As indicated by the Administrative Law Judge, page 144, the objections found in the Penelec case were:

1) ". . . this method fails to sufficiently account for the higher rate of inflation . . . in recent years . . ." and

2) the method does not sufficiently account for ". . . expenses associated with the end of period addition of Home (sic) City No. 2."

With respect to inflation, the methodology used by Trial Staff in the present proceeding explicitly accounts for actual inflation experienced in each year covered by the study. With respect to recognition of capacity additions, Trial Staff Exhibit No. EKW/REN-1B, Schedule 2, p. 3, clearly shows that the cost curve developed for power production expenses in this proceeding accounts for changes in capacity as they occurred.

The objections found in the Met-Ed case as well are met by the different procedure used in the present proceeding. Additionally, as discussed in our Main Brief, pp. 119-124, and Reply Brief, pp. 26-27, there was no claim in the present proceeding for ". . . additional expenses associated with operating and maintaining devices to comply with environmental regulations. . ." As discussed earlier, Trial Staff's methodology was not intended to estimate actual expenses incurred, but rather to estimate the normalized level of expenses <u>appropriate for rate-making purposes</u> for the test period.

Contrary to the Administrative Law Judge's conclusion, the Commission was careful in the Met-Ed order <u>not</u> to preclude

the use of recognized statistical precedures in future rate cases. As quoted in the Recommended Decision, p. 145, the Commission stated:

> "In saying this, we do not wish to imply that the least squares method of regression analysis is inapplicable to predicting a level of expense or revenues. . ."

The Trial Staff presented alternative procedures in support to their recommended adjustments to operation and maintenance expenses. The Administrative Law Judge addressed the alternative procedures at pages 146 to 150 of his Recommended Decision.

The Administrative Law Judge's rationale for not accepting the averaging approach appears contradictory to his rationale for rejecting the regression analysis. The alternative procedures are being criticized for their failure to utilize the output variable the Administrative Law Judge has already characterized as "clearly arbitrary and without logical support" in his rejection of the regression analysis. This argument has already been met at page 30 of Trial Staff's Reply Brief.

By his failure to allow the Trial Staff's average figures for expenses, the Administrative Law Judge would allow Respondent to recover $229,000 from ratepayers each and every year for a management audit (Trial Staff Statement No. EKW/REN-1, page 18, line 12). Does this Commission expect the Respondent to incur this expense each and every year? A

second expense the Administrative Law Judge will allow Respondent to recover from ratepayers each and every year is $603,000 associated with a new On-Line Customer Communication System (Trial Staff Statement No. EKW/REN-1, page 18, line 16). The Respondent did not incur this expense in the past nor does it plan to do so in the future. Third, and probably the most glaring error of all, is that the Administrative Law Judge would allow Respondent to recover an expense associated with the automation of Limerick Station. The Limerick Station is not yet in rate base (Trial Staff Statement EKW/REN-1, page 19, line 1). Fourth, by not accepting the averaging approach the Administrative Law Judge allows Respondent to recover an expense which will not be incurred during the period new rates are in affect. The Respondent's own witness at Transcript page 1496-1498 stated that Respondent has included in its budget for the test year ended 3/31/80, eleven months of the annual lease expense for two computers, Honeywell H8200-Y36 and the H8200-Y85. As shown on Attachment III-A-23, page 1 of 2, these leases will expire on 2/29/80 and will not be renewed. A claim for the new computer which will replace the above mentioned computers has been included in this proceeding. The adjustment to eliminate the lease expense is $523,600 (33,800 + 13,800 x 11). Also associated with the computers which will no longer be leased is a maintenance expense of $420,200. Therefore the total adjustment should be $943,800.

The Administrative Law Judge has allowed the Respondent to recover a 7.4% wage increase from ratepayers. The Respondent only gave a 7.2% wage increase to its employees at 8/1/79. As a result of use of new equipment and expected employee productivity increases the general wage increases in the past have borne no relationship to the actual payroll expense (Trial Staff Statement No. EKW/REN-1, page 17, lines 14-24).

H. PECO's Decommissioning Expense Allowance Should Be Based Upon An Interest-Bearing Annuity Rather Than Providing An Interest-Free Loan From Ratepayers [Recommended Decision, p. 165].

In line with earlier Commission decisions, ALJ Klovekorn has recommended that PECO be required to invest its decommissioning expense allowance in tax-free Pennsylvania bonds. Trial Staff agrees with this recommendation, but excepts to the failure of ALJ Klovekorn to follow the same Commission decisions in his computation of the allowance.

In Metropolitan Edison Company, R.I.D. 434 Order at 23-24; Metropolitan Edison Company, R.I.D. 626 Order at 49; Pennsylvania Electric Company, R-78040599 Order at 28-30; and Pennsylvania Power Company, R-77110521 Order at 21-22, the Commission computed the decommissioning expense allowance by determining the annuity amount which, if invested in tax exempt bonds, would accrue (including interest) the cost of decommissioning. The Commission has never decided otherwise. ALJ Klovekorn's decision adopted PECO's methodology, which simply divided the total cost by 28 years to arrive at an annual expense.

ALJ Klovekorn allowed 46% of PECO's estimate of decommissioning costs because he found that the remaining 54% of the estimate was not nuclear related. By simply

allowing 46% of PECO's claim, ALJ Klovekorn made no provision for the accumulation of interest on the dollars put in escrow in the form of Pennsylvania bonds.

Trial Staff Exhibit DLB/RLP-1-A, Schedule 4, attached to Statement DLB/RLP-1, provided the method of calculation for annuities based on Pennsylvania bonds at 6.5% interest, consistent with all of the Pennsylvania P.U.C. decisions on this subject (cited above). Applying the formula from the Exhibit, and using Judge Klovekorn's 46% allowance (Trial Staff testified to and recommended 25% but does not except to 46%), the following are the annuity expenses depending on the useful life chosen for nuclear facilities:

40-year life span

Annuity = $322,185

35-year life span

Annuity = $530,071

One of the above should be chosen in lieu of the Administrative Law Judge's allowance of $1,655,000.

I. 1. ALJ Neglected to Recommend Which of Two Staff Proposed Residential Rates (Rate R) Should Be Adopted [Recommended Decision, p. 190].

At page 190 of the Recommended Decision are found Trial Staff Proposals No. 1 and No. 2 which specify a separate customer charge and KWH charge for residential customers. These proposals were advanced by Dr. Bloom of the Commission Trial Staff.

While approving the residential rate design proposed by Dr. Bloom, the Order is silent as to which design should be adopted.

We urge the adoption of Proposal No. 2. Proposal No. 2 includes a higher customer charge than Proposal No. 1 and is closer to the customer cost experienced by PECO.

2. ALJ's Recommended Decision is Silent With Regard to Commission Staff's Recommendation That Controlled Water Heating Rate Be Expanded to Include Other Hard-Wired Appliances [Recommended Decision, pp. 191-193].

At pp. 191-193 the Recommended Decision discusses Rate-WH-Off Peak. The Order approves Staff's proposal that water heating customers be given the option of choosing a controlled water heating rate which treats all weekend consumption as off-peak but does not dispose of Staff's proposal that PECO expand the opportunity for using this rate by allowing other hard-wired appliances to be served under this rate.

The inclusion of other hard-wired appliances in the controlled rate will benefit PECO and its customers by reducing peak demand. We urge adoption of this proposal.

3. ALJ's Recommended Decision Apparently Fails To Specify the Method of Distributing the Revenue Increase Among Rate Classes [Recommended Decisions, pp. 212-213].

At pp. 212-213 of the Recommended Decision is found a discussion of various methods for allocating the revenue increase among rate classes.

The ALJ rejects OCA's uniform percentage increase and the zero fuel methodology advanced by various parties including Trial Staff.

While we are not taking exception in this instance we do wish to point out that our reading of the order leaves in doubt whether the ALJ directed that the increase be spread in a manner consistant with PECO's proposal or whether he has passed the decision, in the first instance, to the Commission.

4. ALJ's Recommendation That Commission Institute A Proceeding to Determine if Incremental or Marginal Cost Pricing Should Be Applied To the Rates of Electric Energy Has Already Been Considered By the Commission [Recommended Decision, p. 222].

Although we opposed the use of marginal cost pricing as the basis for designing PECO's rates we are not excepting to the recommendation found at page 222 of the Recommended Decision which suggests a generic investigation of the propriety of marginal cost pricing for electric utility rates.

The ALJ may have been unaware that the Commission has already given consideration to the institution of such an investigation although no order has yet been issued initiating such a proceeding.

We invite the Commission's attention to action taken at the Public Meeting held April 19, 1979, at which time it is our understanding that the Commission adopted a recommendation that a generic investigation be initiated into the subjects of cost classification, cost allocation and cost incurrance methodologies utilized by the various Pennsylvania electric utilities. It is assumed that marginal cost pricing is included within the broad scope of this inquiry.

THE COMMISSION TRIAL STAFF RESPECTFULLY REQUESTS ORAL ARGUMENT BEFORE THE COMMISSION.

We expect to address all issues that have been included in the Staff's Exceptions to the Recommended Decision and, in addition, may wish to address certain issues raised by other parties.

The Staff's list of issues to be argued may be reduced depending upon the content of exceptions and replies to exceptions filed by other parties.

Respectfully submitted,

Albert W. Johnson, III

Gregg C. Sayre

Attorneys for the Trial Staff of the Pennsylvania Public Utility Commission

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Public Utility Commission

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	R-79060865
	:	
Philadelphia Electric Company	:	

ERRATA NOTICE

Please make the following changes and additions in your copy of the Administrative Law Judge's Recommended Decision, issued February 29, 1980, in the above cited proceeding:

p.19, l.20 should read:
"December 11, 1979). On February 15, 1980, the Commission upheld the";

p.154, l.19 should read:
"statistics, over 50 percent of all Pennsylvania residents receiving public".

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TO COMMONWEALTH COURT.

Joseph J. Klovekorn
Administrative Law Judge

Dated: March 13, 1980

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COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P. O. BOX 3265, HARRISBURG, Pa. 17120

March 14, 1980

IN REPLY PLEASE
REFER TO OUR FILE
R-79060865

TO ALL PARTIES

Pennsylvania Public Utility Commission
v.
Philadelphia Electric Company

NOTICE

This will advise you that the Commission has scheduled oral argument in the above entitled proceeding on Monday, March 31, 1980 in Hearing Room No. 1, North Office Building, Harrisburg, from 10:00 a.m. to 1:00 p.m.

Very truly yours,

William P. Thierfelder
Secretary

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BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION, et al.	:	
v.	:	DOCKET NO. R-790608 5
PHILADELPHIA ELECTRIC COMPANY	:	

EXCEPTIONS OF COMPLAINANT CITY OF PHILADELPHIA TO THE RECOMMENDED DECISION OF ADMINISTRATIVE LAW JUDGE JOSEPH J. KLOVEKORN

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DATED: March 12, 1980

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TO COMMONWEALTH COURT.

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STATEMENT OF THE CASE

On July 27, 1979, the Philadelphia Electric Company (hereinafter, PECO or Company") filed Supplement 6 to Tariff Electric Pa. P.U.C. No. 25 to become effective September 25, 1979. Supplement 6 proposed to increase rates some $123 million based on the experienced level of operations in the twelve months ended March 31, 1979 and the projected level of operations in the twelve months ended March 31, 1980. The Commission initiated an investigation to determine the lawfulness, justness and reasonableness of rates, rules and regulations proposed in PECO's filing. The tariff supplement was automatically suspended until April 25, 1980 by operation of law. 66 Pa. C.S.A. §1308(d).

The instant matter was assigned to the Honorable Joseph J. Klovekorn who was to preside over the hearings and prepare a recommended decision. Numerous evidentiary hearings were held developing a record in excess of 4200 pages. The Administrative Law Judge has now recommended that an increase of some $80,000,000 be granted the Company. The City of Philadelphia herein files exceptions to Judge Klovekorn's Recommended Decision.

I. THE ADMINISTRATIVE LAW JUDGE ERRED IN NOT FULLY CONSIDERING THE IMPACT OF THIS RATE INCREASE ON THE PHILADELPHIA COMMUNITY

The Administrative Law Judge erred in his decision (pp. 6-8) in not striking an even balance between the interests of the ratepayer and investor. The decision completely ignores the fact that ratepayers in Philadelphia have over the last five years already paid increased rates in excess of $250,000,000. Moreover, ratepayers have also been burdened with the imposition of the new energy adjustment clause which was made effective on July 1, 1978. In view of the preceding history, and the fact that Philadelphia consumers are already being pressed to the limit of their resources to pay their present bills, it is unconscionable that a rate increase of the magnitude of $80 million be granted by the Administrative Law Judge here. The fact of the matter is that no rate increase whatsoever is justified on the record before the Commission. (City Initial Brief at 4).

Table 1

Rate Relief Requested and Allowed
Philadelphia Electric Company
1974-1978

APPLIED FOR:		MADE EFFECTIVE:	
Annual Revenue	Application Date	Annual Revenue	Effective Date
$136,000.00	1/3/74	$ 24,000.00	4/1/74
		18,000.00	1/1/74
95,000.00	11/19/75	24,300.00	2/6/76
		22,700.00	8/5/76
		25,000.00	10/21/76*
116,000.00	8/5/77	11,900.00	3/3/78
		67,000.00	7/4/78**
	TOTAL ALLOWED	$255,900.00	

* Approved by the PUC on a retroactive basis on February 3, 1977.

** Approved by the PUC on a retroactive basis on December 28, 1978.

II. THE ADMINISTRATIVE LAW JUDGE ERRED IN NOT MAKING AN ADJUSTMENT TO RATE BASE FOR PECO'S CHRONIC EXCESS CAPACITY.

The Administrative Law Judge defies credulity by effectively ignoring the whole issue of the necessity of eliminating costs associated with excess capacity. (Decision, pp. 74-94). It is noteworthy that excess capacity has been a chronic problem which has in the past been entirely borne by the ratepayer. City Initial Brief at 6. This situation should be put to an end. The City of Philadelphia submits that the Commission should effect a sharing of the burden of excess capacity through the elimination of costs associated with PECO's most uneconomical units for rate making purposes as per the recommendation of Consumer Advocate Witness Weiss. Id at 11-12.

Mr. Weiss excludes costs associated with the following units in his calculation of PECO's rate base:

Chester 5 and 6	124 MW
Richmond 9	166 MW
Barbados 6 and 7	38 MW
Southwark 1-6	420 MW
TOTAL	748 MW

These adjustments imply a reduction in generating capacity for ratemaking purposes to the level of 6944 MW based on the estimated peak load of 5860 MW and the mid-point (18%) of the ESRG recommendation of necessary reserves for the summer of 1981. Such adjustments would remove $25,043,000 from rate base as the reduction associated with excess capacity.

The Commission has ample precedent upon which to rely in implementing the City's proposal. The Massachusetts Department of Public Utilities in its recent decision In re Western Massachusetts Electric Company,

Decision No. 18731 (1977), involving a utility with substantial excess reserves upwards from 37%, held the following:

> We find that the existence of significant amounts of excess capacity now, and the prospects that that situation will continue for the next several years are the result of imprudent management policies. This is so because management failed to act resolutely and quickly to relieve the burdens which excess capacity places upon the Company's ratepayers. The remedy for this situation suggested by the intervenors (i.e., eliminating the peaking units from rate base) is, in our view, entirely appropriate.

Moreover, this Commission has held that the factual issue of the prudence of the investment when made, does not preclude the consideration of equitably allotting responsibility for the costs of redundant capacity existing at present. For although the existence of excess capacity may not have been necessarily the fault of the company or its investors, neither was it the fault of the ratepayer. Pa. P.U.C. Penn Power Co., R-77110521 (1978). The Commission made precisely this point in R.I.D. 438 in quoting the Penn Power decision cited above:

> ...We must consider such abnormal situation [excess capacity] to be a business risk. We cannot view as equitable or fair the placing of all such risk on the consumer alone.
>
> Investors, as well, in such situation should bear a part of the risk.

Slip Opinion, p. 14.

In view of the above, the City does not seek to penalize the company here. The instant situation, however, has continued too long and the Commission must act to amend the Administrative Law Judge's decision so that the ratepayer does not have to shoulder the entire burden of excess capacity as has been the case in the past. Equity demands that the costs of redundant investment (represented by the most uneconomical units) be removed from ratebase for ratemaking purposes.

III. THE ADMINISTRATIVE LAW JUDGE ERRED IN CONCLUDING THAT PECO'S TRENDING METHODOLOGY WAS REASONABLE.

The Administrative Law Judge completely missed the mark in his conclusion that PECO's trending study was reasonable. (Decision at 50). It was clearly adduced on cross examination that PECO's trending methods were flawed in that they (1) erroneously ignored AFUDC, (2) included gross judgment calls, (3) incorporated improper splicing techniques between time periods and (4) were in contravention of applicable law. (CEPA Brief at 24-32). The Administrative Law Judge at page 55 of his decision even conceded that any study of reproduction costs is of necessity speculative. But the Administrative Law Judge never analyzed the criticisms of the PECO study advanced by CEPA. Without reiterating the consumer position (which the City supports), it becomes obvious that AFUDC is a cost of the facilities that PECO seeks to trend but unlike labor, bricks and mortar it should be trended separately. The Administrative Law Judge stated that PECO maintained that their omission indicated the conservative nature of the company's study. (Decision at 50). But the Administrative Law Judge makes no explicit finding on this matter. The fact of the matter is that the omission of separate consideration and trending of AFUDC is a gross deficiency in PECO's study rendering it unreliable. The legal assumptions advanced by PECO's witness Waddington (an engineer) also come into question here. His premise for the determination of fair value was that it was an averaging process between original and reproduction costs. This "equal weighting" approach flies in the face of the most recent pronouncements of the Supreme Court. Pennsylvania PUC v. Pennsylvania Gas and Water Co., ___ Pa. ___ (1980). The above shortcomings deserve findings and conclusions to identify clearly the deficiencies of PECO's approach to trending and its ultimate approach to fair

value. The Commission must conclude that the Waddington study is wholly unreliable, particularly if it is its intention to use an alternative determination of fair value. (CEPA Brief, p. 23-34).

IV. THE ADMINISTRATIVE LAW JUDGE ERRED IN ACCEPTING PECO'S CLAIM FOR EXCESSIVE COAL INVENTORIES.

The Administrative Law Judge erroneously accepted PECO's claim for a 60 day coal inventory at Philadelphia area stations. (Decision at 34). The premise for this claim was that such inventory would enable PECO to withstand long disruptions in supply without adverse impact. However, the design averages utilized by PECO are in no way justified based on contingencies that would have any likelihood of occurrence. (OCA Brief at 53-56). The City would urge the Commission to adopt the more realistic position of Consumer Advocate witness Weiss which would reduce the Company's rate base claim by an amount of $9,040,000. (City Initial Brief at 25-26).

V. THE ADMINISTRATIVE LAW JUDGE ERRED IN NOT FINDING A FORTY YEAR USEFUL LIFE FOR NUCLEAR FACILITIES.

The Administrative Law Judge erred in his finding that the life span for nuclear facilities is thirty-five years. (Decision at 24). By embracing a 35 year life span, the Administrative Law Judge needlessly looks to the most pessimistic scenario with regard to relicensure of nuclear facilities and the advent of reprocessing nuclear fuel. (CEPA Brief, pp. 73-79). A more realistic estimate of the appropriate life span for nuclear facilities would be forty years as was advanced by Dr. Birx of the Trial Staff. (T.S. St. DLB-1). The City urges the Commission to adopt the forty year life proposal which would reduce depreciation expenses by $5,432,000.

The Administrative Law Judge similarly erred in not using a forty year life span for purposes of determination of nuclear decommissioning. Using a forty year life would reduce PECO's decommissioning claim by $2,819,000. (CEPA Brief at 87).

VI. THE ADMINISTRATIVE LAW JUDGE ERRED IN NOT REDUCING MAINTENANCE EXPENSES TO REFLECT NORMAL LEVELS FOR THE TEST PERIOD.

The Administrative Law Judge erred in not adopting Trial Staff witnesses' (Wagner and Nellis) proposal for the determination of maintenance expenses. (Decision at 136-146). To reject the Trial Staff position, the Administrative Law Judge effectively ignored the fact that PECO's high level of maintenance expense budgeted for the test period is as a result of the "catching-up" necessitated by the deferral of maintenance in the mid-1970's. (Tr. 1236, T.S. St. DLB-1). Trial Staff addressed this problem at length in its proposal for a normalized procedure to determine maintenance expenses. (Tr. 3302-04).

The Wagner-Nellis approach is consonant with the more widely used Regulatory Assistance Model which develops maintenance dollar amounts over a historic period which are then regressed against appropriate measures of generation and capacity to determine the company's total cost curves. The Administrative Law Judge dismissed the Trial Staff proposal with reference to previous decisions of the Commission where such regression analyses were rejected. Reliance on these prior decisions, however, is misplaced. The Commission should focus on the factual scenario of this record which distinguishes the instant situation from prior cases. It is particularly noteworthy that because of the low levels of maintenance in the mid-seventies, present ratepayers are being saddled with an increased burden today. This is clearly a different situation from the cases cited in the decision. (Decision at 143-5). Moreover, it is this inequity that is the focus of the City's concern. Adoption of the Trial Staff's proposal with regard to maintenance expenses represents an $18,000,000 reduction to PECO's proposal without adjustment to rate base for excess capacity.

VII. THE ADMINISTRATIVE LAW JUDGE ERRED IN REJECTING THE CONSUMER ADVOCATE PROPOSAL FOR FULL TAX NORMALIZATION.

The Administrative Law Judge erred in rejecting the Consumer Advocate proposal to implement full tax normalization. This adjustment is required to apply tax normalization equitably and consistently. Without such adjustment current ratepayers are required to pay double via a "tax on tax" effect during the early years of a plant's life and a substantially lesser percentage during a later "turnaround period." Because of the above anomaly, OCA witness Towers recommends the following:

> I recommend that for ratemaking and accounting purposes, an additional provision for deferred income taxes be established to defer the recognition of the additional current income taxes incurred by Philadelphia Electric as a result of its tax normalization elections. The additional deferral will be reversed over the life of the Company's plant as then-current income taxes payable are reduced by the flow-back of the associated deferred taxes. (C.A. Statement No. 7, pp. 27-28).

In short, "full normalization" should be required if the company is to utilize normalization at all for tax purposes. The OCA proposal would act to reduce income tax expense in the test year by $29,263,000.

VIII. THE ADMINISTRATIVE LAW JUDGE ERRED IN ADOPTING A CUSTOMER CHARGE FOR RESIDENTIAL RATES.

The Administrative Law Judge erroneously adopted Trial Staff's proposal to implement a customer charge in residential rates. (Decision at 190). PECO witness Williams indicated in his testimony that the company refrained from instituting a customer charge because of the disproportionate impact it would have on low-use customers. (PECO Statement 2). The City would oppose the adoption of a customer charge in light of the above reasons but also because of the distortion in pricing signals that would result. (CEPA Reply Brief at 19). The summer-winter differential is a very important tool to accomplish load management objectives. The Commission has taken great interest in fine tuning this summer-winter differential so that air conditioning customers receive the appropriate pricing signal to conserve. (R.I.D. 438,295). This "price signal" should not be disturbed to implement a separate customer charge at this time. These same customer charges are already collected in the kwh rate at present and need not be separately stated. See CEPA Initial Brief at 110-120; CEPA Reply Brief at 19-20.

CONCLUSION

In view of the foregoing exceptions, the City of Philadelphia requests that the Recommended Decision of Judge Klovekorn be amended accordingly.

Respectfully submitted,

ALAN J. DAVIS
City Solicitor

Andre C Dasent

ANDRE C. DASENT
Deputy City Solicitor

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Public Utility Commission

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission, et al.	:	
v.	:	Docket No. R-79070865
Philadelphia Electric Company	:	

EXCEPTIONS OF THE GENERAL SERVICES ADMINISTRATION TO THE RECOMMENDED DECISION OF ADMINISTRATIVE LAW JUDGE JOSEPH J. KLOVEKORN

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March 11, 1980

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION, ET AL.	:	
v.	:	Docket No. R-79060865
PHILADELPHIA ELECTRIC COMPANY	:	

EXCEPTIONS OF THE GENERAL SERVICES ADMINISTRATION TO THE RECOMMENDED DECISION OF ADMINISTRATIVE LAW JUDGE JOSEPH J. KLOVEKORN

TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

The General Services Administration ("GSA"), a complainant in this rate proceeding, excepts to the Recommended Decision of Administrative Law Judge Joseph J. Klovekorn, dated February 29, 1980 ("Decision"), and attributes the errors enumerated below. Each exception is described only briefly, in order to avoid repetition of arguments contained in GSA's Initial Brief, filed January 21, 1980.

THE RECOMMENDED DECISION ERRONEOUSLY ALLOWS PHILADELPHIA ELECTRIC COMPANY A RATE OF RETURN ON EQUITY CAPITAL OF 14 PERCENT.

The Administrative Law Judge recommends a 14 percent return on Philadelphia Electric Company's equity capital (Decision, p. 127). This award is grossly in excess of the return on equity required in the market place. The required equity return was convincingly demonstrated to be in the area of 13.35 percent by Dr. Marcus, cost of capital expert sponsored by the Consumer Advocate. GSA reiterates its support for a market-determined cost of equity as measured by Dr. Marcus' discounted cash flow methodology.

THE RECOMMENDED DECISION ERRONEOUSLY REJECTS THE RATE FORMAT FOR HT SERVICE PROPOSED BY GSA.

The Administrative Law Judge rejects GSA's proposed revision of the format of Philadelphia Electric Company's Rate HT (Decision, p. 208). The advantages of GSA's proposed HT format — notably its advantage of providing clearer cost signals to HT customers — are sufficiently outlined in GSA's Initial Brief (pp. 10-14) and in the testimony of Carter S. Ward (GSA Statement No. CSW-1). The Recommended Decision fails adequately to address the merits of GSA's recommendation. GSA excepts to its rejection.

CERTIFICATE OF SERVICE

I hereby certify that copies of the Exceptions of the General Services Administration were served on all parties listed below, by depositing the same in the U.S. mail, first class, postage prepaid:

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Dated at Washington, D.C. this 11th day of March, 1980.

Michael J. Ettner

MICHAEL J. ETTNER

Dated at Washington, D.C. this 11th day of March, 1980.

Respectfully submitted,

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MAR 14 1980
SECRETARY'S OFFICE
Public Utility Commission

BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSIONS

PENNSYLVANIA PUBLIC UTILITY COMMISSION, et al.	:	
v.	:	R - 79060865
PHILADELPHIA ELECTRIC CO.	:	

EXCEPTIONS OF COMPLAINANTS CONSUMER EDUCATION AND PROTECTIVE ASSOCIATION, INTERNATIONAL, INC., ASSOCIATION OF COMMUNITY ORGANIZATIONS FOR REFORM NOW, AND ACTION ALLIANCE OF SENIOR CITIZENS OF GREATER PHILADELPHIA AND LILLIAN HOLLIDAY

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DATED: March 12, 1980

DUPLICATE RECORD.
ORIGINAL CERTIFIED
TO COMMONWEALTH COURT.

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TO THE HONORABLE, THE MEMBERS OF
THE PENNSYLVANIA PUBLIC UTILITY
COMMISSION:

Consumer Education and Protective Association, International, Inc. (CEPA), Association of Community Organizations for Reform Now (ACORN), and Action Alliance of Senior Citizens of Greater Philadelphia and Lillian Holliday, hereby take the following Exceptions to the Initial Decision of Administrative Law Judge Joseph J. Klovekorn:

LIFE SPAN OF NUCLEAR FACILITIES (Recommended Decision at 21-24)

Law Judge Klovekorn erred in his finding that the life span for nuclear facilities is thirty-five years. (Recommended Decision at 24). By embracing a 35 year life span, the Administrative Law Judge needlessly looks to the most pessimistic scenario with regard to relicensing of nuclear facilities and the advent of reprocessing nuclear fuel. (CEPA Brief, at 73-79). A more realistic estimate of the appropriate life span for nuclear facilities would be forty years as was advanced by Dr. Birx of the Trial Staff. (T.S. St. DLB-1). CEPA urges the Commission to adopt the forty year life proposal which would reduce depreciation expenses of $5,432,000.

Klovekorn similarly erred in not using a forty year life span for purposes of determination of nuclear decommissioning. Using a forty year life would reduce PECO's decommissioning claim by $2,819,000. (CEPA Brief at 87).

COAL INVENTORY (Recommended Decision at 34-36)

Judge Klovekorn accepted the Company's claim of a need for a 60 day fuel inventory at Philadelphia area stations based merely upon PECO's estimate of all possible disruptions in coal shipments, without any evidence that any of these contingencies would be reasonably likely to occur in the future test year. Furthermore, there is no evidence, given PECO's historical experience, that the design averages utilized by PECO are necessary to ensure continued service reliability.

Consumer Advocate witness Weiss performed an analysis of coal requirements by looking at beginning and year end inventory levels, and adjusted monthly for projected usage and purchases. Judge Klovekorn recognized that this methodology took into account contingencies that occured in 1978 (Recommended Decision at 36), however, he improperly accepted the Company's unsupported inflation of its coal needs (See, OCA Brief at 53-56; OCA Reply Brief at 13.)

CASH WORKING CAPITAL (Recommended Decision at 36-47)

a. Revenue Lag Day Calculation

Judge Klovekorn incorrectly assumed that PECO's revenue lag calculation was based on "actual experience in receipt of revenues" (Recommended Decision at 42). As noted by the Trial Staff in its Reply Brief at 19, the Company's claim is derived by dividing month-end accounts receivable by average daily revenue for each month. (See, also Trial Staff Brief at 34-37). Such a methodology does not measure how bills are actually paid. Judge Klovekorn totally ignored the cogent analysis presented in Trial Staff's Initial Brief at 35-37, and blindly accepted the Company's criticism of Staff witness Markovci's analysis. (Recommended Decision at 40).

Contrary to PECO's criticism, Mr. Markovci did not merely assume lag days. He used actual lag days for each rate classification taken from PECO's tariff including the grace period for payment by mail, and additional revenue from late charges. (See Trial Staff Brief at 37-38). The only element of revenue lag not actually measured by Mr. Markovci was uncollectables in which no late payment was received and revenue associated with forgiven penalties. However, as demonstrated in rebuttal statement GFM-2 and Exhibits GFM-1D and 1E, the effect of this omission is de minimus. (See Trial Staff Brief at 38).

Mr. Markovci's analysis, and not PECO's, more accurately reflects the Company's actual experience in receipt of revenues.

b. Compensating Bank Balances

Judge Klovekorn blindly followed the Commission holding in the last PECO electric rate case (R.I.D. 438), without considering the evidence in this record (Recommended Decision at 44). If Judge Klovekorn had considered the evidence in this record, he should have excluded PECO's claim for $10.5 million in compensating bank balances from its cash working capital rate base claim.

The evidence in this record is that PECO uses short term debt as an interim source of capital (Tr. 480-81), and it is a part of its total cost of financing (Tr. 483-84). The Company should not be permitted to earn a return on this item. (See CEPA Brief at 40-42). Furthermore, the evidence clearly shows that the bank balances are not contractually required. (See CEPA Brief at 42-43).

TRENDED ORIGINAL COST (Recommended Decision at 49-50)

Once again, Judge Klovekorn blindly adheres to past decisions and ignores the evidence in this record in finding that Company witness Waddington's basic trending methodology is reasonable and should be used for determining trended original cost value in this proceeding.*/

The only criticism of Mr. Waddington's study considered by Judge Klovekorn was the witness' failure to consider AFUDC in his study. This was only one example of the evidence in this record of Mr. Waddington's faulty methodology. The record supports a finding that Mr. Waddington's study is replete with highly suspect judgments, imperfect statistical methods, and is based on a misconception of the law. (See, CEPA Brief at 30-34).

*/ If the Commission follows Judge Klovekorn's recommendation on fair value, his recommendation concerning trended original cost is, of course, irrelevant.

LIMERICK NUCLEAR GENERATING STATION (Recommended Decision at 57)

It is a sad irony that Judge Klovekorn begins his comments on the Limerick-related issues by saying that "Limerick has no impact on the rates to be set here except as far as the need to raise money in the capital markets affects PECO's overall capital costs." Proposed Initial Decision, p. 57-58. Though no party quantified the impact of Limerick on those needs, the record is clear that Limerick is the major component of PECO's capital needs and the major reason for this rate filing. Indeed, in his Order of September 10, 1979, Judge Klovekorn stated that "the construction of the Limerick units affects PECO's need for outside capital which, in turn, affects the company's revenue needs - the central issue in this proceeding." The record is also clear that Limerick is not needed (Tr. 3784-3785), as will be more fully discussed in the next section.

CEPA takes exception to the position taken by Judge Klovekorn at pages 9-10 of the Recommended Decision that this was the wrong forum to raise issues of health and safety as they relate to nuclear energy. The Pennsylvania legislature has directed that this Commission consider precisely those issues:

> Every public utility shall furnish and maintain adequate, efficient, safe, and reasonable service and facilities, and shall make all such repairs, changes, alterations, substitutions, extensions, and improvements in or to such service and facilities as shall be necessary or proper for the accommodation, convenience, and safety of its patrons, employees, and the public... 66 P.S. §1501

The proposed decision is wrong in recommending that no special investigation of Limerick be held and recommending instead that the issue of Limerick not be considered until it is in service. If the decision to examine the need for Limerick is postponed until Limerick is either almost completed or actually in service, the Commission is very likely to say, as did Judge Klovekorn, "Limerick is there; it cannot be ignored." The time has not passed, as the judge states, for consideration of the need for Limerick; now is the time to order PECO to do what Virginia Electric Power Company recently did: study the feasibility of converting from nuclear construction to coal construction or some other generating method. Making that decision now would be in the best interests of both ratepayers and stockholders; delaying the decision is in the interest of neither.

CEPA takes exception to findings which were merely implied by Judge Klovekorn's decision. His decision suggests that the question of whether PECO has been imprudent in its actions in constructing new generating plants "resolves itself into whether the delays associated with Limerick have been prudent" (Recommended Decision at 57). On the next page he cites two other issues - halting and accelerating construction - related to Limerick. The decision discusses various proposals on these issues, belittles those witnesses who find fault with PECO, and then concludes that the whole discussion is irrelevant because the Commission has no authority to consider these issues and, even if it did, it should

not. CEPA disagrees. As suggested by OCA, a separate investigation should be conducted immediately on these issues.

EXCESS CAPACITY (Recommended Decision at 74-102)

Judge Klovekorn's disavowal of perjorative meaning in his use of the term excess capacity is directly related to his conclusion that no adjustment should be made for PECO's reserve capacity which exceeds the 20% mandated by the PJM agreement and that conclusion is wrong. The conclusion is wrong because the reserve margin is in fact excessive (far above that required by PJM), because it is the result of poor planning (the evidence shows that PECO simply misread the clear signals that demand would decline and that the cost of construction would increase), and the ratepayers are now being asked to pay for that unneeded plant.

CEPA takes exception to the Judge's proffered explanation that the construction of short lead time units provides an excuse for some of the excess capacity. One must remember that those short-term construction plants were being promoted at the same time that nuclear plants were being delayed because they were not needed as scheduled.

In this area as well as others, the proposed decision contains no findings of fact, but rather, a mere summary of the transcript. It is therefore impossible to cite the facts or testimony relied on by the Judge. CEPA believes that the recommendations of the proposed decision are without basis in fact in the area of excess capacity and that there is ample evidence in the record to make significant adjustments to rate base for the reserve capacity in excess of that which is mandated by PJM.

CEPA also takes exception to Judge Klovekorn's reliance on the separate statement of former Chairman Carter in R.I.D. 438. That statement states that what may be excess capacity for PECO is necessary for the PJM pool and therefore no adjustment should be made. Former Chairman Carter therefore asks PECO ratepayers to assume the burdens of other utilities though they are not customers and have no standing to participate or oversee rate filings or other proceedings. Former Chairman Carter also bases his decision on the need caused by the TMI accident which, one would hope, was an extraordinary event. If this Commission is to treat that event as having such probability of reoccurrance that PJM members should increase their reserve margins far beyond anything previously planned, then this Commission should take a very serious look at the continued feasibility of nuclear generating facilities and allow all interested parties to participate in a thorough investigation of the matter in a generic hearing.

CEPA takes exception to the statement at page 97 of the proposed decision that the one day in ten year standard is reasonable. While the testimony on the issue differed, there was substantial evidence that under the present circumstances a different standard should be used. CEPA also believes that, in considering a special investigation of that issue, the Commission should include the issue of excess capacity.

CEPA takes exception to the conclusion that the record does not show such management imprudence as to warrant an adjustment.

CEPA also takes exception to the conclusion that the adjustments proposed are severely flawed. The record contains substantial evidence of proposals for adjustments that would not only be more equitable than the present rubber-stamping of PECO management decisions which produce tremendous excess capacity, but which would also end the constant search for capital triggered by the PECO construction plan. There is, of course, precedent for allocation of such costs to stockholders. In R.I.D. 438, the Commission ruled at page 14 as follows:

> The fact that excessive plant investments were prudent when made does not necessarily preclude the Commission from allotting responsibility for their cost. Though the excess capacity may have not been the fault of the Company or its investors, as we said in Pa. P.U.C. v. Pennsylvania Power Co., R-77110521 (1978):
>
> > Neither was it the fault of the ratepayers. We must consider such abnormal situation [excess capacity] to be a business risk. We cannot view as equitable or fair the placing of all such risk on the consumer alone. Investors, as well, in such situation should bear a part of the risk.
>
> Even though the company, unlike other business enterprises, has an affirmative duty to provide facilities to serve the needs of its customers, its errors in trying to meet such criteria need not be its sole responsibility, nor the sole responsibility of the ratepayers. Under appropriate circumstances, there should be a sharing of the burden of excess capacity.

CEPA takes exception to the rationale that oil-burning facilities such as Eddystone were built in the early 1970's because they were required for environmental reasons, which implies that that was unusual. The environmental considerations associated with stringent conservation practices, and oil, coal, nuclear, water, solar and wind generated power have not changed since the early 1970's.

CEPA takes exception to the statement that the Boonin/Barrett adjustment is without basis because there is no indication in the record that the excess capacity could be sold. This statement is inconsistent with the reference to former Chairman Carter's statement that PECO excess capacity is acceptable because it can be sold to the PJM members to assist with incidents like the TMI accident and the resulting need for power because of the outage of TMI 1 and 2.

CEPA takes exception to the statement that nothing in the record indicates that PECO's mix of generating plants is inappropriate. On the contrary, the record supports the statement of Shakow that there is a bias toward nuclear plants and, more specifically, toward large plants which, when they go out (the record shows a higher than normal outage rate), the loss of generating capacity becomes significant merely because of the system's reliance on such large plants.

COST OF COMMON EQUITY (Recommended Decision at 113-128)

Judge Klovekorn's recommendation of 14% as the cost of common equity is excessive. He stated that "primary weight in my cost of equity findings will be given to earnings/price ratios..." (Recommended Decision at 123). However, it is unclear what the Judge's finding is utilizing PECO's earning's price ratios. (Recommended Decision at 123). The Judge's belief that "most recent data provides the best indication of prospective common equity cost rates" (Ibid), is unfounded. The evidence of record*/ indicates that today's high interest and inflation rates are expected to go down before the end of 1980. Indeed, this was the testimony of PECO's own witness, Mr. Jeffries (Tr. 27-28).

Even if one utilizes PECO's earnings price ratio of 12.7% for the period of January through October, 1979 and adjusts for issuance expenses of 5%, the indicated cost of common equity would be only 13.34%.

Judge Klovekorn's recommended DCF analysis employs an average current dividend yield (10.99%) for a too recent peridd (12 months

---

*/ Judge Klovekorn apparently bases his belief upon current debt costs of enterprises unrelated to PECO, noted in a newspaper, and not of record in the instant proceeding. (Recommended Decision at 123, note 55).

ended June 30, 1979), an excessive growth rate (2.5%), and an improper application of a 5% adjustment for issuance expenses (Recommended Decision at 125-126).

Consumer Advocate Witness Marcus arrived at a dividend yield of 10.75%, representing the midpoint of a 12 - 24 month range. In Dr. Marcus' view that period does not give undue weight to recent unprecedented Capital Market developments. (See, OCA Statement No. 1 at p. III-15, also, Tr. 2035-36).

Judge Klovekorn used growth in earnings, rather than dividends, although even PECO witness Brennan admitted that many, if not most DCF advocates use dividend growth. Furthermore, there is no basis in the record for choosing, as Judge Klovekorn did, a midpoint between Dr. Marcus' growth estimate for PECO of 2% and expected growth for the electric industry of 3%. All of the rate of return witnesses, including Mr. Brennan (Tr. 295-96, 345) testified that investors expect very little growth in either earnings or dividends for PECO. (See also, OCA Statement No. 1 at p. III-17; Sch. MM-8; Trial Staff Statement No. DHM. 1 at 19, 20).

Judge Klovekorn misread the testimony of Mr. Jeffries. On cross-examination Mr. Jeffries testified that his firm estimated that PECO's earnings per share for 1980 will be $1.90 (Tr. 95), not $1.95 as cited by Judge Klovekorn (Recommended Decision at 126).

Finally, Judge Klovekorn applied a 5% adjustment for issuance costs to the entire DCF equation. The adjustment should only be made to dividend yield, and not to growth, because as reasoned by Dr. Marcus, the seller's net proceeds from a stock issue are reduced by selling costs, which lowers the price, and thereby raises the dividend yield (OCA Statement No. 1 at p. IV-6).

REVENUE ADJUSTMENT FOR LOAD GROWTH (Recommended Decision at 134)

CEPA takes exception to the finding by Judge Klovekorn that the Company's estimate of growth in future revenues is reasonable. The adjustment proposed by Trial Staff Witness Kleha is more than "fine-tuning". PECO's methodology is,

> ...both inaccurate and unrefined since it attributes average annual sales to all new customers regardless of the time frames each customer covers on line. (Trial Staff Statement No. JMK-No. 1 at p.2).

OPERATING AND MAINTENANCE EXPENSES (Recommended Decision at 136-146)

Judge Klovekorn erred in not adopting Trial Staff witnesses Wagner's and Nellis' proposal for the determination of maintenance expenses. To reject the Trial Staff position, the Judge effectively ignored the fact that PECO's high level of maintenance expense budgeted for the test period is a result of the "catching-up" necessitated by the deferral of maintenance in the mid-1970's. (Tr. 1236, T.S. St. DLB-1). Trial Staff addressed this problem at length in its proposal for a normalized procedure to determine maintenance expenses. (Tr. 3302-04).

The Wagner-Nellis approach is consonant with the more widely used Regulatory Assistance Model which develops maintenance dollar amounts over a historic period which are then regressed against appropriate measures of generation and capacity to determine the company's total cost curves. The Judge dismissed the Trial Staff proposal with referenee to previous decisions of the Commission where such regression analyses were rejected. Reliance on these prior decisions is misplaced. The Commission should focus on the factual scenario of this record which distinguishes the instant situation from prior cases. It is particularly noteworthy that because of the low levels of maintenance in the mid-seventies, present ratepayers are being saddled with an increased burden today. This is clearly a different situation from the case cited in the decision. (Recommended Decision at 143-5). Moreover, it is this inequity that is the focus of CEPA's concern. Adoption of the Trial Staff's proposal with regard to maintenance expenses

represent an $18,000,000 reduction to PECO's proposal without adjustment to rate base for excess capacity.

NUCLEAR DECOMMISSIONING (Recommended Decision at 161-165)

CEPA takes exception to adoption of a 28-year useful life for nuclear plants, and in opposition, argues that a 40-year life is more appropriate. Thus, the annual accrual allowed should be 1/40 rather than 1/28 of the total estimated cost.

In addition, CEPA takes exception to the outright rejection of a smaller total decommissioning estimate derived from an Atomic Industrial Forum (AIF) study. The company was a sponsor of this AIF study (Tr. 1616), which is the most frequently quoted decommissioning study presently available (Tr. 1618). The AIF figures were then applied to the Peach Bottom site by the company's Chief Mechanical Engineer (Tr. 1610-11; PECO Exhibit KWS -2). Judge Klovekorn rejected the AIF figures because they assumed a 104 year mothballing prior to removal, a delay he found to be "unrealistic". (Recommended Decision at 165). There is no basis in the record for such a conclusion. (See, Tr. 1662-70). If anything, the more expensive prompt removal option, upon which the adopted cost estimate is based, may be far more unrealistic in that it would require greater environmental risk. (Tr. 1637-40).

INTERPERIOD ALLOCATION OF NORMALIZED TAXES (Recommended Decision at 175-178).

CEPA takes exception to Judge Klovekorn's rejection of the proposal of OCA witness Towers to create an additional tax deferral to properly allocate the tax/book timing difference associated with normalization of federal income tax benefits.

CEPA agrees with OCA that such "full normalization",

> ...is consistent with the theory of normalization held by its practitioners... removes the unjust treatment of present ratepayers, and...is not prohibited by the tax laws or in conflict with accounting principles. (OCA Brief at 147).

RATE STRUCTURE - CUSTOMER CHARGES
FOR RESIDENTIAL RATES (Recommended Decision at 189-90)

Judge Klovekorn erroenously adopted Trial Staff's proposal to implement a customer charge in residential rates. PECO witness Williams indicated in his testimony that the company refrained from instituting a customer charge because of the disproportionate impact it would have on low-use customers. (PECO Statement 2). CEPA opposes the adoption of a customer charge in light of the above reasons, and also, because of the distortion in pricing signals that would result. (CEPA Reply Brief at 19). The summer-winter differential is a very important tool to accomplish load management objectives. The Commission has taken great interest in fine tuning this summer-winter differential so that air conditioning customers receive the appropriate pricing signal to conserve. (R.I.D. 438, 295). This "price signal" should not be disturbed to implement a separate customer charge at this time. These same customer charges are already collected in the kwh rate at present and need not be separately stated. (See CEPA Initial Brief at 110-120; CEPA Reply Brief at 19-20).

RATE STRUCTURE - CHARGE FOR NEW OR TRANSFERRED SERVICE (Recommended Decision at 194)

CEPA takes exception to Judge Klovekorn's recommendation to adopt a customer charge of $6.00 on all requests for new or transferred service. Such a charge is not warranted, and would pose an undue burden on low income residential consumers.

PURPA STANDARDS- LIFELINE RATES (Recommended Decision at 227-233)

CEPA takes exception to Judge Klovekorn's recommendation that a "life-line" or "essential human needs" rate should not be adopted based on the evidence in this record.

The instant record is devoid of probative analytical evidence upon which to decide the issue. At the inception of these proceedings the Trial Staff had indicated in their pre-hearing memorandum that an income-usage study performed by the PA. Department of Public Welfare would be introduced. No such study could be prepared and introduced given the time constraints of this rate proceeding.

CEPA believes that no definitive finding should be made on the important issue of a life-line rate until all necessary evidence is available and considered.

POLITICAL ADVERTISING (Recommended Decision at 249-254)

CEPA takes exception to the finding that the PURPA standard for political advertising not be adopted, and to the finding that, even if adopted, PECO is in compliance. Public relations activities such as pamphlets, films and information centers which are designed to promote the "pro-nuclear" position are clearly "political advertising" within the meaning of PURPA. The issue does not concern the company's right to advocate its side of the nuclear controversy. Rather, the issue is whether the ratepayers should be forced to subsidize the company's advocacy.

CONCLUSION

WHEREFORE, for all the foregoing reasons CEPA, et al. believes that the Recommended Decision of Administrative Law Judge is in error, and that PECO has not proved the need for additional revenue relief of either $122,731,000 as requested, or $79,871,000 as calculated by the Judge Klovekorn.

CEPA, et al. request oral argument before the Commission, and reserves the right to argue any and/or all issues raised in the foregoing exceptions.

Respectfully submitted,

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DATED: March 12, 1980

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March 18, 1980

Honorable Susan M. Shanaman
Honorable Michael Johnson
Honorable James H. Cawley
Honorable Linda C. Taliafero
Pennsylvania Public Utility
Commission
North Office Building
Harrisburg, PA. 17120

RE: Oral Argument in PUC v. PECO
R-79060865

Dear Commissioners:

We have just received notification from the Secretary that oral argument before the Commission in the above-captioned matter is to be held in Harrisburg on March 31, 1980.

This is a disturbing departure from past practice where final argument was held in Philadelphia, so that the many interested and affected ratepayers of Philadelphia Electric Company could attend and observe the proceedings.

On behalf of our clients, Consumers Education and Protective Association, Association of Community Organizations for Reform Now, and Action Alliance of Senior Citizens of Greater Philadelphia, and the thousands of consumers they represent, we most respectfully request that the location of the final argument be changed to Philadelphia.

Respectfully,

DOCKETED
MAR 24 1980

MARK B. SEGAL,
STEVEN P. HERSHEY,
Attorneys for Intervenors,
CEPA, ACORN, Action Alliance
for Senior Citizens and
Lillian Holliday

MBS/SPH/gwh
cc: William P. Thierfelder, Secretary
All parties of record.

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P-790865

PENNSYLVANIA PUBLIC UTILITY COMMISSION
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG, PENNSYLVANIA

March 20, 1980

Walter W. Cohen, Consumer Advocate
Office of Consumer Advocate
Department of Justice
1425 Strawberry Square
Harrisburg, Pennsylvania 17120

Dear Mr. Cohen:

Thank you for your letter of March 18, 1980 concerning your request to schedule the oral argument in the PECO rate case proceeding in Philadelphia.

It is my understanding that oral argument in this proceeding has been scheduled for Monday, March 31, 1980 in Philadelphia at City Hall, City Council Chamber, Room 400, commencing at 10:30 a.m. The Secretary's Bureau is notifying all parties by letter.

If I can be of service to you again, please let me know.

Sincerely,

Linda C. Taliaferro

Linda C. Taliaferro
Commissioner

FILE

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TO COMMONWEALTH COURT.

OFFICE OF CONSUMER ADVOCATE
DEPARTMENT OF JUSTICE
COMMONWEALTH OF PENNSYLVANIA
1425 STRAWBERRY SQUARE
HARRISBURG, PENNSYLVANIA 17120

WALTER W. COHEN
CONSUMER ADVOCATE

(717) 783-5048



March 18, 1980

Hon. Linda C. Taliaferro, Commissioner
Pennsylvania Public Utility Commission
Room G-06, North Office Building
Harrisburg, PA 17120

Re: [redacted] Rate Proceeding, Oral Argument

Dear Commissioner Taliaferro:

I received notice today that the Commission has scheduled Oral Argument in Harrisburg for the current Philadelphia Electric Company rate proceeding.

I would strongly urge the Commission to reconsider this scheduling and, rather, continue its prior practice of holding Oral Argument in the City of Philadelphia for rate increase requests of this Company. This prior policy enables consumers to hear in summary form a discussion of the important issue in the case, as framed by the parties.

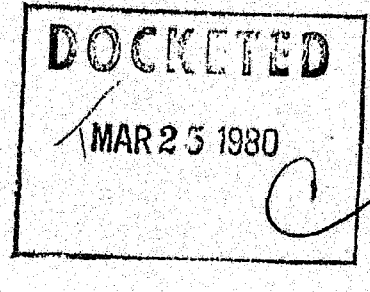
Oral Argument is a part of the proceeding that by its nature is most understandable to the public. I have been informed that a large number of Philadelphia area consumers attended the Oral Argument at Philadelphia's City Hall in the last PECO rate proceeding.

We recognize that the Commission, like this Office, will face increased budgetary constraints in the next fiscal year. However, we would hope that future financial realities will not be used as justification for further insulating the regulatory process in Harrisburg, away from necessary public awareness and concern.

Sincerely,

WALTER W. COHEN

cc: William P. Thierfelder, Secretary
All parties of record



PENNSYLVANIA PUBLIC UTILITY COMMISSION
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG, PENNSYLVANIA

March 20, 1980

Andre C. Dasent, Esquire
City of Philadelphia
Law Department
15th Floor, Municipal Building
Philadelphia, PA 19107

Dear Mr. Dasent:

Thank you for your letter of March 19, 1980 concerning your request to schedule the oral argument in the PECO rate case proceeding in Philadelphia.

It is my understanding that oral argument in this proceeding has been scheduled for Monday, March 31, 1980 in Philadelphia at City Hall, City Council Chamber, Room 400, commencing at 10:30 a.m. The Secretary's Bureau is notifying all parties by letter.

If I can be of service to you again, please let me know.

Sincerely,

Linda C. Taliaferro

Linda C. Taliaferro
Commissioner

DUPLICATE RECORD.
ORIGINAL CERTIFIED
TO COMMONWEALTH COURT.

FILE

CITY OF PHILADELPHIA

LAW DEPARTMENT
15th Floor, Municipal Services Building
Philadelphia, Pa. 19102

ALAN N. DAVIS
City Solicitor

RECEIVED
MAR 19 1980
Commissioner Taliaferro's Office

March 19, 1980

Honorable Linda C. Taliaferro
Commissioner
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA. 17120

Re: Pennsylvania Public Utility Commission v. Philadelphia Electric Company, R.I.D. 865

Dear Commissioner Taliaferro:

The City of Philadelphia on behalf of its two million citizens respectfully requests that oral argument concerning the Philadelphia Electric Case be held in Philadelphia. As you know, in prior cases the practice of having the final hearing in City Hall has been followed. The City asks that this tradition be continued so that those most affected can have the opportunity to hear the arguments advanced on their behalf. The magnitude of the monies in question would warrant at least this consideration.

Respectfully yours,

CITY OF PHILADELPHIA

André C Dasent

ANDRE C. DASENT
Deputy City Solicitor

mat

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PENNSYLVANIA PUBLIC UTILITY COMMISSION
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG, PENNSYLVANIA

March 20, 1980

Mark B. Segal, Esquire
Steven P. Hershey, Esquire
Community Legal Services
Sylvania House
Juniper and Locus Streets
Philadelphia, Pennsylvania 19107

Dear Messrs. Segal and Hershey:

Thank you for your letter of March 18, 1980 concerning your request to schedule the oral argument in the PECO rate case proceeding in Philadelphia.

It is my understanding that oral argument in this proceeding has been scheduled for Monday, March 31, 1980 in Philadelphia at City Hall, City Council Chamber, Room 400, commencing at 10:30 a.m. The Secretary's Bureau is notifying all parties by letter.

If I can be of service to you again, please let me know.

Sincerely,

Linda C. Taliaferro

Linda C. Taliaferro
Commissioner

FILE

[illegible]

DUPLICATE RECORD.
ORIGINAL CERTIFIED
TO COMMONWEALTH COURT.

COMMUNITY LEGAL SERVICES, INC.

SYLVANIA HOUSE
JUNIPER AND LOCUST STREETS
PHILADELPHIA, PA. 19107
215-893-5300

March 18, 1980



Honorable Susan M. Shanaman
Honorable Michael Johnson
Honorable James H. Cawley
Honorable Linda C. Taliafero
Pennsylvania Public Utility
Commission
North Office Building
Harrisburg, PA. 17120

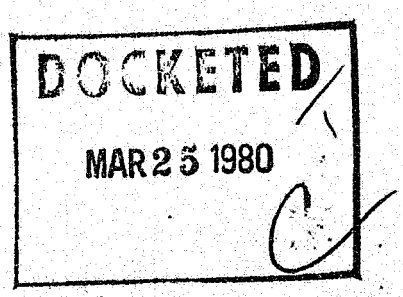
RE: Oral Argument in PUC v. PECO
R-79060865

Dear Commissioners:

We have just received notification from the Secretary that oral argument before the Commission in the above-captioned matter is to be held in Harrisburg on March 31, 1980.

This is a disturbing departure from past practice where final argument was held in Philadelphia, so that the many interested and affected ratepayers of Philadelphia Electric Company could attend and observe the proceedings.

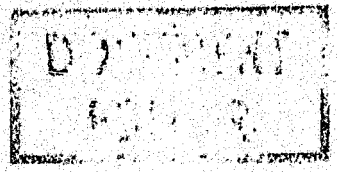
On behalf of our clients, Consumers Education and Protective Association, Association of Community Organizations for Reform Now, and Action Alliance of Senior Citizens of Greater Philadelphia, and the thousands of consumers they represent, we most respectfully request that the location of the final argument be changed to Philadelphia.



Respectfully,

MARK B. SEGAL,
STEVEN P. HERSHEY,
Attorneys for Intervenors,
CEPA, ACORN, Action Alliance
for Senior Citizens and
Lillian Holliday

MBS/SPH/gwh
cc: William P. Thierfelder, Secretary
All parties of record.



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EXTRA COPY

RECEIVED

MAR 20 1980

SECRETARY'S OFFICE
Public Utility Commission

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	Docket No.
v.	:	R-79060865
PHILADELPHIA ELECTRIC COMPANY	:	

REPLY TO EXCEPTIONS ON BEHALF OF LUKENS STEEL COMPANY, THE CELOTEX CORPORATION AND UNION CARBIDE CORPORATION

Edward J. Riehl, Esq.
Henry R. MacNicholas, Esq.

McNees, Wallace & Nurick
P. O. Box 1166
Harrisburg, PA 17108

Counsel for Industrial Complainants

Due: March 20, 1980

DUPLICATE RECORD.
ORIGINAL CERTIFIED
TO COMMONWEALTH COURT.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	Docket No.
v.	:	R-79060865
PHILADELPHIA ELECTRIC COMPANY	:	

REPLY TO EXCEPTIONS ON BEHALF OF LUKENS STEEL COMPANY, THE CELOTEX CORPORATION AND UNION CARBIDE CORPORATION

STATEMENT OF POSITION

It has been the position of the Industrial Complainants throughout this proceeding that in a regulated industry where a utility's earnings are limited to a fair return on historic investment, fundamental economic principles, as well as basic common sense, suggest that rates for service be structured and designed on the basis of the embedded cost of providing service. It is a position which conforms to the ratemaking practices of this Commission, one which was advocated by both the company and Commission Trial Staff in this proceeding, and one which was ultimately approved by the Administrative Law Judge.

Certain parties, however, continue to object to the application of embedded cost-of-service pricing in Pennsylvania, renewing in their exceptions arguments previously rejected by the Judge. It is to those arguments that we once again address our comments.

I. OCA Witness Rohr's Rates are Fundamentally Inconsistent with Sound Principles of Utility Regulation.

We note at the outset that few exceptions are taken to the rate structure determinations contained in the recommended decision of the Administrative Law Judge. The Consumer Advocate, however, does object to certain of these recommendations, most particularly to the recommendation that witness Rohr's rate proposal be rejected. To the best of our knowledge, no other party has joined in this exception.

Judge Klovekorn was correct to reject witness Rohr's proposal. The proposal is unsound and unreasonable, and of potential detriment to Pennsylvania ratepayers. If accepted by this Commission, witness Rohr's proposal ultimately would result in higher rates to Philadelphia Electric customers.

Rates for service vary in direct proportion to cost; that is, when cost increases rates too must increase. That is true whether the increased cost is the cost of labor, the cost of fuel or the cost of capital. Thus, is it incumbent upon the Commission to check utility costs. It must, therefore, encourage productivity, discourage unfavorable fuel contracts, and create a regulatory environment in which the cost of capital is held to a minimum.

It is in its efforts to check the costs of capital that a regulatory commission encounters the greatest difficulty. The cost of capital is itself a function both of the level and stability of a utility's earnings. If earnings are high and regular, a utility's cost of capital is minimal; if earnings are low and irregular, its cost of capital escalates. It behooves this Commission, therefore, to assure a utility of a fairly regular fair return on the value of its investment.

The utility is best afforded the opportunity to earn its fair return when its rates are structured so as to reflect the costs its incurs. Those costs are essentially one of two types: fixed or variable. Fixed costs are those which represent the historic, or sunk, investment of the utility, on which it is entitled to a return. Variable costs are those which increase or decrease in accordance with changes in production. Sound regulation, therefore, dictates, that rate structures contain a fixed charge component through which to recover the allocable fixed costs, and a variable charge component through which to recover production-varying costs. The end product of the fixed-variable charges should be revenues adequate to recover fixed and variable costs and to provide a return on the historic investment.

It is because the total revenue requirement is predicated on the historic investment, and, therefore, on the historic fixed:variable cost relationship, that rates must be structured on the basis of the same historic, or known, fixed:variable cost basis. When rates are structured in accordance with the structure of costs, the utility is best afforded an opportunity to recover its costs as incurred as well as to earn a fair return on investment. So, if revenue stability is to be achieved, and a fair level of earnings maintained, service rates of a utility whose revenue allowance is predicated on historic or embedded cost basis, must also be founded on an embedded or historic cost basis.

Witness Rohr's rates are inappropriate, in the first instance, because they are unrelated to the fixed-variable cost incurrence relationship exhibited by Philadelphia Electric Company. It is this which is evidenced by Trial Staff witness Bloom's analysis of Rohr's rates, and his conclusion

that witness Rohr's rates are unrelated to the engineering characteristics of the Philadelphia Electric Company.

It is, of course, the engineering characteristics of the Philadelphia Electric Company which are the principal determinants of Philadelphia Electric Company costs. Rates which are unrelated to engineering characteristics are unrelated to cost, and, as a result, must engender revenue instability. Revenue instability itself engenders increased cost of capital, and increased cost of capital of force leads to higher rates for service. Thus, we conclude that witness Rohr's rates must ultimately drive up the cost of electric service to Philadelphia Electric customers.

It is not simply that witness Rohr's rates foster revenue instability, however, that they show themselves as inconsistent with principles of utility ratemaking. These rates, as the Administrative Law Judge notes in his recommended decision, if approved by this Commission, would result in sudden and disruptive rate changes for a substantial body of Philadelphia Electric ratepayers, contrary to all notions of rate continuity. A structure of rates which would increase charges for service in summer months to one body of customers by 65%, while at the same time decreasing charges for winter service to another body of customers by 12% are, on their face, not only inequitable, but also so discontinuous as to impose unrealistic burdens on many customers. The Judge, for this reason alone, was correct to reject witness Rohr's proposal.

II. Lifeline Rates do not Comport with Economic Regulation.

Parties were on notice that the appropriateness of lifeline rates would be considered in this proceeding. Evidence on the lifeline issue was given

by Trial Staff, the Company and certain other parties. The Judge has concluded that lifeline rates are inappropriate as ineffective, and so must be rejected by the Commission.

It is time for this Commission to accept the recommendation of Judge Klovekorn and lay to rest the issue of lifeline rates for utility service in Pennsylvania. Lifeline rates are impractical and inappropriate response to a perceived social problem: namely, the inability of certain persons on fixed incomes or certain persons of poverty status, to afford all of the basic necessities of life. We underscore the word "all" to emphasize to this Commission that it is not that persons of poverty status can afford food, shelter, clothing and not utility service, but rather that persons of poverty status cannot afford either the food, shelter, clothing, or utility service, they require. There is no basis in logic, economics, or equity for attempting to provide adequate revenues for food, shelter, clothing and utility service, by requiring a subsidy to persons of poverty status by the remaining body of utility ratepayers. The "essential human needs" question is one for the Legislature, not one for this Commission.

III. The Administrative Law Judge is Correct to Recommend a Structure of Rates which Moves the Returns of Each of the Classes Closer to System Average.

There is probably no better accepted definition of equitable rates than rates which recover from each class the same return above allocable costs. It is the ultimate objective of utility regulation, one which has been acknowledged by this Commission in the past. We once again refer this Commission to the discussion of this issue in our main brief.

It is somewhat anamolous, we believe, for the Consumer Advocate to urge the preservation of disperate rates of return at this time. Yet, that is the position the Consumer Advocate takes in this proceeding, and one which he advances primarily as proper on grounds that the disperate rates of return may reflect a uniform return above true allocable costs. It is the Consumer Advocate's theory that there may be differences in costs not accounted for in the Company's cost-of-service study, which differences the Consumer Advocate concedes he is unable to identify or quantify, and, therefore, that the existing varying rates of return may be more just than rates of return which more nearly approximate the system average return.

This argument, if accepted, would transform utility ratemaking into a guessing game, and divorce the decision with respect to rates from evidence offered on those issues. The Consumer Advocate plainly concedes that the Company's cost-of-service study is the only cost analysis contained in this record. The Consumer Advocate has not presented its own cost-of-service study, and has done nothing more than to suggest that there may be differences in costs of which all parties are unaware, and of which the record is devoid of evidence.

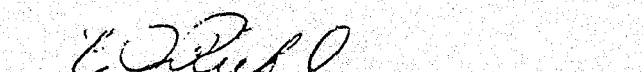
This Commission cannot base its decisions on the unsubstantiated speculations of the Consumer Advocate. The Commission is bound by law to found its decision on evidence of record. In this case, that evidence of record with respect to cost is the Company's cost-of-service study. Judge Klovekorn has found that cost-of-service study to be a reasonable representation of the costs incurred by the utility, on a class-by-class basis. Judge Klovekorn, therefore, recommends, and correctly we believe, that rates for service be founded on the basis of that cost-of-service study, with an

attempt to move the returns of each class closer to a uniform return above the costs set forth in that study. We support Judge Klovekorn in this opinion, and believe it is the only one which can be sustained on this record.

CONCLUSION

The recommended decision of the Administrative Law Judge represents a well thought out, well-reasoned analysis of the evidence presented in this proceeding. We have, in our exceptions, noted our differences. They derive, primarily, from a difference in interpretation of evidence. However, we emphasize that we believe the decision to be well-reasoned, and one which is appropriate for approval by this Commission.

Respectfully submitted,



Edward J. Riehl
Henry R. MacNicholas
Attorneys for Industrial Complainants

Of counsel:
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Harrisburg, PA 17108
March 20, 1980

CERTIFICATE OF SERVICE

I hereby certify that I have served copies of the foregoing on all persons listed below, by first class mail, postage prepaid, and properly addressed as follows:

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Louise DuFour
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Oaks, PA 19456

Dated this 20th day of March, 1980, at Harrisburg, Pennsylvania.

Edward J. Riehl

COPY

MAR 20 1980

SECRETARY'S OFFICE
Public Utility Commission

BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION, ET AL.	:	
	:	Docket No.
v.	:	
	:	R-79060865
PHILADELPHIA ELECTRIC COMPANY	:	

REPLIES OF RESPONDENT PHILADELPHIA ELECTRIC COMPANY TO EXCEPTIONS

To the Recommended Decision

of Administrative Law Judge Joseph J. Klovekorn

Robert H. Young
Walter R. Hall, II
Thomas P. Gadsden

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Philadelphia, Pennsylvania 19109

Counsel for Philadelphia Electric Company

Of Counsel:

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Philadelphia, Pennsylvania 19109

DUPLICATE RECORD.
ORIGINAL CERTIFIED
TO COMMONWEALTH COURT.

Dated: March 20, 1980

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I. INTRODUCTORY STATEMENT

On March 12, 1980, the Philadelphia Electric Company ("PECO" or "the Company") filed its Exceptions to the Recommended Decision of Administrative Law Judge Joseph J. Klovekorn ("ALJ") dated February 29, 1980. Exceptions to the Recommended Decision have also been filed by Trial Staff, the Office of Consumer Advocate ("OCA"), the Consumer Education and Protective Association, et al. ("CEPA"), the City of Philadelphia, United States Steel Corporation, Industrial Complainants and the General Services Administration. This Reply responds to arguments raised in these latter Exceptions. Before entering upon this response, however, this Introductory Statement provides necessary background to an evaluation of these opposing arguments.

It requires no citation to authority or the record to demonstrate the existence of record inflation and capital costs. Press and media reports abound with descriptions. Only last week, these unsettled economic conditions and the prospect of their continuation well into the future, impelled the Carter Administration to propose yet another anti-inflation program. This program, however, has been received with considerable skepticism, as has the Administration's most recent projection of a 1980 annual inflation rate of 11 3/4% (up approximately 1.5% from the Administration's January forecast.*/

*/ See Philadelphia Inquirer, March 15, 1980, p. 1.

In its Exceptions, PECO stressed its weak financial condition and its inability to overcome these disruptive economic conditions while maintaining current programs required to assure future service availability at reasonable cost (PECO Exceptions, pp. 3-14). For example, these programs necessitate the attraction annually of approximately $500 million of additional capital (including capital required to accellerate completion of the Limerick Station) during the 1980-81 period.

The attraction of this capital will be costly, if possible at all, under the Recommended Decision. As noted in PECO's Exceptions, the Company is now and will continue under the Recommended Decisions to be unable to issue preferred stock. Under the rate relief provided in that Decision, mortgage debt can only be issued in limited quantities, if at all. Any issues attempted will likely be down-rated and thereby substantially increased in cost (i.e. by 1 to 2%). Accordingly, the Company will be forced to obtain needed capital by issuing debentures. In the past these have cost substantially in excess of the Company's cost for normal fixed income securities (i.e. 1-2%).

Clearly, the realities of present economic conditions and the need for improvement in the Company's financial condition must be recognized. The ALJ has failed to recognize this necessity, and specifically has failed to recognize the impact of attrition, current equity costs and of the need for improvement in PECO's financial condition.

The Recommended Decision's equity cost allowance of 14% is well below the evidence of recent, current and prospective equity costs which are in the range of 16-20%. Clearly, as an initial step, this Commission must allow an equity cost in excess of 15.5% (PECO Exceptions, pp. 15-19 and 37-42). The second step which this Commission should take is the approval of full income tax normalization. The requested normalization allowances for certain state and federal tax effects of accellerated depreciation and the ADR repair allowance, disallowed by the ALJ, will improve PECO's currect financial condition without increasing costs over time borne by ratepayers) PECO Exceptions, pp. 19-20 & 55-60).

Throughout this proceeding, PECO has argued that rates must reflect economic reality. The ALJ agreed and, except as noted above, has properly tested proposed rate adjustments (i.e. both those of the Company and opposing parties) against economic conditions existing in the "real world" (Recommended Decision, p. 256). As the result of this analysis, and for other reasons, the ALJ has rejected the more extreme positions now presented to the Commission in the Exceptions of the opposing parties.

These positions include: 1) the suggestion that a special Commission investigation be held to determine whether PECO should be directed to cancel the construction of a generating station already one-half complete and in which $1.2 billion has

been invested, 2) the suggestion that rates should reflect adjustments for "excess capacity" which adjustments, if actually implemented in PECO's capacity planning, would result in increased cost to ratepayers, 3) the suggestion that operating and maintenance expenses should be reduced to "normal" levels which "normal" levels are below those experienced by the Company in 1977, 1978, the 1979 historic test year and those presently being experienced in the future test year, and 4) that an adjustment to deferred taxes should be adopted which violates clear Federal law. Each of these suggested adjustments was rejected by the ALJ, and that rejection should be affirmed by this Commission for the reasons stated hereinafter.

I. OCA AND CEPA'S REQUEST FOR A FURTHER INVESTIGATION OF LIMERICK SHOULD BE REJECTED
(OCA Exceptions, p.1; CEPA Exceptions, p.7)

In its Investigation Order of August 9, 1979, this Commission directed that a "complete record" be developed as to PECO's "actions in constructing new generating plants". As stated by the ALJ, "since the only major generating plant under construction is Limerick, the question resolves itself into whether the delays associated with Limerick have been prudent" (Recommended Decision, p. 57).

OCA and CEPA except to the ALJ's recommendation that the PUC "not order a special investigation into the need for Limerick, the time has long passed for such a proceeding to result in any useful purpose" (Recommended Decision, p. 73). OCA, echoed by CEPA, argues that the ALJ has "misunderstood" its witness Shakow's analysis "on a factual basis" and has committed various legal and conceptual errors. They request that the Commission reverse the ALJ and direct that a further investigation into the necessity for Limerick be held.

The evidence as to Limerick is fully discussed in PECO's Initial and Reply Briefs (Initial Brief, pp. 46-55; Reply Brief, pp. 2-3). PECO believes, as does Trial Staff (Trial Staff St. DLB-2, p. 4), that Limerick should be completed as

quickly as possible in order to reduce the station's total construction cost and to obtain as soon as possible the approximate $300 million of fuel cost savings (due to displacement of expensive oil fired generation) which will occur upon the station's completion. These fuel cost savings fully offset the anticipated base rate cost of the units (PECO Initial Brief, pp. 21-23). Although OCA speculates throughout its Exceptions about the "real price tag" of Limerick and whether the indicated fuel cost savings will materialize, it presented no credible evidence to rebut the Company's evidentiary showing. As shown in PECO Ex. VSB-2, p. 5, PECO has in the past obtained the anticipated savings from its other nuclear plants (i.e. Peach Bottom).

The ALJ concluded, based upon a review of all the evidence, that a further investigation of Limerick's necessity "will serve no useful purpose." Indeed, such an investigation could only disrupt PECO's ability to raise the capital needed to complete the units. For this and other reasons, the result of such a proceeding would be simply a delay in the plant's completion, resulting in construction cost increases and loss of fuel cost savings, which increased costs would of necessity be borne by ratepayers.

As noted by the ALJ, OCA and CEPA's further investigation request merely reflects a recognition by these

litigants of the weakness of their initial position in this proceeding (i.e. that Limerick should be cancelled) and an effort on their part to avoid Commission rejection of that position (Recommended Decision, pp. 66-67). As noted above, certainly these parties were on notice, and indeed, they made every effort to develop whatever evidence was available to support their position.1/ A second opportunity to litigate this issue should not be provided simply because these litigants are disatisfied with the results of their initial efforts.

The record in this proceeding provides no basis for doubting the ALJ's conclusion that such an investigation would serve no useful purpose. Surely this Commission cannot seriously entertain a proposal that a <u>further</u> investigation be held to determine the propriety of directing PECO to scrap a station already one-half completed, thereby causing PECO to suffer itself or pass on to ratepayers an after-tax loss of at least $700 million.2/ If borne by PECO, this loss would result in a 50%

1/ The ALJ in fact addressed the issue of whether Limerick should be cancelled and rejected that proposal (Recommended Decision, p. 73).

2/ As noted by the ALJ, there is no evidence that this loss can be avoided (Recommended Decision, p. 70). In fact, the uncontradicted evidence shows that, as PECO has not in recent years produced any taxable earnings, it is unlikely that it will be able to use the "tax benefits" of the loss and the pre-tax loss of $1.2 billion will in fact be the actual loss.

reduction in the value of common equity investments in PECO. Such a financial disaster would preclude the Company from entering the capital markets for many years, assuming that the Company could continue to exist as a viable enterprise (PECO Initial Brief, pp. 53-54). If borne by ratepayers, assuming a 10 year amortization period and no allowance for the carrying cost of this investment during amortization, OCA's proposal would require an approximate $140 million base rate increase throughout a ten year period.3/

Despite this Commission's directive that a "complete record" on this issue be developed, OCA and CEPA have not presented any credible evidence which demonstrates a need for further review of this matter. The many conceptual, judgemental, and simple mathematical errors in the Shakow analysis are fully chronicled in PECO's Initial Brief (Initial Brief, pp. 46-55 & Appendix B) and in the rebuttal testimony of PECO witness Kasum (PECO St. 15). As testified by Mr. Kasum, after correcting only the more obvious of the Shakow errors and even employing the Shakow methodology, cancellation of Limerick is demonstrated

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3/ If provision for a return on the Company's investment was allowed during the amortization period, which the Company believes would be required by law and to preserve the Company's financial stability, the annual, levelized additional revenue requirement during the 10 year period would be $56 million ($350 million average unamortized investment x 16% return and tax percentage allowance).

to be a costly and improper proposal (PECO St. 15, pp. 29-34).

The ALJ's alleged factual error according to OCA is his asserted failure to recognize that witness Shakow recommends cancellation of Limerick even should the witness' recommended "full costing" procedure be rejected. The ALJ, of course, did not in fact make this error, but rather rejected Shakow's cost estimates, principally the Shakow estimated cost of Limerick (Recommended Decision, p. 71). As the ALJ found, the Shakow estimated Limerick cost of $7 billion must be treated with "considerable caution" given that the record evidence establishes that the plant is 50% complete at 17% of the Shakow total estimated cost (PECO Initial Brief, p. 52).

OCA makes an additional effort to salvage the Shakow analysis by advancing an explanation of Shakow's derivation of the $7 billion figure (the witness himself provided no explanation).4/ OCA's explanation merely demonstrates that, in addition to being preposterous when compared to the evidence

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4/ OCA also attempts to confuse the record with an inaccurate characterization of witness Shakow's testimony on cross examination affirming (i.e. prior to learning of his $1 billion AFDC computation error) that his cost estimate for the plant was $4.2 to $4.9 billion (Tr. 2959). The question to which the witness responded specifically referred to "a total cost of Limerick of the Company's part of $3.1 billion and on your part, either $4.2 or $4.9 billion." The witness affirms that these total cost figures were in fact accurate.

of the plant's current state of completion and cost, PECO's plant specific Limerick cost estimate and all other responsible nuclear plant cost estimates, the $7 billion estimate is mathematically in error (PECO St. 15, pp. 20-25). As stated by OCA, the $7 billion estimate double counts witness Shakow's estimated AFDC plant cost.5/ Assuming that this estimate was in fact used in the Shakow analysis, then a further gross error in that analysis has been uncovered.

5/ As described by OCA, Shakow's $7 billion is obtained by averaging the Shakow high and low case Limerick total cost estimates, which are themselves obtained from the Shakow computed Limerick cost per kw of $3,053 (low) and $3,708 (high) (OCA Exceptions, pp. 4-5). These cost per kw estimates, according to OCA, are obtained by adding the Shakow "yearly direct construction expenditures" of $1994.08/kw (low) and $2321.67/kw (high) to the total of "yearly AFDC expenditures" both as shown on Shakow Exhibit DS-E, sheets 4 and 5 of 7. Unfortunately for this latest OCA effort, as is clearly apparent from the Exhibit, the $1994.08/kw (low) and $2321.67/kw (high) direct cost estimates already include total "yearly AFDC expenditures". For example, the total "yearly direct construction expenditure" of $1994.08/kw (low) represents the addition of 1987 cumulative yearly direct construction expenditutes of $1821.64 and 1987 yearly AFDC expenditures of $172.44. Similarily, 1983 prior year expenditures of $1092.13/kw (high) represents the addition of cumulative 1982 direct construction expenditures of $979.55 plus 1982 AFDC expenditures of $112.58. Each of the yearly AFDC expenditures employed by the OCA to obtain its $1059/kw (low) and $1287/kw (high) total AFDC expenditures has similarily already been included in the total direct construction costs of $1994.08/kw (low) and $2321.67/kw (high). Accordingly, the $7 billion estimate differs from the Shakow cross-examination confirmed $4.2 billion to $4.9 billion estimate (derived from $1994/kw (low) and $2321/kw (high) x 2110 station MW) simply as the result of the double counting of AFDC.

The ALJ's alleged conceptual error is his purported recommendation that no investigation of the necessity of Limerick should be conducted until the unit's entry into rate base is requested. This OCA argument simply misstates the ALJ's recommendation. For the many reasons stated above, the ALJ simply found that "the time has long passed for such a proceeding (i.e. OCA's requested investigation) to result in any useful purpose" (Recommended Decision, p. 73). Accordingly, the ALJ recommends that no such investigation be undertaken - now or in the future.

The ALJ's alleged legal error is his conclusion that this Commission lacks the authority to direct PECO to terminate Limerick's construction. As noted by the ALJ, this conclusion, which is not necessary to the rejection of OCA's proposal, is supported by the absence of any statutory provision conferring such authority on the Commission and by the repeated refusal of the General Assembly to enact proposed legislation conferring such authority. The OCA's cited statutory and regulatory provisions specifically refer to matters otherwise "within the jurisdiction of the Commission" or to the Commission's ratemaking authority. OCA cites no statutory provision which would empower this Commission to issue the directive which is sought.6/

6/ PECO's certification request involved certain Trial Staff

For the reasons stated above, OCA and CEPA have provided no basis for disturbing the Recommended Decision's rejection of their proposed further investigation of Limerick. Accordingly, the ALJ's finding as to this matter should be affirmed.

II. THE ALJ'S REJECTION OF THE FLAWED "EXCESS CAPACITY" ADJUSTMENTS AND HIS FINDING THAT NO ADJUSTMENT IS APPROPRIATE SHOULD BE AFFIRMED (Trial Staff Exception A;OCA Exceptions, p. 11; City Exception II; CEPA Exceptions, p.10)

In rejecting Complainants' and Trial Staff's inflated adjustments, the ALJ obtained guidance from the two most recent Commission pronouncements as to this issue. As noted by the ALJ, this Commission at R.I.D. 438 rejected virtually identical adjustments advanced upon the same arguments now employed in this proceeding (Recommended Decision, p. 93; see PECO Initial Brief, pp. 36-37; PECO Reply Brief, pp. 3-5). In addition, in its most recent action involving West Penn Power Company (R.I.D. 183, Order entered June 29, 1979), this Commission thoroughly reviewed this question and enunciated its current policy as to when such an adjustment would be appropriate. As noted by the ALJ, that policy requires a finding of

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Continued

raised issues as to the ratemaking treatment of Limerick, not a proposed Commission intervention into construction activities.

"management imprudence" (Recommended Decision, pp. 93-94).

In its Initial Brief, PECO fully describes the record evidence which establishes that an "excess capacity" adjustment is not appropriate in this proceeding (PECO Initial Brief, pp. 31-46). That evidence demonstrates that PECO's reserve margin in 1979 equalled 36%, is expected to decline to 31% during the summer of 1980 and will further decline to 23% in 1982. As compared to this reserve capacity, the Company's reserve requirement to assure service reliability under the 1-day-in-10-year reliability criteria is approximately 25% during these years (PECO Ex. VSB-2, App. A, p. A-4).

The evidence further demonstrates that present reserve capacity levels are the result of the unforeseeable failure of PECO's peak load to increase during the six years since 1973 due to the Arab oil embargo and other factors. Current capacity was planned or installed at a time when the preceding 20 years experience was a 6% per year annual compound growth rate and the then current experience was a 10% annual growth rate (PECO St. 15A, p. 1). With the cessation of its historic growth experience and in light of projected reduced growth, PECO took immediate action to reduce generating plant construction programs and to retire unneeded generating plant facilities where appropriate to do so (PECO Initial Brief, pp. 33-36).

This evidence clearly establishes that any finding of management imprudence would be arbitrary. Further, it indicates that reserve margins will be below the reliability requirement very shortly. In West Penn, this Commission concluded that an "excess capacity" adjustment was not appropriate despite the existence of "large amounts of excess capacity" at the 1974 test year end, because "reserve capacity margins become slim" by 1978. Therefore, the Commission concluded that no adjustment could be made as "we cannot on the record here find that the Company acted with a reckless disregard of the interests of its customers nor can we find that this plant would not be used and useful during the time these rates were in effect". See West Penn Order, p. 4. As described above, the facts of this case are virtually the same as those presented by West Penn. Clearly, as stated by the Commission in that case, there is not in the record in this case evidence to "meet the high standards of proof necessary to support such a finding of imprudence". West Penn Order, p. 5. Nor can it be said that PECO's present generating reserve levels will be excessive during the period the rates under consideration will be in effect.

The ALJ has rejected the argument, now resurrected before the Commission, that rate making is a "game" which need not concern itself with the "real world" economic and operating

effects of proposed "rate adjustments". Accordingly, the ALJ rejected the position of certain parties that a proper rate adjustment could employ 1) a different reserve criteria than that historically applied in generating plant planning by PECO, with the knowledge of this Commission and 2) that PECO's PJM and MAAC capacity obligations and the "real world costs" resulting from a proposed adjustment need not be considered in determining its propriety (Recommended Decision, pp. 97-102).

As found by the ALJ, the uncontradicted evidence in this proceeding establishes that were PECO to actually implement any of the proposed capacity adjustments, ratepayer borne costs would increase substantially. This occurs for the following reasons: 1) retirement, sale or lease of more than 200 MW of capacity during the 1980-1981 period that the proposed rates will be in effect would require PECO to purchase capacity from other PJM members at a cost of $25.55/kw under the terms of the PJM Agreement; 2) retirement, sale or lease of any of the units employed as the basis of the proposed "excess capacity" adjustments would result in increased costs due to the necessity to replace the generation of those units with generation by more costly units or due to the units present use in reducing the cost of split/saving energy purchases; and 3) retirement, sale or lease of any of the units in question would require additional transmission investment to assure local area system

reliability (PECO Initial Brief, pp. 40-45). Accordingly, as the proposed adjustments are not beneficial to ratepayers if actually implemented, they should clearly be rejected for rate purposes, regardless of any finding as to management imprudence.

Complainants and Trial Staff except to the ALJ's rejection of their proffered allegations of management imprudence. OCA, in its Exceptions, summarizes its "examples" of alleged "imprudence" which were rejected by the ALJ (OCA Exceptions, pp. 11-12). As explained by PECO in its Reply Brief, these "examples" are both completely without record support and were rejected by this Commission at RID 438 (PECO Initial Brief, pp. 36-37; PECO Reply Brief, pp. 3-10).7/

As evidence of imprudence, Trial Staff advances its witness Birx' assertion that PECO has not performed certain studies deemed necessary by the witness, has not responded in a proper manner to the growth in its reserve capacity level and "the mere fact of a 36% reserve margin ... is evidence of imprudence" (Trial Staff Exceptions, p.4). As previously noted, however, and as found by the ALJ, the record evidence establishes

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7/ As noted at pages 54-55 of PECO's Initial Brief, the Shakow computed reserve requirement of 14-22% is unsupportable for a number of reasons, not the least of which is the fact that the witness statistics actually support a 22-30% reserve requirement.

that PECO has acted reasonably to reduce reserve levels where appropriate to do so (PECO Intial Brief, pp. 35-36). The record further establishes that witness Birx, testifying under cross-examination, was unable to state the nature of the studies which he proposed that the Company should undertake, nor did he mean by identifying these areas as matters of concern to him to imply that the Company was performing unsatisfactorily in these areas (Tr. 2760-63). Finally, as this Commission clearly held in both R.I.D. 438 and its Pennsylvania Power Company rate decision at Docket No. R-77110521 (at p. 14), mere "numbers alone" are insufficient to support a proposed capacity adjustment.

These parties further argue that a finding of "imprudence" is not needed under this Commission's prior decisions. OCA asserts that the clear statement to the contrary in this Commission's West Penn Order should be ignored as that Order was issued in a remand proceeding and, according to OCA, addressed itself solely to a prior Commission determination based upon imprudence. OCA argues that upon remand this Commission is limited simply to affirming or revising its prior evidentiary findings and cannot support a prior Order by revising its legal reasoning.

The simple answer to OCA's contentions is that the Court in West Penn directed this Commission to undertake a "review and revision", and if necessary "modification", of both

the "findings of fact and conclusions of law" in its prior Order. West Penn Power Co. v. Pa. PUC, 33 Cmwlth. Ct. 403, 410 (1978). Indeed, in the remand proceeding itself, as clearly stated in the Commission's Order of June 29, 1979, OCA did not take the limited view of the proceeding which it now espouses. Rather, OCA argued that the Commission should affirm its prior Order on the basis of the "sharing" concept advanced in this case, and that the record should be reopened to permit the introduction of additional evidence in support of that concept. Clearly, OCA's present inconsistent position is devoid of merit.

As noted in PECO's Initial Brief, "excess capacity" adjustments have been rejected by both Federal and State Commissions in the absence of a finding of imprudence (PECO Initial Brief, pp. 45-46). In fact, but two cases have been cited in the opposing Exceptions in which such adjustments were allegedly made. A review of the facts in these cases further demonstrates the impropriety of any adjustment in this case. In Re Western Massachusetts Electric Company, D.P.U. 18731 (1977), described in full in PECO's Reply Brief (at pp. 10-11), the Massachusetts Commission found management imprudence in eliminating from a utility's rate base old, unused combustion turbines where a utility's test year reserve capacity equalled 60%, its anticipated next year's reserve capacity equalled 70% and its reserve capacity would never fall below 37% during the

remainder of the forecast period. Clearly, the Massachusetts case is in stark contrast to the facts under consideration, i.e. where reserves presently equal but 35% and will decrease to 20% within three years.

In this Commission's Pennsylvania Power decision (Docket No. R-77110521, Order entered January 22, 1979), this Commission adjusted a utility's test year revenue level because the utility had placed three new generating plants in service during or just preceding the test year. The Commission found that these plants more than doubled the utility's previous original cost measure of value. The Commission's adjustment, however, was supported by a finding that the utility could anticipate in future years to achieve the imputed revenues as the result of the sale of this additional capacity. As stated at page 18 of the Order:

> "The Company argues that Judge Matuschak assumes that Penn Power will be able to sell 65 MW annually to other CAPCO companies at the same cost per MW as the annualized test year CAPCO sales. It is true that the actual cost may be somewhat more or somewhat less depending on the units the capacity would come from. We agree, however, with the Judge that on this record the test year figures are the best ones available and should be used as a surrogate. We agree that this adjustment is not absolutely precise; the Company, however, would have us speculate that none of this capacity would be sold. We decline to make that assumption."

Clearly, neither this case, nor R.I.D. 438 where no adjustment

was made, supports Complainants' position that a "sharing" approach should or has been taken by the Commission in the rate treatment of capacity in excess of planned reserve levels.8/

Complainants' "sharing" argument is, moreover, substantively invalid in that PECO shareholders, under this Commission's previous rate orders, have been bearing to a disproportionate degree the burdens of inflation and regulatory lag. For example, as shown by the uncontradicted evidence, PECO's return earned upon shareholders' equity has averaged but 9.7% over the past five years as the result of inflation and regulatory lag, despite this Commission's findings of just and reasonable equity costs of 14% (See PECO Exceptions, pp. 15-17). Moreover, a return upon an investment in PECO has not kept pace with inflation, increases in wage earner earnings or returns available from industrial companies (PECO Initial Brief, pp. 111-118).

8/ Indeed, as far back as Pa. P.U.C. v. PECO, R.I.D. 129 (1975), this Commission established the imprudence standard as follows (at pp. 22-23):

> We have stated previously in other cases that since a public utility must engineer and construct plant in advance of actual customer needs and cannot wait until those needs actually occur, the utility cannot be denied a reasonable return thereon unless it can be shown that the investment has been improvident and imprudent. We can find nothing in the present record to support such a finding.

A significant cause of this attrition has been the regulatory lag experienced by the Company in obtaining recognition in rate levels of new generating plants. Ratepayers receive the benefit in terms of reduced energy or fuel clause charges of these more efficient stations as soon as they become operational. In the past, however, shareholders have received no return upon their investment in these facilities until approximately one year after these units have begun commercial operation.9/ Clearly, shareholders have borne more than their fair share of the burdens of inflation and regulatory lag. Any "sharing" of capacity costs is further inappropriate when it is realized that PECO's present capacity levels to a large degree reflect the prior directives and urgings of this Commission (PECO Initial Brief, p. 37).10/

9/ For example, Salem Unit 1 went into service on June 30, 1977. At that time, AFUDC accruals on the plant were terminated. Base rates fully recognizing the plant's commercial operation were not established by this Commission until March 1, 1979 for application to service beginning July 1, 1978. Shareholders received no compensation for bearing the investment costs of this facility prior to July 1, 1978. Ratepayers, however, received the benefits of cost reductions as the result of the unit's operation. (R.I.D. 438 Record, PECO St. 1A, pp. 4-5) See R.I.D. 438 Order, at p. 20.

10/ Complainants' further argument that such an adjustment is needed in order that management be given an incentive to exercise greater care in capacity planning, presupposes that management has failed to exercise appropriate care in past capacity planning. As found by the ALJ and this Commission at R.I.D. 438, that is simply not the case here (See PECO Initial Brief, pp. 31-37).

III. THE ALJ PROPERLY REJECTED CERTAIN PROPOSED ADJUSTMENTS TO THE COMPANY'S CLAIMED MEASURES OF VALUE

A. Coal Inventories (City Exception IV; CEPA Exceptions, p. 3)

The City and CEPA except to the ALJ's rejection of their recommended 27% reduction in PECO's claimed coal inventories (Recommended Decision, pp. 35-36). As fully discussed in PECO's Initial and Reply Briefs (at pp. 75-76 and pp. 20-21 respectively), the ALJ's rejection of this unsupported proposal is appropriate for the following reasons: (1) PECO's claim is identical to that approved by the Commission at R.I.D. 438, after elimination of the inventory associated with Cromby Unit No. 2 where coal use in the immediate future is not anticipated and (2) the inventory levels claimed are less than actual inventories normally maintained during the historic test year.

As recognized by the ALJ, inventories serve a dual purpose--maintenance of normal operations and as a source of supply during disruption of normal supply channels (Recommended Decision, pp. 35-36; PECO St. 5, pp. 4-5). The Weiss adjustment, which is developed upon the basis of actual coal use during a single year, recognizes only the first of these purposes. In fact, this adjustment is no different from that rejected

at R.I.D. 438 because it relied upon "normal burn rates". The Commission there recognized the function of fuel inventories as a supply source needed to assure safe and reliable service during periods of normal supply disruption. PECO witness Carroll fully explained the nature of these disruptions and the frequency of their occurrence (PECO St. 5, p. 4). Clearly, Complainants' exception must be rejected.

B. Cash Working Capital
(Trial Staff Exception C; CEPA Exceptions, p. 4)

Trial Staff and CEPA except to the ALJ's failure to reduce the Company's claimed cash working capital allowance to reflect an allegedly excessive lag in the receipt of revenues. For the reasons previously set forth (PECO Exceptions, pp. 26-34), the Company believes that the adjustments which were recommended by the ALJ should be rejected or, at a minimum, recalculated to correct certain errors in the ALJ's allowance.

The methodology employed by PECO in determining its cash working capital requirement is fully explained in the Company's Initial Brief (at pp. 76-79). That methodology has been repeatedly accepted by this Commission in the past and was again approved in the Company's recently-concluded gas proceeding. See Pa. P.U.C. v. Philadelphia Electric Co., Docket No. R-79030781 (Order entered January 4, 1980).

In that case, the Trial Staff raised objections to the employment of this methodology identical to those raised in the instant proceeding. In addition, an alternative revenue lag computation very similar to that here proposed was advanced. In rejecting the Staff's alternative proposal and approving the Company's measured revenue lag of 57 days in that case, the Commission stated:

> "We are . . . of the opinion that PECO's cash working capital claim for operating and maintenance expense is based upon its actual experience in receipt of revenues and for that reason we will accept its claimed revenue lag in this proceeding" (at p. 17).

The Commission's rationale for rejecting the Staff's recommended adjustment, i.e. that the lag days employed in its calculation were assumed, not measured, is equally applicable in the instant proceeding (see PECO Initial Brief, pp. 79-80; PECO Reply Brief, p. 16).

The Staff in its presentation in this case made no attempt to correct the major errors which it alleges exist in the Company's claim. While criticizing PECO for employing a "combination" of the balance sheet and lead-lag approach, the Staff failed to develop a "true" lead-lag study of its own. Only Consumer Advocate witness Arndt employed a full lead-lag approach and separately lagged all expense items. On the basis of his analysis and the Staff's greatly understated revenue

lag of 45 days, Mr. Arndt recommended a cash working capital allowance of $39 million. It should be noted, however, that witness Arndt also proposed the disallowance of the Company's claim for minimum bank balances, a claim which is not affected by his lead-lag calculations. As such, the Company's "full lead-lag" cash working capital entitlement approximates $49.5 million, further evidencing the reasonableness of PECO's $52.3 million claim in this proceeding.

In its Exceptions, Trial Staff asserts that PECO's measured revenue lag is not a "lead-lag analysis". Trial Staff further notes that it "had neither the time nor the data to perform the lead-lag study, which the Company chose not to make with respect to its revenues" (Trial Staff Exceptions, p. 12). Apparently, Trial Staff also lacked sufficient time to state for the record its understanding of what consitutes a "lead-lag study" for revenue-lag determination purposes. A review of witness Markovci's testimony and Trial Staff's Briefs before the ALJ fails to produce such a definition. Clearly, Trial Staff is merely playing semantics and its argument should be rejected.

In short, the Staff's proposal is based on neither actual measured revenue lag data nor a full lead-lag expense approach. Both the measured revenue lag data and the full lead-lag study set forth in the record support PECO's claimed cash

working capital allowance. Accordingly, the Commission should reject this exception and approve the Company's claim as to this issue as it has in all past cases.

For the reasons stated in PECO's Initial and Reply Briefs (at pp. 85-88 & 18-20 respectively), CEPA's exception to PECO's claimed minimum bank balances should also be rejected.

C. Trended Original Cost
(City Exception III; CEPA Exceptions, p. 6)

The objections of the City and CEPA to the Company's trended original cost study are completely unfounded and only serve to further illustrate the conservative nature of the estimates developed by PECO witness Waddington (see PECO Reply Brief, p. 22).

IV. THE ALJ PROPERLY REJECTED CERTAIN PROPOSED ADJUSTMENTS TO THE COMPANY'S CLAIMED REVENUES, EXPENSES AND TAXES

A. Pro Forma Revenues

The development of pro forma revenues was fully described in PECO's Initial Brief (pp. 148-58) and thoroughly reviewed in the Recommended Decision (pp. 129-35). With the exception of one relatively minor adjustment, the ALJ adopted the methodology employed by the Company and found PECO's claim to be a reasonable estimate of anticipated revenue levels.

1. Non-Jurisdictional Sales
(Trial Staff Exception E)

Trial Staff excepts to the ALJ's refusal to impute additional revenues to the Company on the ground that PECO's non-jurisdictional wholesale customers are not currently providing a return at the level requested in this proceeding. As noted by the ALJ (Recommended Decision, p. 133), the Commission recently considered and rejected a similar proposal in Pa. P.U.C. v. West Penn Power Co., R.I.D. 685 (Order entered August 30, 1979) and the factors rendering such an adjustment inappropriate in that case are equally applicable here.

2. Load Growth
(Trial Staff Exception F; CEPA Exceptions, p. 17)

Trial Staff and CEPA except to the ALJ's failure to adopt the normalization adjustment for customer growth and increased usage advanced by the Staff. As recognized by the ALJ (Recommended Decision, p. 134), the Staff's proposal is simply an attempt to "further fine tune what is essentially an estimate". The methodology employed by the Company has been repeatedly accepted by the Commission in the past (see, e.g., Pa. P.U.C. v. Philadelphia Electric Co., R.I.D. 781, Order entered January 4, 1980), its reasonableness has not been seriously challenged in this proceeding and, accordingly, the ALJ's finding should be affirmed.

B. Operating and Maintenance Expenses
(Trial Staff Exception G; CEPA Exceptions, p. 18; City Exception VI)

Trial Staff, City and CEPA all contend that the ALJ erred in not adopting the Staff's recommended $32 million reduction in PECO's claim for operating and maintenance expense. This proposal was addressed at length in both the Company's Initial and Reply Briefs (PECO Initial Brief, pp. 160-64; PECO Reply Brief, pp. 31-36) and the Commission is urged to refer to that discussion. However, in view of the magnitude of the proposed disallowance, some additional comment is necessary.

The thrust of the Staff's exceptions, as well as those of the Complainants, is that the ALJ blindly adhered to prior Commission decisions in which adjustments based on comparable regression analyses were rejected and, in so doing, ignored the evidence of record in this proceeding. Such criticisms are, however, clearly misplaced. Rather, as the Recommended Decision's extensive analysis of this issue reveals (pp. 138-46), the ALJ carefully reviewed the Staff's proposal in this case and specifically found it to be plagued by many of the same unsupportable assumptions which precluded its adoption in the past. As noted by PECO in its Briefs, these defects in the Staff's analysis include 1) the failure to recognize in whole or in part recent expense increases either not contained

in the Staff's historical data or contained only during recent years and therefore diluted by the equal weight given earlier periods (i.e. such as Salem 1 refueling costs and nuclear related costs first incurred in 1973), 2) its failure to reflect the impact on expense levels of changes in plant type and complexity (i.e. the advent of nuclear power) during and after the historic analysis period (a defect pointed out by this Commission in its West Penn Power decision), 3) its inadequate recognition of inflation and 4) its use of single output variables and concurrent disregard of the numerous factors, other than the particular variable chosen, which can and do affect expense levels.

Even without regard to these fundamental flaws in Trial Staff's methodology, its statistical analysis suffers from a number of outright errors. If these errors, as noted by the ALJ, are corrected, the results of the Staff's analysis are reversed, i.e. the Company's "normal" expense levels are some $22 million in excess of its claim in this proceeding (PECO Initial Brief, pp. 160-64).

The enormity of the Staff's proposed adjustment alone renders it suspect. Under its recommendation, fully 10% of the Company's non-fuel expense claim would be eliminated. In fact, PECO's expense allowance would be reduced to $287 million, some 6% below the level actually experienced during the historic

test year and even further below incurred future test year expense levels based on operating results to date (see Exs. DPS-3 and DPS-4).11/ In view of the current 17% inflation rate, such a reduction is obviously without merit.

Trial Staff similarly excepts to the ALJ's rejection of its alternative proposal with regard to power production and administrative and general expenses, which primarily consists of a three and/or five-year averaging of experienced expense levels. However, as recognized by the ALJ (Recommended Decision, pp. 146-47), this approach is condemned by many of the same errors inherent in the Staff's regression analysis, i.e. reliance on allegedly atypical data, disregard of changes in capacity and other output variables, use of a grossly understated 8.9% inflation factor, etc. Certainly, as PECO's plant and service programs have not been static throughout these periods, a simple averaging is hardly representative of present and future cost levels.12/

11/ As shown on TS Ex. EKW/REN-1B, Schs. 1, 2 (page 4 of 4) and 6 (page 4 of 4), Staff's proposed adjustment to production plant maintenance and administrative and general expense reduces those expense levels to even below 1977 and 1978 experienced levels.

12/ For example, in 1977 PECO placed Salem No. 1 and associated transmission facilities in service. PECO also instituted monthly meter reading. These and a host of other new programs or plant additions all have expense consequences which are not recognized by the Staff averages.

More significantly, however, there clearly is no need to resort to any form of statistical averaging where, as here, actual experience has established the reasonableness of the Company's expense estimates. As succinctly stated by the ALJ (Recommended Decision, pp. 148-49):

> "The Trial Staff's adjustment, although rationalized by means of elaborate calculations, is at odds with what is actually happening to the company. When the penalty for being wrong is so great, the need to be right demands a far greater degree of certainty than is present in the proposals of the Trial Staff."

On this basis, the ALJ properly rejected the Staff's proposed adjustments to the Company's operating and maintenance expense claim and his finding should not be disturbed.

Finally, the Staff has recommended a $943,800 reduction in PECO's operating and maintenance expense claim to reflect the disallowance of the costs of leasing and maintaining two Honeywell computers whose leases expired on February 29, 1980. This proposal is advanced for the first time in the Staff's Exceptions (p. 26) and no evidence whatsoever appears in the record in support of it. Moreover, the Staff's premise, i.e. that the Honeywell equipment and the one IBM 3033 computer employed during the test year performed duplicative services, is simply not true.

As explained in response to an informal Staff interrogatory (IR-1, RE-52), there was no overlap in charges. Nor, as suggested by the Staff, will the functions performed by the two Honeywell units be assumed by the IBM computer which PECO included in its claim. Rather, a second IBM 3033 computer, whose costs were not reflected in future test year figures, has been leased to serve that purpose. Based on historic data (see PECO Ex. 1, Vol. III-A-23, pg. 1 of 2), the costs of this additional IBM unit will exceed those associated with the replaced Honeywell equipment. As current and future expense levels actually exceed those claimed, the Staff's twelfth-hour proposed adjustment should be rejected.

For the reasons stated in PECO's Exceptions (at p. 51), Trial Staff's minor alleged abnormal expenses (which have nothing whatever to do with its averaging proposals) should also be rejected (Trial Staff Exceptions, pp. 25-26). The propriety of PECO's claimed labor cost adjustment is fully demonstrated in PECO's Initial Brief (at pp. 154-155).

C. Decommissioning Expense
(Trial Staff Exception H; CEPA Exception, p. 20)

Trial Staff and CEPA except to the ALJ's decommissioning expense allowance. While generally accepting the ALJ's resolution of this issue, the Staff contends that he erred in computing the annual allowance required under the

funding mechanism presently employed by the Commission. For the reasons previously set forth (PECO Exceptions, pp. 45-47), the Company believes that its alternative funding proposal is not only less costly to ratepayers, but is, in fact, considerably more equitable as between future and present ratepayers and should, therefore, be adopted.

If the Commission rejects the Company's proposed funding mechanism, then PECO supports the ALJ's method of computing the annual allowance. The method proposed by Trial Staff, which has in the past been employed by this Commission, produces an expense recovery which is demonstrably inadequate and unfair to future ratepayers who will be required to make good the inadequacy. Such inadequacy results because Trial Staff's proposed methodology fails to recognize that inflation increases the dollar level of the expense (see PECO Initial Brief, App. C., pp. 11-12). Under the ALJ's proposed method, this inflation will be offset to some degree by the interest earned upon the bonds.

CEPA asserts that the ALJ should have based his decommissioning expense recommendation on an averaging of PECO's claim and an estimate derived from a generic study conducted some five years earlier by the Atomic Industrial Forum. The major flaws in CEPA's analysis were addressed at length in the Company's Reply Brief (pp. 40-43). As noted therein, the AIF

cost figures were rejected by the only witness to testify on this subject in this proceeding and the study itself assumed a decommissioning scenario (a 104 year "mothballing" period) which is not a credible option for PECO's three nuclear facilities.

D. Depreciation Expense
(Trial Staff Exception B; City Exception V; CEPA Eexceptions, p. 2)

Trial Staff, City and CEPA except to the ALJ's failure to adopt the Staff's proposed nuclear plant depreciation adjustments. Neither the Staff's proposal nor the "analysis" upon which it is based is new. To the contrary, as noted by the ALJ (Recommended Decision, p. 23), witness Birx' testimony has been presented to and rejected by this Commission on at least two separate occasions. See Pa. P.U.C. v. Metropolitan Edison Co., R.I.D. 626 (Order adopted March 22, 1979); Pa. P.U.C. v. Pennsylvania Electric Co., R.I.D. 599 (Order adopted January 11, 1979). The major flaws in the witness' presentation, which are set forth in detail in PECO's Initial and Reply Briefs (pp. 174-78 and pp. 37-38 respectively), are no doubt well-known to the Commission. They range from a lack of qualifications on the part of the witness to render the opinions which are offerred to principal reliance upon inaccurate hearsay as a basis of the proferred opinions.

In contrast to the Staff, the Company provided a careful and reasoned analysis of the various causes of depreciation. In particular, PECO witness Boyer specifically discussed the development of new and more efficient technologies, physical limitations upon major nuclear plant components which cannot be replaced, increasing nuclear fuel costs which may render present technology economically obsolete, regulatory risks inherent in the limited NRC license period and continuing changes in safety and environmental requirements applicable to the plants in question (PECO St. 9A, pp. 2-8). Based on his study, Mr. Boyer concluded that even the 35-year life-span which is the present and well-established Commission policy is unduly optimistic.

In reviewing this evidence, the Commission should also bear in mind the financial risk of significant investment under-recovery if the unsupported assumptions underlying the Staff's proposal fail to materialize. Such under-recovery, which could approximate 30% of PECO's original cost investment in these costly facilities, would impose a substantial burden on both PECO and the future ratepayers upon whom it would fall. Certainly, as recognized by the ALJ, witness Birx' "hearsay analysis", which has twice before been rejected by this Commission, is insufficient to either overcome Mr. Boyer's careful review or to warrant modification of the prior findings

of this Commission that a 35-year life-span for nuclear plants in reasonable.

Trial Staff has similarly excepted to the ALJ's rejection of its recommended 40-year life-span for the Company's fossil fuel units. Once again, it is suggested that the ALJ has somehow misunderstood, or, even worse, chosen to ignore substantial evidence of record. A review of the Recommended Decision's extensive analysis of this issue (pp. 24-28), however, indicates that the ALJ carefully considered the evidence submitted by the Staff and simply found it to be lacking in probative value.

The major flaws in the Staff's proposal have been discussed in the Company's Initial and Reply Briefs (at pp. 178-180 and 38-39 respectively). Perhaps the most serious of these errors is witness Birx' complete reliance upon two studies whose purpose was to determine "economic life spans", i.e. the maximum life possible under the most optimum conditions, and not anticipated useful service lives for the units in question.[13/] The defects in the use of this concept in plant depreciation, as recognized by the ALJ, are fully described in PECO's prior

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13/ Economic lifespans and depreciation "lifespans" are not the same "concept" as argued by Trial Staff in its Exceptions. Mr. Waddington, in testimony which was not rebutted, fully explained this difference (PECO St. 8A).

Briefs. Even more importantly, Staff's proposal ignores the uncontradicted evidence of specific physical, economic and other conditions associated with the individual fossil plants here under consideration, which conditions indicate an anticipated service life for the units as proposed by PECO.

E. Full Tax Normalization
(OCA Exceptions, p. 20; City Exception VII; CEPA Exceptions, p. 21)

The ALJ rejected "full normalization" for three reasons: 1) the adjustment is "no more nor less than an attempt to avoid and evade" federal normalization requirements and its adoption "could jeopardize PECO's ability to take accellerated depreciation under Section 167 (1) of the Internal Revenue Code" (Recommended Decision, p. 176), 2) the adjustment reverses income tax allocation, approved by the Commission at RID 438, which accounting procedure fairly and properly allocates tax benefits between future and current ratepayers (Recommended Decision, p. 179); and 3) the proposed $60 million adjustment in PECO's revenue request would have "severe financial repercussions on PECO and its ratepayers", and should therefore be rejected as this Commission at RID 438 rejected a similar OCA proposal (Recommended Decision, pp. 179-180). Full normalization, and the many reasons which support the ALJ's rejection of it, are fully discussed in PECO's Briefs (PECO Initial Brief, pp. 191-195; PECO Reply Brief, pp. 51-55).

OCA excepts to the ALJ's recommendation, asserting that the ALJ has erred in his conclusions as to points one and two above.[14/] OCA's failure to except to the ALJ's third finding, which alone fully supports rejection of "full normalization", is a sufficient basis for affirming the ALJ. As noted in PECO's Exceptions (at pp. 19-20 & 57-58), PECO's present dismal financial condition prevents the existence of any meaningful dispute as to this latter ALJ finding.

OCA's argument in support of its exception is simply a refusal to recognize the record evidence and legal precedent which establishes beyond question that the proposed "full normalization" adjustment is nothing more than prohibited "flow through" accounting. As such, as even OCA admits, the proposal violates federal normalization requirements and could result in the loss of accellerated depreciation benefits.

For example, OCA cites the "unrefuted timing difference" which is a "tax/book timing difference" recognized by "full normalization". The facts are, however, that witness Solecki testified, and witness Towers admitted, that the proposed adjustment does not reflect a tax/book timing difference, but rather a difference between revenue employing normalization

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14/ CEPA and the City also except to the ALJ's recommendation.

and a theoretical revenue pattern developed by witness Towers (PECO St. 4A, pp. 1-4; Tr. 3117-3124). Accordingly, the proffered accounting basis for the adjustment, which according to OCA demonstrates that it does not constitute flow through, is without record support.

OCA further argues that the proposed adjustment is not flow through as PECO's federal income tax deferred account (i.e. "the 'benefits' of normalization" according to OCA) is not disturbed since a separate "deferred account" is created. That this may be so on paper does not change the fact (as shown on witness Towers' own exhibit, OCA St. 7, Sch. 1) that, under the Towers' proposal, PECO collects but 50% of the revenue which it would collect under true normalization. After the payment of taxes (which are also reduced by 50% as compared to true normalization)15/, the funds remaining to be credited to the deferred tax account are reduced to but 50% of those produced under true normalization. Clearly, the benefit of normalization is the funds, not the accounting entry as hypothesized by OCA. As the effect of the Towers proposal is to deny PECO fully one-

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15/ As noted by the Advocate (OCA Exceptions, p. 24), a recognized purpose of normalization accounting is to prevent the double loss of tax revenues which results from flow through combined with accelleratd depreciation. Since federal tax revenues are in fact reduced under the proposed Towers accounting gimmick, this congressional purpose is frustrated.

half of the funds produced by true normalization, clearly PECO's defered tax reserve is adversely affected (PECO St. 4A, pp. 1-4).

OCA criticizes the ALJ's reliance upon a "supposed congressional 'intent' that utilities retain the 'full' benefit of these deferred taxes" and argues that, unless a direct adjustment to the paper deferred tax reserve employed for ratemaking purposes is effected, no violation of federal normalization requirements occurs. Unfortunately for OCA, the ALJ is not alone in his "supposition", and OCA's "paper reserve" argument has been rejected in every case in which it has been advanced. For example, as stated by the Supreme Judicial Court of Maine in Central Maine Power Company v. Public Utility Commission, 405 A.2d 153 (1979):

> "In sum, the Commission argues its adjustment of CMP's book depreciation expense left the Company's tax expense undisturbed, and therefore did not flow through the benefits of accelerated depreciation. The adjustment, rather than flowing through such benefits, merely reflected the economic reality that investors have not supplied all the capital used to finance CMP's depreciable assets.....
>
> We ... reject the Commission's argument that its adjustment constitutes a mere change in basis. While it is true that the Commission did not directly adjust Central Maine Power's tax expense, we do not find that determinative of the issue.
>
> We have said before that a regulatory agency may not do by indirection what is forbidden it

to do directly. If it is forbidden to directly flow-through the benefits of accelerated depreciation, it is forbidden to impose an adjustment having the same effect, i.e., one inconsistent with full normalization.

Full normalization requires that the entire deferral of taxes resulting from the difference between (a) the depreciation method used in the regulated books of account (namely, straight-line) and (b) the accelerated depreciation method used on the income tax return be normalized. The methodology employed by the Commission results, instead, in a partial flow-through of those deferred taxes. That this end is accomplished not directly but by excluding from book depreciation a portion of the value of depreciable assets allowed for tax purposes under the rubric of a 'basis' change is irrelevant. In either case normalization (and Congressional intent) is frustrated. In either case, the amount of deferred taxes properly includable in the cost of service is reduced, to the benefit of the rate payers and to the detriment of the utility and national economic policy....

We conclude that Congress ... wished to insure that the full benefit of deferred taxes remain within the Corporation, and sought accordingly to prohibit flow-through or 'any other treatment, device or procedure' having the same effect." (emphasis added)

Accord New England Tel. and Tel. Co. v. Public Utilities Commission, 390 A.2d 8 (1978); Valley Gas Co. v. Burke, 406 A.2d 366 (R.I. 1979).

Finally, OCA argues that, if the Commission is concerned with the effect of adoption of the Towers' proposal upon PECO's ability to continue to enjoy the benefits of acceleration, that proposal should be adopted conditionally.

Presumably, under such conditional adoption, provision must be made for the adjustment's reversal if a ruling adverse to the proposal is obtained from the Internal Revenue Service. OCA, however, provides no guidance as to the basis of this Commission's authority to render such a "conditional" rate order. PECO's review of the Public Utility Code indicates that this Commission is not possessed of such authority, especially in light of the recently enacted prohibition against recoupment in major utility rate cases.

V. TRIAL STAFF AND CEPA'S EXCEPTIONS TO THE ALJ'S EQUITY COST ALLOWANCE SHOULD BE DENIED.
(Trial Staff Exception D; CEPA Exceptions, p.14)

Trial Staff excepts to the ALJ's employment of a 5% adjustment for market pressure, selling and issuance expenses (Trial Staff Exceptions, pp. 14-16). In PECO's view, the current evidence of equity cost indicates a cost level well in excess of the ALJ's allowed 14% regardless of whether such an adjustment is employed. Accordingly, this exception is of little moment. In any event, Staff's argument is premised upon the assumption that the ALJ in this case, and this Commission in the Company's recent gas rate proceeding, rejected any allowance for market pressure. This assumptrion is in error.

In the PECO-Gas Division case (Docket No. R-79030781, Order at p. 36), this Commission employed as a basis for its

equity cost allowance the same 5% adjustment here accepted by the ALJ. This adjustment, as recommended by witness Marcus in that case, includes an allowance for both selling costs and market pressure. Although the Commission noted that the market pressure portion of the allowance was small, such an allowance was clearly not rejected as argued by Trial Staff. As noted in PECO's Initial Brief (at pp. 142-44), Trial Staff's numeric analysis fails to recognize the costs of market pressure as established in the evidence and, accordingly, must be rejected. Clearly, the ALJ's adoption of the same adjustment as accepted by this Commission only two months ago should be affirmed.

CEPA also excepts to the ALJ's equity cost allowance. As its principal argument, CEPA contends that the ALJ should have given greater weight to equity cost data from the 1977 to 1978 period during which economic conditions were substantially different than exist today. CEPA's arguments have been fully rebutted in PECO's Exceptions (at. pp. 37-42) and in its Initial and Reply Briefs (at pp. 127-144 & 25-30 respectively).

VI. THE ALJ PROPERLY REJECTED CERTAIN RATE STRUCTURE AND PURPA RECOMMENDATIONS

Many, if not all, of the objections of the opposing parties to the ALJ's rate design and PURPA findings have been thoroughly addressed in the Company's Initial and Reply Briefs.

Thus, for example, PECO's opposition to CEPA's life-line rate (PECO Initial Brief, pp. 202-204) and political advertising (PECO Reply Brief, pp. 49-50) proposals and to GSA's recommended revision to Rate HT (PECO Reply Brief, p. 66) has been adequately set forth and need not be restated. Rather, the following comments will focus on those few exceptions where some further elaboration of the Company's position is required.

A. Exceptions of Industrial Complainants
(U.S. Steel Exceptions 1 & 3; Lukens Exception 1)

Complainants U.S. Steel and Lukens both except to the ALJ's approval of the Company's allocation of demand costs on the basis of each customer class's contribution to the average of PECO's four summer month peaks. As explained by PECO witness Williams (PECO St. 2, pp. 9-10), experience has shown that the system peak can occur in any one of the four summer months depending on when a hot spell occurs. At the same time, class loads can change dramatically from one month to another, i.e. schools are open only during a portion of June and September, certain industries schedule vacations and close down for a brief period of time, etc. For this reason, a single summer peak would not reflect the actual contributions of all classes to the system peak over time nor guarantee the same degree of stability in cost allocation provided by the four monthly summer peak approach. Accordingly, this cost allocation method has

been repeatedly approved by the Commission (see R.I.D. 295 & R.I.D. 438) and should again be accepted here.

Complainant U.S. Steel raises for the first time in its Exceptions the proposal that all interested parties be provided the opportunity to review the tariff to be filed by PECO in compliance with the final Order in this proceeding prior to its formal submission to the Commission.16/ PECO, as in past cases, will provide copies of its compliance tariff to parties requesting it as soon as it becomes available. PECO sees no necessity for the establishment of formal procedures for comment upon the tariff which is usually not a subject of controversy. To the extent that USS' proposal seeks to prevent the Company's tariff from becoming effective at the end of the seven-month suspension period prescribed in Section 1308 of the Public Utility Code (66 Pa. C.S. §1308), PECO believes that the Commission is powerless to grant such a request.

The Public Utility Code provides that new rates approved by the Commission following a rate investigation are to become effective at the close of the statutory suspension period. Under Section 1308(d) of the Public Utility Code, proposed rates may be suspended for a maximum period of seven months, during

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16/ The Commission should note that U.S. Steel was not actively represented at the hearings during this proceeding.

which period existing rates are continued in effect unless extraordinary rate relief is allowed. Section 1308(d) further provides that, at the end of the suspension period, the effective rates shall be either the increased rates as originally proposed or such lower rates as shall be required to comply with a final decision and order which grants or denies "..., in whole or in part, the general rate increase requested." Accordingly, it is PECO's view that the rates as approved at the close of this proceeding must become effective April 26, 1980.

B. Consumer Advocate Rate Structure and PURPA Proposals (OCA Exeptions, pp. 28-43)

In its Exceptions, the Consumer Advocate once again seeks to demonstrate various alleged "errors" in PECO's cost of service methodology which presumably went unnoticed by the ALJ. These same criticisms have been advanced and repeatedly rejected by the Commission in the Company's prior rate cases. Moreover, no evidence was presented in this proceeding which remotely suggests that the alleged "errors" are significant or that the suggested "corrections" are even feasible. As detailed in PECO's Reply Brief (pp. 59-62), and as properly concluded by the ALJ, the record establishes that precisely the opposite is true.

The Advocate also requests that the Company be directed to perform a class risk study. This proposal is clearly

improper. If the Consumer Advocate wishes to develop evidence on this issue, it is certainly free to do so. Company witness Williams has testified in this case and in R.I.D. 438 that the concept of varying class risks is neither valid nor measurable (PECO St. 2B, p. 3-4).

An exception has also been taken to the ALJ's rejection of Consumer Advocate witness Rohr's exotic rate design proposals under which rates would be established on the basis of the PJM System Lambdas. In fact, Dr. Rohr's proposals were never fully developed during the hearings and the ALJ was, in effect, requested to "finalize" Rohr's rates by employing data not of record. Accordingly, witness Rohr's "recommended" rates are largely left for this Commission to develop. Obviously, the effect of such unknown rates on customer bills and PECO revenue stability is not a matter of record.

Based on Mr. Williams' and Dr. Bloom's analysis of Dr. Rohr's partially developed initial proposal, it is apparent that the methodology employed would, at a minimum, produce unacceptable variations in residential customer bill increases and widely varying rate levels and structures depending upon the month or year from which the data employed in his "system" is derived. These and the many other reasons for rejection of the witness' rate proposals are fully described in PECO's prior Briefs (see PECO Initial Brief, pp. 205-10; PECO Reply

Brief, pp. 63-65).

Finally, the Consumer Advocate has excepted to several of the ALJ's PURPA recommendations. The Company has previously addressed each of the Advocate's objections, including its comments relative to the cost-of-service, life-line, information to customers and political advertising standards, and the Commission is urged to refer to that discussion as a basis for denying these Exceptions (see PECO Reply Brief, pp. 49-50, 66-67).

VII. CONCLUSION

For the reasons set forth above and as is more fully discussed in PECO's Exceptions, the Recommended Decision, if adopted by the Commission, would deny the Company the just and reasonable rates to which it is entitled. The Recommended Decision should, therefore, be modified and the Commission should approve the full amount of the increase requested in Supplement No. 6.

Respectfully submitted,

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DATED: March 20, 1980

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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Public Utility Commission

PENNSYLVANIA PUBLIC UTILITY COMMISSION, et al.	:	
v.	:	R-79060865
PHILADELPHIA ELECTRIC COMPANY	:	

REPLY EXCEPTIONS OF THE OFFICE OF CONSUMER ADVOCATE

Martha W. Bush
Assistant Consumer Advocate

Craig R. Burgraff
Assistant Consumer Advocate

Walter W. Cohen
Consumer Advocate

DATE: March 20, 1980

DUPLICATE RECORD.
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TO COMMONWEALTH COURT.

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INTRODUCTION AND RESPONSE TO PECO'S EXCEPTIONS

RE: CAPITAL ATTRACTION

Philadelphia Electric Company, in its Exceptions to the ALJ's Recommended Decision, has raised issues that have been covered in the Consumer Advocate's Main and Reply Briefs. The Advocate does not intend to repeat discussions of those issues but would simply refer the Commission to those briefs.

Certain areas raised by the Company do need some comment by nature of reply and those comments follow.

> It is clear that PECO's construction program, ie. Limerick, fuels its huge capital attraction needs. PECO's Exceptions demonstrate the need for reasoned ratemaking which includes the investigation into Limerick as the fundamental motivator of PECO's alleged financial posture.

The Company has raised the recurrent specter of its "financial condition" once again as a means of suggesting that the entire rate amount requested should be granted, for that reason alone, regardless of ratemaking principles, and for the prospect that the ALJ's cost of equity finding be raised by 1½%. As in its Briefs, the Advocate submits that the Company's constant badgerings on this point clearly illustrate the need for this Commission to reject regulation based solely upon a strategy intending to stampede the Commission and deal with ratemaking issues on a reasoned basis and investigate the underlying cause of PECO's financial situation, ie. its need for tremendous amounts of capital over the coming years to construct a plant that will not be needed and is not the most economical alternative to its ratepayers. As will be noted infra, the Company's Exceptions demonstrate precisely this need.

Initially, the Advocate has strong reservations about PECO's tactic in its Statement of Position, pp. 1-20, and its section on equity cost, pp. 37-42, of its Exceptions of relying heavily on data and reconstructed calculations and numbers that are all outside of the record developed in the case. The Advocate contends that any decision based upon numbers and calculations not subject to the review and scrutiny of the hearing process is clearly inappropriate for any decision.

Examples of the use of non-record data abound in the pages listed above and the Advocate would simply refer the Commission to those pages.

A few notable examples re the listed "current" market to book ratios on p. 6 and Mr. Paquette's calculations of earnings per share for the 12 months ended December 31, 1980 that include altered assumptions then those used in his claculations which appear in the record. (See p. 9 of Exceptions).

Not only does PECO use non-record information, it also applies it in a clever manner. On page 4 of its Exceptions, the Company throws at the Commission, with appropriate emphasis by underlining, that its mortgage bond interest coverage is presently below two times and the Company is now precluded from issuing additional mortgage bonds. Of course, in looking at this non-record statement one must bear in mind two crucial facts. A present calculation does not include any rate relief to be gotten from this proceeding and PECO's mortgage bond indenture coverage ratio does not accurately reflect its financial situation since it represents a strict definition since it excludes AFUDC. (See p. 2 of Advocate's Reply Brief and Paquette

cross-examination at Tr. 3766). As Mr. Paquette admitted on cross-examination, PECO has made no effort to modify its indenture to include AFUDC income in the calculation. (Tr. 3766).

PECO also does not consider rate relief from this proceeding in its "current preclusion" from issuing additional preferred stock.

In addition, the Company appears to be saying two different things to this Commission. At page 8, PECO notes that the $80 million of additional revenue permitted by the Recommended Decision will improve its stated financial picture only "very slightly." However, an injection of $53 million more, ie. the approval of the full amount of the rate relief requested, would lead to a "significant" improvement in the Company's financial picture. (p. 14 of Company's Exceptions). The Advocate submits that these statements are inconsistent with the "financial pitcure" painted by the Company.

The Advocate submits that the scenario advanced by PECO in its attempt to stampede the Commission simply illustrates what the Advocate has been arguing in this case.

Two facts are critical to the question even if one assumes, arguendo, the validity of the Company's non-record numbers, calculations and conclusions. First, the Company has the ability to file additional rate cases to attempt to improve its 1981 financial picture if it so desires. The Advocate would not be surprised if that next rate filing is not already well along and will be presented close on the heels of any decision by the Commission in this case.

Secondly, and most important, the Company's Exceptions clearly evidence that the prime cause of PECO's financial condition at present and in the future is its construction program, ie. the Limerick units,

and the impact it has based upon the massive capital infusions required. As PECO noted at pages 5-7 of its Exceptions, it plans on capital attraction needs of $600 million in 1980 and $400 million annually for 1981-1983, or double the annual average of recent years. Thus, one must ask oneself whether "attrition" and "inflation" is the problem or whether coverage dilution is really fueled by the huge infusion of new debt.

It is for exactly this reason that the Advocate has argued that this construction program must be examined now, by separate investigation, to determine if it is necessary from a capacity point of view and is the most economic alternative. If not, this Company's ratepayers will be paying the enormous price over the next seven years that is easily seen by the continuation of PECO's program.

The danger is that Limerick will be completed only to find PECO with a reserve margin in excess of 50% which the Company will expect the ratepayers to carry. The Advocate has offered evidence that this will indeed be the case. PECO has offered no evidence that it won't be the case. It has offered evidence of illusory fuel savings based upon inflated estimates of capacity factors for Limerick, which estimates miraculously equal the base rate increase needs from putting the Limericks in rate base regardless of whether that is done in 1983-1985 or 1985-87. (See Advocate's Main Brief, Section I,B).

The Advocate submits that PECO's unbending commitment to the Limericks fuels the entire "financial picture" as created by the Company in its Exceptions. That unbending commitment takes it so far as to state, with no support in the record, that substantial rate relief is needed to permit not only maintenance of its credit standing but also

capital to maintain its service operations. The Advocate respectfully submits that the Commission must cut through this uncalled for hysteria and establish a commitment to reasoned regulation for this Company before it is too late. If not, one does not have to be a seer to see the results for PECO ratepayers in the future.

RATE OF RETURN

The Company's Exceptions concerning the cost of equity are all based upon spot data. The Advocate has dealt with the inappropriateness of basing regulation in this area on spot data in Section II of its Main Brief and during oral agrument. The ALJ has properly applied regulatory principles in not succumbing to total spot data in his determination in this regard.

PECO is not dissuaded from arguing from spot data in its Exceptions, however. The Commission is treated to Wall Street Journal cites from February 25, 1980 concerning inflation rates (p. 16 of Exceptions), "current" mortgage bond interest rates (p. 37 of Exceptions), the "current" prime rate (p. 37 of Exceptions), new earnings-price ratios (pp. 17 and 38 of Exceptions), new spot discounted cash flow anlaysis (pp. 38-39 of Exceptions), and new bare rent analysis based upon spot information from the March 7, 1980 Wall Street Journal and the January 29, 1980 Philadelphia Inquirer (pp. 39-40 of Exceptions).

The entire support for PECO's argument is clearly spot data that does not appear from the record. PECO however, has the temerity to state that the Recommended Decision has refused to recognize the record evidence. (p. 41 of Exceptions).

The Advocate submits that the cost of equity as determined by the ALJ was based upon the record and that the panderings of PECO are the worst form of reliance on spot data and arguing one's case outside the record. PECO's performance in this instance is the best example of why proper regulation dictates the non-reliance on spot data in this area. Indeed, if PECO's methodology is to be employed, the litigation

of cost of common equity during hearings should be suspended as meaningless and the parties should just appear for argument before the Commission with select newspapers at their disposal.

PECO's exceptions to the ALJ's cost of equity finding are without merit.

RATE BASE--SALEM AUDIT

The Administrative Law Judge did not err in recommending a reduction in PECO's claimed measure of value to reflect the unreasonable expenditures incurred because of the Company's improvident construction management practices of Salem Unit 1.

The Company continues to attempt to improperly relitigate the issue of the propriety of the Company's construction management practices at the Salem project and the resulting adjustment to the measure of value of Salem Unit 1. As shown by the attached Appendix "A" the Commission fully considered the evidence presented in the last proceeding, with the Company having had the opportunity to fully litigate the question. As a result, in that adjudiciation it was decided that the ratepayers should not bear a certain portion of the cost of Salem as those costs were incurred due to the imprudent management practices on the part of Philadelphia Electric Company and Public Service Electric and Gas Company.

The Company was given adequate notice and opportunity to be heard in the last rate proceeding. This issue was fully litigated and decided at that time. The decision was based on the record and it was based on facts and circumstances that have not and will not change. The decision in New Jersey is not evidence in this proceeding nor is it binding on the Pennsylvania Public Utility Commission. In fact, it would be an abdication of this Commission's responsibility to defer to the New Jersey Board's decision.

The Company has misrepresented the content of the Commission's order in the last case with regard to the evidence presented by the Company in the last proceeding on comparative costs of other nuclear

plants. Although noting that this evidence has "some" probative value the Commission accepted the testimony of Theodore Barry & Associates that such cost comparisons are unreliable due to the many factors such as "unique cost of environment protection, labor and other variable aspects of building a particular nuclear plant." Opinion in R.I.D. 438 at 17 (mimeo). The Commission in that decision noted the areas in which the Company could have improved its construction management practices at the site and it also noted the abdication of responsibility on the part of PECO for the management practices at the site.

The Commission adopted the Administrative Law Judge's Order granting the CEPA's and the Consumer Advocate's Motions to Strike all of the Company's testimony attempting to relitigate this issue. The Commission and the Administrative Law Judge properly recognized that there is the need for some finality to litigation in factual determinations made by the Commission based on facts and circumstances that do not change. As stated by the Supreme Court:

> Occasionally courts have used language to the effect that res judicata principles do not apply to administrative proceedings, but such language is certainly too broad. When an administrative agency is acting in a judicial capacity and resolves disputed issues of fact properly before it which the parties have had an adequate opportunity to litigate, the courts have not hesitated to apply res judicata to enforce repose.

United States v. Utah Construction & Mining Co., 384 U.S. 394, 421-422, 86 S. Ct. 1545, 1559-1560 (1966). The Supreme Court in that case considered the many factors that are relevant to a determination of whether res judicata should or should not apply to any decision. The Court noted that the administrative agency was acting in its judicial capacity and that all parties had had a full and fair opportunity to litigate the issues and to seek court review of any adverse findings. Looking at the

underlying facts, the Court held that there was neither need nor justification for an additional evidentiary hearing on the matters. It is respectfully submitted that the broad language in this jurisdiction that res judicata principles do not apply to decisions by the Pennsylvania Public Utility Commission should not be applied to the instant proceeding in a wholsesale manner but should be applied only in the context where it is appropriate. The finding of imprudent management by the Commission in the last electric rate proceeding was a factual dispute resolved by the Commission at that time after full and adequate opportunity for all parties to litigate their position. There is neither a need nor a justification for a second evidentiary hearing on this matter.

Administrative Law Professor, Kenneth Culp Davis supports this view:

> The unsound idea that res judicata does not apply to administrative determinations is graudally being replaced by the sound idea that res judicata properly applies to some administrative determinations and that degrees of relaxation of res judicata are often appropriate. The movement is toward a recognition that the reaons behind the doctrine of res judicata are fully applicable to some administrative proceedings, partially applicable to some, and not at all applicable to others.

Davis, Administrative Law, §18.12 (Supp. 1965) See also, Fibreboard, Paper Products Corp. v. East Bay Union of Machinists, 344 F.2d 300 (9th Cir.), cert. denied, 382 U.S. 826 (1965). The Company's attempts to raise this issue yet again should be denied.

EXPENSES

A. The Administrative Law Judge did not err in disallowing the Company's claim for spent fuel disposal costs.

The Administrative Law Judge properly rejected the Company's claim for an annual accrual for permanent storage of spent nuclear fuel for the three operating nuclear plants, Peach Bottom Nos. 2 and 3 and Salem No. 1 beginning in 1985. Although the annual accrual amount is $8,238,000, the 42.29% of total projected disposal cost for the three plants is $230,677,000.

The Administrative Law Judge correctly recommended that the Commission not allow these costs because of their speculative nature. The Consumer Advocate discusses in great detail the many speculative aspects of this claim in its Main Brief at pages 88 through 92. In summary, there are many political as well as technological uncertainties associated with determining these costs. For these reasons the ALJ's recommendation is sound. Further the recommendation further comports with the applicable legal precedents. The Superior Court in Penn Sheraton v. Pa. PUC, 198 Pa. Super. Ct. 618, 184 A.2d 328, 328 (1962) stated in this regard that prospective salvage cost attributable to existing plant is "purely prospective, it is a cost which has not yet been incurred; it is uncertain when and if it will be incurred; and it is not a part of original cost of construction of facilities when first devoted to public service."

With regard to the political factors that make these costs speculative it is possible that the federal government will again allow reprocessing to recover the usable uranium for spent nuclear fuel. It is clear that reprocessing will reduce the net negative salvage value of

the fuel. Tr. 1544. The exact amount of this reduction is not clear but it would have significant impact on the salvage cost. In the past the federal government has by various means "encouraged" various aspects of nuclear development and technology. We do not know at this time whether such "encouragement" will reduce the ultimate cost of reprocessing or salvaging.

Another factor that adds to the speculative nature of this cost is transportation costs which will depend on where it is decided it is least dangerous to permanently store this material. Technology must be developed to store these spent fuel rods for the thousands of years necessary for storage. The length, location and design of storage and the cost of reprocessing are fraught with uncertainty and thus lend any such determination speculative. Technology, the world uranium market, political values and a myriad of other factors put these costs squarely in the realm of speculation because the economics of reprocessing may change radically in the future. In addition, PECO has storage capacity until 1985. In sum, sound policy does not support charging ratepayers for these costs. The recommended decision of the Administrative Law Judge in this matter should be accepted.

The rationale of Penn Sheraton--that uncertain prospective future costs are not properly collected currently--applies to fuel disposal or reprocessing. No technology in the history of regulation has been more uncertain and the costs more speculative than those associated with nuclear power. As such these costs fall squarely within the rationale of Penn Sheraton. As the Superior Court stated in the Penn Sheraton case:

> Negative salvage attributed to existing plant is purely prospective; it is a cost which has not yet been incurred; it is uncertain when and if it will be incurred; and it is not a part of original cost of construction of the facilities when first devoted to public service. To permit the recovery of prospective negative salvage is to permit the recovery of a total amount in excess of original cost of construction prior to actual expenditure of these costs, and, in our opinion, represents the recovery of something in the nature of future reproduction cost. The established law in this Commonwealth does not permit the recovery by annual depreciation of any such prospective excess. It is therefore the prospective nature of future negative salvage that prevents it from being considered either an accrued depreciation or in the allowance for annual depreciation; they must have a consistent basis under our law.

Penn Sheraton at 329.

The Company in this claim and in the decommissioning expense claim has basically asked the Commission to make a decision inconsistent with prior law. It should be noted that the amount claimed by Allegheny Steam in the Penn Sheraton case was 50% of the original cost of the investment. Thus, the size of the allowance being claimed does not cause it to be an exception.

It is interesting to note that the Company states that the Administrative Law Judge is asking the Commission to "bury its head in the sand" with regard to this "problem". It seems rather to the Consumer Advocate that the Company would like the Commission to "bury its head in the sand" with regard to a realistic estimate of the true cost of Limerick to the ratepayers. The Company would like to commit the ratepayers to these plants regardless of the realistic cost estimates and regardless of the poor performance historically of these plants. Instead, the Company would rather recover bit by bit the hidden costs from consumers through methods such as spent fuel disposal costs

in the amount of $230 million and decommissioning costs in the amount of $100 million, both of these representing only PECO's less than one-half share of the total cost for the plants; through the increased reserve requirements necessary to insure service when these enormous plants are out; and once the plants are completed a return on and the other carrying costs of a $6-7 billion rather than the $3.2 billion dollar current "optimistic" projected costs. As long as these costs are passed on to ratepayers the Company has little economic incentive to look realistically at the economy of its generation planning choices. And, if as was suggested by the ALJ, these plants are also harming stockholders one must surmise that it is management qua management that continues down the path of financial suicide in spite of harm to ratepayers and stockholders.

The established law of the Commonwealth is that these costs are paid when they are incurred and that the Company cannot recover any of these costs prior to incurrence, as discussed fully in the Penn Sheraton case.

For all the foregoing reasons the Administrative Law Judge's recommended disallowance of spent fuel cost should be adopted by the Commission.

B. The Administrative Law Judge did not err in disallowing the non-nuclear related expenses associated with decommissioning and in fact the appellant courts have held that depreciation expense cannot recover more than the original cost investment of a plant.

If any of these decommissioning expenses are allowed, which is in violation of the Penn Sheraton holding as discussed, supra, then the allowance that is limited to the smaller safety-related figure of 45% is

less erroneous than allowance of the larger safety-related portion. However, it is submitted that the Penn Sheraton Hotel case, as discussed above, shows that any allowance would be in violation of the established law in the Commonwealth. The Consumer Advocate fully discussed in its Main Brief at pages 92 through 95 the many issues that are uncertain with regard to determining the prospective salvage cost of decommissioning and thus the inadequate basis for making such a decision. For example, the differing figures between the Atomic Industrial Forum study commissioned by Philadelphia Electric Company and other utilities and the current recommendation, a modification of the study done by the Company witness for Pacific Gas and Electric of The Diablo Canyon Nuclear Unit Nos. 1 and 2 were not fully explained. There are different types of reactors involved, i.e., boiling water reactor and pressurized water reactor. Separate studies by Battell Memorial Institute were commissioned for these two types of technologies.

Further, the Company's witness did not take into account any possible savings that would result if the existing facilities are converted to a new generating station, either coal or nuclear. This is one of the options allowed by the NRC but not studied by this witness. In fact the witness himself stated that it would be difficult to quantify this. It is for these reasons, the enormous speculative element, that the rationale and principle in the Penn Sheraton was established.

For all of the foregoing reasons the entire amount of the claim is properly rejected and certainly the recommended decision was not in error in recommending the lessor of the two percentage figures offered by the Company.

C. The Administrative Law Judge did not err in recommending that the costs if collected be put into an escrow account.

The Administrative Law Judge properly recommended that any such allowances be given the treatment consistent with the Commission's policy as established in Pa. PUC v. The Pennsylvania Electric Company, 25 PUR 4th 342, 361 (1978).

EXPENSES

D. The Administrative Law Judge did not err in rejecting the Company's late-filed request for increased nuclear operating and maintenance expenses.

The expense of $425,000 for extended Peach Bottom outage and $796,000 for unexpected escalation are the types of claims that cannot be accepted at the end of a rate proceeding by the Commission and the Commission still maintain an orderly rate determination. The budgeted figures for the Company's nuclear O&M expenses were used for the future test year claim. To allow any late filed escalation rate other than the one adopted by the Company in its budgeting procedure would open the door to many inequities. No adjustments are made at the last minute for increased productivity, increase in sales or other similar adjustments that would result in a reduction in the Company's revenue requirement. The extended outage from five to seven weeks at Peach Bottom was as a result of "additional valve work to meet the criteria of leakage testing." Tr. 3081. There is no indication that this is a non-recurring additional cost. One would hope that leaky valves will not be the norm at Peach Bottom. As such, this claim should be rejected by the Commission and was properly so recommended by the Administrative Law Judge.

With regard to the increased claim in the amount of approximately $4 million for post TMI NRC related cost, this is much too speculative to allow at the current time. The Company obviously will be coming in for another rate increase very soon. At that time we will have more experience as to what are the true increased costs resulting from new safety requirements learned as a result of the accident at Three Mile Island. The Administrative Law Judge properly rejected the Company's claim as to the normal nature of these expenses.

E. The Administrative Law Judge did not err in disallowing the Company's claimed amortization allowance of $2,349,000 associated with the retirement of Richmond and Barbados generating units.

These units were proposed by the Company to be mothballed in the most recent rate proceeding at R.I.D. 438. However, at that time the Company refused to admit that they were unnecessary because of its excessive reserve situation. In the brief intervening period the Company now claims that these plants will not be needed. The Company claims that this amortization adjustment is required "to achieve full equitable recovery of the original cost associated with these units." PECO exhibit DPS-2, C-18a.

On the contrary, equity does not require such a treatment. The Minnesota Supreme Court, after a comprehensive review of the case law on this question, enunciated the principle of law which should guide the discretion of a Commission in determining whether the consumer or investor will be charged with the amount of alleged loss due to obsolescence, as follows:

> First, the future consumer may not be charged for obsolescence through any method of accounting unless the investor has suffered an actual loss by having

> fully recovered prudently invested funds. [footnote ommited].
>
> Secondly, even if such loss has occurred, it is unreasonable to charge the consumer if the investor has been compensated for assuming the risk of obsolescence.

Minneapolis Street Railroad Company v. City of Minneapolis, 86 N.W. 2nd 657, 658 (1957). These plants have in essence become obsolete because of changing demand conditions. There is no evidence in the record that the investor has suffered an actual loss. According to the Company's witness there is no way to know if the book value of the plants has already been recovered. Upon cross-examination Company witness Waddington stated as follows:

> A. ...I don't believe that it is determinable as to how much has actually been recovered for Barbados and Richmond 12.
>
> ***
>
> Q. But because of the way the Company keeps its books and accrued depreciation, it's true, isn't it that you can't tell us what the book depreciation is on these particular units.
>
> A. That's true.

Tr. 153-154. The witness also states his views that this is not relevant because calculated depreciation not book depreciation has been used in ratemaking in the past. However, such a decision is within the discretion of the Commission. In fact, such was explicitly stated by the Commonwealth Court in U.S. Steel Corp. v. Pa. PUC, 390 A.2nd 849, 861 (1978). The Court left it to the Commission to rule upon the Company's position which the Court stated to be, as follows:

> It [the Company] says that if the reserve requirement study is reliable for the purpose of determining remaining value and the proper allowance for annual depreciation, it should be held to be sufficiently reliable for the purpose of showing the

> deficiency in depreciation required to be amortized upon the retirement of the property in order to prevent confiscation.
>
> We leave the decision of the question to the Commission in the first instance.

Id. It would be inequitable for the Commission to allow these amortizations, absent evidence that the Company has not already recovered the value of these plants from the ratepayers.

This is particularly applicable in the instant proceeding. Because of PECO's chronic excessive reserves, poor, if not imprudent, load forecasting record and failure to adjust this depreciation reserve earlier, the Commission should not grant this claim. The investors of the Company should not be shielded from the risk associated with obsolescence particularly when the Company has performed "poorly" if not imprudently in adjusting to the causes of obsolescence. Such risks are assumed by the stockholders and have been compensated in the Company's return as provided by the ratepayers. If PECO management is to be encouraged to plan with more foresight and adopt more effectively and quickly to changing conditions, the cost of unamortized portions of these plants should not be borne by ratepayers. This is particularly so in light of the lack of evidence that the original cost has not already been recovered by the Company.

Finally, the company's overall book reserve is greater than its calculated reserve. Ratepayers have been paying rates on a net rate base that is $45 million higher than the books of the Company. Investors have received the benefit of return on this higher base over the years. To allow this recovery would provide a double benefit to investors.

For the all the foregoing reasons the Administrative Law Judge's recommended decision should be adopted by the Commission.

RATE STRUCTURE

A. The Administrative Law Judge did not err in rejecting the zero fuel methodology of applying the revenue requirement.

Adoption of the zero fuel allocation methodology would indicate an overly simplistic view of the Company's operations and has properly been repeatedly rejected by the Commission. Many fuel related costs are included in the company's base rate calculation, i.e., nuclear fuel inventories and coal inventories are calculated in the cash working capital requirements as part of the base rate increase.

More importantly, there are many inequities in the current energy cost collection methods of the Company. The net energy clause allows subsidization to occur. To the extent that the industrial class is purchasing energy at its tailblock price which is lower than PECO's marginal cost price at that moment of usage, then the other customers of the Company are subsidizing this differential through the net energy clause. The Consumer Advocate noted such problems in its direct testimony, contrary to allegations of the staff as adopted by the Administrative Law Judge that there was no evidence in the record of the effect of the zero fuel methodology, as follows:

> Q. In light of the deficiencies you find in PECO's class cost of service study and Mr. Williams' methodology for allocating revenue responsibility to PECO's various classes of customers, would it be proper to allocate any increase PECO is awarded by this Commission evenly across customer classes after the inclusion of fuel cost?
>
> A. I think not. If you recall my earlier discussion concerning the biases that are introduced in class revenue requirements by allocating reserve capacity costs on the basis of class demand and energy cost on the basis of class KWH consumption, then you realize that such a methodology would tend to exagerate these biases. Those PECO customer classes using a higher percentage of total system energy than total system demand are most likely improperly

benefiting at the expense of those classes that use a lower percentage of total system energy than total system demand requirements.

If a percentage methodology for distributing any rate increase is to be applied at the close of this proceeding, it should be applied across the board to total class revenues rather than to base revenues less fuel costs.

C.A. Statement 2 at 27.

For the foregoing reasons, the Administrative Law Judge has properly rejected the zero fuel methodology.

B. The Company's request that the Adminstrative Law Judge's recommendation that a finding could be supported of compliance with PURPA's prohibition on political advertising would constitute a violation of the PURPA standard and would not be supported by evidence of record.

The Administrative Law Judge has reached out to decide this issue in spite of the fact that there is a current proceeding docketed at C-78080549, Keystone Alliance, et al. v. Philadelphia Electric Company in which this very issue is being considered. The Commission by its lack of affirmative action on the Company's certified request in that proceeding that this issue be considered in the rate case has deferred to Administrative Law Judge Kranzel's determination that advertising for promotion of nuclear energy would be considered in that proceeding. Discovery has proceeded and several pre-hearing conferences have been held in that matter. In fact, that entire investigation arose out of a denial of a request in the last rate proceeding made by the Consumer Advocate on behalf of various individual consumers that Administrative Law Judge Matuschak allow the Consumer Advocate to proceed with discovery on behalf of these consumers in the matter of Philadelphia Electric Company activities that were designed to discourage and render

ineffective political activites by other parties who are opposed to the development and use of nuclear production. To reach out in this rate proceeding to hurriedly decide this important social and political question would constitute kafkaesque justice. Further, it would be a gross waste of resources and extreme administrative inefficiency to attempt to consider these issues in this rate proceeding.

Although it is possible that de minimus funds in comparison to the $123 million rate request are involved, the policy questions at issue are of great importance to the body politic. The extent of PECO's commitment to shaping public opinion in favor of nuclear energy was discussed at length in the Consumer Advocate's Main Brief at 102-113. That PECO has a vital stake in a particular resolution of this important issue of public controversy is beyond cavil. The utility industry, by their own admission, has launched a massive public relations campaign aimed at influencing public opinion with regard to nuclear energy. In addition to the national organizational efforts by AIF and EEI, Philadelphia Electric Company has consistently over the years had a massive so-called educational but more properly propaganda program. Using all of the apparatus of this multi-million dollar organization, the Company has a well-organized and comprehensive so-called educational program by which it inculcates the public, both young people through schools and adults through civic and other community groups, as to its views of the safety, economy, and general viability of nuclear energy. These expenditures are often hidden and not discernable under traditional accounting methods. For these reasons this is properly and should continue to properly be a matter for investigation in the docket of Keystone Alliance,et al. v. Philadelphia Electric Company at C-78080549.

CONCLUSION

For all the foregoing reasons the Company's exceptions should be denied.

Respectfully submitted,

Martha W. Bush
Assistant Consumer Advocate

Craig R. Burgraff
Assistant Consumer Advocate

DATE: March 20, 1980

(d) The historic trade-off between capital costs and economic dispatch has been materially impacted by rapidly rising fuel costs on the one hand and rapidly rising construction costs on the other, which may have a significant bearing upon historic views as to appropriate reserve capacity margins.

(e) The same new socio-economic factors that have adversely affected the validity of past estimates of growth also cloud future estimates, i.e. will they continue to moderate growth below historic levels, as they have in the recent past, or has their impact been fully experienced with a resultant expected movement back toward historic growth levels.

These are but a few of the many concerns which could be enunciated. While we are acutely aware of and concerned with the financial burden which true "excess capacity" might impose upon ratepayers, we are unwilling to make any adjustment based upon alleged "excess capacity" based upon the record in this proceeding.

RID 438

Salem No. 1 Audit

On May 1, 1968, Philadelphia Electric Company, Public Service Electric and Gas Company (PSE&G), Atlantic City Electric Company and Delmarva Power & Light Company executed a two page "Memorandum of Owners' Agreement, Salem Nuclear Generating Station No. 1 and 2", to construct two 1090 megawatt nuclear units, of which Salem No. 1, in which PECO has a 42.59 percent interest, went into commercial operation on June 30, 1977. This memorandum confirmed prior verbal agreements for the respective companies made on December 15, 1965 and May 31, 1966. This agreement stipulated that PSE&G:

> . . . shall be responsible for the design, construction and operation of the aforesaid units. The design and construction of the aforesaid units are in process and contracts with the construction manager and some of the equipment suppliers have been negotiated. [Emphasis added]

An owners' formal agreement for the two units was not executed until November 24, 1971, at which time approximately $150 million had already been expended on the project.

The total cost of the Salem (Nos. 1 and 2) project, exclusive of AFDC has increased from an estimated $342 million in 1968 to $1,210 billion. For PECO, as owner of 42.59 percent, the corresponding figures are $121.6 million to $513.6 million. Salem No. 1 and parts of the plant in common are requested to be included in rate base at $287 million.

Appendix "A"

The Consumer Advocate and the Public Advocate of New Jersey engaged Theodore Barry & Associates (TB&A), a management consulting firm, to evaluate the construction practices of PSE&G on the Salem project. In addition, the Consumer Advocate engaged TB&A to review, evaluate and determine the manner in which PECO "executed its obligation to act reasonably within the sphere of managerial discretion in the construction of the Salem project".

TB&A concluded that if the preferred management procedures had been adhered to in the construction of the Salem project (Salem No. 1 and No. 2), a saving of from $22 million to $70 million could have been achieved, and that PECO's possible savings on Salem No. 1 would be from $5.9 to $15.2 million. In addition, it concluded that the Company's level of involvement in the project was one of observing and sharing experiences, rather than intervening and directing. It found that although the Company's costs on this unit employing up to 4,000 workers, were approximately $46 million a year, PECO had no permanent on-site representatives at the construction project. The Company made 26 visits to the site from June 4, 1970 to June 30, 1977, or an average of 3 visits a year, with 11 of such visits being in the year 1975.

TB&A, in its report and testimony, cited a number of accepted management practices by means of which many quantitative and qualitative benefits and savings could have resulted. Among these benefits were:

Improved management planning, control and coordination;

Improved communication between PSE&G and its contractor;

Greater involvement and surveillance over field operation;

Improved control and resolution of rework;

Increased control over and higher utilization of the work force;

Improvement in management of warehousing and inventories;

Better management of construction equipment;

Improved planning, scheduling, estimating and cost control; and

Increased effectiveness and internal audit functions.

In our view, the evidence presented by TB&A shows lack of prudent management in connection with the construction of Salem No. 1. PECO offered no testimony through PSE&G to rebut TB&A's findings. Instead, in defense, PECO offered evidence of a comparison of the Salem No. 1 per kilowatt cost to other nuclear projects in Northeast United States, as proof that the overall installed costs per kilowatt generated by Salem No. 1 were within the range of other comparable plants. TB&A admits that such comparison shows that Salem No. 1 costs are in line with other Northeast plants, but avers that such comparison does not provide the best evidence of the appropriate and proper cost for Salem No. 1. While such comparable evidence submitted by the Company has some probative value, it is not of sufficient weight to override the TB&A evidence. Such comparisons do not reflect the unique costs of environment protection, labor and other variable aspects in building a particular nuclear plant.

We agree with the Consumer Advocate that PECO exercised unacceptable imprudent management practices in regard to its engagement in, and its total abdication of responsibility for the management of the construction of the Salem No. 1 project.

The very limited extent of PECO's involvement in this project in which the Company was expending upwards of $40 million a year, did not provide reasonable managerial concern, and cannot be excused. In these days of rapidly escalating costs of energy, such imprudent management practice cannot be condoned. Efficient and economical management has always been a requirement of regulated industries.

While our authority to intrude into management areas may be limited, we can hold regulated utilities accountable for abuse of discretion or imprudent management in the ratemaking process. We hold PECO accountable, based upon the TB&A evidence and our judgment, for $10.5 million of expenditures in the cost of Salem No. 1 which would not have been made had prudent management been exercised. This is the approximate midpoint between the $5.9 and $15.2 million savings as developed in the TB&A audit.

Accordingly, we adjust the original cost of Salem No. 1 for ratemaking purposes by a reduction of $10.5 million in rate base.

Salem Construction Delay

The Salem No. 1 nuclear plant was originally scheduled for completion in 1971. In 1970, it was recognized that completion would be delayed one year from 1971 to 1972. Two years later, by May 1972, it was estimated that Salem No. 1 would be delayed three years to 1975. In July 1974, it was determined that completion would be further delayed until December 1976.

The plant was placed in commercial operation on June 30, 1977 after some pre-commercial operation.

Company witnesses, Boyer and Kistner, gave as the reasons for construction delays the application of additional safety and environmental regulations by regulatory bodies, design changes to incorporate industry-wide improvements and labor and other construction related problems.

Park Towne argued that $39 million should be deleted from rate base on account of a "deliberate" delay of the completion of Salem No. 1 for one year and three months from the 1975 estimated completion date. It contended that such deliberate delay was undertaken to manipulate the regulatory process. Commission Staff stated that if in fact the completion date of Salem No. 1 was deliberately postponed for the reasons assigned by Park Towne, Commission Staff would oppose the imposition of costs associated with such delay upon the ratepayers, and would support the adjustment of Park Towne.

Park Towne claimed that such decision to delay the completion of Salem No. 1 made in July 1974 was due to the desire of the Company to avoid loss of AFDC on Salem No. 1 until Peach Bottom Nos. 2 and 3 were included in rate base, i.e., the spacing out of nuclear units so that attrition of earnings following in-service and cessation of AFDC prior to rate base inclusion of more than one nuclear unit at a time is avoided. Park Towne urged that such deliberate delay was imposed for financial and load growth reasons. It presented PSE&G's 1974 Annual Report to its shareholders which it alleges contains an admission that such delay was in fact imposed. This argument's major thrust is that the Commission would not grant PECO necessary interim relief to prevent the attrition of earnings which would result from the simultaneous commercial operation of two nuclear units. The facts are otherwise in that such relief in substantial amounts has been afforded PECO both in R.I.D. 129 and R.I.D. 295, and in the present case on account of such attrition.

Park Towne seeks to fortify its theory of motivation for Salem No. 1 dalay, above stated, by the following statement contained in PSE&G's 1974 Annual report to its stockholders:

> Because of the reduction in current sales and anticipated sharply lower rates of future sales growth as well as difficulties encountered in raising new capital, the Company announced in September that planned construction expenditures would be reduced by $700 million over the five years 1974 to 1978. No major projects were cancelled, but all were deferred from one to six years. The construction deferrals will reduce the Company's reliance on internal financing, and together with timely rate increases should be helpful in maintaining our financial condition and in improving earnings further in the future.

While it may be that this statement would appear to support the position of Park Towne, there is some question as to the weight that should be given to it. This report, furnished for the first time in counsel's reply brief, has not been the subject of examination. It is ambiguous in that it does not refer specifically to Salem No. 1 and may include other projects as well. We must consider such statement in light of all the other pertinent evidence in the record. The New Jersey Public Utilities Commission order of September 16, 1974 directed PSE&G to complete the Salem and Peach Bottom units as quickly as possible. However, it directed PSE&G to delay the in-service dates of its other generating plants which were there considered. In New Jersey it is an established rule that construction work in progress is allowed in rate base. Salem was included in PSE&G's 1974 rate proceeding, and was in that company's rate base in 1976. Two days after the New Jersey Commission's order, on September 18, 1974, PSE&G issued the statement which apparently is the September company announcement referred to in the PSE&G's 1974 report to its stockholders. In that press release initially announcing PSE&G's delay and cut in construction of nuclear units, it is stated, with respect to Salem No. 1, as follows: "Work will proceed, however, on nuclear power units already under construction in order that the lower-priced nuclear power can be made available to customers." It further states:

> We will attempt to complete the first nuclear unit at Salem as soon as possible, but a recent strike of pipefitters has caused some delay in building up the work force. This unit, which had been scheduled for completion in December, 1975, is now scheduled for completion in December, 1976.

The Company furnished a copy of the testimony of Mr. Eckert of PSE&G before the New Jersey Commission on November 13, 1974, in which he states that the cause, or a principal cause, of the Salem delay from 1975 to 1976 was a pipefitters strike,

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V.

PHILADELPHIA ELECTRIC COMPANY

RATE INVESTIGATION DOCKET NO. R-79060865

REPLY EXCEPTIONS OF COMMISSION TRIAL STAFF TO RECOMMENDED DECISION OF THE ADMINISTRATIVE LAW JUDGE

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Date Due: 20 March 1980

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Introduction

This is Commission Trial Staff's Reply to the Exceptions filed by the other parties to this case on March 12, 1980.

Many of the issues and arguments raised in the other parties' Exceptions, in the opinion of Trial Staff, have already been sufficiently dealt with in Trial Staff's Main Brief, Reply Brief and Exceptions, and ALJ Klovekorn's Recommended Decision. This Reply will not address such issues or arguments.

A. PECO'S ARGUMENTS WHICH USE FACTS OUTSIDE OF THE RECORD MUST BE REJECTED AND STRICKEN.

PECO steps far outside of the record in its assertions of doom if it does not receive substantially the full requested rate increase. Trial Staff strenuously objects to PECO's use of: financial statistics as of December 31, 1979 (Exceptions, pages 4, 6 and Appendix A); discussions of preferred stock issued in March, 1980 (Exceptions, pages 5, 17); the Wall Street Journal of February 25 and March 3 and 7, 1980 (Exceptions, pages 5, 9, 38, 40); stock prices of March 6, 1980 (Exceptions, pages 6, 39); the "rigid schedule" with EPA for sulfur dioxide removal, and the "penalty" estimated for unavailability of Eddystone and Cromby (Exceptions, page 7); current inflation, prime interest and mortgage bond rates (Exceptions, page 37); and the Philadelphia Inquirer of January 29, 1980 (Exceptions, page 40).

There is no point in requiring hearings and providing for cross-examination, if the company is free to argue anything it pleases to assert as a fact to the Commission in its Exceptions. The record in this case was closed on December 21, 1979. PECO has made no application to reopen the record. It has not even given notice to the other parties to this proceeding of the new matters raised in its Exceptions, although such notice would not have been legally sufficient to allow PECO to argue outside the record.

Trial Staff submits that the Commission should not consider any matters raised by PECO which are not in the record, and hereby moves to strike all references in PECO's Exceptions which discuss matter outside the record.

B. PECO'S CAPITAL ATTRACTION ARGUMENTS INVITE THE COMMISSION TO ABDICATE ITS RATEMAKING FUNCTION.

In its Exceptions, PECO argues that unless substantially the entire rate increase is granted, its interest coverage and "experienced" equity return will be disastrously insufficient. PECO's calculations of low earnings per share in calendar 1980 (Exceptions, page 8-9, 14) are low because of course the company will not get higher rates from this rate case until late April. Surely the Commission cannot be expected to give PECO so much relief in the last 8 months of 1980 that the calendar 1980 earnings will look as good as the earnings after a full year of a reasonable rate increase.

Even more seriously, PECO suggests that it needs the entire rate increase to issue mortgage bonds (Exceptions, page 3). This is not supported by the record; the evidence cited by PECO (Exceptions, pages 3-4 and Note 1) only indicates that it will lose its ability to issue mortgage bonds without any rate relief at all, which is an unrealistic assumption.

If the Commission sets rates by computing what is needed to give PECO any given level of interest coverage, the Commission would be rubberstamping all of PECO's claimed original cost and expense levels. By ratemaking with interest coverage, the Commission would be allowing current return on all construction work in progress, as PECO would receive an appropriate multiple of all debt costs (i.e. profit), including debt funding CWIP. Debt interest would be receiving an above-the-line, direct recognition in the rates. All PECO's claimed expenses would be automatically accepted, because the interest coverage ratios are calculated using the company's claimed income available for return.

PECO's financial problems to a large extent result from its huge investment in plant which is excess capacity. By demanding the full rate increase to support its interest coverage, PECO is attempting to hold the Commission hostage to PECO's own misjudgments concerning its future capacity needs. In short, PECO is asking the Commission not to make any adjustments to its rate base, rate of return, revenue or expense claims because PECO needs everything it can get.

C. PECO'S UNTIMELY REQUEST FOR A 15.5% RETURN ON EQUITY SHOULD BE REJECTED.

As recently as January 21, 1980, PECO limited itself to a request for a 15% return on original cost equity: "Clearly, a full and adequate equity cost allowance at least at the minimal 15% level recommended by Mr. Brennan should be approved." (PECO Brief, page 118). PECO's witness Joseph Brennan recommended 15% after his allowance for market pressure, issuance and selling expenses (PECO Statement 14, pages 47-48). The only support in the record for a return above 15% is Mr. Brennan's recommended 1% allowance for attrition, which is to compensate for inflation and rate base growth after the end of the test year (Statement 14, page 48, lines 13-16). Such an adjustment is obviously improper.

As discussed above, PECO uses "evidence" outside the record to support its Exceptions to ALJ Klovekorn's Recommended Decision. There is, of course, no evidence that the current spot conditions will prevail for the prospective period during which the rates will be in effect. The parties to this litigation have been provided with no witness to cross-examine regarding conditions since December 21, 1979, nor has there been any opportunity to provide record evidence to rebut PECO's new assertions.

PECO's actual testimony, as discussed in Trial Staff's Main Brief, pages 60-61, supports original cost equity cost rates of 11.69%, 12.16%, 13.2%, 13.4% or 13.25-15.25%, depending upon whether one uses Mr. Brennan's

earnings/price, DCF, comparable earnings, or bare rent plus inflation methods. These calculations should be increased to allow for selling expenses by no more than 0.14%, as discussed in Trial Staff's Exceptions, pages 14-16.

D. ALJ KLOVEKORN PROPERLY REDUCED PECO'S CLAIM FOR LAND HELD FOR FUTURE USE DUE TO PECO'S FAILURE OF PROOF OF IN-SERVICE DATES (Recommended Decision, pages 32-34).

ALJ Klovekorn, citing Pennsylvania Electric Company, R.I.D. 392, agreed with Trial Staff that the company must provide an "in-service" date for each parcel of land (Recommended Decision, page 32; 52 Pa. Code §53.53 I.A.14.b.). PECO was only able to provide "construction start" dates, not in-service dates (Tr. 2735-2736). This alone would be enough to reject PECO's claim for failure of proof. Further, it is apparent that PECO's great number of changes in dates on the disallowed parcels of land (Trial Staff Statement HJH-1, Table B) do not merely relate to changes in construction schedules; they amount to changes in the time any construction whatsoever will take place. As discussed in the Recommended Decision, some of the most expensive parcels of land in PECO's claim are a generating station site which has been cancelled, and a transmission line site which has had revised construction-start dates of 1976, 1978, 1984 and now 1988. PECO has clearly not proved any definite plan for the use of its land, as is required for rate base inclusion by the definition of Uniform Account 105.

E. CALCULATIONS OF DAILY OPERATING AND MAINTENANCE EXPENSES FOR CASH WORKING CAPITAL SHOULD NOT INCLUDE FUEL CLAUSE REVENUES.

PECO claims (Exceptions, page 28) that daily O&M expenses, which are multiplied by revenue lag days, should include PECO's energy clause revenues. Energy clause revenues are, however, quite different from its normal expenses. These revenues are recovered through a separate mechanism which has its own leads and lags built in, and there may be excess or deficient recoveries from time to time, depending on the way the clause works. In the case of excess recoveries the costs are clearly recovered in advance. The recoveries are also subject to future adjustments.

Because of its failure to submit a true lead-lag study for revenue (see Trial Staff Exceptions, pages 12-13 and Trial Staff Main Brief, pages 34-37), PECO has put nothing on the record to show the true pattern of early or late recovery of energy clause costs through its energy clause revenues. PECO should not be granted a free ride for energy clause revenue lags when it has not even prepared a true lead-lag study for normal revenues. In any event, energy clause revenues should not be lumped together with O&M costs.

Furthermore, the fact that PECO has been granted the right to pass energy costs on to the ratepayers without a rate case is a further reason to deny PECO additional base rate revenues due to the energy clause. The energy clause itself is sufficient special treatment for energy costs.

F. PECO MISSTATES THE BASIS OF ALJ KLOVEKORN'S DISALLOWANCE OF THE CLAIM FOR COMPENSATING BANK BALANCES (Recommended Decision, pages 45-47).

PECO asserts (Exceptions, pages 33-34) that there is "no basis in either logic or the record for the ALJ's proposed adjustment to PECO's minimum bank balance claim." ALJ Klovekorn carefully analyzed and extensively quoted the record in his Recommended Decision. It is apparent both from logic and from the record that when a company has a cash working capital requirement, it needs cash. One expects to find this cash in a bank. PECO uses the same bank accounts to handle its normal operations as it uses to satisfy its compensating balance requirement. Therefore, if the Commission gives the company a return on the average balance of cash it needs to operate, plus a second return on the average balance of cash it has in the bank to operate, PECO is getting a double return, because its working capital is satisfying its bank requirements.

In addition, the cash advanced by ratepayers for interest and preferred stock dividends also can be expected to be kept in the banks, counting toward the compensating balance requirement. PECO should not be earning a return on this cost-free ratepayer loan in the guise of compensating balance requirements.

ALJ Klovekorn's Recommended Decision takes PECO's Treasurer's testimony as to the amount that the company

keeps in the bank which it uses for cash working capital (Tr. 429) and deducts it from the compensating balance requirement (see also Trial Staff Main Brief, pages 42-43). The adjustment is fully supported in the record.

If the Commission rejects ALJ Klovekorn's recommendation on this issue, Trial Staff submits that PECO has failed to prove the need for three-quarters of its compensating balances. This position is fully discussed at Trial Staff Main Brief, pages 43-46.

G. THE COMMISSION SHOULD ADOPT ALJ KLOVEKLORN'S RECOMMENDED DECISION ON TAX ISSUES (Recommended Decision, pages 168-181).

PECO'S alleged need for more money.

PECO'S major argument for normalized state deferred income taxes and a normalized federal repair allowance is that because PECO needs money, the Commission should allow these adjustments (Exceptions, pages 19, 57-59). This argument is quite illogical. The propriety of an adjustment should determine PECO's revenue requirement for ratemaking purposes, not vice versa. Of course normalization improves cash flow; so does every other adjustment which increases PECO's revenue requirement, which is not to say that all the adjustments are proper.

PECO's Tax Manager testified that the purpose of Congress in requiring a limited amount of normalization for accelerated depreciation (which has not been disputed in

this case) was to help companies to finance expansion (PECO Statement 4, page 7). For a company plagued with excess capacity, with a stable demand peak for the last six years (Tr. 724), there is no reason to expand normalization beyond the scope required by federal law.

Flow through versus normalization.

PECO claims that flow through usurps benefits from future ratepayers in favor of present ratepayers. This is only true if an actual tax expense is not an actual tax expense, because normalization makes present ratepayers pay PECO for taxes that PECO will not pay the government until the future. Flow through makes present ratepayers pay actual present taxes, and future ratepayers pay actual future taxes.

Tax benefits from mothballed plant.

PECO refers to "assertedly" unreturned tax credits associated with the retired Barbadoes and Richmond plants (Exceptions, page 56), and claims that return of tax credits back to the ratepayers is improper unless the company gets its estimated original cost back from the ratepayers. First, it should be noted that PECO's Tax Manager admitted PECO received tax benefits from ratepayers for these plants, and proposed not to return them to ratepayers but agreed to provide Trial Staff with their amounts (Tr. 541-543).

The amounts are thus not merely "asserted." Secondly, these tax benefits are entirely separate from recovery of original cost. They are not estimated; they are definite (Statement WFD-1, pages 11-13). Whether or not the company proves or collects its original cost, these deferred taxes exist. They were paid to the company by ratepayers. The company never paid the money to the Internal Revenue Service. It must be returned to the ratepayers.

Reversal of 48% accrued taxes.

PECO would like to be allowed to return money it collected from ratepayers at 48% back to the ratepayers at 46%. At the end of the useful life of each asset, PECO's Tax Manager admitted PECO would keep the unreturned money, unless it happened that a rate case test year would be in progress at the time of retirement (Tr. 3916, 3922; see also Statement WFD-1, page 11). An adjustment must therefore be made.

ALJ Klovekorn's adjustment does not violate IRS regulations by adjusting the deferred tax reserve. The regulation, quoted at PECO Statement 4A, page 4, obviously did not contemplate the change in the federal tax rate. Alternatively, the reduction of the deferred tax reserve to bring it down to the 46% accrual level is within the regulation's approval; it is an adjustment due to greater federal taxes due to a different method of depreciation, i.e., a method assuming a 48% tax rate.

H. ALJ KLOVEKORN PROPERLY DISALLOWED PECO'S CLAIMED SPENT FUEL COSTS AS SPECULATIVE AND UNCERTAIN (Recommended Decision, pp.157-161).

PECO's claim is based on shipping and storing its spent fuel first at an interim site and then shipping and storing at a permanent facility. Neither the interim nor the permanent facility has been built--they are not even estimated to be available until 1984 and 1988-95, respectively (PECO Statement 12, pp.6, 7). The on-site spent fuel facilities owned by PECO will not be approaching capacity until 1985 (Statement 12, p.8).

There is substantial uncertainty as to what, if anything, disposal will cost. PECO's own witnesses disagreed as to whether reprocessing would eliminate disposal costs ("net zero salvage value"; Tr. 798-799) or would cost more than the recovered fuel (Statement 12B, pp.2-3). Reprocessing, and even a fast breeder reactor, are possible, and would affect not only disposal costs but also basic uranium fuel costs, since reprocessing could make the world's scarce uranium last indefinitely (Statement DLB/RLP, p.8 and Appendix C).

It is unknown whether interim storage facilities would cost more than increasing on-site storage. PECO has cited no comparative studies. Assuming increased storage is needed either on or off site, the facilities could be treated like any other new plant. If reprocessing becomes reality, the storage facilities would be appropriate future rate base

items for storage of future fuel. The carrying charges might well be less than the cost of buying newly mined fuel.

I. ALJ KLOVEKORN PROPERLY LIMITED DECOMMISSIONING COST ESTIMATES TO 46% OF PECO'S CLAIM (Recommended Decision, pp.164-165).

Although Trial Staff submits that ALJ Klovekorn applied an improper formula to allow PECO to recover 46% of its decommissioning estimate (see Trial Staff Exceptions, pp.28-29), his limitation of the total cost to 46% of PECO's estimate was well supported on the record. Attached to PECO witness Dr. McLeod's rebuttal testimony (PECO Statement 12B) was an answer to a question raised by the Consumer Advocate. PECO's answer stated that 53.9% of its estimate was for "demolition after things have been decontaminated." Therefore, only 46% (100% - 54%) of PECO's estimate was truly nuclear related. The same document shows that Mr. Sieving's 65% estimate includes demolition of non-radioactive, uncontaminated structures after the radioactive material is removed; these additional amounts are clearly not nuclear-related.

J. ALJ KLOVEKORN PROPERLY REJECTED PECO'S PROPOSAL TO KEEP AND SPEND ITS ALLOWANCE FOR DECOMMISSIONING (Recommended Decision, p.165).

Trial Staff in its Main Brief, pp.138-139, has detailed some of the possibilities which could well make accrued funds for decommissioning unavailable when needed

if the funds are not kept in escrow. Even if, as PECO suggests, the funds could only be invested in new plant, the money could not be recovered when needed if the new plant is not valuable in the future, or if PECO's indenture then prohibits borrowing, or if interest rates are so high that borrowing against the plant is uneconomical. The only way the funds could be "recovered" would be to float a new loan.

PECO asks the Commission to review its plan for "internal investment" of (which means freedom to spend) the funds present ratepayers must pay for future decommissioning (Exceptions, p.46). The Commission should note that PECO's comparison of internal use costs to external use costs (Statement 12, p.15) used an improper capital structure, erroneous debt and deferred stock cost rates, the old federal income tax rate and a 4% state tax rate instead of the correct 10.5% (Tr. 1536-1539).

K. ALJ KLOVEKORN PROPERLY DISALLOWED PECO's CLAIM FOR ESTIMATED UNRECOVERED ORIGINAL COST OF ITS RETIRED PLANTS (Recommended Decision, pp.167-168).

ALJ Klovekorn noted:

(1) PECO could not determine how much original cost has been recovered, so that PECO's claim might lead to an overrecovery (Tr. 153-155). PECO's claim that there might be an underrecovery and therefore a sharing of costs (Exceptions, pp.54-55) is thus purely speculative.

(2) The Commission rejected all depreciation expense for the same plants when they were mothballed, in R.I.D. 438 (Tr. 161-162).

(3) PECO's five-year recovery would be considerably faster even than ordinary depreciation if the plants had not been retired (Tr. 161-162). In effect, PECO is claiming accelerated depreciation on plants which are not even used and useful in the public service.

The following facts should also be noted:

(4) PECO's failure to prove its actual unrecovered original cost stems from its choice to delay making reserve requirement studies up to seventeen years between studies. More frequent studies would have given better calculations, both for an accrued and for annual depreciation (Statement HJH-2, pp.2-4; Tr. 159).

PECO has clearly failed to meet its burden of proof.

Respectfully submitted,

Albert W. Johnson, III

Gregg C. Sayre

Attorneys for the Trial Staff of the
Pennsylvania Public Utility Commission

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SECRETARY'S OFFICE
PUBLIC UTILITY
COMMISSION

BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

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MAR 24 1980
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PENNSYLVANIA PUBLIC UTLITY COMMISSION, ET AL.	:	
v.	:	Docket No.
PHILADELPHIA ELECTRIC COMPANY	:	R-79060865

MOTION TO STRIKE

CEPA, et al. move to strike certain portions of the Exceptions of Respondent Philadelphia Electric Company on the grounds that they contain material which is in the nature of evidence. Submission of such material to this Commission without affording complainants a full opportunity to rebut and cross-examine is a violation of statute, case law, and the Due Process Clauses of the Pennsylvania and United States Constitutions as more fully set forth in the brief in support of this Motion.

The offending sections which should be stricken are:

1. Page 4, the last paragraph through and including the last complete paragraph on page 6.

2. Footnotes 1 and 3.

3. Page 7, line 11, "For example..." through page 8, line 1.

4. Footnote 4, which is based on newspaper articles not of record and published after the close of the record.

5. Footnotes 11 and 12.

DUPLICATE RECORD.
ORIGINAL CERTIFIED
TO COMMONWEALTH COURT.

6. Page 17, last paragraph, first sentence through and including "...preferred stock of 15 1/4%..."

7. Footnote 18.

8. Footnote 20 and the sentence on page 39 to which it refers.

9. Page 40, the text beginning with "Currently A rated mortgage bonds..." and to the end of that paragraph.

10. Footnotes 21 and 22.

11. Appendix A

12. Appendix C

WHEREFORE, these sections should be stricken from the Exceptions of Respondent Philadelphia Electric Company.

Respectfully submitted,

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SECRETARY'S OFFICE
PUBLIC UTILITY
COMMISSION

BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION, ET AL.	:	
v.	:	Docket No.
PHILADELPHIA ELECTRIC COMPANY	:	R-79060865

BRIEF IN SUPPORT OF MOTION TO STRIKE

CEPA, et al. have moved to strike portions of the Exceptions of Respondent PECO because they were in the nature of evidence and therefore improper. By including such data and information relating to financial information in their exceptions, PECO was attempting to avoid some of the most basic principles of administrative law.

PECO has attempted to convince this Commission that they need a higher rate of return by producing "evidence" which will never be subject to cross-examination and will never be rebutted. It is a basic principle of administrative due process that an administrative decision must be based solely on the record produced at the hearing. The obvious reason for this is to allow all parties to participate equally and to have an opportunity to challenge the evidence of any other party. Any "new evidence" presented outside the record, as the PECO submissions are, fails that test and is thus improper. See, I.C.C. v. Louisville and Nashville R.R., 227 U.S. 88, 93-94 (1913); Pullman Co. v. Illinois Commerce Commission, 59 P.U.R. (NS) 355, 359 (1945). In Pennsylvania Public Utility Commission v. Edison Light and Power Co., 42 P.U.R. (NS) 206, 210 (1942), the Court rejected a similar argument, but

only because the violations were very technical and of little consequence. By implication, when the violation is as basic and substantial as it is here, the offending sections would have been stricken.

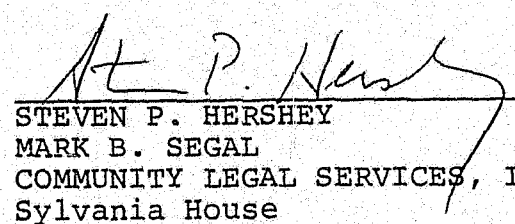
Failure to strike the cited sections would violate 66 Pa. C.S.A. §332(c) (the right to submit rebuttal evidence and the right to conduct cross-examination) and the Due Process Clauses of the Pennsylvania and United States Constitutions.

Insofar as the above-cited sections refer to dates beyond the test year, they improperly extend that test year.

Should this Commission refuse to strike the above-cited sections and consider them, its decision would be arbitrary and capricious.

WHEREFORE, this Motion should be granted.

Respectfully submitted,



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COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P. O. BOX 3265, HARRISBURG, Pa. 17120

March 21, 1980

IN REPLY PLEASE
REFER TO OUR FILE

R-79060865

TO ALL PARTIES

DOCKETED
MAR 21 1981

Pennsylvania Public Utility Commission
v.
Philadelphia Electric Company

NOTICE

This will advise you that the location for the oral argument scheduled on Monday, March 31, 1980, in Hearing Room No. 1, North Office Building, Harrisburg, has been changed to City Council Chambers, Room 400, City Hall, Philadelphia, commencing at 10:30 A.M.

Very truly yours,

William P. Thierfelder
Secretary

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TO COMMONWEALTH COURT.

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SECRETARY'S OFFICE
Public Utility Commission

PHILADELPHIA ELECTRIC COMPANY
ELECTRIC OPERATIONS
R-79060865

ACTUAL EXPERIENCE IN THE FUTURE TEST YEAR

QUARTER ENDED DECEMBER 31, 1979

DOCKETED
MAR 25 1980

DOCUMENT FOLDER

March 20, 1980

DUPLICATE RECORD.
ORIGINAL CERTIFIED
TO COMMONWEALTH COURT.

Philadelphia Electric Company - Electric Operations
STATEMENT OF ELECTRIC OPERATING INCOME
(Thousand $)

		3 Months Ended 12/31/79		
		Budget	Actual	Over/(Under) Budget
	OPERATING REVENUE			
	Sales of Electricity:			
440	Residential	$102,596	$116,637	$14,041
442	Small Commercial & Industrial	42,046	47,575	5,529
	Large Commercial & Industrial	139,960	167,474	27,514
444	Public Street and Highway Lighting	4,255	5,169	914
445	Other Sales to Public Authorities	2,129	1,762	(367)
446	Sales to Railroads and Railways	7,689	8,685	996
447	Sales for Resale	4,524	5,712	1,188
448	Interdepartmental Sales	514	486	(28)
	Total Sales of Electricity	$303,713	$353,500	$49,787
	Other Operating Revenues:			
450	Forfeited Discounts	1,190	1,297	107
451	Miscellaneous Service Revenues	22	33	11
453	Sale of Water & Water Power	-	-	-
454	Rent from Electric Property	645	838	193
455	Interdepartmental Rents	744	744	-
456	Other Electric Revenues	975	1,183	208
	Total Other Operating Revenues	$3,576	$4,095	$519
	Total Electric Operating Revenues	$307,289	$357,595	$50,306

Philadelphia Electric Company - Electric Operations
OPERATING EXPENSES
(Thousand $)

		3 Months Ended 12/31/79		
		Budget	Actual	Over/(Under) Budget
I.	POWER PRODUCTION EXPENSES			
	STEAM POWER GENERATION			
	OPERATION			
500	Operation Supervision	$1,675	$1,829	154
501	Fuel	81,986	88,179	6,193
502	Steam Expenses	2,603	2,445	(158)
504	Steam Transferred - Credit	(8,332)	(10,565)	(2,233)
505	Electric Expenses	1,477	1,480	3
506	Miscellaneous Steam Power Expenses	2,074	2,075	1
507	Rents	7	8	1
	Total Operation	$81,490	$85,451	$3,961
	MAINTENANCE			
510	Maintenance Supervision and Engineering	826	909	83
511	Maintenance of Structures	741	456	(285)
512	Maintenance of Boiler Plant	5,471	6,430	959
513	Maintenance of Electric Plant	1,957	2,211	254
514	Maintenance of Miscellaneous Steam Plant	353	354	1
	Total Maintenance	$9,348	$10,360	$1,012
	Total Power Production Expenses-Steam Power	$90,838	$95,811	$4,973
	NUCLEAR POWER GENERATION			
	OPERATION			
517	Operation Supervision and Engineering	613	878	265
518	Fuel	9,715	5,415	(4,300)
519	Coolants and Water	126	120	(6)
520	Steam Expenses	1,675	1,944	269
523	Electric Expenses	293	179	(114)
524	Miscellaneous Nuclear Power Expenses	2,441	2,859	418
525	Rents	3	8	5
	Total Operation	$14,866	11,403	($3,463)
	MAINTENANCE			
528	Maintenance Supervision and Engineering	1,192	982	(210)
529	Maintenance of Structures	208	433	225
530	Maintenance of Reactor Plant Equipment	1,732	2,652	920
531	Maintenance of Electric Plant	999	1,074	75
532	Maintenance of Miscellaneous Nuclear Plant	1,147	1,201	54
	Total Maintenance	$5,278	$6,342	$1,064
	Total Power Production Expenses-Nuclear Power	$20,144	$17,745	($2,399)

(a) Includes $4,730 associated with spent nuclear fuel disposal expense which was budgeted for the first 3 months of 1980.

OPERATING EXPENSES
(Thousand $)

		3 Months Ended 12/31/79		
		Budget	Actual	Over/(Under) Budget
	HYDRAULIC POWER GENERATION			
	OPERATION			
535	Operation Supervision and Engineering	77	71	(6)
536	Water and Power	-	-	-
537	Hydraulic Expenses	93	110	17
538	Electric Expenses	38	33	(5)
539	Miscellaneous Hydraulic Power Generation Expenses	66	37	(29)
	Total Operation	$274	$251	($23)
	MAINTENANCE			
541	Maintenance Supervision and Engineering	55	62	7
542	Maintenance of Structures	27	18	(9)
543	Maintenance of Reservoirs, Dams & Waterways	27	5	(22)
544	Maintenance of Electric Plant	128	90	(38)
545	Maintenance of Miscellaneous Hydraulic Plant	20	87	67
	Total Maintenance	$257	$262	$5
	Total Power Production Expenses-Hydraulic Power	$531	$513	($18)
	OTHER POWER GENERATION			
	OPERATION			
546	Operation Supervision and Engineering	219	201	(18)
547	Fuel	7,651	2,784	(4,867)
548	Generation Expenses	175	166	(9)
549	Miscellaneous Other Power Generation Expenses	273	152	(121)
550	Rents	665	665	-
	Total Operation	8,983	3,968	(5,015)
	MAINTENANCE			
551	Maintenance Supervision and Engineering	68	65	(3)
552	Maintenance of Structures	41	31	(10)
553	Maintenance of Generating and Electric Plant	1,197	1,154	(43)
554	Maintenance of Miscellaneous Other Power	15	10	(5)
	Total Maintenance	1,321	1,260	(61)
	Total Power Production Expenses - Other Power	$10,304	5,228	(5,076)
	OTHER POWER SUPPLY EXPENSES			
555	Purchased Power			
	Purchased	T,882	1,926	44
	Interchange			
	Economy Power	(112)	69,699	69,811
	Capacity	-	-	-
556	System Control and Load Dispatching	693	762	69
557	Other Expenses	17,952	6,388	(11,564)
	Total Other Power Supply Expenses	20,415	78,775	58,360
	Total Power Production Expenses	$142,232	$198,072	$55,840

OPERATING EXPENSES
(Thousand $)

		3 Months Ended 12/31/79		
		Budget	Actual	Over/(Under) Budget
	TRANSMISSION EXPENSES			
OPERATION				
560	Operation Supervision and Engineering	$355	$345	($10)
561	Load Dispatching	167	170	3
562	Station Expenses	338	365	27
563	Overhead Line Expenses	49	65	16
564	Underground Line Expenses	39	36	(3)
566	Miscellaneous Transmission Expenses	262	182	(80)
567	Rents	1,987	2,007	20
	Total Operation	$3,197	$3,170	($27)
MAINTENANCE				
568	Maintenance Supervision and Engineering	165	176	11
569	Maintenance of Structures	87	67	(20)
570	Maintenance of Station Equipment	888	662	(226)
571	Maintenance of Overhead Lines	617	457	(160)
572	Maintenance of Underground Lines	148	123	(25)
573	Maintenance of Miscellaneous Transmission Plant	2	3	1
	Total Maintenance	$1,907	$1,488	($419)
	Total Transmission Expenses	$5,104	$4,658	($446)
	DISTRIBUTION EXPENSES			
OPERATION				
580	Operation Supervision and Engineering	$1,137	$1,184	$47
581	Load Dispatching	247	252	5
582	Station Expenses	842	907	65
583	Overhead Line Expenses	714	752	38
584	Underground Line Expenses	256	225	(31)
585	Street Lighting and Signal System Expenses	120	107	(13)
586	Meter Expenses	619	724	105
587	Customer Installation Expenses	777	782	5
588	Miscellaneous Distribution Expenses	1,853	1,927	74
589	Rents	189	412	223
	Total Operation	$6,754	$7,272	$518
MAINTENANCE				
590	Maintenance Supervision and Engineering	822	895	73
591	Maintenance of Structures	136	197	61
592	Maintenance of Station Equipment	1,297	1,346	49
593	Maintenance of Overhead Lines	3,300	3,269	(31)
594	Maintenance of Underground Lines	1,223	1,329	106
595	Maintenance of Line Transformers	157	137	(20)
596	Maintenance of Street Lighting and Signal System	215	247	32
597	Maintenance of Meters	283	292	9
598	Maintenance of Miscellaneous Distribution Plant	174	141	(33)
	Total Maintenance	$7,607	$7,853	$246
	Total Distribution Expenses	$14,361	$15,125	$764

(Thousand $)

		3 Months Ended 12/31/79		
		Budget	Actual	Over/(Under Budget
	IV CUSTOMER ACCOUNTS EXPENSES			
OPERATION				
901	Supervision	343	319	(24)
902	Meter Reading Expenses	1,821	1,792	(29)
903	Customer Records and Collection	7,044	6,781	(263)
904	Uncollectible Accounts	2,204	2,457	253
905	Miscellaneous Customer Accounts Expenses	274	319	45
	Total Customer Accounts Expenses	$11,686	$11,668	($18)
	V CUSTOMER SERVICE & INFORMATIONAL EXPENSES			
OPERATION				
907	Supervision	42	41	(1)
908	Customer Assistance Expenses	314	314	-
909	Informational & Instructional Advertising Expenses	392	353	(39)
910	Misc. Cust. Serv. & Information Expenses	47	50	3
	Total Cust. Serv. & Information Expenses	$795	$758	($37)
	VI SALES EXPENSES			
OPERATION				
911	Supervision	22	22	-
912	Demonstrating and Selling Expenses	60	61	1
913	Advertising Expenses	16	21	5
914	Miscellaneous Sales Expenses	5	40	35
	Total Sales Expenses	$103	$144	$41
	VII ADMINISTRATIVE AND GENERAL EXPENSES			
OPERATION				
920	Administrative and General Salaries	3,662	3,816	154
921	Office Supplies and Expenses	1,843	2,133	290
923	Outside Services Employed	699	846	147
924	Property Insurance	932	921	(11)
925	Injuries and Damages	1,022	1,215	193
926	Employee Pensions and Benefits	7,723	6,505	(1,218)
928	Regulatory Commission Expenses	230	182	(48)
929	Duplicate Charges - Credit	(270)	(269)	1
930	General Advertising and Miscellaneous	1,046	1,040	(6)
	Total Operation	$16,887	$16,389	($498)
MAINTENANCE				
932	Maintenance of General Plant	102	136	34
	Total Administrative and General Expenses	$16,989	$16,525	($464)
	VIII TOTAL OPERATION AND MAINTENANCE EXP. (B-9)	$191,270	$246,950	$55,680
	IX DEPRECIATION AND AMORTIZATION			
942	Depreciation (B-9)	$29,560	$27,967	($1,593)
943	Amortization of Other Electric Plant	(161)	(160)	(1)
944	Amortization of Property Losses	-	-	-
	Total Depreciation and Amortization	$29,399	$27,807	($1,594)

(a) Includes $615 booked in first 3 months of 1980 to reflect cost of nuclear decommissioning.

Twelve Months Ended March 31,
(Thousand $)

	3 Months Ended 12/31/79		
	Budget	Actual	Over/(Under) Budget
X TAXES			
TAXES OTHER THAN INCOME TAXES			
State and Local			
Capital Stock - Pennsylvania	3,645	4,249	604
Capital Stock - New Jersey	60	59	(1)
Gross Receipts	13,403	15,572	2,169
Real Estate - Local	238	100	(138)
Real Estate - State	1,722	2,205	483
Personal Property - New Jersey	31	30	(1)
Local Franchise	60	72	12
Public Utility Commission Expense	688	501	(187)
State Unemployment Compensation	14	88	74
Philadelphia Realty Occupancy	42	43	1
Miscellaneous State and Local	6	1	(5)
Total State and Local	$19,909	$22,920	$3,011
Federal			
Telephone and Telegraph	9	46	37
Federal Unemployment Compensation	7	181	174
Federal Old Age Benefits	737	2,691	1,954
Total Federal	$753	$2,918	$2,165
Total Taxes Other Than Income	$20,662	$25,838	$5,176
INCOME TAXES			
State - Pennsylvania	2,214	596	(1,618)
State - Maryland	5	1	(4)
State - New Jersey	56	15	(41)
Federal	(29,185)	18,373	47,558
Local - Philadelphia	-	-	-
Total Income Taxes	($26,910)	$18,985	$45,895
Provisions for Deferred Income Taxes	$2,039	$1,482	($557)
Income Taxes Deferred in Prior Years - Credit	(462)	(650)	(188)
*Investment Tax Credit Adjustments	36,792	(16,056)	(52,848)
TOTAL ALL TAXES	$32,121	$29,599	($2,522)
XI GAIN OR LOSS FROM DISPOSITION OF UTILITY PLANT	(58)	(31)	27
XII TOTAL OPERATING EXPENSES (B-9)	$252,732	$304,325	$51,593

* Investment tax credit of $15,408 less amortization of $648

PREPARED MRC 2-8-80

CHECKED

APPROVED

PHILADELPHIA ELECTRIC COMPANY

ELECTRIC PLANT BUDGET AND ACTUAL ADDITIONS

APRIL TO DECEMBER 1979

($1,000's)

	MARCH 1979 FILING 1	9 MONTHS NET BUDGET ADDITIONS 2	TOTAL 3	MARCH 1979 FILING 4	9 MONTHS ACTUAL ADDITIONS 5	TOTAL 6	BUDGET-OVER UNDER ACTUAL
ELECTRIC PLANT IN SERVICE							
INTANGIBLE PLANT	$ 163	—	$ 163	$ 163	—	$ 163	—
STEAM PRODUCTION PLANT	$ 914,212	$ 38,690	$ 952,902	$ 914,212	$ 9,045	$ 923,257	$ 29,645
* NUCLEAR PRODUCTION	741,922	22,900	764,822	741,922	18,936	760,858	3,964
HYDRAULIC PRODUCTION	81,614	1,995	83,609	81,614	366	81,980	1,629
OTHER PRODUCTION PLANT	138,664	578	139,242	138,664	37	138,701	541
TOTAL PRODUCTION PLANT	$ 1,876,412	$ 64,163	$ 1,940,575	$ 1,876,412	$ 28,384	$ 1,904,796	$ 35,779
TRANSMISSION PLANT	$ 459,346	$ 746	$ 460,092	$ 459,346	$ (122)	$ 459,224	$ 868
DISTRIBUTION PLANT	$ 1,110,364	$ 36,716	$ 1,147,080	$ 1,110,364	$ 29,670	$ 1,140,034	$ 7,046
GENERAL PLANT	$ 16,602	$ 785	$ 17,387	$ 16,602	$ 1,258	$ 17,860	$ (473)
ELECTRIC PLANT IN SERVICE	$ 3,462,887	$ 102,410	$ 3,565,297	$ 3,462,887	$ 59,190	$ 3,522,077	$ 43,220
COMMON PLANT IN SERVICE							
INTANGIBLE PLANT	$ 677	—	$ 677	$ 677	—	$ 677	—
GENERAL PLANT	$ 116,358	$ 1,012	$ 117,370	$ 116,358	$ 203	$ 116,561	809
TOTAL COMMON PLANT	$ 117,035	$ 1,012	$ 118,047	$ 117,035	$ 203	$ 117,238	809

* EXCLUDES SALEM II $219,591

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Public Utility Commission

BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

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MAR 25 1980
Chairman Shanaman's Office

PENNSYLVANIA PUBLIC UTILITY COMMISSION, et al.	:	DOCKET NO.
v.	:	R - 79060865
PHILADELPHIA ELECTRIC CO.	:	

REPLY OF COMPLAINANTS CONSUMER EDUCATION AND PROTECTIVE ASSOCIATION, INTERNATIONAL, INC., ASSOCIATION OF COMMUNITY ORGANIZATIONS FOR REFORM NOW, AND ACTION ALLIANCE OF SENIOR CITIZENS OF GREATER PHILADELPHIA AND LILLIAN HOLLIDAY

TO

EXCEPTIONS TO THE RECOMMENDED DECISION OF THE ADMINISTRATIVE LAW JUDGE

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DATED: March 20, 1980

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TO COMMONWEALTH COURT.

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TO THE HONORABLE, THE MEMBERS OF THE
PENNSYLVANIA PUBLIC UILITY COMMISSION:

Complainants, Consumer Education and Protective Association, International, Inc. (CEPA), Association of Community Organizations for Reform Now (ACORN), and Action Alliance of Senior Citizens of Greater Philadelphia, and Lillian Holliday, hereby reply to the EXCEPTIONS of Respondent Philadelphia Electric Company to the Recommended Decision of Administrative Law Judge Joseph J. Klovekorn.

INTRODUCTION: PECO IS ASKING THE COMMISSION TO ABANDON TRADITIONAL RATE-MAKING PRINCIPLES.

Not surprisingly, PECO has taken the position that they should receive an even greater increase in revenue than that recommended by the ALJ.

PECO takes this position even though they believe that:

> ...the ALJ has reasonably addressed and properly decided the major issues presented in this proceeding.
> (PECO Exceptions at 2).

PECO requests that the Commission grant the full $123 million in requested rate relief, not because that is the amount of rate relief which they have proved they were entitled to according to traditional rate making principles, but because in their view:

> That action is essential if PECO is to have the opportunity to continue its current construction program or to advance completion of the Limerick [Nuclear] Generating Station.
> (PECO Exceptions at 13).

Thus, PECO is seeking rates above and beyond those rates necessary to earn a return on property used and useful in the public service. PECO is seeking rates based upon its plant and then some (i.e., rates necessary for accelerating Limerick). In a sense this is nothing more than an attempt to achieve the same result as if Construction Work in Progress were allowed.

PECO's attempt to have this Commission go beyond traditional rate-making principles can also be seen by its argument on tax normalization. PECO would have this Commission depart from its

well-reasoned precedent of requiring flow through of the effects of liberalized depreciation so as to improve their cash flow needed for construction (PECO Exceptions at 20). Thus, PECO boldly states:

> Irrespective of this Commission's prior ruling on tax normalization and of the propriety of that accounting procedure at other times or for other companies, it is an appropriate and necessary procedure which should be approved in this case in order to improve the Company's current dismal financial position.
>
> (Ibid.).

Consumers submit that such a request is nothing more than another attempt by PECO to extract revenues from rate-payers so as to guarantee a return to investors, notwithstanding the monumental mistakes by PECO's management which have caused their current financial position. This is not the proper function of rate-making.

The Commission must set rates which allow PECO the opportunity to earn a fair rate of return, given efficient and prudent management. It cannot guarantee that PECO will achieve a fair rate of return.

> The rate-making process..., i.e., the fixing of "just and reasonable" rates, involves a balancing of the investor and the consumer interest... "regulation does not insure that the business shall produce net revenues."
>
> Federal Power Commission v. Hope Natural Gas Co., 320 U.S. 591, 603 64 S. Ct. 281, §288 (1944)

These standards must be vigorously applied to PECO's claimed need for rate relief.

Consumers have set forth in their EXCEPTIONS to the ALJ's Recommended Decision the reasons why they feel that the recommendation of rate relief to PECO of approximately $80 million is excessive based on the evidence of record in this proceeding, and a vigorous application of proper rate-making standards.

Consumers believe that it is not necessary to reiterate all arguments presented in their Exceptions and Initial and Reply Briefs to the ALJ. However, it is necessary to respond to a few of the additional arguments made by PECO in their EXCEPTIONS.

SALEM I

Consumers invite this Commission's attention to their initial brief at page 45, et. seq. where their arguments are set forth concerning the issue of a $10.5 million reduction to PECO's rate base due to PECO's mismangement of the construction of Salem I. The issue was fully litigated in R.I.D. 438, and thus, PECO is barred from relitigating these factual issues in this proceeding.

PECO has now advanced an additional argument concerning the Salem I rate base adjustment. PECO argues that if an adjustment is proper, the amount should be reduced by $800,000 depreciation accrued through the end of the test year (i.e. March 31, 1980) (PECO Exceptions at 25-26). Such an adjustment is not proper. Furthermore, it raises the question whether PECO has charged to ratepayers accrued depreciation and a current depreciation expense on the cost of Salem I which did not take into account the $10.5 million adjustment ordered by this Commission in R.I.D. 438. To the extent that PECO has thus accrued depreciation on Salem I for 2.7 years their earnings are understated.

CASH WORKING CAPITAL

Consumers fully believe that there should be an adjustment to cash working capital for the lag in payment of bond interest and preferred stock dividends.

We agree with PECO that the ALJ erred in computing the adjustment. We also agree with PECO's method of calculating the adjustment. (PECO Exceptions at 31). However we arrive at a different result because we believe that the revenue lag is 45 days as calculated by Trial Staff Witness Markovci, and not 57 days as calculated by PECO. (See, Consumers Exceptions at 4). This results in an adjustment of $13,590,000,*/ not $9,163,200 as calculated by PECO (Exceptions at 31-32) or $16,431,000 as recommended by the ALJ.

---

*/

	Interest		Preferred Dividends
cost per day	$302	($1000)	$66.9
net lag days (midpoint of payment period) (minus revenue lag)	x(90-45)		x(45-45)
	$13,590		$ 0

NUCLEAR DECOMMISSIONING AND SPENT FUEL COSTS

These two requests for expense allowances concern the eventual costs associated with the removal of radioactive materials from a nuclear plant site when the plant is retired. It involves the removal of the spent fuel itself, and also of plant structures and equipment which become radioactive during the course of the plant's life.

PECO has taken exception to the Recommended Decision which rejects the company's request for an accrual for nuclear spent fuel costs and reduces its claimed allowance for nuclear decommissioning costs. The company also disputes the rejection by the ALJ of its proposed funding mechanism for these costs. Each of these exceptions is without merit.

According to PECO, the ALJ rejected its spent fuel allowance simply because the actual cost figure is too speculative. This is not so. If it were, the same reason would justify disallowing a decommissioning accrual as well, the cost of which is equally speculative. The important difference between the two requested cost allowances is that, while decommissioning is a certain future expense of speculative magnitude, spent fuel disposal, primarily because of the regulatory uncertainty surrounding fuel reprocessing, is not even a certain future event. (See Consumer's Brief at 96-100). Because of this uncertainty, the Company's request falls squarely within the prohibition against recovering speculative "negative salvage" from present ratepayers. Penn-Sheraton Hotel v. P.U.C., 198

Pa. Super. 618, 184 A.2d 324 (1967). (Consumer's Brief at 85-6, 96-100). Thus, the ALJ was correct in disallowing it.

As to the reduction of its claimed accrual for nuclear decommissioning, the company objects to the use by the ALJ of the 46% figure for an approximation of the nuclear-related portion of its total estimate of removal costs. Instead, it suggests that a 65% estimate more accruately reflects the nuclear component. The decision of the ALJ, however, is amply supported by the record. It was Mr. Sieving himself, the Company's decommissioning expert, who proposed the 46% figure. (OCA Exhibit 19; PECO Statement 12 b at 4).

Finally, the Company objects to the rejection of its proposed finding mechanism for the decommissioning expense. Very briefly, that proposal called for the internal use by the company of the annual allowance, together with a "credit" to the ratepayers in excess of the current interest rate on tax-free bonds. This, PECO argues, would be cheaper to the ratepayers than external investment of the money. (PECO Statement 12). In order to actually pay the eventual decommissioning cost, however, the Company would, under this proposal, have to go to the money market, since the accrued funds would have already been spent in the company's ongoing construction program. (Tr. 1540).

The ALJ correctly rejected this proposal based on the decisions of this Commission which have required the annual decommissioning fund to be placed in an interest-bearing escrow fund that is unavailable to the company until the actual decommissioning occurs.

See, e.g., P.U.C. v. Pennsylvania Electric Co., R.I.D. 392 (1978). Cost is not the only consideration underlying this policy. An additional rationale is to assure future generations that the required funds actually exist when it comes time to remove the highly dangerous radioactive components of a retired nuclear plant.

RATE STRUCTURE - THE COMMISSION SHOULD REJECT PROPOSALS PREMISED UPON MOVING CLASS RATES OF RETURN TOWARD SYSTEM AVERAGE.

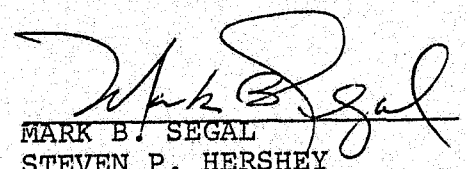
PECO takes exception to the ALJ's recommendation to reject a "zero fuel methodology." (PECO Exceptions at 61). Consumers believe that such a methodology should be rejected. Furthermore, Consumers believe that any rate increase should not be designed so as to attempt to move class rates of return toward system average.

Class rates of return are a meaningless concept utilized "to paint a misleading picture of the operation of an electric utility." (Statement of Dr. William Greene, CEPA Statement 1A at 3-4), so as to place a greater burden on residential customers. Such an approach should be rejected in this case, as it has been in the past (See, Consumers' Reply Brief to ALJ at 12-18).

CONCLUSION

WHEREFORE, for all the foregoing reasons, and for the reasons set forth in Consumers' Exceptions to the Recommended Decision of the ALJ,Consumers believe that the Recommended Decision is in error, and that PECO has not proved the need for additional rate relief of either $122,731,000 as requested or $79,871,000 as calculated by the ALJ.

Respectfully submitted,



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DATED: March 20, 1980

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Public Utility Commission

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION, et al.	:	
	:	Docket No.
v.	:	
	:	R-79060865
PHILADELPHIA ELECTRIC COMPANY	:	

ANSWER TO MOTION TO STRIKE

NOW COMES, Philadelphia Electric Company ("PECO"), by its attorneys, and answers the Motion to Strike (or Ignore) portions of the Company's Exceptions to the Administrative Law Judge's Recommended Decision filed by Trial Staff and the Consumers Education and Protective Association, et al. ("CEPA") as follows:

1. It is denied that this Commission has the authority or should strike arguments presented to it by a party to a rate proceeding.

2. It is denied that the referenced portions of PECO's Exceptions are "in the nature of evidence".

3. It is denied that the referenced portions of PECO's Exceptions are not supported by record evidence, or matter which

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is properly a subject for judicial or official notice by this Commission.

Respectfully submitted,

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DATED: March 25, 1980

BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION, ET AL.	:	
	:	Docket No.
v.	:	
	:	R-79060865
PHILADELPHIA ELECTRIC COMPANY	:	

MEMORANDUM IN SUPPORT OF
ANSWER TO MOTION TO STRIKE

Trial Staff and the Consumers Education and Protective Association, et al (CEPA) request the Commission to strike or, at a minimum, ignore certain portions of the Exceptions filed by the Philadelphia Electric Company (PECO) to the Administrative Law Judge's Recommended Decision. These parties allege that the identified matter is "in the nature of evidence". As such matter is allegedly not of record in this proceeding, it is argued that consideration of this material would deny these parties due process of law and statutory rights under the Public Utility Code.

While this Commission is certainly free to ignore any argument which is presented to it (subject to appellate review),

these parties cite no legal principal or precedent which would support the proposition that this Commission should or would have the authority to strike proferred argument. Accordingly, the legal significance if any, of these motions is unclear and they would be denied. Moreover, in assessing these parties arguments, the Commission should note that CEPA presented no witness on rate of return in this proceeding and that (as noted below) Trial Staff's witness recommended that the Commission take cognizance of substantially the same data as presented by PECO.

Except for data as to current equity costs, PECO's recent preferred stock financing and PECO's 1979 financial results, the matter identified in these Motions is, as to all material assertions, supported by record evidence. For example, PECO witness Paquette testified to PECO's capital attraction needs and its projected 1980 financing program, described on pages 4-6 of PECO's Exceptions. (PECO St. 1-A, pp. 2-3; PECO St. 1, pp. 8-10). Mr. Paquette's December 31, 1980 financial projections, as discussed in Footnote 1 of PECO's Exceptions, are taken directly form his prepared statement. (PECO St. 1-A, p. 4)

Similarily, fuel cost savings associated with the Limerick Generating Station and that delay in the

receipt of such savings will result from inability to complete PECO's 1980 financing program are fully described by Mr. Paquette. (PECO St. 1-A, pp. 6-11) Finally, that loss of coal fired generation and its replacement by oil or interchange purchases will increase fuel costs borne by rate payers is both common knowledge (and therefore subject to being noticed by this Commission, see infra) and is further supported by a host of generating plant and interchange purchase cost data stated in the record. (See PECO Ex. 1, Vol. 1, Sch. III - D-6) 1/

As respects current equity cost data, PECO's recent preferred stock issue and data as to PECO's 1979 financial results, 2/ this Commission has repeatedly recognized that the justness and reasonableness of Commission equity cost allowances must be measured against the economic and financial conditions which will be experienced during the period that the rates under consideration are in effect. As noted by this Commission in PECO's last electric rate proceeding at R.I.D. 438:

> "Determining the cost of common equity is a most difficult task. The difficulty is inherent in the concept itself which calls for the return expected by investors over a prospective period. (At p. 51)

1/ The matters described in the above paragraphs constitute Items 1, 2 and 3 in CEPA's Motion to Dismiss.

2/ Items 4-12 in CEPA's Motion to Dismiss.

Accord Recommended Decision, p. 123 (referring to the determination of "prospective common equity cost rates").

Indeed, the concept that a fair rate of return should afford a utility the "opportunity to earn a rate of return" which is adequate to attract new capital on reasonable terms, "consistent with maintaining the integrity of previously invested capital", and "adequate to maintain or improve existing financial ratings", presupposes that the return and equity cost allowed will be sufficient to attain these goals during the future period that the rates being established are in effect. PECO Gas Rate Order, Docket No. R-79030781 at p. 41 (January 4, 1980); PECO Electric Rate Order, R.I.D. 438 at pp. 62-63 (1978). Moreover, the expert witnesses who presented rate of return testimony in this proceeding testified to the future oriented nature of equity cost determination (PECO St. 14, p. 5; Tr. 2047).

Obviously, it is not only proper for this Commission to be made aware of current equity cost data and current data as to the financial condition of the utility being regulated, but this Commission has an affirmative duty under the above regulatory standard to keep itself informed as to these matters. During a period of rapidly changing capital cost conditions, this of necessity requires that this Commission take cognizance of necessary current data which becomes available after the close of the record. In fact, this Commission reviewed data similar to that here presented by PECO in reaching its equity cost determination at R.I.D. 438. As stated by this Commission:

> "In arriving at our conclusion in this Case, we are mindful of and have considered the current high levels of interest rates, the continued high level of inflation, and the fact that rates filed pursuant to this Order will not go into effect for over a year beyond the end of the test period." (At. p. 62)

The Commission should note that the data to which objection is made is all publicly reported and is common knowledge to the investment community and regulators. Such matters as current stock prices, inflation rates and the cost and rating of PECO's recent preferred stock issue are all easily verifiable and are not subject to reasonable dispute. Indeed, this data is either known to or contained within this Commission's records. 3/ In fact, during the hearing process, when it could still be anticipated that present capital cost levels would improve as compared to levels then existing, the parties who now object to consideration of this data themselves proposed that the Commission should take cognizance of it. For example, Trial Staff witness Donald H. Muth testifying as to PECO's proper equity cost allowance encouraged this Commission as follows:

> "This testimony is being prepared during October of 1979. A decision must be rendered by the Commission before April 25, 1980. I would encourage the Administrative Law Judge as well as the Commission to take into consideration the economic conditions and projections at the time a decision is made. If the economy has shown greater improvement than I have anticipated in this testimony,

---

3/ For example, this Commission is aware of PECO's current financing program and the details of cost and other matters associated with its recent preferred stock issue as the result of the requirement that PECO obtain a Securities Certificate prior to the issuance of securities. Such certificates are granted by this Commission pursuant to proscribed statutory investigation procedures. The Commission is also aware of PECO's present mortgage, SEC and preferred coverage ratios filed as part of those securities certificates. See Preferred Stock Securities Certificate filed 2/11/80 and Debentures Securities Certificate filed 3/7/80, Schedules No, O & Q.

then a lower cost of equity may be appropriate." (Trial St. DMH-1, p. 24) 4/

Clearly, the objection of these parties to the Commission's recognizing the obvious and irrefutable worsening of economic conditions is not a matter of procedure, but rather of substantive distaste for the data which these parties themselves previously recommended that this Commission examine.

This Commission is empowered by the Public Utility Code to take judicial notice of facts which are common knowledge and within the special area of its expertise. See 66 Pa. C.S. §332(e). As noted by the Pennsylvania Superior Court in Alko Express Lines v. Pa. P.U.C., 152 Pa. Super. 27, 36 (1943):

> "Administrative bodies, as well as courts, may take judicial notice of a depression and as a concomitant general decline in the markets, or of boom times with attending increases in transportation of goods, etc. They are matters of common knowledge . . . It is not expected that the Commission must close its eyes and be ignorant of existing conditions of which we are all aware."

Accord Appeal of John Wanamaker, 360 Pa. 638 (Pa. 1949)(Judicial notice taken of the "devaluation of our currency and the inflationary trends"); Morris Water Company v. Public Service Commission, 118 Pa. Super. 416 (1935) (Notice taken of "economic conditions affecting the ability of a public service company to carry out the Orders of the Commission"). Also see Tilghman v. Commonwealth, 366 A.2d 966 (Pa. Cmwlth. 1976), aff'd.,

---

4/ Under cross-examination, Mr. Muth admitted that the Commission should similarly take cognizance of any worsening in the economy (Tr. 2071-2072).

374 A.2d 535 (1977) (Notice taken of newspaper reports).[5] In fact, this Commission under §332(e) can, where either oral or written presentations in response are permitted, take "official notice" of facts even where such facts are not common knowledge.

The authority of utility commission to take notice of increased or decreased capital costs existing at the time of their decision has been repeatedly affirmed. See Cleveland v. F.P.C., 525 F.2d 845 (D.C. Cir. 1976); Natural Gas Pipeline Company v. F.P.C., 120 F.2d 625 (7 Cir. 1941); Rhode Island Consumers' Council v. Smith, 322 A.2d 17 (R.I. 1974) (Commission may "certainly take 'administrative notice' of what is generally accepted in the market place as fact."); Central Maine Power Company v. Public Utilities Commission, 109 A.2d 512 (Me. 1954); Citizens Tel. Co. v. Public Service Commission, 247 S.W.2d 510 (Ky. 1952) (Commission may take notice of "the prevailing money market" and "business conditions generally").[6] As stated by

---

5/ In fact, in the only Pennsylvania decision cited by these parties, Pa. P.U.C. v. Edison Light & Power Co., 42 PUR (NS) 206 (Pa. P.U.C. 1942), the Commission rejected the arguments now advanced by these parties and employed in its decision cost and other data which antedated the close of the record.

6/ ICC v. Louisville & Nashville R.R.C., 227 U.S. 88 (1913), cited by CEPA, does not address the modern doctrine of official or judicial notice. In that case, the Supreme Court simply rejects the argument that ICC decisions must be upheld as based on the "opinion" of the Commission or on the presumption of the existence of supportive "evidence" in the Commission's files though such data is neither of record nor referred to in the ICC's Order. Similarly, Pullman Co. v. Illinois Commerce Commission, 59 PUR (NS) 355 (Ill. Sup. Ct. 1945), involved a Commission order denying a requested rate increase upon the basis of a finding as to a matter not within the Commission's jurisdiction, which was not a proper ground for denial of the request and which was raised for the first time in the Commission's Order.

the District of Columbia Circuit Court of Appeals:

> "It is well settled that courts will take judicial notice of current rates of interest on normal borrowing, and we perceive no reason why an expert body like the Commission cannot do so for purposes of approximating the capital-acquisition costs of an industry it daily regulates. 525 F.2d at pp. 850-851 (note 38) (citations omitted).

Clearly, it is within the authority of this Commission to consider, and indeed this Commission has an affirmative duty to consider, data as to current inflation rates, stock market prices and capital costs as presented in PECO's Exceptions. Such data is a matter of common knowledge, is known to or contained within the records of this Commission or is within its expertise and is not subject to reasonable dispute. Such data is presented to this Commission simply to demonstrate the current costs of equity, which is well in excess of PECO's claimed equity cost (i.e. for application to original cost) of in excess of 15.5%. This latter claim is fully supported by the equity cost recommendations of PECO's expert witnesses in the range of 15-16% (PECO Initial Brief, pp. 124 & 126).

CITY OF PHILADELPHIA

LAW DEPARTMENT
15th Floor, Municipal Services Building
Philadelphia, Pa. 19107

ALAN K. DAVIS
City Solicitor

MAR 25 8 01 AM '80

SECRETARY'S OFFICE
PUBLIC UTILITY
COMMISSION

March 24, 1980

R-79060865

William P. Thierfelder, Secretary
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA. 17120

Re: Pennsylvania PUC v. Philadelphia Electric Company, R.I.D. 865

Dear Secretary Thierfelder:

The City of Philadelphia would request thirty (30) minutes to speak at oral argument, March 31, 1980 in the above matter. The City will address the following areas: rate base, rate of return, expenses, taxes and rate structure.

Respectfully yours,

CITY OF PHILADELPHIA

Andre C. Dasent

Andre C. Dasent
Deputy City Solicitor

DOCKETED
MAR 27 1980

cc: All parties

mat

DUPLICATE RECORD.
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TO COMMONWEALTH COURT.

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ORIGINAL

HENRY M. WICK, JR.
JOHN A. VUONO
WILLIAM J. LAVELLE
ALLAN L. FLUKE
WILLIAM A. GRAY
DIXON R. RICH
CHARLES J. STREIFF
DAVID M. O'BOYLE
DONALD J. BALSLEY, JR.
LEROY L. METZ
VINCENT P. SZELIGO

LAW OFFICES
WICK, VUONO & LAVELLE
2310 GRANT BUILDING
PITTSBURGH, PA. 15219

ROBERT R. WERTZ
OF COUNSEL

AREA CODE 412
471-1800

March 25, 1980

Re: Pennsylvania Public Utility Commission v.
Philadelphia Electric Company
R-79060865
Our File 652-38

RECEIVED
MAR 27 1980
SECRETARY'S OFFICE
Public Utility Commission

Mr. William P. Thierfelder
Secretary
Commonwealth of Pennsylvania
Pennsylvania Public Utility
Commission
P. O. Box 3265
Harrisburg, Pa. 17120

Dear Mr. Thierfelder:

Please be advised that United States Steel Corporation will not participate in the oral argument scheduled for Monday, March 31, 1980 at the City Council Chambers, City Hall, Philadelphia in the above-captioned proceeding.

United States Steel Corporation relies on its position in this proceeding as stated in its Main Brief, Reply Brief, Exceptions and the expert testimony of Maurice Brubaker and Jeffery Pollock co-sponsored with certain other industrial complainants.

A copy of this letter has been served upon all parties of record.

RECEIVED
MAR 27 1980

Very truly yours,

WICK, VUONO & LAVELLE

Charles J. Streiff

chs
cc: United States Steel Corporation
All Parties of Record

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TO COMMONWEALTH COURT.

COMMUNITY LEGAL SERVICES, INC.

SYLVANIA HOUSE
JUNIPER AND LOCUST STREETS
PHILADELPHIA, PA. 19107
215-893-5300

ORIGINAL

MAR 28 8 51 AM '80

March 27, 1980

SECRETARY'S OFFICE
PUBLIC UTILITY
COMMISSION

William P. Thierfelder
Secretary, Pennsylvania
Public Utility Commission
P.O. Box 3265
Harrisburg, PA. 17120

RE: PUC v. PECO - R-79060865

Dear Secretary Thierfelder:

On behalf of our clients, CEPA, et al. we request one hour for oral argument before the Commission on March 31, 1980. We will address the following issues:

trended original cost
fair value
cash working capital
Salem I
Limerick
excess capacity
cost of equity
taxes
nuclear decommissioning
spent fuel removal
rate structure
PURPA standards

DOCKETED
APR 2 1980

Very truly yours,

MARK B. SEGAL
STEVEN P. HERSHEY
IRV ACKELSBERG

Attorneys for CEPA, ACORN, Action Alliance of Senior Citizens

MBS/SPH/IA/gwh

cc: all parties of record

DUPLICATE RECORD.
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TO COMMONWEALTH COURT.

R-7906085

EDWARD C. FIRST, JR.
ROBERT H. GRISWOLD
JAMES H. KING
MOSES K. ROSENBERG
JEFFERSON C. BARNHART
JAMES W. HAGAR
ARTHUR L. BERGER
FRANCIS B. HAAS, JR.
G. THOMAS MILLER
DONALD R. WAISEL
RICHARD R. LEFEVER
J. THOMAS MENAKER
CLYDE W. McINTYRE
S. BERNE SMITH
ROD J. PERA
EDWARD W. ROTHMAN
ROBERT A. MILLS
W. JEFFRY JAMOUNEAU
HERBERT R. NURICK

DAVID E. LEHMAN
NORMAN I. WHITE
F. MURRAY BRYAN
RICHARD W. STEVENSON
HENRY R. McNICHOLAS
WILLIAM H. YOUNG, JR.
ROBERT M. CHERRY
DAVID B. DISNEY
H. LEE ROUSSEL
MAURICE A. FRATER
DENNIS J. HARNISH
C. GRAINGER BOWMAN
JOHN S. OYLER
DELANO M. LANTZ
HARVEY FREEDENBERG
EDWARD J. RIEHL
JASON S. SHAPIRO
ERIC L. BROSSMAN
ROBERT D. STETS

McNEES, WALLACE & NURICK
ATTORNEYS AT LAW
100 PINE STREET
P. O. BOX 1166
HARRISBURG, PA. 17108
TELEPHONE (717) 236-9341

STERLING G. McNEES
1923-1959
DAVID M. WALLACE
1942-1967

GILBERT NURICK
JAMES H. BOOSER
HARRY H. FRANK
OF COUNSEL

WASHINGTON OFFICE
1333 NEW HAMPSHIRE AVE., N. W.
WASHINGTON, D. C. 20036
TELEPHONE (202) 659-5157

WILLIAM A. CHESNUTT
JOHN C. FUDESCO

MAR 28 8 48 AM '80

SECRETARY'S OFFICE
PUBLIC UTILITY
COMMISSION

March 27, 1980

In Re: Philadelphia Electric Rate Case
Our File: 3588-005

ORIGINAL

William P. Thierfelder, Secretary
Pennsylvania Public Utility Commission
Room 118, North Office Building
Harrisburg, PA 17120

Dear Mr. Thierfelder:

This will confirm that Industrial Complainants, Lukens Steel Company, The Celotex Corporation and Union Carbide Corporation, will participate in oral argument in this proceeding.

Very truly yours,

McNEES, WALLACE & NURICK

By Edward J. Riehl

EJR/jmb
cc: The Honorable Joseph J. Klovekorn
All parties of record

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TO COMMONWEALTH COURT.

General Services Administration
Office of General Counsel
Washington, DC 20405

MAR 28 8 59 AM '80
SECRETARY'S OFFICE
PUBLIC UTILITY
COMMISSION

March 26, 1980

William P. Thierfelder
Secretary
Pennsylvania Public Utility Commission
P. O. Box 3265
Harrisburg, Pennsylvania 17120

ORIGINAL

Dear Secretary Thierfelder:

RE: Pennsylvania P.U.C. v. Philadelphia Electric Company,
R.I.D. 865

This is to advise you that due to scheduling conflicts, I will not be able to appear on behalf of the General Services Administration at oral argument in Philadelphia on March 31, 1980. GSA's positions on issues of concern to us are stated in our Initial Brief and Exceptions.

Sincerely,

Michael J. Ettner

MICHAEL J. ETTNER
Trial Attorney
Regulatory Law Division

cc: All Parties

FILED
APR 2 1980

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TO COMMONWEALTH COURT.

APPEARANCE SHEET

Docket No. R-79060865

In re:

Pennsylvania Public Utility Commission, et al
v.
Philadelphia Electric Company

Pennsylvania

Public Utility Commission

Harrisburg, Pa.

Following are the names of parties or counsel of record, with their post-office address, appearing at the hearing in the above entitled proceeding, held in Philadelphia, March 31, 1980.

on

DOCUMENT FOLDER

Please Print Clearly
Incomplete Information May Result in Delay of Process

NAME	ADDRESS			APPEARING FOR
DAVID C. THOMIEN	P. O. BOX 15030			PRO SE
	City: PHILA.	State: PA.	Zip: 19130	
Gregg C Sayre	North Office Bldg			Commission Trial Staff
	City: Harrisburg	State: PA	Zip:	
EDWARD J. RIEHL MCNEES, WALLACE + NORICK	100 PINE			LUKENS STEEL CO CELOTEX CORP. UNION CARBIDE
	City: HBG	State: PA	Zip: 17109	
Irving Spaner	1411 Princeton St.			Consumer Action in the Northeast
	City: Phila	State: Pa	Zip: 19111	

Check this box if additional parties or counsel of record appear on back. ☐

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TO COMMONWEALTH COURT.

Reporter

CRAIG BURGRAFF	Address 1425 STRAWBERRY SQUARE			CONSUMER ADVOCATE
	City HSBG.	State PA.	Zip 17013	
Robert H. Young Walter R Hall II	Address 123 S. Broad St Phila. Pa. 19109			Philadelphia Electric Co.
	City	State	Zip	
Steven P. Hershey Mark B. Segal Irv Ackelsberg	Address Juniper + Locust St.			CEPA, ACORN, Action Alliance
	City Phila	State PA	Zip 19107	
Andro C Dasent	Address 1500 Municipal Services Bldg			City of Philadelphia
	City PHILA	State PA	Zip 19102	
Marlene Seitz	Address			Limerick Ecology Action
	City	State	Zip	
Phyllis Zitzer Box 907, Salford Pa 18957	Address			Limerick Ecology Action
	City	State	Zip	
	Address			
	City	State	Zip	
	Address			
	City	State	Zip	
	Address			
	City	State	Zip	
	Address			
	City	State	Zip	
	Address			
	City	State	Zip	
	Address			
	City	State	Zip	

MARCH 31, 1980

Oral Argument was held on the following:

R-79060865 - Pennsylvania Public Utility Commission, et al.
v.
Philadelphia Electric Company

The following appeared and presented Oral Argument before the Commission:

David C. Thomsen (for Himself)
Gregg C. Sayre, Esquire (for Pennsylvania Public Utility Commission Trial Staff)
Edward J. Riehl, Esquire (for Lukens Steel Co., Celotex Corporation, Union Carbide Corporation)
Irving Spaner (for Consumer Action in the Northeast)
Craig R. Burgraff, Esquire (for Walter W. Cohen, Consumer Advocate)
Robert H. Young, Esquire (for Philadelphia Electric Company)
Walter R. Hall, II, Esquire (for Philadelphia Electric Company)
Stephen P. Hershey, Esquire (for CEPA, ACORN, Action Alliance)
Mark B. Segal (for CEPA, ACORN, Action Alliance)
Irv Ackelsberg (for CEPA, ACORN, Action Alliance)
Andre C. Dasent, Esquire (for City of Philadelphia)
Marlene Seitz (for Limerick Ecology Action)
Phyllis Zitzer (for Limerick Ecology Action)

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SECRETARY'S OFFICE
Public Utility Commission

R-7906085

PENNSYLVANIA PUBLIC UTILITY COMMISSION
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG, PENNSYLVANIA

SUSAN M. SHANAMAN
CHAIRMAN

March 28, 1980

Marilyn E. Armstrong
606 Heritage Drive
Harleysville, Pennsylvania 19438

Dear Ms. Armstrong:

This is in response to your petition concerning Philadelphia Electric Company. Since the Commission is currently conducting a formal investigation into this matter, I cannot comment on specific issues in the case. Please rest assured that all rate increases will be reviewed very carefully.

I have taken the liberty of forwarding your petition to our Secretary's Bureau. I have directed them to send a copy of it to the Bureau of Consumer Services to be made a part of the Commission record.

Sincerely,

SMShanaman

SUSAN M. SHANAMAN
Chairman

SMS/jlm

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TO COMMONWEALTH COURT.

606 Heritage Drive
Harleysville, PA. 19438
March 24, 1980

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APR 1 1980
SECRETARY'S OFFICE
Public Utility Commission

RECEIVED
MAR 28 1980
Chairman Shanamon's Office

Ms. Susan Shanamon
Chairman
Public Utilities Commission
1400 W. Spring Garden Street
Philadelphia, PA. 19130

Dear Ms. Shanamon:

Enclosed is a petition recently circulated in the Condominiums known as Sunrise at Towamencin located in Harleysville, PA.

This petition deals with the high fuel charge we are experiencing with Philadelphia Electric. Our average monthly P.E.C.O. bills have risen from $130.00 per month to $220.00 per month and in many cases, some residents are now facing utility bills near $275.00 per month. This is over a 50% increase. As witnessed by the enclosed petition, we do not feel that P.E.C.O. is giving us the best deal possible. It's even more upsetting when you call P.E.C.O. and they tell you that there is a current freeze on this rate hike which is to be lifted in June and we can expect our bills to go even higher.

I am not naive Ms. Shanamon, I realize that P.E.C.O. has a monopoly but we the residents of Towamencin are appealing to Public Utilities (whom I am also aware gave them the go ahead for this increase) to please re-evaluate the situation. We the residents are using less KWH compared with our bills of this same time last year and paying more. I personally would like to know how this new found money is being utilized by P.E.C.O.?

I've lost count over the last several weeks of the number of people who have told me "I'm wasting my time - no one really cares". I sincerely hope they are wrong. As a concerned citizen, professional business woman and consumer, I respectfully submit this petition to you Ms. Shanamon which carries the endorsement of the Condominium Council. Please take the time to consider this petition, and evaluate closely the effect any future rate hikes will have on us, the consumer.

Sincerely yours,

Marilyn E. Armstrong

Marilyn E. Armstrong

Encl. 2

CC: Senator Holl
Representative R.I. Polite
Sunrise Condominium Council

DOCKETED
APR 4 1980

Towamencin
The Total Community Condominium
701 Independence Drive, Harleysville, Pa. 19438
368-7681

RECEIVED
SECRETARY'S OFFICE
Public Utility Commission

March 24, 1980

Ms. Susan Shanamon, Chairman
Public Utilities Commission
1400 West Spring Garden St.
Philadelphia, Pa. 19130

RE: Electric bill petitions

Ms. Shanamon:

We, the undersigned officers of the Towamencin Condominium Council (also known as Sunrise at Towamencin), would like to add our support to the volunteer effort which produced the following petitions. We hope that the Public Utilities Commission and the Philadelphia Electric Company can satisfy this request for information. Thank You.

Sincerely,

Larry Johnson, President

Joe Davis, Vice-President

Ann Ciesielka, Vice-President

Fred Grossman, Treasurer

Louise Raab, Secretary

AMcC

enclosures

cc: Senator Edwin Holl
Representative R.I. Polite
Towamencin Condominium file

.e. the undersigned object to Philadelphia Electric Company's current energy charge. We are experiencing increases up to 50% in one month and we have no assurance that the Company's selling us energy at the lowest possible cost.

	NAME	ADDRESS	PHONE #
1.	Marilyn E. Armstrong	606 Heritage Dr.	855-4716
2.	Nancy Coyle	102 Heritage Dr. Harleysville, Pa.	368-0480
3.	Raymond G. Hopkins Jr.	208 Heritage Dr.	362-2653
4	Margaret A. Hopkins	208 Heritage Dr.	362-2653
5	Mimi Raff Cerez	1104 Continental Dr.	855-4293
6.	Joseph A. Rebaudo	1104 " "	" "
7.	Joanne M. Casey	102 Monroe Dr.	362-8873
8.	Steven M. Casey	" " "	" "
9.	Hung K. Kim	102 Concord dr.	362-2493
10.		503 INDEPENDENCE DR	362-8369
11		503 INDEPENDENCE DR	362-8369
12	Michael D'Ascenzio	105 Concord Dr	368-8510
13	Pauline G. Knapp	206 Concord Dr	368-0343
14	G. B. Knapp	206 Concord Dr.	368-0343
15	L. J. Remsky	803 Monroe Dr	362-1325
16.	Nancy Schwartz	801 Independence Dr	368-4772
17.	Barry L. Schwartz	801 Independence Dr	368-4772
18.	Carol Tatem	1105 Continental Dr.	855-2184
19.	William J. Tatem	1105 Continental Dr.	855-2184
20	Vicki Wolf	303 Continental Dr	362-3820
21	Gary Murray Wolf	303 Continental Dr	362-3820
22	Isabel Price	1025 Continental Dr.	855-5102
23	Connie Kelley	401 Independence Dr.	362-1211
24	John Kelley	401 Independence Dr.	362 1211
25		702 Monroe Drive	855-4176
26	Ahmad Hussein	103 Concord Place	362-8307
27	ANGEL CARDONA	415 INDEPENDENCE DR.	368-6930
28	MAUREEN CARDONA	415 INDEPENDENCE DR.	368-6936
29	Allen R. Duchesneau	601 INDEPENDENCE DR	368-7082
30	Geraldine Duchesneau	601 INDEPENDENCE DR	368-7082
31	Pat Cerrigano	201 Concord Dr	362-2011
32	Tony Cerrigano	201 Concord Drive	362-2011
33	Jane Letter	807 Independence dr	368-9805
34	Mary Marrazzo	807 Independence Dr	368-9805
35	Tom Boden	807 Independence Dr	368-9805

36	Diane Graham	403 Revere Dr.	362-0546
37	Jack Graham / Dec.	403 Revere Dr.	362.0546
38	Sandy Stifel	407 Independence Court	855-9734
39	John Stifel	407 Independence Court	855-9734
40	Gertrude Locken	607 Monroe Drive	368-8289
41	Joseph F. Locken	607 Monroe Drive	368-8289
42	Ann Kokjemper	606 Monroe Dr.	368-9783
43	Harry Kokjemper	606 Monroe Dr.	368-9783
44	Fred D. Evans	1004 Continental	368-1898
45	Jean L. Evans	1004 Continental Dr	368-1898
46	Richard H. Bottner	605 Monroe Dr.	855-8803
47	Anna W. Bottner	605 Monroe Dr	8558803
48	Carl H. Mayo	803 Independence Dr.	368-5451
49	Josephine Shannon	603 Bunker Hill Rd	368-2712
50	Alex Fraser	808 Independence Dr	368-8954
51	H M Gelis	808 INDEPENDENCE DR	368-8932
52	C Hawkins	807 Continental Dr.	362-8936
53	Jack Armstrong	606 Heritage Dr.	855-4716
54	Charles H. Hill	401 Heritage Dr.	855-7847
55	Janet Hill	" " "	"
56	Rosalie R. Allen	603 Continental Dr.	362-1872
57	Howard C. Allen	603 Continental Dr.	362-1872
58	Tony L. Ora	802 Independence Dr.	362-3845
59	Daniel R. Rodgers	903 CONTINENTAL DRIVE	368-2718
60	Mary D. Rodgers	" " "	" "
61	Bruno Condi	102 Heritage	36804 PO
62	Jerry Sutherland	906 Continental Dr	368-1315
64	Janet Sutherland	" " "	368-1315
65	Clement A. Grave	404 MONROE DRIVE	362-1414
66	William R. Mercer	417 Independence Dr.	855-1785
67	Rosa L Arena	417 Independence Dr.	855-1785
68	Jules E Snyder	602 Independence Dr.	362-1929
69	Leonard S. Wydra	603 Monroe Dr.	855-6742
70	Rozi Snyder	602 Independence Dr.	362-1929
71	William S Zacharias	1001 Continental Dr.	368-1187

	Name	Address	Phone #
72	Marjorie S Zacharias	1001 Continental Dr Harleysville Pa	368-1187
73	Joseph M. DeGisbo	502 Independence Dr.	363 8438 ~~368 0230~~
74	Eunice C Kuibel	502 Independence Dr	362-8438
75	JACK DEZBROSKI	106 CONCORD PL.	855-8203
76	William Daugherty	504 Independence Dr.	368-0230
77	Irene E Zacharias	1001 Continental Dr.	368-1187
78	Audrey G Zacharias	1001 Continental Dr	368-1187
79	Elizabeth Wyers	603 Monroe Dr.	855-6742
80	Charles J. Snyder	603 Monroe Dr.	
81	Cynthia Sheahan	204 Heritage Dr	368 8043
82	Gerald T Sheahan	204 Heritage Dr.	368 8043
83	Anabel. Cisiecka	506 Heritage Dr.	368-5971
84	[illegible]		
85	[illegible]	203 Heritage Dr	368-5189
86	Martha G. Hopkins	" " "	" "
87	Joseph S Davis	401 Continental Dr	855-4082
88	Carol W. Davis	401 Continental Dr.	855-4082
89	Louise Kach	806 Freedom Cir	368-4866
90	Raquel A. Kach	806 Freedom Cir	368-4866
91	Nadine D alrymple	504 Bunker Hill Rd.	368-5449
92	Carol A. Sorenson	905 Bunker Hill Rd.	362 0779
93	Gary M. Severson	705 CONTINENTAL DR.	368-1569
94	Barbara Hitt	504 Freedom Circle	368.4732
95	James A. Millhouse Jr	204 Bunker Hill Rd.	855-9629
96	Audrey Hogsa	207 Concord PL.	855-0564
97	Alfred L Sutter Edwards	101 Heritage Dr	3688240
98	Janice E. Sutter Edwards	101 Heritage Dr.	3688240
99	Carl C Bulgier	205 Heritage Dr	362-9285
100	Lynn B Webster	205 Heritage Dr.	362 7228
101	Howard A. Sanadonyl	507 Heritage Dr.	368-0482
102	Ronald L Cate	104 Heritage Dr.	855-5520
103	Marsha A. Cate	" "	855-5520
104	[illegible]	105 HERITAGE DRIVE	368-7133
105	Beverly Metzger	105 Heritage Dr	368 7133
106	Peggy Oldt	607 Heritage Dr	362-2472

103	Beverly Metzger	103 Heritage Dr	368-7133
104	James Olden	607 Heritage Dr	362-0472
105	Samuel C Fitzgerald	605 Heritage Dr.	368-7162
106	Roberta F Fitzgerald	605 Heritage Dr	368 7162
107	William A Murtha Jr	604 Heritage Dr.	362-9076
108	Helen J. Murtha	604 Heritage Dr.	362-7076
109	Dale Jamieson	601 "	365-1166
110	T. Bell	" "	"
111	Andy Williams	506 Heritage	362 7156
112	Carol Williams	" "	" "
113	Glenn Bulsford	505 Heritage Dr.	362-8002
114	Darwin A Bulsfore	" "	362-8002
115	Fae Brown	503 Heritage Dr.	362-1793
116	Mary Brown	503 Heritage Dr.	362-1793
117	Margaret Weber	407 Heritage Drive	855-1844
118	Allison A Baron	407 Heritage Dr	855 5844
119	B. Bradford	405 Heritage Dr	855-3279
120	C. Bradford	" "	" "
121	Lesley McGarvey	404 Heritage Dr	362-0695
122	Paul J Mauer	" " "	" "
123	David L. Heidy Sr	305 Heritage Dr.	855-9783
124	Nancy Heidy	" " "	" "
125	Betty Jean Korba	303 Heritage Dr.	362-0964
126	William L. Korba	"	"
127	George & Carma	302 Heritage Dr.	362-9075
128	C.L. Gaida	207 Heritage Dr.	368-2826
129	Heather Gaida	"	368-2826
130	Barbara Schultz	201 Heritage Dr	362-8617
131	Alan & Whipple	1103 Continental Dr	368-8878
132	J.P. Whipple	1103 Continental Drive	368-8878
133	Jacqueline A. Cahill	901 Continental Dr.	855-7538
140	Frances L Kawacki	804 Continental Dr	855-7292
141	Mary A. Kawacki	804 Continental Dr.	855-7292
142	[illegible]	803 CONTINENTAL Dr	368-8484
143	Margaret M. French	803 Continental Dr.	368-5981

144	Mark Kelleher	701 Continental Dr.	368-4075
145	Kara Milan	606 Continental Dr.	368-2582
146	Jane Lapoten	603 Continental Dr.	363-1113
147	Ronald Lapoten	602 Continental Dr.	363-1113
148	Gerald L. Kerner	502 Continental Dr.	855-4173
149	Judy Kerner	502 Continental Dr	855-4173
150	[illegible]	401 Continental Dr	855-7276
151	[illegible]	103 Continental Dr	368-3815
152	[illegible]	" " " "	
153	Rosemary Greger	106 Continental Dr	368-4562
154	[illegible]	1003 Continental Dr.	368-6349
155	[illegible]	1007 Continental Dr	855-7213
156	[illegible]	1008 Continental Dr	368-3307
157	Carol Mayne	410 Independence Dr	362-0271
158	[illegible]	408 Independence	368-[illegible]
159	Judy Kapuscza	406 Independence	368-[illegible]
160	[illegible]	404 Independence	[illegible]
161	Mrs Catherine Small	403 Independence	855-7486
162	[illegible]	402 Independence	[illegible]
163	[illegible]	804 Independence Dr.	368-3784
164	George H. Frisch	805 INDEPENDENCE	362-4157
165	[illegible]	805 Independence Dr.	855-5879
166	[illegible]	605 Independence	[illegible]
167	[illegible]	506 Independence Dr	362-3892
168	Ben S. Interrante	505 Independence	855-0574
169	Jean C Interrante	" "	" "
170	Sharon Dougherty	504 Independence	368-0330
171	Scott Cameron	508 Burkehill	855-2910
172	Susan D. Cameron	" "	"
173	Rose M. Rodriguez	507 Burkehill	368-3709
174	Edward J Rodriguez	507 Burkehill RD	3683709
175	[illegible]	505 Burkehill Rd	368-0554
176	Angie L. Thomas	505 Burkehill Rd.	368-0554

177	Robert [illegible] Jolly	502 Bunker Hill Rd.	368-3489
178	Christine A. White	"	"
179	Betsey Leonard	305 Bunker Hill Rd	855-3064
180	Charles Leonard	"	"
181	Jack B. Darby	302 Bunker Hill Rd	368-1315
182	Robert Betts	301 Bunker Hill Rd.	855-7274
183	Patricia Moyer	101 Continental Dr.	368-8080
184	John Kennedy	" " "	" "
185	Gerald Deiss	602 Bunker Hill	362 7735
188	Peter Dunn	" " "	" "
187	Linda Kast	406 Bunker Hill	368-5154
188	Rosemarie Giuliano	406 Bunker Hill	"
189	William F. Moyer	405 Bunker Hill	362-0779
190	D.J. MacAlister	404 Bunker Hill	362-8157
191	Irene Mae Jacobs	404 Bunker Hill	362-8151
192	Anne O. Millhouse	204 Bunker Hill	855-9628
193	Wynne C. Stevens	202 Bunker Hill	368-1085
194	Mary Stevens	202 Bunker Hill	368-1085
195	Patricia A. Baldo	201 Bunker Hill Rd	368-1173
196	Charles Baldo	201 " " "	368-1173
197	Patricia Smith		
198	Gary Smith		
199	Christopher Day	701 FREEDOM CIR.	362-8637
200	Marielle Wasserfeld	705 FREEDOM CIR.	368 4758
201	Ron Wasserfeld	" "	"
202	Dick Malaby	704 FREEDOM CIR	855-2504
203	Sarah Malaby	" " "	" "
204	[illegible]	703 Freedom Cir -	368-4479
205	Tony Dimmi	" " "	
206	Phil Lewis	702 Freedom Circle	362-2697
207	Bonnie Lewis	702 Freedom Circle	362-2697
208	Mark Steinberg	607 Freedom Circle	855-5188
209	Susan Steinberg	"	"

210	James P. [illegible]	606 Freedom Circle	362-1423
211	[illegible]		
212	Dr. John F. Clark	605 Freedom Circle	368-5[illegible]
213	Sherry W. Clark		
214	Dennis G. Warner	604 Freedom Circle	362-1704
215	Bobbie Warner	604 Freedom Circle	362-1704
216	Joseph E. Mauer	603 Freedom Cir	368-4494
217	Nancy L. Mauer	603 Freedom Cir	368-4494
218	Fred Walker	602 Freedom Cir	368-0981
219	Diana Walker	602 Freedom Cir	368 0981
220	Eugene Johnson	601 Freedom Cir.	855-6753
221	Laureal Johnson	601 Freedom Cir	855-6753
222	Joseph Prescott	601 Freedom C.R.	855-6733
223	Lawrence Dobson	804 Freedom Circle	855-9561
224	Diane Dobson	804 Freedom Circle	855-9561

R-865

CHARLES E. VICKERMAN, M. D.
1600 EAST HIGH STREET
POTTSTOWN, PENNSYLVANIA 19464

TELEPHONE 326-2748

RECEIVED
APR 1 1980
Commissioner Taliaferro's Office

Commissioner Linda Taliaferro
Public Utility Commission
Box 3265
Harrisburg, Pa. 17120

Dear Commissioner:

I am a practicing physician and have entered the medical field after graduating with a degree in physics and working for the United States Navy as a physicist. With this background I am well qualified to condemn the construction of the Limerick Nuclear Power Plant. If there is a future for nuclear power production in our country, it is in fusion energy production. Admittedly, we must wait for the necessary technology.

Currently, the necessity is for conservation. My family members and I are presently pursuing energy conservation measures in our home and in our daily living. It is my belief, based on my contact with many members of our community , that energy conservation measures are being practiced and newly instituted daily by many. The Philadelphia Electric Company has overestimated the need for power.

The pursuit of the Limerick and other fission power plants can only serve to lead to health hazards, magnification of unsolved waste storage problems and increased short and long term costs due to:

1). unnecessary enormous construction costs for building reactors such as Limerick and for their functioning
2). cleanup of "mishaps" which can become disastrously expansive in terms of financial and social costs
3). ultimate cost of cleanup and disassembly of environmentally irresponsible power plants which take many years to plan and construct (and re-construct) while other "cleaner" sources become available within the next decade.

DOCKETED
APR 4 1980

I speak for myself, my family members and, I believe, for all the members of our community in saying that conservation is being practiced actively. Philadelphia Electric Company should have further rate increases denied as they have overestimated the need for power production. The Philadelphia Electric Company has demonstrated its lack of responsibility to the public in the past and

DUPLICATE RECORD.
ORIGINAL CERTIFIED
TO COMMONWEALTH COURT.

the construction of the Limerick Nuclear Power Plant should be stopped.

Yours truly,

Charles E. Vickerman, M.D.

cc: Susan Shanaman
Michael Johnson
James Cawley
Linda Taliaferro

PENNSYLVANIA PUBLIC UTILITY COMMISSION
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG, PENNSYLVANIA

April 1, 1980

Charles E. Vickerman, M.D.
1800 East High Street
Pottstown, Pennsylvania 19464

Dear Doctor Vickerman:

Thank you for your letter concerning the Philadelphia Electric Company. As this Company is now involved in a formal proceeding before the Public Utility Commission and until such concludes, I am prohibited by law from commenting regarding the merits of any issue which might be in contention in the formal proceeding.

Consequently, I am forwarding your letter to our Secretary's bureau for inclusion in the file on this particular case.

Sincerely,

Linda C. Taliaferro

Linda C. Taliaferro
Commissioner

DAVID C. THOMSEN
2328 PARRISH STREET
PHILADELPHIA, PA. 19130
(215) 236-9314

Received
Office of A.L.J.
Harrisburg

3 April 1980

The Hon. Joseph J. Klovekorn
Administrative Law Judge
Pennsylvania Public Utility Commission
Post Office Box 3265
Harrisburg, Pennsylvania 17120

Dear Judge Klovekorn:

Please excuse my error in not finding page 181 of your Initial Decision before filing exceptions at Pa. P.U.C. vs PECO, R-79060865. Fortunately, Mr. Kennedy of Chairman Shanaman's staff called my attention to my error prior to Oral Argument before the Commission.

For your information, I have filed a Petition for a Generic Investigation of broadened capital ownership mechanisms, including but not limited to the CSOP. I enclose a copy of this Petition with this letter for your information. There is so much happening in this area in other states, that I sincerely hope that the full Commission will allow a generic investigation.

Yours sincerely,

David C. Thomsen

David C. Thomsen

DUPLICATE RECORD.
ORIGINAL CERTIFIED
TO COMMONWEALTH COURT.

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF DAVID C. THOMSEN, RATEPAYER AND STOCKHOLDER, FOR A GENERIC INVESTIGATION OF BROADENED CAPITAL OWNERSHIP PRINCIPLES AND METHODS, TO PROVIDE CAPITAL TO UTILITIES, REDUCE RATES, AND PROVIDE OFFSETTING INCOME AGAINST RATES FOR RATEPAYERS

Docket Number _____

This is not a pleading in Pa. P.U.C. vs PECO, R-79060865, and should be docketed as a separate petition before the Commission. It is now presented to the Commission because it is a direct result of the Administrative Law Judge's Initial Decision (page 181), and is based on testimony presented by Petitioner's witness Norman G. Kurland, Esq., on November 28, 1979. (Thomsen Statements 1 through 5 and Transcript 2423-2434)

MAY IT PLEASE THE COMMISSION:

1. WHEREAS, Administrative Law Judge Joseph J. Klovekorn, in his Recommended Decision for Pa. P.U.C. vs PECO, R-79060865, dated February 29, 1980, (page 181) has recommended an informal investigation of a Customer Stock Ownership Plan ("CSOP"), with the words "While the parties have raised many serious questions concerning ... mechanics of such a plan, as well as the legalities involved, there is no doubt that such a plan presents a potential avenue for raising capital by the utilities of the Commonwealth. Unfortunately, a rate case, ... is not an appropriate vehicle to explore the potential of this plan. It is recommended that the Commission informally investigate the concept of customer stock ownership plans to see if further consideration in the context of a generic proceeding is warranted."

2. WHEREAS, The legislature of the state of Maryland has recently passed a law requiring the Maryland Public Service Commission (among others) to report on its efforts to broaden capital ownership in the state of Maryland.

3. WHEREAS, The legislature of the state of Delaware has recently received the results of a study of Employee Stock Ownership Plans by the Department of Community Affairs, which recommends the same kind of reporting requirement adopted by the legislature of the state of Maryland. (Thomsen Statement 1, page 3, paragraph 10, and Thomsen Statement 4, for Resolution calling for the study.)

4. WHEREAS, The legislature of the state of Alaska is studying the provisions of Title VI, Revenue Act of 1978, 95th Congress, Public Law 95-600, which provides special tax advantages for a General Stock Ownership Corporation established by state action, with a view towards establishing an Alaska General Stock Ownership Corporation.

5. WHEREAS, the people of the state of Alaska, by initiative petition, have provided for a referendum vote on the Alaska General Stock Ownership Corporation at the November, 1980, General Election, should the legislature fail to act by that time. (See full color brochure "It's time to TAKE STOCK IN ALASKA" filed with this Petition.)

6. WHEREAS, Philadelphia Electric Company is making very effective use of the Tax Reduction Act Employee Stock Ownership Plan (TRASOP) as a means of obtaining additional capital while providing stock ownership to its employees (See PECO Annual Reports, 1977, 1978, 1979).

7. WHEREAS, South Bend Lathe Company, South Bend, Indiana, has very effectively used a leveraged Employee Stock Ownership Plan to provide 100% ownership of its capital stock to its own employees, to avoid impending shut-down and loss of jobs by its former conglomerate owner, and to provide substantial dividends to its employees (Thomsen Statements 5, pages 48-51).

8. WHEREAS, the Congress of the United States, in a series of laws and committee reports, has frequently upheld the concept of broadened capital ownership as a national policy. (See Section 2701, Tax Reform Act of 1976; TITLE VI, Revenue Act of 1978; and the 1976 Annual Report of the Joint Economic Committee.)

9. WHEREAS, it has been proposed by Norman G. Kurland, and others, that the Federal Reserve Board use its powers under the Federal Reserve Act of 1913, Section 12, paragraph 2, to discount "eligible commercial, industrial and agricultural paper," to provide a discount rate of 0.5% interest to banks, which in turn would provide a loan to eligible ownership broadening mechanisms (such as the leveraged ESOP, the CSOP, or the GSOC) at a rate of 3%. (Thomsen statement 5, pages 36-51)

10. AND WHEREAS, loans for the sale of equity at 3%, when provided to capital broadening mechanisms such as the leveraged Customer Stock Ownership Plan (supra, 1), leveraged Employee Stock Ownership Plan (supra, 7), General Stock Ownership Corporation (supra, 4 & 5), would make these loans financially very attractive, and potentially might provide capital at rates which would allow smaller rate increases or perhaps even rate decreases for utilities regulated by the Public Utility Commission.

11. AND WHEREAS, the broadened ownership of common stock provided by the mechanisms of a leveraged CSOP, leveraged ESOP, TRASOP, or Pennsylvania General Stock Ownership Corporation would provide dividend income to the owners, offsetting their rates to utilties.

THEREFORE, PETITIONER PRAYS FOR RELIEF FROM THIS HONORABLE COMMISSION, THAT THE COMMISSION MIGHT GRANT THE FOLLOWING ORDERS OR ACTIONS:

1. ORDERED, that the staff of the Commission shall informally investigate the concepts discussed in this PETITION, based on pleadings and testimony introduced by PETITIONER at R.I.D. 129, R.I.D. 295, and most recently at R-79060865, discussions with PETITIONER, and such other information as the staff may discover.

2. ORDERED, that the staff report the results of its informal investigation (supra, 1) within 20 days, to the Commission, recommending whether or not a generic proceeding is warranted.

Signed at Philadelphia, Pa.,
March 31, 1980, and presented
to the Commission the same day.

Respectfully submitted,

David F. Thomsen


It's time
TAKE STOCK IN AL KA



Chances are you've never had the opportunity to help start a large corporation — to get in on the ground floor as the corporation begins to invest and make a profit.

If you were one of the 6 per cent of Americans who own 72 per cent of America's stock, maybe you'd get offers like this all the time.

But chances are you don't.

The Alaska General Stock Ownership Corporation (AGSOC) would be a private corporation owned by all Alaskans.

Every Alaska resident as of the time AGSOC is formed would get a share of AGSOC stock.

You don't need to be rich. The shares would be distributed without charge.

You just need to be an Alaskan.

AGSOC is not a get-rich-quick scheme. It's an opportunity to use the private corporate structure for the benefit of all Alaskans.

It's a way to give everyone a stake in the free enterprise system.

This booklet explains AGSOC . . . how it would work and what it would mean to you.

ALASKA GENERAL STOCK OWNERSHIP CORPORATION

AGSOC





"AGSOC WOULD GIVE YOU A SECOND INCOME"

Anyone who's born wealthy finds out early what a dividend is, because he probably starts getting dividend checks while he's still a baby.

Obviously he's not working for that money. He gets it because he's already an owner of capital.

And of course he didn't pay for his stock. It was given to him — literally for nothing.

A dividend is your share of the profits when you own stock in a company.

You don't have to be a big owner in the company to get a dividend. Even if you own only one share of stock, that's a part ownership. And you're entitled to one share's worth of the company's profit.

You don't need to work to earn a dividend. You just have to own the stock. That's because as an owner, the company is working for you.

So you can make one income from your job. And you can have a second income from your stock.

When you own stock in a company, and the company pays some of its profit to you, that makes you a capitalist. Maybe not a big capitalist, but still a capitalist.

That's because your stock represents *capital*. Capital is a productive investment, and the kind of investment that makes money.

Anyone can be a capitalist if he can afford to buy stock. But of course, not everyone can afford to buy stock.

The idea behind AGSOC is to make every Alaskan a "capitalist."

Every Alaska resident — man, woman and child — would get a share of stock in AGSOC *without charge*.

At first, that stock would have no value.

But AGSOC would borrow money — much more than any of us could borrow alone — and make safe, large-scale productive investments.

These investments would make enough to pay back our lenders . . . and to return a profit to us as well.

In that way, over time, each of us could look forward to a second income — a dividend income — from our AGSOC stock.

"AGSOC WOULD PUT PROFITS DIRECTLY INTO YOUR POCKET"

AGSOC would make investments in Alaska. That would help stabilize our economy.

AGSOC would distribute its profits to Alaska residents only, because only Alaska residents could own AGSOC stock. Too often in the past, profits have been made in Alaska only to wind up in Seattle or San Francisco or New York.

Just as important, AGSOC would be strictly private enterprise, not a state corporation.

The state would charter AGSOC and help identify all Alaska residents so that each would get a share of AGSOC stock.

But once AGSOC was launched, it would be on its own.

It would have one main purpose: to make a profit for its owners.

And its profits wouldn't go to bureaucrats to be recycled to the people. They'd go straight to Alaskans, the owners of AGSOC stock.

"AGSOC COULD GIVE PREFERENCE FOR LOCAL HIRE"

The courts have ruled that the state cannot require corporations to hire Alaskans before out-of-staters for Alaska projects.

But AGSOC could easily make it a corporation policy to hire its own share-holders first.

And since the share-holders are all Alaska residents, local hire preference would be the rule for AGSOC despite the courts' recent decisions.

HOW AG



AGSOC would be chartered by the state legislature. The governor, the president of the Senate and the speaker of the House would appoint three AGSOC incorporators.

The incorporators would name the board of directors, the directors would appoint the management, and management would hire the necessary staff.

The entire board of directors would stand for election by the share-holders at the first annual meeting. Then half the board would be up for re-election every year.



Every Alaska resident as of a date set by the legislature — man, woman and child — would receive one share of AGSOC stock. There would be no charge.

During the first five years, the stock could not be sold unless the owner left Alaska to live elsewhere. In that case, the owner would have to sell his or her share back to the AGSOC itself (at box value).

These shares would then be available for sale (at book value) to new residents, including those born after AGSOC was formed.

After five years, AGSOC shares could be traded, but still only Alaska residents could own AGSOC stock. Each resident would be limited to owning ten shares.



Once AGSOC was formed, it would operate independently of the state.

AGSOC would borrow money from banks, insurance companies and other large institutional investors. These lenders would loan their money on the strength of investments proposed by AGSOC and eventually on the financial strength of AGSOC itself.

If any AGSOC investment should fail, the lenders would *not* be able to recover any money from the share-holders. They could *only* look to the AGSOC itself for AGSOC debts.

OC WORKS



AGSOC would use the borrowed money to make sound, productive investments in Alaska. Investments in energy projects, agriculture, fishing, communications, transportation, tourism, timber — all would be possible, but investment security would be a prime goal.



AGSOC investments would earn money, and those earnings would be used to pay back lenders according to a predetermined schedule. The AGSOC would be exempted from paying corporate income tax on its earnings.



AGSOC earnings beyond the amount needed to pay back lenders are profit. This profit would be divided among the Alaska stock owners on a per-share basis and paid out to each stock-holder by dividend check.

By law, the AGSOC would have to pay out virtually all its profits (90 per cent minimum) to its stock-holders instead of retaining earnings.

When AGSOC's debt is paid off, the entire return from an investment would go to share-holders as dividends.

IS AGSOC TO BE

Q How do we know AGSOC can work?

A AGSOC has the same chance of success as any other private corporation — and probably better. That's because AGSOC would make only the most secure kinds of investments. And it would have the advantage of being double-checked by the lenders who want to be sure of investment security before loaning their money for AGSOC investments.

Q Has anybody tried this before?

A No. It was not possible until 1978 when Alaska Senator Mike Gravel authored the tax amendment for General Stock Ownership Corporations.

Q Isn't this a kind of socialism?

A Absolutely not. Under socialism, political and economic power are both centralized in the state. AGSOC would be a private corporation, and its relationship to the state would be the same as other corporations. By contrast, some other proposals would use the state to distribute Alaska's natural resource wealth. But AGSOC would make investments like any other private corporation and distribute profits from those investments directly to shareholders.

Q By giving out shares of AGSOC stock, aren't people getting something for nothing? Isn't this a "give-away?"

A Yes — and No. To get your share of AGSOC stock, you don't have to do anything except be an Alaskan. And when AGSOC makes a profit, you get your share of it without having to work for it. So in a way, you get something for nothing. But on the other hand, it's not a "give-away." When corporations make good investments, they create new wealth, and that new wealth takes the form of profits. Those profits legitimately belong to the owners of the corporation. So if Alaskans have the foresight to join together and create a corporation that can generate new wealth, then they're entitled to the new wealth which their corporation produces.

Q Why is an initiative petition needed for AGSOC?

A The State Legislature failed to act in 1979 to create AGSOC. They can still act during the 1980 session, but if they don't, the initiative petition guarantees that the citizens of Alaska could vote to create AGSOC in the 1980 election.

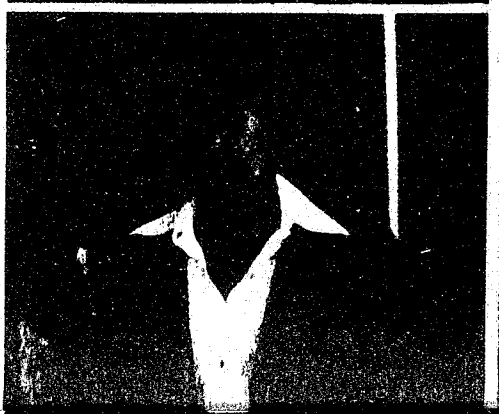
Q Who decides AGSOC's investments?

A The AGSOC management, subject to the Board of Directors and the shareholders.

Q How often would dividends be paid?

A At least yearly.





TOO GOOD TRUE?

Q What controls do Alaskans have over AGSOC?

A As shareholders, they control the corporation. They elect the Board of Directors, and they can remove a director by vote at any time. At annual meetings, shareholders can place issues and candidates on the corporation ballot. They can vote to dissolve the corporation. Individual shareholders can sue the directors on behalf of the corporation. A majority of the Board of Directors must always be Alaskans. AGSOC would be the most democratic corporation in America. It could set the pattern for other corporate structures in the future.





Q Would AGSOC get money from the state?

A No, except for a start-up loan guarantee. AGSOC would be treated as any other corporation.

Q Will AGSOC records be open for inspection?

A Yes.

Q How much money will shareholders get in dividends?

A That depends on how much is invested and on the rate of return from each investment. As an example, AGSOC could purchase British Petroleum's share of the Trans-Alaskan Pipeline. Last year, BP's pretaxed profit from TAPS was $127.2 million. Divided among 405,000 Alaskans, that would come to $314 per person ($1,256 per family of four). This is an indication of the kind of opportunities that are available, although it should not be taken as a precise indication of what an AGSOC share would earn. Generally, AGSOC would aim at a 20 percent annual return on investment as other corporations do. The more AGSOC invested, assuming sound investment, the more each share would eventually earn.

Q Who supports the petition?

A Here are some legislators who have signed the petition, in the order they signed it: Representative Jim Duncan (Juneau), Senator Bettye Fahrenkamp (Fairbanks), Senator Frank Ferguson (Kotzebue), Senator Mike Colletta (Anchorage), Senator Jalmar Kerttula (Palmer), Representative Oral Freeman (Ketchikan), Representative Al Osterback (Sand Point), Representative Dick Eliason (Sitka), Representative Leo P. Schaeffer (Kotzebue), Representative Vern Hurlbert (Sleetmute), Representative Terry Martin (Anchorage), Representative Mike Beirne (Anchorage), Representative Joe McKinnon (Anchorage), Representative Sally Smith (Fairbanks), Senator Clem Tillion (Halibut Cove), Representative Peggy Moss (Delta Junction), Representative Fred Zharoff (Kodiak), Senator George Hohman (Bethel), Senator Bill Sackett (Anchorage), Representative Nels Anderson (Dillingham), Senator Terry Stinson (Anchorage), Representative Joyce Munsterman (Anchorage), Senator Pete Kelly (Sitka).

R-79060865

PHILADELPHIA ELECTRIC COMPANY

2301 MARKET STREET

P.O. BOX 8699

PHILADELPHIA, PA. 19101

(215) 841-4221

J. L. EVERETT
PRESIDENT

APR 25 9 53 AM '80

RECEIVED
SECRETARY'S OFFICE
PUBLIC UTILITY
COMMISSION

April 24, 1980

Mr. W. P. Thierfelder, Secretary
Pennsylvania Public Utility Commission
Post Office Box 3265
Harrisburg, Pennsylvania 17120

SUBJECT: Voluntary postponement of the effective date of Supplement No. 6 to Tariff Electric—Pa. P.U.C. No. 25 from April 25, 1980 to May 10, 1980.

Dear Mr. Thierfelder:

Supplement No. 6 to Tariff Electric—Pa. P.U.C. No. 25 was filed with the Commission on July 27, 1979 to become effective on September 25, 1979. In accordance with Order adopted by the Commission on August 9, 1979 at Docket No. R-79060865, the effective date was suspended until April 25, 1980. The Company is voluntarily postponing this effective date until May 10, 1980.

Enclosed for filing with the Commission are eight copies of SUPPLEMENT NO. 14 TO TARIFF ELECTRIC—PA. P.U.C. NO. 25 which provides for the voluntary postponement of the effective date of Supplement no. 6 to Tariff Electric—Pa. P.U.C. No. 25 until May 10, 1980.

Would you please acknowledge receipt of the foregoing on the enclosed copy of this letter.

Sincerely,

J. L. Everett

Enclosures

DUPLICATE RECORD.
ORIGINAL CERTIFIED
TO COMMONWEALTH COURT.

PHILADELPHIA ELECTRIC COMPANY

ELECTRIC SERVICE TARIFF

PHILADELPHIA DIVISION

DIVISION OFFICE: 2301 MARKET STREET, PHILADELPHIA

DISTRICT OFFICES: 1819 E. Allegheny Ave.; 3501 N. Broad St.; 2009 S. Broad St.; 41 W. Chelten Ave.; 4635 Frankford Ave.; 3925-B Walnut St.

CITY AND COUNTY OF Philadelphia.

SUBURBAN DIVISIONS

DELAWARE DIVISION

DIVISION OFFICE: 18 E. FIFTH STREET, CHESTER

DELAWARE COUNTY: CITY OF Chester; BOROUGHS OF Aldan, Brookhaven, Chester Heights, Clifton Heights, Collingdale, Colwyn, Darby, East Lansdowne, Eddystone, Folcroft, Glenolden, Lansdowne, Marcus Hook, Media, Morton, Norwood, Parkside, Prospect Park, Ridley Park, Rose Valley, Rutledge, Sharon Hill, Swarthmore, Trainer, Upland, Yeadon; FIRST-CLASS TOWNSHIPS OF Aston, Darby, Lower Chichester, Marple, Nether Providence, Ridley, Springfield, Tinicum, Upper Chichester, Upper Darby; SECOND-CLASS TOWNSHIPS OF Bethel, Birmingham, Chester, Concord, Edgmont, Middletown, Thornbury, Upper Providence.

CHESTER COUNTY: SECOND-CLASS TOWNSHIPS OF Thornbury, Westtown, Willistown.

EASTERN DIVISION

DIVISION OFFICE: 400 PARK AVENUE, WARMINSTER

BUCKS COUNTY: BOROUGHS OF Bristol, Chalfont, Doylestown, Dublin, Hulmeville, Ivyland, Langhorne, Langborne Manor, Morrisville, New Britain, New Hope, Newtown, Penndel, Tullytown, Yardley; FIRST-CLASS TOWNSHIP OF Bristol; SECOND-CLASS TOWNSHIPS OF Bedminster, Bensalem, Buckingham, Doylestown, Falls, Lower Makefield, Lower Southampton, Middletown, New Britain, Newtown, Northampton, Plumstead, Solebury, Upper Makefield, Upper Southampton, Warminster, Warrington, Warwick, Wrightstown.

MONTGOMERY COUNTY: BOROUGHS OF Ambler, Bryn Athyn, Hatboro, Jenkintown, North Wales, Rockledge; FIRST-CLASS TOWNSHIPS OF Abington, Cheltenham, Hatfield, Lower Moreland, Springfield, Upper Dublin, Upper Gwynedd, Upper Moreland; SECOND-CLASS TOWNSHIPS OF Horsham, Lower Gwynedd, Lower Salford, Montgomery, Towamencin, Whitemarsh, Whitpain.

MAIN LINE DIVISION

DIVISION OFFICE: 213 W. COUNTY LINE ROAD, ARDMORE

LOCAL OFFICE: 45 Long Lane, Upper Darby

CHESTER COUNTY: BOROUGH OF Malvern; SECOND-CLASS TOWNSHIPS OF East Goshen, East Whiteland, Easttown, Tredyffrin, Willistown.

DELAWARE COUNTY: BOROUGH OF Millbourne; FIRST-CLASS TOWNSHIPS OF Haverford, Marple, Radnor, Upper Darby; SECOND-CLASS TOWNSHIPS OF Edgmont, Newtown.

MONTGOMERY COUNTY: BOROUGH OF Narberth; FIRST-CLASS TOWNSHIP OF Lower Merion; SECOND-CLASS TOWNSHIP OF Upper Merion.

SCHUYLKILL DIVISION

DIVISION OFFICE: RIDGE PIKE AT CHEMICAL ROAD, PLYMOUTH TOWNSHIP

LOCAL OFFICES: One Montgomery Plaza, Norristown; 365 High St., Pottstown

CHESTER COUNTY: BOROUGHS OF Phoenixville, Spring City; SECOND-CLASS TOWNSHIPS OF Charlestown, East Coventry, East Pikeland, East Vincent, East Whiteland, North Coventry, Schuylkill, South Coventry, Tredyffrin, West Pikeland, West Vincent.

MONTGOMERY COUNTY: BOROUGHS OF Bridgeport, Collegeville, Conshohocken, Green Lane, Norristown, Pottstown, Royersford, Schwenksville, Trappe, West Conshohocken; FIRST-CLASS TOWNSHIPS OF Lower Merion, Lower Pottsgrove, Plymouth, Springfield, Upper Pottsgrove, West Norriton, West Pottsgrove; SECOND-CLASS TOWNSHIPS OF East Norriton, Limerick, Lower Frederick, Lower Providence, Lower Salford, Marlborough, Perkiomen, Salford, Skippack, Towamencin, Upper Frederick, Upper Merion, Upper Providence, Upper Salford, Whitemarsh, Whitpain, Worcester.

WESTERN DIVISION

DIVISION OFFICE: 175 N. CALN ROAD, COATESVILLE

LOCAL OFFICES: 272 E. Lincoln Highway, Coatesville;
Main Street, Delta; 109 N. High Street, West Chester

CHESTER COUNTY: CITY OF Coatesville; BOROUGHS OF Avondale, Downingtown, Kennett Square, Modena, Oxford, Parkesburg, South Coatesville, West Chester, West Grove; FIRST-CLASS TOWNSHIP OF Caln; SECOND-CLASS TOWNSHIPS OF Birmingham, East Bradford, East Brandywine, East Caln, East Fallowfield, East Goshen, East Marlborough, East Nantmeal, East Nottingham, East Whiteland, Elk, Franklin, Highland, Kennett, London Britain, Londonderry, London Grove, Lower Oxford, New Garden, Newlin, New London, Penn, Pennsbury, Pocopson, Sadsbury, Thornbury, Upper Oxford, Upper Uwchlan, Uwchlan, Valley, Wallace, West Bradford, West Brandywine, West Caln, West Fallowfield, West Goshen, West Marlborough, West Nantmeal, West Nottingham, West Sadsbury, Westtown, West Vincent, West Whiteland, Willistown.

DELAWARE COUNTY: SECOND-CLASS TOWNSHIPS OF Birmingham, Concord, Thornbury.

YORK COUNTY: BOROUGH OF Delta; SECOND-CLASS TOWNSHIPS OF Chanceford, Fawn Lower Chanceford, Peach Bottom.

Supplement No. 6 to Tariff Electric—Pa. P.U.C. No. 25 was filed on July 27, 1979 to become effective on September 25, 1979. In accordance with Order adopted by Pennsylvania Public Utility Commission on August 9, 1979 at Docket No. R-79060865, the effective date was suspended until April 25, 1980. This effective date is hereby voluntarily postponed until May 10, 1980.

Issued April 24, 1980

Effective April 25, 1980

ISSUED BY:
J. L. EVERETT, PRESIDENT
2301 MARKET STREET - PHILADELPHIA, PA. 19101

APR 25 1980

WASHINGTON
NEW YORK
HARRISBURG

MORGAN, LEWIS & BOCKIUS
COUNSELORS AT LAW
123 SOUTH BROAD STREET
PHILADELPHIA, PENNSYLVANIA 19109
TELEPHONE (215) 491-9200

LOS ANGELES
MIAMI
PARIS
ASSOCIATED OFFICE

WALTER R. HALL, II
DIAL DIRECT (215) 491-9530

ORIGINAL

APR 25 9 47 AM '80
RECEIVED
SECRETARY'S OFFICE
PUBLIC UTILITY
COMMISSION

April 25, 1980

Pennsylvania Public Utility Commission
North Office Building
P. O. Box 3265
Harrisburg, Pa. 17120

Re: Pennsylvania Public Utility Commission, et al. v. Philadelphia Electric Company - Electric Operations, Docket No. R-79060865 (1979)

Commissioners:

Under separate cover, there is enclosed Philadelphia Electric Company's Supplement No. 14 to Tariff Electric-Pa. P.U.C. No. 25. This Supplement extends the seven month statutory suspension period, which would otherwise end April 25, 1980. This extension is in response to the Commission's request for additional time to permit proper preparation and issuance of a final rate order in this proceeding.

To permit timely Commission review of the Company's proposed compliance rates, the Company will make an informal compliance filing on or before May 1, 1980. A formal compliance filing of the same supplement will be made on May 9, 1980. This proposed procedure is identical to that recently employed in the Company's gas rate proceeding at Docket No. R-79030781. It is further our understanding that this procedure is acceptable to the Commission in this case.

The Company will make this filing in a good faith effort to permit full review of the proposed compliance rates while avoiding the practical complications of recouping or refunding revenue that would otherwise be required if the Commission-approved rates are not made effective on May 10, 1980. As provided in §1308(d), the Public Utility Code requires that new rates approved by the Commission following a rate investigation are to become effective at the close of the statutory suspension period.

DOCKETED
APR 25 1980

The Company reads customer meters and bills customers each working day. A delay beyond May 10, 1980 in implementing the approved rates would require either supplemental billings or refunds as appropriate. Such actions would create adverse customer reactions, unfavorable to both the Commission and the Company. To avoid such problems in customer relationships, the Company urges the Commission to review its informal compliance filing in order that approval of the formal filing will be possible at the Commission's public session of May 9, 1980.

Sincerely yours,

Walter R. Hall II

Walter R. Hall, II

/bd

LAW OFFICES

WICK, VUONO & LAVELLE
2310 GRANT BUILDING
PITTSBURGH, PA. 15219

HENRY M. WICK, JR.
JOHN A. VUONO
WILLIAM J. LAVELLE
ALLAN L. FLUKE
WILLIAM A. GRAY
DIXON R. RICH
CHARLES J. STREIFF
DAVID M. O'BOYLE
DONALD J. BALSLEY, JR.
LEROY L. METZ
VINCENT P. SZELIGO

ROBERT R. WERTZ
OF COUNSEL

AREA CODE 412
471-1800

MAY 6 8 39 AM '80
RECEIVED
SECRETARY'S OFFICE
PUBLIC UTILITY
COMMISSION

May 2, 1980

Re: Pennsylvania Public Utility Commission v.
Philadelphia Electric Company
R-79060865
Our File 652-38

DOCKETED
MAY 8 1980

Mr. William P. Thierfelder
Secretary
Pennsylvania Public Utility
Commission
P.O. Box 3265
Harrisburg, Pa. 17120

Dear Mr. Thierfelder:

We represent United States Steel Corporation in the above-captioned proceeding.

In this regard, we are writing to you concerning the letter of Walter R. Hall, II, Esq., counsel for Philadelphia Electric Company, dated April 29, 1980. A copy of the said letter is attached for your convenience.

In his letter, Mr. Hall states that Philadelphia Electric Company has filed its proposed Supplement No. 15 to Tariff Electric-Pa. P.U.C. No. 25. Mr. Hall further indicates that the proposed rates in Supplement No. 15 were designed to comply with the Commission approved additional revenue allowance of $88.8 million and rate structure directives as stated at the public sessions of April 23 and 25, 1980.

We have requested on behalf of United States Steel Corporation a copy of the proposed Supplement No. 15 in order that our expert witness (Drazen-Brubaker & Associates, Inc.) can determine whether the proposed Supplement No. 15 complies with the Commission's approved additional revenue allowance and rate structure. However, this cannot be done since we have not been provided with a copy of the Commission's order setting out the additional revenue allowance and rate structure actually approved by the

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ORIGINAL CERTIFIED
TO COMMONWEALTH COURT.

Commission at the public sessions of April 23 and 25, 1980. Until this information is provided, we must object to the approval by the Commission of the proposed Supplement No. 15 because we have been denied the opportunity of comparing the actual additional revenue allowance and rate structure approved by the Commission with the proposed Supplement No. 15.

Would you please advise if there is a formal written order setting out in detail the Commission approved additional revenue allowance of $88.8 million and rate structure directives as stated at the public sessions of April 23 and 25, 1980. If there is such an order, when may we expect to receive a copy?

A copy of this letter has been sent to all parties of record.

If you have any questions concerning this matter, please contact the undersigned.

Very truly yours,

WICK, VUONO & LAVELLE

Charles J. Streiff

cc
Enclosure
cc: Chairman Susan M. Shanaman
Commissioner Michael Johnson
Commissioner James H. Cawley
Commissioner Linda C. Taliafero
All Parties of Record
United States Steel Corporation
Drazen-Brubaker & Associates, Inc.

ASHINGTON
NEW YORK
HARRISBURG

MORGAN, LEWIS & BOCKIUS
COUNSELORS AT LAW
123 SOUTH BROAD STREET
PHILADELPHIA, PENNSYLVANIA 19109
TELEPHONE: (215) 491-9200

LOS ANGELES
MIAMI
—
PARIS
ASSOCIATED OFFICE

WALTER R. HALL, II
DIAL DIRECT (215) 491-9530

April 29, 1980

Pennsylvania Public Utility Commission
North Office Building
P. O. Box 3265
Harrisburg, Pennsylvania 17120

Re: Pennsylvania Public Utility Commission, et al. v. Philadelphia Electric Company - Electric Operations, Docket No. R-79060865 (1979)

Commissioners:

Enclosed is Philadelphia Electric Company's proposed Supplement No. 15 to Tariff Electric-Pa. P.U.C. No. 25. The proposed supplement is submitted as an informal tariff filing in compliance with the anticipated Commission final rate Order in the above docket. The proposed rates have been designed to comply with the Commission approved additional revenue allowance of $88.8 million and rate structure directives as stated at the public sessions of April 23 & 25, 1980.

An identical formal compliance filing will be made on May 9, 1980. It is understood that the Commission will vote to accept or reject that filing on that same date. The instant informal filing is being made to permit timely Commission review of the proposed compliance rates prior to the expiration of the extended suspension period.

All parties of record in this proceeding are being notified of this filing and of the Commission's impending action thereon by copy of this letter. Copies of the Company's informal compliance filing will be supplied to any party upon request.

Sincerely yours,

Walter R. Hall II

Walter R. Hall, II

/bd

EDWARD C. FIRST, JR.
ROBERT H. GRISWOLD
JAMES N. KING
MOSES K. ROSENBERG
JEFFERSON C. BARNHART
JAMES W. HAGAR
ARTHUR L. BERGER
FRANCIS B. HAAS, JR.
G. THOMAS MILLER
DONALD R. WAISEL
RICHARD R. LEFEVER
J. THOMAS MENAKER
CLYDE W. McINTYRE
S. BERNE SMITH
ROD J. PERA
EDWARD W. ROTHMAN
ROBERT A. MILLS
W. JEFFRY JAMOUNEAU
HERBERT R. NURICK

DAVID E. LEHMAN
NORMAN I. WHITE
F. MURRAY BRYAN
RICHARD W. STEVENSON
HENRY R. MacNICHOLAS
WILLIAM M. YOUNG, JR.
ROBERT M. CHERRY
DAVID B. DISNEY
H. LEE ROUSSEL
MAURICE A. FRATER
DENNIS J. HARNISH
C. GRAINGER BOWMAN
JOHN S. OYLER
DELANO M. LANTZ
HARVEY FREEDENBERG
EDWARD J. RIEHL
JASON S. SHAPIRO
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ROBERT D. STETS

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ATTORNEYS AT LAW
100 PINE STREET
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STERLING G. McNEES
1923-1959
DAVID M. WALLACE
1942-1967

GILBERT NURICK
JAMES H. BOOSER
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OF COUNSEL

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WASHINGTON, D. C. 20036
TELEPHONE (202) 659-5157

WILLIAM A. CHESNUTT
JOHN C. FUDESCO

MAY 6 8 17 AM '80

SECRETARY'S OFFICE
PUBLIC UTILITY
COMMISSION

May 5, 1980

In Re: Philadelphia Electric Company - Rate Increase
R-79060865

William P. Thierfelder, Secretary
Pennsylvania Public Utility
Commission
P. O. Box 3265
Harrisburg, PA 17120

ORIGINAL

Dear Secretary Thierfelder:

By letter dated April 29, 1980, counsel for Philadelphia Electric Company advised all parties of record that an informal filing had been made with the Commission in supposed compliance with an Order adopted at Public Session on April 23 and April 25, 1980. Counsel further advised all parties that copies of this compliance filing were available upon request, and willingly supplied copies to all requesting parties.

We have reviewed the company's compliance filing, but, inasmuch as we have yet to receive the Commission's order, are unable to determine its merit. We find it highly unusual to be expected to evaluate the company's filing prior to entry, issuance and service of the order with which it is required to comply. We, therefore, believe it inappropriate to comment at this time, other than to observe that prior to entry and service of an order, we cannot be deemed to have acceded in the filing.

We raise this matter at this time not as a mere technicality, rather because our summary review of the company's informal compliance filing reveals a design of rates so aberrant as to suggest a potential defect either in the filing itself or in the order on which it is founded. The filing resembles no structure or design of rates addressed on the record or advanced by any

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ORIGINAL CERTIFIED
TO COMMONWEALTH COURT.
ETED

party in brief or argument. We are hard pressed, therefore, to imagine the predicate of any order with which it may comply.

Very truly yours,

McNEES, WALLACE & NURICK

By
Edward J. Riehl

EJF/lsm

cc: Parties of Record

MORGAN, LEWIS & BOCKIUS
COUNSELORS AT LAW
800 NORTH THIRD STREET
HARRISBURG, PENNSYLVANIA 17102
TELEPHONE: (717) 238-1787

PHILADELPHIA
WASHINGTON
NEW YORK

LOS ANGELES
MIAMI
PARIS
ASSOCIATED OFFICE

May 7, 1980

RECEIVED
MAY 7 1980
SECRETARY'S OFFICE
Public Utility Commission

Pennsylvania Public Utility Commission
North Office Building
P.O. Box 3265
Harrisburg, Pennsylvania 17120

Re: Pennsylvania Public Utility Commission, et al. v. Philadelphia Electric Company - Electric Operations, Docket No. R-79060865

Dear Commissioners:

On April 29, 1980, Philadelphia Electric Company filed its proposed Supplement No. 15 to Tariff Electric Pa. P.U.C. No. 25. Proposed Supplement No. 15 is designed to comply with the Commission approved additional revenue allowance of $88.8 million and rate structure directives as stated at the public sessions of April 23 and 25, 1980. It was filed to permit timely Commission review of the Company's compliance rates prior to the expiration of the suspension period extended at Commission request to May 9, 1980. Section 1308(d) of the Public Utility Code requires that new rates approved by the Commission following a rate investigation become effective at the close of the suspension period. Absent action by the Commission permitting compliance rates to become effective, the rates initially proposed by the Company go into effect subject to refund to the subsequently approved levels.

The Company has received copies of letters filed by industrial Complainants United States Steel Corp. and Lukens Steel Co., et al. The Commission should note that Complainant United States Steel Corp.'s expert consultant (also the expert consultant of Complainant Lukens Steel Co., et al.) received a copy of proposed Supplement No. 15 and its supporting data upon the mailing date indicated on Complainant's letter (see attached Transmittal Letter).

Complainants' contention that the Commission is at fault in failing to have previously supplied them with a written Order is without merit. As noted above, the Commission clearly enunciated its revenue and rate structure determinations at its public sessions of April 23 and 25, 1980. Proposed Supplement No. 15 has been drafted to comply with those determinations. Apparently, Complainants chose

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MAY 8 1980

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COMMONWEALTH COURT.

not to attend those public deliberations. Accordingly, Complainants should not now be permitted to obstruct Commission action beneficial to the Company and the vast majority of its customers because of ignorance of determinations made at public session.

The Company, therefore, urges the Commission to approve its compliance filing at the public session of May 9, 1980. Approval of that filing, if found in compliance with the Commission's final Order as based upon the public determinations of April 23 and 25, is in the best interests of the Company and its customers. Such approval is necessary to ameliorate the present rapid deterioration in the Company's financial condition (which precludes the Company from issuing either mortgage debt or preferred stock) and to avoid customer confusion and adverse reaction to the complications of recouping or refunding revenue as otherwise required by the Public Utility Code.

To the extent that Complainants object to the substance of the Commission's April 23 and 25 residential rate structure determination, the preservation of which objection is the apparent purpose of their letters, such objection is properly pursued by a Petition for Reconsideration, rather than an objection to the Company's compliance filing.

Sincerely yours,

Walter R. Hall, II

Walter R. Hall, II

cl
attachment
cc: Chairman Susan M. Shannaman
Commissioner Michael Johnson
Commissioner James H. Cauley
Commissioner Linda C. Taliaferro
All parties of record

MORGAN, LEWIS & BOCKIUS
COUNSELORS AT LAW
123 SOUTH BROAD STREET
PHILADELPHIA, PENNSYLVANIA 19109
LOS ANGELES
MIAMI
PARIS

May 1, 1980

EXPRESS MAIL

Mr. Maurice Brubaker
Drazen - Brubaker & Associates
124 North Gay Street
Clayton, Missouri 63105

Re: Pennsylvania Public Utility Commission, et al. v. Philadelphia Electric Company - Electric Operations
Docket No. R-79060865 (1979)

Dear Mr. Brubaker:

Pursuant to Mr. Riehl's request, enclosed please find a copy of Philadelphia Electric Company's proposed Supplement No. 15 to Tariff Electric - Pa. P.U.C. No. 25. This supplement was submitted to the Commission on April 29, 1980 as an informal tariff filing in compliance with the anticipated final rate Order in the above docket.

Sincerely yours,

Elizabeth A. Foulk

Elizabeth A. Foulk
Legal Assistant to
Walter R. Hail, II

/lpf
Attachment

COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P. O. BOX 3265, HARRISBURG, PA. 17120

May 8, 1980

EXTRA COPY

IN REPLY PLEASE REFER TO OUR FILE
SECRETARY'S OFFICE
PUBLIC UTILITY COMMISSION
MAY 11 04 PM '80

William P. Thierfelder, Secretary
Pa. Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17120

Pennsylvania Public Utility Commission
v.
Philadelphia Electric Company

Docket No. R-79060865

Dear Secretary Thierfelder:

The Trial Staff of the Pennsylvania Public Utility Commission joins with counsel for United States Steel Corporation, Lukens Steel Corporation and other industrial parties in requesting the Commission not to rule upon whether the draft compliance tariff is actually in compliance with the final Order of the Commission to be entered May 9, 1980.

Trial Staff will be unable to determine whether the draft tariff complies with the Commission's decision until there is an opportunity to review the Commission's written Order. Further, given the current press of major rate cases, a ten day period is not sufficient for Trial Staff to review all aspects of the proposed tariff filing.

Trial Staff submits it is unfair to the Commission, to its advisory and prosecutory staffs and to all other parties to require a ten day review of a compliance filing before a final order is even issued. Title 66 Pa. C.S. §315(b) puts the burden of proof on the public utility to prove its compliance with any Commission determination or order. Trial Staff submits that the mere filing of a proposed compliance tariff, before any order is entered, does not meet the utility's burden of proof.

Because of the requirement of a final order within seven months of the effective date, and based on a preliminary review of the draft compliance tariff, Trial Staff would not object to an order accepting the compliance tariff for filing, and allowing it to go into effect on short notice, provided the Order expressly states that the Commission is not determining whether the proposed filing complies with the final Order.

cc: Chairman Shanaman
Commissioner Johnson
Commissioner Cawley
Commissioner Taliaferro
William T. Hawke
Charles E. Smetak
All Parties

Respectfully submitted,

Gregg C. Sayre
Albert W. Johnson III
Assistant Counsel

DUPLICATE RECORD.
ORIGINAL CERTIFIED
TO COMMONWEALTH COURT.

This Ninth day of May

the undersigned hereby acknowledges receipt of

TWO (2) EXECUTED ORDERS

rendered by the Commission in Docket No. R-79060865

Under date of May 9, 1980 and accepts service

in behalf of PHILADELPHIA ELECTRIC COMPANY

Frances R. Metcalf

DOCUMENT FOLDER

This 9th day of May 1980

the undersigned hereby acknowledges receipt of

COPY OF ORDER

rendered by the Commission in Docket No. R-79060865

Under date of May 9, 1980 and accepts service

in behalf of Walter Cohen, Consumer Advocate

Martha W. Burk

DOCUMENT FOLDER

Sec.Bur. R-865 5/9/80 Order

PS Form 3811, Aug. 1978

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
- ☐ Show to whom and date delivered ..... ¢
- ☐ Show to whom, date, and address of delivery ..... ¢
- ☐ RESTRICTED DELIVERY
  Show to whom and date delivered ..... ¢
- ☐ RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery. $
  (CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Henry R. MacNicholas, Esquire

3. ARTICLE DESCRIPTION:
REGISTERED NO. | CERTIFIED NO. 44060 | INSURED NO.
(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐ Addressee ☐ Authorized agent

4. DATE OF DELIVERY: MAY 10 1980 | POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: | CLERK'S INITIALS

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED

Sec.Bur. R-865 5/9/80 Order

PS Form 3811, Aug. 1978

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

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- ☐ Show to whom, date, and address of delivery ..... ¢
- ☐ RESTRICTED DELIVERY
  Show to whom and date delivered ..... ¢
- ☐ RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery. $
  (CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Jack J. Aloff

3. ARTICLE DESCRIPTION:
REGISTERED NO. | CERTIFIED NO. 44044 | INSURED NO.
(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐ Addressee ☒ Authorized agent

4. DATE OF DELIVERY: 5/12/80 | POSTMARK: MAY 12 1:00

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: | CLERK'S INITIALS

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED

Sec. Bur. R-865 5/9/80 Order

PS Form 3811, Aug. 1978

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

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- ☐ Show to whom, date, and address of delivery ..... ¢
- ☐ RESTRICTED DELIVERY
  Show to whom and date delivered ..... ¢
- ☐ RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery. $
  (CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Charles J. Streiff, Esquire

3. ARTICLE DESCRIPTION:
REGISTERED NO. | CERTIFIED NO. 44057 | INSURED NO.
(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐ Addressee ☐ Authorized agent

4. DATE OF DELIVERY: 5/12/80 | POSTMARK: PITTSBURGH PA MAY 12 1980

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: | CLERK'S INITIALS

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED

PS Form 3811, Aug. 1978

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
- ☐ Show to whom and date delivered ..... ¢
- ☐ Show to whom, date, and address of delivery ..... ¢
- ☐ RESTRICTED DELIVERY
  Show to whom and date delivered ..... ¢
- ☐ RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery. $
  (CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Joseph Fierstein

3. ARTICLE DESCRIPTION:
REGISTERED NO. | CERTIFIED NO. 44074 | INSURED NO.
(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐ Addressee ☒ Authorized agent

4. DATE OF DELIVERY: 5-12-80 | POSTMARK: PHILADELPHIA PA CHASE STA MAY 12 1980

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: | CLERK'S INITIALS

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED

PS Form 3811, Aug. 1978

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

Sec. Bur. R-865 5/9/80 Order

1. The following service is requested (check one).
- ☐ Show to whom and date delivered ..... ¢
- ☐ Show to whom, date, and address of delivery ..... ¢
- ☐ RESTRICTED DELIVERY
  Show to whom and date delivered ..... ¢
- ☐ RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery. $
  (CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Eleanor W. Inouye

3. ARTICLE DESCRIPTION:
REGISTERED NO. | CERTIFIED NO. 44063 | INSURED NO.
(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐ Addressee ☐ Authorized agent

4. DATE OF DELIVERY: MAY 12 1980 | POSTMARK: PHILADELPHIA PA MAY 12 1980

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: | CLERK'S INITIALS

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

☆ GPO: 1978-272-842

PS Form 3811, Aug. 1978

SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
- ☐ Show to whom and date delivered. ____¢
- ☐ Show to whom, date, and address of delivery. ____¢
- ☐ RESTRICTED DELIVERY
  Show to whom and date delivered. ____¢
- ☐ RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery. $____
  (CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Stephen P. Hershey, Esquire

3. ARTICLE DESCRIPTION:
REGISTERED NO. | CERTIFIED NO. 44055 | INSURED NO.

(Always obtain signature of addressee or agent)
I have received the article described above.
SIGNATURE ☐ Addressee ☐ Authorized agent
S. P. Hershey

4. DATE OF DELIVERY 5/12/80 | POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: | CLERK'S INITIALS

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

☆ GPO: 1978-272-382

PS Form 3811, Aug. 1978

SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
- ☐ Show to whom and date delivered. ____¢
- ☐ Show to whom, date, and address of delivery. ____¢
- ☐ RESTRICTED DELIVERY
  Show to whom and date delivered. ____¢
- ☐ RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery. $____
  (CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Consumer Action in the Northeast

3. ARTICLE DESCRIPTION:
REGISTERED NO. | CERTIFIED NO. 44061 | INSURED NO.

(Always obtain signature of addressee or agent)
I have received the article described above.
SIGNATURE ☐ Addressee ☐ Authorized agent
Judy Agnesta

4. DATE OF DELIVERY 5/12 | POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: | CLERK'S INITIALS

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

☆ GPO: 1978-272-382

PS Form 3811, Aug. 1978

SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
- ☐ Show to whom and date delivered. ____¢
- ☐ Show to whom, date, and address of delivery. ____¢
- ☐ RESTRICTED DELIVERY
  Show to whom and date delivered. ____¢
- ☐ RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery. $____
  (CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
David C. Thomsen

3. ARTICLE DESCRIPTION:
REGISTERED NO. 44076 | INSURED NO.

(Always obtain signature of addressee or agent)
I have received the article described above.
SIGNATURE ☐ Addressee ☐ Authorized agent
David C. Thomsen

4. DATE OF DELIVERY | POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: | CLERK'S INITIALS

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

☆ GPO: 1978-272-382

PS Form 3811, Aug. 1978

SENDER: Complete items 1, 2, and 3.
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- ☐ Show to whom, date, and address of delivery. ____¢
- ☐ RESTRICTED DELIVERY
  Show to whom and date delivered. ____¢
- ☐ RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery. $____
  (CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
William J. Coopersmith

3. ARTICLE DESCRIPTION:
REGISTERED NO. | CERTIFIED NO. 44056 | INSURED NO.

(Always obtain signature of addressee or agent)
I have received the article described above.
SIGNATURE ☐ Addressee ☐ Authorized agent
William J. Coopersmith

4. DATE OF DELIVERY 5-12-80 | POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: | CLERK'S INITIALS

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

☆ GPO: 1978-272-382

PS Form 3811, Aug. 1978

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- ☐ Show to whom, date, and address of delivery. ____¢
- ☐ RESTRICTED DELIVERY
  Show to whom and date delivered. ____¢
- ☐ RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery. $____
  (CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Edward J. Morris, Esquire

3. ARTICLE DESCRIPTION:
REGISTERED NO. | CERTIFIED NO. 44064 | INSURED NO.

(Always obtain signature of addressee or agent)
I have received the article described above.
SIGNATURE ☐ Addressee ☐ Authorized agent
Edward J. Morris

4. DATE OF DELIVERY MAY 12 1980 | POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: | CLERK'S INITIALS

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

☆ GPO: 1978-272-382

PS Form 3811, Aug. 1978

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- ☐ Show to whom, date, and address of delivery. ____¢
- ☐ RESTRICTED DELIVERY
  Show to whom and date delivered. ____¢
- ☐ RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery. $____
  (CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Sec. Bur. R-865 5/9/80 Order

3. ARTICLE DESCRIPTION:
REGISTERED NO. | CERTIFIED NO. | INSURED NO.

(Always obtain signature of addressee or agent)
I have received the article described above.
SIGNATURE ☐ Addressee ☐ Authorized agent

4. DATE OF DELIVERY | POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: | CLERK'S INITIALS

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

☆ GPO: 1978-272-382

Sec. Bur. R-865 5/9/80 Order

PS Form 3811, Aug. 1978

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- ☐ Show to whom, date, and address of delivery. ____¢
- ☐ RESTRICTED DELIVERY
  Show to whom and date delivered. ____¢
- ☐ RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery. $____
  (CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
John V. Buffington

3. ARTICLE DESCRIPTION:
REGISTERED NO. | CERTIFIED NO. 44066 | INSURED NO.
(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐ Addressee ☐ Authorized agent
X [signature]

4. DATE OF DELIVERY 5-12-80 POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: CLERK'S

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFI

Sec. Bur. R-865 5/9/80 Order

PS Form 3811, Aug. 1978

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- ☐ Show to whom, date, and address of delivery. ____¢
- ☐ RESTRICTED DELIVERY
  Show to whom and date delivered. ____¢
- ☐ RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery. $____
  (CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Michael P. Kerrigan, Esquir

3. ARTICLE DESCRIPTION:
REGISTERED NO. | CERTIFIED NO. 44065 | INSURED NO.
(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐ Addressee ☐ Authorized agent
[signature]

4. DATE OF DELIVERY MAY 12 1980 POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFI

Sec. Bur. R-865 5/9/80 Order

PS Form 3811, Aug. 1978

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- ☐ RESTRICTED DELIVERY
  Show to whom and date delivered. ____¢
- ☐ RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery. $____
  (CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
M. Mark Mendel, Esquire

3. ARTICLE DESCRIPTION:
REGISTERED NO. | CERTIFIED NO. 44059 | INSURED NO.
(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐ Addressee ☐ Authorized agent
[signature]

4. DATE OF DELIVERY POSTMARK MAY 7 1980

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFI

PS Form 3811, Aug. 1978

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- ☐ Show to whom, date, and address of delivery. ____¢
- ☐ RESTRICTED DELIVERY
  Show to whom and date delivered. ____¢
- ☐ RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery. $____
  (CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Ms. Louise Dufour

3. ARTICLE DESCRIPTION:
REGISTERED NO. 44062 | INSURED NO.
(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐ Addressee ☐ Authorized agent
[signature]

4. DATE OF DELIVERY POSTMARK MAY 14 1980

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED

PS Form 3811, Aug. 1978

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

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- ☐ RESTRICTED DELIVERY
  Show to whom and date delivered. ____¢
- ☐ RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery. $____
  (CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Michael J. Ettner, Esquire

3. ARTICLE DESCRIPTION:
REGISTERED NO. 44045 | INSURED NO.
(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐ Addressee ☐ Authorized agent
[signature]

4. DATE OF DELIVERY 5/13/80 POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

PS Form 3811, Aug. 1978

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- ☐ RESTRICTED DELIVERY.
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2. ARTICLE ADDRESSED TO:
Sec. Bur. R-865 5/9/80 Order

3. ARTICLE DESCRIPTION:
REGISTERED NO. | INSURED NO.
(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐ Addressee ☐ Authorized agent
[signature]

4. DATE OF DELIVERY POSTMARK MAY 14 1980

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED

☆ GPO: 1978-272-382

PHILADELPHIA ELECTRIC COMPANY
2301 MARKET STREET
P.O. BOX 8699
PHILADELPHIA, PA. 19101
(215) 841-4221

J. L. EVERETT
PRESIDENT

MAY 9 1980
SECRETARY'S OFFICE
Public Utility Commission

May 9, 1980

Mr. W. P. Thierfelder, Secretary
Pennsylvania Public Utility Commission
Post Office Box 3265
Harrisburg, Pennsylvania 17120

SUBJECT: SUPPLEMENT NO. 15 TO TARIFF ELECTRIC-PA. P.U.C. NO. 25
(Replaces Supplement No. 6 to Tariff Electric-Pa. P.U.C. No. 25)
Issued May 9, 1980 - to become effective May 10, 1980

REFERENCE: Compliance Filing - in accordance with Order adopted May 9, 1980 at Docket No. R-79060865.

Dear Mr. Thierfelder:

This transmits for filing with the Commission eight copies each of the following:

1) Supplement No. 15 to Tariff Electric-Pa. P.U.C. No. 25 which replaces Supplement No. 6 to Tariff Electric-Pa. P.U.C. No. 25 presently on file with the Commission. Supplement No. 6 was filed with the Commission on July 27, 1979 to become effective September 25, 1979, but the effective date was suspended until April 25, 1980 by Order dated August 9, 1979. The effective date was voluntarily postponed until May 10, 1980 by Supplement No. 14 to Electric Tariff No. 25.

2) EXHIBIT I - Supporting data for tariff changes, including a) summary of revenue increases by tariff subdivisions, and b) revenue computations for tariff subdivisions.

3) EXHIBIT II - Computation of the new State Tax Adjustment surcharge value. The new value of 4.44% to become effective May 10, 1980 reflects the effect on base revenues of the increased rates of Supplement No. 15 to Electric Tariff No. 25 effective May 10, 1980. The new value will replace the present value of 4.29% which has been in effect since April 10, 1980.

4) EXHIBIT III - Implementation of Rate Structure Changes in Accordance with Commission Order of May 9, 1980 at Docket No. R-79060865.

This filing is being made in accordance with the Commission's Order adopted May 9, 1980 at Docket No. R-79060865. The new rates contained in this tariff supplement will produce additional revenues of approximately $88.8 million or 7.7% of base operating revenue, based on a test year ended March 31, 1980, as shown in Exhibit I filed herewith.

Would you please acknowledge receipt of the foregoing on the enclosed copy of this letter.

Sincerely,

Enclosures

DOCUMENT FOLDER

DUPLICATE RECORD.
ORIGINAL CERTIFIED
TO COMMONWEALTH COURT.

PHILADELPHIA ELECTRIC COMPANY

ELECTRIC SERVICE TARIFF

PHILADELPHIA DIVISION

DIVISION OFFICE: 2301 MARKET STREET, PHILADELPHIA

DISTRICT OFFICES: 1819 E. Allegheny Ave.; 3501 N. Broad St.; 2009 S. Broad St.; 41 W. Chelten Ave.; 4635 Frankford Ave.; 3925-B Walnut St.

CITY AND COUNTY OF Philadelphia.

SUBURBAN DIVISIONS

DELAWARE DIVISION

DIVISION OFFICE: 18 E. FIFTH STREET, CHESTER

DELAWARE COUNTY: CITY OF Chester; BOROUGHS OF Aldan, Brookhaven, Chester Heights, Clifton Heights, Collingdale, Colwyn, Darby, East Lansdowne, Eddystone, Folcroft, Glenolden, Lansdowne, Marcus Hook, Media, Morton, Norwood, Parkside, Prospect Park, Ridley Park, Rose Valley, Rutledge, Sharon Hill, Swarthmore, Trainer, Upland, Yeadon; FIRST-CLASS TOWNSHIPS OF Aston, Darby, Lower Chichester, Marple, Nether Providence, Ridley, Springfield, Tinicum, Upper Chichester, Upper Darby; SECOND-CLASS TOWNSHIPS OF Bethel, Birmingham, Chester, Concord, Edgmont, Middletown, Thornbury, Upper Providence.

CHESTER COUNTY: SECOND-CLASS TOWNSHIPS OF Thornbury, Westtown, Willistown.

EASTERN DIVISION

DIVISION OFFICE: 400 PARK AVENUE, WARMINSTER

BUCKS COUNTY: BOROUGHS OF Bristol, Chalfont, Doylestown, Dublin, Hulmeville, Ivyland, Langhorne, Langhorne Manor, Morrisville, New Britain, New Hope, Newtown, Penndel, Tullytown, Yardley; FIRST-CLASS TOWNSHIP OF Bristol; SECOND-CLASS TOWNSHIPS OF Bedminster, Bensalem, Buckingham, Doylestown, Falls, Lower Makefield, Lower Southampton, Middletown, New Britain, Newtown, Northampton, Plumstead, Solebury, Upper Makefield, Upper Southampton, Warminster, Warrington, Warwick, Wrightstown.

MONTGOMERY COUNTY: BOROUGHS OF Ambler, Bryn Athyn, Hatboro, Jenkintown, North Wales, Rockledge; FIRST-CLASS TOWNSHIPS OF Abington, Cheltenham, Hatfield, Lower Moreland, Springfield, Upper Dublin, Upper Gwynedd, Upper Moreland; SECOND-CLASS TOWNSHIPS OF Horsham, Lower Gwynedd, Lower Salford, Montgomery, Towamencin, Whitemarsh, Whitpain.

MAIN LINE DIVISION

DIVISION OFFICE: 213 W. COUNTY LINE ROAD, ARDMORE

LOCAL OFFICE: 45 Long Lane, Upper Darby

CHESTER COUNTY: BOROUGH OF Malvern; SECOND-CLASS TOWNSHIPS OF East Goshen, East Whiteland, Easttown, Tredyffrin, Willistown.

DELAWARE COUNTY: BOROUGH OF Millbourne; FIRST-CLASS TOWNSHIPS OF Haverford, Marple, Radnor, Upper Darby; SECOND-CLASS TOWNSHIPS OF Edgmont, Newtown.

MONTGOMERY COUNTY: BOROUGH OF Narberth; FIRST-CLASS TOWNSHIP OF Lower Merion; SECOND-CLASS TOWNSHIP OF Upper Merion.

SCHUYLKILL DIVISION

DIVISION OFFICE: RIDGE PIKE AT CHEMICAL ROAD, PLYMOUTH TOWNSHIP

LOCAL OFFICES: One Montgomery Plaza, Norristown; 365 High St., Pottstown

CHESTER COUNTY: BOROUGHS OF Phoenixville, Spring City; SECOND-CLASS TOWNSHIPS OF Charlestown, East Coventry, East Pikeland, East Vincent, East Whiteland, North Coventry, Schuylkill, South Coventry, Tredyffrin, West Pikeland, West Vincent.

MONTGOMERY COUNTY: BOROUGHS OF Bridgeport, Collegeville, Conshohocken, Green Lane, Norristown, Pottstown, Royersford, Schwenksville, Trappe, West Conshohocken; FIRST-CLASS TOWNSHIPS OF Lower Merion, Lower Pottsgrove, Plymouth, Springfield, Upper Pottsgrove, West Norriton, West Pottsgrove; SECOND-CLASS TOWNSHIPS OF East Norriton, Limerick, Lower Frederick, Lower Providence, Lower Salford, Marlborough, Perkiomen, Salford, Skippack, Towamencin, Upper Frederick, Upper Merion, Upper Providence, Upper Salford, Whitemarsh, Whitpain, Worcester.

WESTERN DIVISION

DIVISION OFFICE: 175 N. CALN ROAD, COATESVILLE (C)

LOCAL OFFICES: 272 E. Lincoln Highway, Contenville; Main Street, Delta

CHESTER COUNTY: CITY OF Coatesville; BOROUGHS OF Avondale, Downingtown, Kennett Square, Modena, Oxford, Parkesburg, South Coatesville, West Chester, West Grove; FIRST-CLASS TOWNSHIP OF Caln; SECOND-CLASS TOWNSHIPS OF Birmingham, East Bradford, East Brandywine, East Caln, East Fallowfield, East Goshen, East Marlborough, East Nantmeal, East Nottingham, East Whiteland, Elk, Franklin, Highland, Kennett, London Britain, Londonderry, London Grove, Lower Oxford, New Garden, Newlin, New London, Penn, Pennsbury, Pocopson, Sadsbury, Thornbury, Upper Oxford, Upper Uwchlan, Uwchlan, Valley, Wallace, West Bradford, West Brandywine, West Caln, West Fallowfield, West Goshen, West Marlborough, West Nantmeal, West Nottingham, West Sadsbury, Westtown, West Vincent, West Whiteland, Willistown.

DELAWARE COUNTY: SECOND-CLASS TOWNSHIPS OF Birmingham, Concord, Thornbury.

YORK COUNTY: BOROUGH OF Delta; SECOND-CLASS TOWNSHIPS OF Chanceford, Fawn Lower Chanceford, Peach Bottom.

Issued May 9, 1980

Effective May 10, 1980

Issued in compliance with Order of Pennsylvania Public Utility Commission dated May 9, 1980 at Docket No. R-79060865; also, Order re State Tax Adjustment Procedure, dated March 10, 1970—as amended.

(C) Indicates change.

ISSUED BY: J. L. EVERETT, PRESIDENT
PHILADELPHIA ELECTRIC COMPANY - 2301 MARKET STREET - PHILADELPHIA, PA. 19101

DOCKETED
MAY 12 1980

NOTICE.

THIS SUPPLEMENT MAKES [INCREASES / DECREASES / CHANGES] IN EXISTING RATES. SEE PAGE 2.

Philadelphia Electric Company

LIST OF CHANGES MADE BY THIS SUPPLEMENT

Supplement No. 15 to Electric Tariff No. 25 cancels Supplement No. 6 to Electric Tariff No. 25 which was filed July 27, 1979 to become effective September 25, 1979, but was suspended until April 25, 1980 by Commission Order adopted August 9, 1979 at Docket No. R-79060865. The effective date was voluntarily postponed until May 10, 1980 by Supplement No. 14 to Electric Tariff No. 25.

INCREASES

EXPERIMENTAL RESIDENTIAL HEATING SERVICE. (1st Rev. Page 33A.)
All prices in the monthly rate table are changed, resulting in increases.

RATE GLP GENERAL LIGHT AND POWER. (2nd Rev. Page 35; 2nd Rev. Page 36.)
All prices in the monthly rate table and the minimum charge are changed, resulting in increases.

RATE SL-P STREET LIGHTING IN CITY OF PHILADELPHIA. (2nd Rev. Page 44.)
All prices in the monthly rate table are changed, resulting in increases.

RATE TL TRAFFIC LIGHTING SERVICE. (2nd Rev. Page 49.)
The rate and minimum charge are changed, resulting in increases.

RATE BLI BORDERLINE INTERCHANGE SERVICE. (2nd Rev. Page 50.)
The energy charge is changed, resulting in increases.

ALLEY LIGHTING RIDER. (2nd Rev. Page 52.)
The kilowatt-hour charge is changed, resulting in increases.

OFF-PEAK RIDER. (2nd Rev. Page 60.)
The excess demand charge is changed, resulting in increases.

TRANSFORMER RENTAL RIDER. (2nd Rev. Page 63.)
All of the fixed charge prices and the operating charge are changed, resulting in increases.

INCREASES AND CHANGES

STATE TAX ADJUSTMENT CLAUSE. (6th Rev. Page 28.)
The surcharge value is increased from 4.29% to 4.44% to reflect the effect of increased rates effective May 10, 1980 in this supplement (reference Docket No. R-79060865). The applicable date is changed from April 10, 1980 to May 10, 1980.

RATE R RESIDENCE SERVICE. (2nd Rev. Page 31.)
Except for the minimum charge, prices in the monthly rate table in excess of 500 kWh are changed, resulting in increases. A second paragraph is added to the availability provision to reference the requirement for individual metering of each dwelling unit, unless master metering results in energy conservation.

RATE R-H RESIDENTIAL HEATING SERVICE. (2nd Rev. Page 32.)
Except for the minimum charge, prices in the monthly rate table in excess of 500 kWh are changed, and the water heating provision is eliminated, resulting in increases. A second paragraph is added to the availability provision to reference the requirement for individual metering of each dwelling unit.

RATE OP OFF-PEAK RESIDENTIAL SERVICE. (2nd Rev. Page 34.)
(Formerly Rate WH Water Heating Service.)
This rate is redesigned with a Customer Charge and an Energy Charge, and a Minimum Charge provision is added, resulting in increases for off-peak service; however, unrestricted service on Saturdays and Sundays is available at a higher Customer Charge. Total unrestricted service under this rate will be withdrawn July 10, 1980 and customers may transfer this use to other rates prior to this date; otherwise, this use will be transferred to the rate for which other use is being billed.
The availability provision is revised to remove reference to Rate GLP, to include reference to service for operation of hard-wired equipment, and to describe off-peak service. The Off-Peak Service provision is now titled Special Rules and Regulations and the load limit of 4.5 kW for Company-controlled devices is increased to 5.5 kW to include water heaters of a higher rating.

LIST OF CHANGES MADE BY THIS SUPPLEMENT—Continued

INCREASES AND CHANGES—Continued

RATE SL-S STREET LIGHTING-SUBURBAN. (2nd Rev. Page 47.)

All lamp prices in the rate table are changed, resulting in increases. For each Customer, the supply of energy for incandescent filament lamps is restricted to the total of each rating in service on May 10, 1980.

NIGHT SERVICE PD RIDER. (2nd Rev. Page 59.)

The charge in the summer months and winter months is changed, resulting in increases. In the Other Riders provision, reference to the Auxiliary or Readiness-to-Serve Rider is changed to the Auxiliary Service Rider.

INCREASES, DECREASES AND CHANGES

RATE GS GENERAL SERVICE. (2nd Rev. Page 37; 2nd Rev. Page 38.)

In the monthly rate table the following changes are made:

Without Demand Measurement

A new Customer Charge is added; the first block of the rate is eliminated; the limits of the next block are changed from 96 kWh or 36% of total kWh to 78 kWh or 30% of total kWh; all prices are changed.

With Demand Measurement

A new Customer Charge is added; the first block of the rate is eliminated; in the next block the limit of 80 hours' use of billing demand is changed to 65 hours' use of billing demand the the limit of 50 kW plus 65 hours' use of billing demand in excess of 50 kW is eliminated; all prices are changed.

The minimum charge is changed from charges for single-phase and polyphase service for all customers with a prevailing minimum charge per kW of billing demand for customers with measured demand, to a monthly minimum charge of a Customer Charge for all customers plus an additional charge per kW for customers with measured demand. All of these changes result in increases and decreases.

The price for space heating under separate meters is changed, resulting in increases.

The availability of the rate is extended to governmental agencies as Rate PLP and Rate MLP will be withdrawn July 10, 1980 and some customers served under these rates will be transferred to Rate GS.

RATE PD PRIMARY DISTRIBUTION POWER. (2nd Rev. Page 39.)

In the monthly rate table the following changes are made: A Customer Charge is added; the capacity charge pricing is changed; the energy charge pricing is changed, and the limit of 5,000 kWh in the first block is removed.

The minimum charge is changed from the energy charge applied to kWh resulting from 100 hours' use of billing demand for the month plus the capacity charge for such billing demand, to the monthly minimum charge of a Customer Charge plus the capacity charge for the monthly billing demand. All of these changes result in increases and decreases.

RATE HT HIGH-TENSION SERVICE. (2nd Rev. Page 40.)

In the monthly rate table the following changes are made: A Customer Charge is added; the capacity charge pricing is changed and the second block of 4,950 kW is removed; the energy charge pricing is changed, and the limit of 6,000 kWh in the first block is removed, while the limit of 2,000,000 kWh in the second block is changed to 7,500,000 kWh. The high voltage discount pricing is not changed.

The minimum charge is changed from the energy charge applied to kWh resulting from 100 hours' use of billing demand for the month plus the capacity charge for such billing demand, to the monthly minimum charge of a Customer Charge plus the capacity charge for the monthly billing demand. All of these changes result in increases and decreases.

NIGHT SERVICE HT RIDER. (2nd Rev. Page 58.)

The charge in the summer months is decreased and the charge in the winter months is increased, resulting in increases and decreases. In the Other Riders provision, reference to the Auxiliary or Readiness-to-Serve Rider is changed to the Auxiliary Service Rider.

Philadelphia Electric Company

LIST OF CHANGES MADE BY THIS SUPPLEMENT—Continued

CHANGES

TITLE PAGE.

The following is removed from the listing of Company Local Offices:
WESTERN DIVISION: 109 N. High Street, West Chester.

RATES AVAILABLE UNDER THIS TARIFF. (2nd Rev. Page 5; 2nd Rev. Page 6.)

Rate R Residence Service. Changed to reference individual metering requirement.
Rate R-H Residential Heating Service. Changed to reference individual metering requirement.
Rate OP Off-Peak Service. (formerly Rate WH Water Heating Service) Reference to Rate GLP removed, reference to service for operation of hard-wired equipment added, and off-peak service description is added.
Rate GS General Service. Availability expanded to include governmental agencies.
Rate FLP Federal Light and Power. This rate will be withdrawn July 10, 1980.
Rate MLP Municipal Light and Power. This rate will be withdrawn July 10, 1980.

DEFINITION OF TERMS. (2nd Rev. Page 8.)

In the last paragraph under Standard High-Tension, reference to Customer's "load" is changed to Customer's "demand" to conform with accepted industry standards.

RULE 2.6. (2nd Rev. Page 10.)

The title of this rule is changed from Polyphase "Loads" Aggregating Less Than 7½ HP to Polyphase "Demands" Aggregating Less Than 7½ HP, to conform with accepted industry standards.

RULE 4.4 RIGHT TO REJECT. (2nd Rev. Page 12.)

This rule is expanded to indicate that applications for service may be rejected if delivery at a location as well as at a standard voltage involves excessive supply cost.

RULE 9.7 NEW OR CUSTOMER TRANSFER CHARGE. (1st Rev. Page 18.)

This is a new rule providing for a $6.00 charge for new or transferred customers.

RULE 13.1 RESALE OF SERVICE. (1st Rev. Page 21.)

This rule is changed to require individual metering of each dwelling unit unless master metering results in energy conservation; also, to limit charges for submetered service to the same charges as those charged by the Company for similar service.

RATE FLP FEDERAL LIGHT AND POWER. (2nd Rev. Page 41.)
RATE MLP MUNICIPAL LIGHT AND POWER. (2nd Rev. Page 42.)

Each of these rates will be withdrawn July 10, 1980. Customers being served under these rates will be transferred to Rate PD Primary-Distribution Power, or to Rate HT High-Tension Power, or to Rate GS General Service at the time of their first regularly scheduled meter reading after May 10, 1980.

APPLICABILITY INDEX OF RIDERS. (2nd Rev. Page 51.)

The Night Service GS Rider is added. Reference to Rate FLP and Rate MLP is removed as these rates will be withdrawn on July 10, 1980. Title of Auxiliary or Readiness-to-Serve Rider is changed to Auxiliary Service Rider.

AUXILIARY SERVICE RIDER. (2nd Rev. Page 53.)
(Formerly Auxiliary or Readiness-to-Serve Rider.)

This rider is changed to reflect recommendations of the Governor's Energy Council and the guidelines of the Federal Department of Energy.

NIGHT SERVICE GS RIDER. (1st Rev. Page 57A.)

This is a new rider applicable only to Rate GS, with a meter charge and a night service capacity charge for off-peak billing demand.

TARIFF ELECTRIC—PA. P.U.C. NO. 25, first filed to be effective March 2, 1979, is modified so that it now consists of the ORIGINAL TARIFF with the following changes:

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2^{12}	May 10, 1980	15	$2^{6}, 2^{10}$
$2A^{2}$	" " "	15	$2A^{1}$
$2B^{2}$	" " "	15	$2B^{1}$
$2C$	" " "	15	-
3^{12}	" " "	15	$3^{6}, 3^{10}$
5^{2}	" " "	15	$5, 5^{1}$
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18^{1}	" " "	15	18
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29^{2}	Dec. 1, 1979	11	29^{1}
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32^{2}	" " "	15	$32, 32^{1}$
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34^{2}	" " "	15	$34, 34^{1}$
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[1]First Revised Page; [2]Second Revised Page, etc.

Philadelphia Electric Company

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Philadelphia Electric Company

RATES AVAILABLE UNDER THIS TARIFF

RATE R RESIDENCE SERVICE. Single-phase electric service in the entire territory of the Company to the dwelling and appurtenances of a single private family (or to a multiple dwelling unit building consisting of two to five dwelling units, whether occupied or not), for the domestic requirements of its members when such service is supplied through one meter. Service is also available for related farm purposes when such service is supplied through one meter in conjunction with the farmhouse domestic requirements.

Each dwelling unit connected after May 10, 1980 except those dwelling units under construction or under written contract for construction as of that date must be individually metered for their basic electric service supply. Centrally supplied master metered heating, cooling or water heating service may be provided if such supply will result in energy conservation. (C)

"Residence Service," as employed herein, is not susceptible of particularizing all the uses embraced therein.

As illustrative only of its general meaning:

The term includes service to: (a) the separate dwelling unit in an apartment house or condominium, but not the halls, basement, or other portions of such building common to more than one such unit; (b) the premises occupied as the living quarters of five persons or less who unite to establish a common dwelling place for their own personal comfort and convenience on a cost-sharing basis; (c) The premises owned by a church, and primarily designated or set aside for, and actually occupied and used as, the dwelling place of a priest, rabbi, pastor, rector, nun or other functioning Church Divine, and his or her resident associates; (d) Private dwellings in which a portion of the space is used for the conduct of business by a person residing therein; (e) Farm purpose uses by an individual employing the natural processes of growth for the production of grain, stock, dairy, poultry, garden truck, or other agricultural products.

The term does NOT include service to: (a) Premises institutional in character including Clubs, Fraternities, Orphanages or Homes; (b) Premises defined as a rooming house or boarding house in the Municipal Code for Cities of the First Class enacted by Act of General Assembly; (c) A premises containing a residence unit but primarily devoted to a professional or other office, studio, or other gainful pursuit; (d) Farms operated principally to sell, prepare, or process products produced by others, or farms using air conditioning for climatic control in conjunction with growth processes (except those customers receiving such service as of August 2, 1969); (e) Electric furnaces or welding apparatus other than a transformer type "limited input" arc welder with an input not to exceed 37½ amperes at 240 volts.

RATE R-H RESIDENTIAL HEATING SERVICE. Single-phase electric service to the dwelling and appurtenances of a single private family (or to a multiple dwelling unit building consisting of two to five dwelling units, whether occupied or not), for domestic requirements when such service is supplied through one meter and where the dwelling is heated by specified types of electric space heating systems. The systems eligible for this rate are (a) permanently connected electric resistance heaters where such heaters supply all of the heating requirements of the dwelling; (b) heat pump installations where all of the supplementary heating required is supplied by electric resistance heaters; and (c) heat pump installations where all of the supplementary heating required is supplied by non-electric energy sources and/or by electric energy sources served on Rate WH Off-Peak Service. All space heating installations must meet Company requirements. Any dwelling or dwelling unit served under this rate, except those dwelling units which, as of September 28, 1974, are being served under this rate, under construction, or under written contract for construction, must meet the heat loss limitations set forth herein. This rate schedule is not available for commercial, institutional or industrial establishments.

Each dwelling unit connected after May 10, 1980 except those dwelling units under construction or under written contract for construction as of that date, must be individually metered. (C)

RATE OP OFF-PEAK SERVICE. In conjunction with Rates R, R-H and GS, for any Customer receiving service at 120/240 volts, 3 wires, or 120/208 volts, 3 wires, for the operation of hard-wired 240-volt or 208-volt equipment of a type approved by the Company. Service will be available only during off-peak periods which shall be established by the Company and may vary from Customer to Customer; however, the period of service availability shall be the same for all customers. (C)

RATE GLP GENERAL LIGHT AND POWER. This rate is in the process of elimination and is restricted to those installations and those customers receiving service under this rate as of August 2, 1969.

RATE GS GENERAL SERVICE. Electric service through a single metering installation for offices, professional, commercial or industrial establishments, governmental agencies, and other applications outside the scope of the Residence Service rate schedules. A Heating Modification is available for customers with electric space heating installations. (C)

(C) Indicates change.

RATES AVAILABLE UNDER THIS TARIFF—Continued

RATE PD PRIMARY-DISTRIBUTION POWER. Untransformed electric service from the primary supply lines of the Company's distribution system where the Customer installs, owns, and maintains, any transforming, switching, and other receiving equipment required. However, standard primary service is not available in areas where the distribution voltage has been changed to either 13 kV or 33 kV unless the Customer was served with standard primary service prior to the conversion of the area to either 13 kV or 33 kV.

RATE HT HIGH-TENSION POWER. Untransformed electric service from the Company's standard high tension lines, where the Customer installs, owns, and maintains, any transforming, switching and other receiving equipment required.

RATE FLP FEDERAL LIGHT AND POWER. (This rate is withdrawn as of July 10, 1980.) (C)

RATE MLP MUNICIPAL LIGHT AND POWER. (This rate is withdrawn as of July 10, 1980.) (C)

RATE POL PRIVATE OUTDOOR LIGHTING. Outdoor lighting of sidewalks, driveways, yards, lots and similar places, outside the scope of service under Rates SL-P and SL-S, by mercury vapor lamps of the sizes specified.

RATE SL-P STREET LIGHTING IN CITY OF PHILADELPHIA. Available only to a governmental agency, municipal, state or federal, for outdoor lighting of streets, highways, bridges, parks or similar places, including directional highway signs at locations where other outdoor lighting service is established, for the safety and convenience of the public within the City of Philadelphia by incandescent filament, mercury-vapor, or fluorescent lamps of standard sizes and types approved by the Company where the Customer installs, owns and maintains all Utilization Facilities. Service will be supplied under this rate for street Lighting Units supported in a conventional manner, such as on poles, posts, brackets or hangers, and under conditions of installation and supply acceptable to the Company.

RATE SL-S STREET LIGHTING—SUBURBAN. Outdoor lighting of streets, highways, bridges, parks and similar places for the safety and convenience of the public in Suburban Divisions.

RATE TL TRAFFIC LIGHTING SERVICE. Available to any municipality using Company's standard service for electric traffic signal lights installed, owned and maintained by the municipality.

RATE BLI BORDERLINE INTERCHANGE SERVICE. Electric service supplied under reciprocal agreements, to neighboring electric utilities for resale in their adjacent territory at delivery points where the Company in its judgment can provide capacity in excess of the requirements of present and prospective customers in its own territory and for periods fixed by contract and terminable after the expiration of the initial term if capacity is no longer available.

(See rate pages for additional details of availability, rates and conditions.)

DEFINITION OF TERMS AND EXPLANATION OF ABBREVIATIONS—Continued

pronouns. The masculine, singular pronoun (he, his, him) relates to Customer, whether male, female, partnership or corporation.

property line. The division line between land held in or for private use, and land in which the public or the Company has a right of use; or, the division line between separately owned or occupied land.

service. The supply of capacity and energy for use by the Customer, including all things done by the Company in connection with such supply.

STANDARD SINGLE-PHASE SECONDARY; alternating current, 60 hertz:

(a) nominally 120/240 volts, 3 wires;
(b) nominally 120 volts, 2 wires to installations consisting of not more than two 15-ampere branch circuits;
(c) nominally 120/208 volts, 3 wires, for residential service, where available in conjunction with standard polyphase secondary 120/208 volts, 3-phase, 4 wires.

STANDARD POLYPHASE SECONDARY; alternating current, 60 hertz:

(a) nominally 120/240 volts, 2-phase, 5 wires;
(b) nominally 240 volts, 3-phase, 3 wires; a fourth wire neutral will be extended for the supply of 120/240 volt single-phase equipment in combination with this service where the service capacity required does not exceed 15 kilovoltamperes on any one of the phases. Where the demand to a single premises exceeds 100 kVa, transformers will be installed on the premises at a suitable location provided by the owner;
(c) nominally 120/208 volts, 3-phase, 4 wires, (where 3-phase distribution is available) for the exclusive supply of secondary service to a building or group of contiguous buildings occupied by one or more than one Customer, with transformers and secondaries installed on the premises at suitable locations provided by the owner.
(d) nominally 277/480 volts, 3-phase, 4 wires (where 3-phase distribution is available) for the exclusive supply of secondary service to a building or group of contiguous buildings occupied by one or more than one Customer, where the demand for each metered service is at least 150 kVa, and with transformers and secondaries installed on the premises at suitable locations provided by the owner.
(e) nominally 120/240 volts, 3-phase, 7 wires, for supply only to single-phase equipment with a demand of at least 150 kilovoltamperes, with transformers located on Customer's premises at a suitable location provided by the owner.

STANDARD PRIMARY; unregulated alternating current, 60 hertz, nominally 2,400 volts, 2-phase, 3 wires, or nominally 4,160 volts, 3-phase, 3 or 4 wires. Availability of these voltages is limited to those areas which have not been converted to 13 kV or 33 kV distribution.

STANDARD HIGH TENSION; unregulated alternating current, 60 hertz, 3-phase, 3 wires (4-wire, 13 kV service is available in areas that have been converted to 13 kV distribution):

Where two or more such standard voltages are present in a given area, the Company will select the service voltage at which the required service can be supplied most economically.

Nominally 13,200, 33,000, 66,000, 132,000 or 220,000 volts as available in the various sections of the Company's service territory for loads of such character as to require supply at one of such voltages in order not to impose unsatisfactory service conditions on the Company's supply system, or for loads of such character that supply at one of such voltages is desired both by the Company and the Customer.

For service at 13,200 or 33,000 volts, where the Customer's demand exceeds 7,000 kW, the owner may be required to provide a suitable location on his premises for the installation of Company's transformation equipment. (C)

service-supply lines. The facilities (conductors, cables, conduits, etc.) extending from the Company's facilities in the highway or other trunk line location to the facilities owned and maintained by the Customer.

(C) Indicates change.

RULES AND REGULATIONS— Continued

2.3 SINGLE-POINT AVAILABILITY. Electric service delivered at a single point is available to one or more buildings or units devoted essentially to a single purpose, provided and so long as:

a. Such buildings or units are:
   (1) held, possessed, and either utilized or operated as a single establishment by a single responsible entity, and
   (2) unified on the basis of family, business, industry, enterprise, or governmental agency or through conveniences and services, such as heat, elevator, janitor, care of halls, walks and lawns, etc., furnished by such entity, and
   (3) situated on a single or on contiguous land parcels except where such buildings or units constitute interdependent parts of a single industrial enterprise. In determining "contiguity" hereunder of parcels abutting opposite sides of public or private ways, the boundaries of such parcels shall be considered as extending to the center of such ways.

b. There is granted and maintained to the Company easement or other rights, adequate in the Company's reasonable judgment to supply service direct to any such buildings or units if, as and when a cessation of any one or more of the conditions stated in paragraph lettered "a" above should occur, or there should arise in any manner a Company duty of such direct supply.

c. The transforming, receiving and distribution facilities on the Customer's side of the delivery point are:
   (1) furnished, installed and maintained at the expense of the Customer, and
   (2) owned or leased by the Customer, and
   (3) operated and controlled by or at the expense of the Customer.

d. The Company is under no legal obligation of direct supply to any portion of said buildings or units or their appurtenances.

e. A guarantee by deposit or otherwise is given and maintained to the Company sufficient in its reasonable judgment to insure it against loss in primary, secondary and/or distribution investment in the event of change in the nature of holding and possession of such buildings or units, or in the occupancy thereof, or in the type of service delivered thereto.

f. All utilization equipment on the Customer's side of the Company delivery point is furnished, installed, operated and maintained by the operator of the buildings or units supplied or by the tenants of such operator whose use of electricity is dependent upon the single-point delivery and metering of service.

g. Any use of public highways by such operator for the latter's distribution facilities does not conflict or interfere with the franchise rights of the Company.

2.4 COMPLIANCE WITH AVAILABILITY. The use of the Company's service shall not be for any purpose other than that covered by the availability provisions of the rate or rider under which service is supplied.

2.5 SINGLE-PHASE UP TO 150 KVA. Single-phase secondary service is available for loads up to 150 kilovoltamperes. Loads in excess of this amount will be supplied polyphase service.

2.6 POLYPHASE DEMANDS AGGREGATING LESS THAN 7½ HP. Polyphase service is not available to installations aggregating less than 7½ horsepower, unless the excess cost of supplying polyphase rather than single-phase service is borne by the Customer. (C)

2.7 MOTORS. Service is not available to motors which do not meet the Company's standard requirements.

(C) Indicates change.

RULES AND REGULATIONS—Continued

4. APPLICATION FOR SERVICE

4.1 PLACE OF APPLICATION. Applications for electric service may be made at any commercial office of the Company.

4.2 SERVICE CONTRACT. Every applicant for electric service may be required to sign a contract, agreement, or other form, then in use by the Company, covering the special circumstances of his use of electricity, and shall abide by these Rules and Regulations and the standard requirements of the Company.

4.3 CONTRACT DATA. The application shall contain a statement of the premises to be served, the rate under which service is desired, and such conditions or riders as are applicable to the special circumstances of the case.

4.4 RIGHT TO REJECT. The Company may place limitations on the amount and character of service it will supply or may reject applications for service not available under a standard rate, or which might affect the supply of service to other customers, or to be delivered at a location or at a standard voltage which involves excessive supply cost, or for other good and sufficient reasons. (C)

4.5 ACCEPTANCE. When an application is accepted, or when service is supplied according thereto either without modification or with supplemental agreement, it constitutes the contract between the Customer and the Company, subject to the Rules and Regulations.

4.6 SPECIAL CONTRACTS. Standard contracts shall be for terms as specified in the statement of the rate, but where large or special investment is necessary for the supply of service, or where service is to be used for an emergency or temporary replacement of another method of operation, contracts of longer term than specified in the rate, or with special guarantees of revenue, or both, may be required.

4.7 UNAUTHORIZED USE. Unauthorized connection to the Company's electric service-supply facilities, and/or the use of service obtained from the Company without authority, or by any false pretense, may be terminated by the Company with reasonable notice. The use of service without notifying the Company and enabling it to read its meter will render the user liable for any amount due for service supplied to the premises from the time of the last reading of the meter, immediately preceding his occupancy, as shown by the Company's books.

(C) Indicates change.

RULES AND REGULATIONS—Continued

8. RIGHTS-OF-WAY

8.1 TERM AND RENTALS. When the premises of a Customer is so located that he can be served only by facilities extending over the property of another, the Customer shall accept service for such term as is provided in the permit or agreement covering the location and the maintenance of service equipment, and he shall reimburse Company for any and all special or rental charges that may be made for such rights by said permit or agreement.

8.2 PROCUREMENT BY CUSTOMER. Customers applying for the construction of an extension may be required to secure to, and for, the Company, all necessary and convenient rights-of-way and to pay the costs incident thereto.

8.3 DELAYS. Applications for service from an extension to be constructed where a right-of-way is not owned by the Company will only be accepted subject to delays incident to obtaining a satisfactory right-of-way.

9. INTRODUCTION OF SERVICE

9.1 WIRING IN PROGRESS. Service-supply lines will not be installed prior to the time that the wiring of the premises is actually in progress.

9.2 INSPECTION. The Company reserves the right to refuse the introduction of service unless a written certification of approval, satisfactory to the Company, has been received from a competent inspection agency authorized to perform this service in the specific locality supplied.

9.3 COMPANY'S RIGHT TO INSPECT. The Company shall have the right, but shall not be obliged, to inspect any installation before electricity is introduced or at any later time, and reserves the right to reject any wiring or appliances not in accordance with the Company's standard requirements; but such inspection, or failure to inspect, or to reject, shall not render the Company liable or responsible for any loss or damage, resulting from defects in the installation, wiring, or appliances, or from violation of Company rules, or from accidents which may occur upon the premises of the Customer.

9.4 DEFECTIVE INSTALLATION. The Company may refuse to connect if, in its judgment, the Customer's installation is defective, or does not comply with such reasonable requirements as may be necessary for safety, or is in violation of the Company's standard requirements.

9.5 UNSATISFACTORY INSTALLATION. The Company may refuse to connect if, in its judgment, the Customer's equipment, or use thereof, might injuriously affect the equipment of the Company, or the Company's service to other customers.

9.6 FINAL CONNECTION. In all cases the final connection between the Customer's installation and the Company's service-supply lines shall be made by or under the supervision of a representative of the Company.

9.7 NEW OR TRANSFER CUSTOMER CHARGE. When a Customer's account for service is initiated or when a Customer's account is transferred from one address to another address, there will be a charge of $6.00 to cover the clerical expenses incurred by the Company. The State Tax Adjustment Clause applies to this charge. (C)

(C) Indicates change.

RULES AND REGULATIONS—Continued

13. CUSTOMER'S USE OF SERVICE

13.1 RESALE OF SERVICE. A Customer may resell energy purchased from the Company under a single contract at one application of an available rate when the purchased energy is the exclusive source of the Customer's supply, is for the total requirements of the premises served, and the location and use of the resold energy conforms to the availability requirements of this Tariff for supply to Customer for his own account.

All residential units connected after May 10, 1980, except those dwelling units under construction or under written contract for construction as of that date must be individually metered by either the Company or the landlord for their basic electric service supply. Centrally supplied master metered heating, cooling or water heating service may be provided if such supply will result in energy conservation. The charges for residential submetered electric service to tenants shall not exceed the charges for electric service to such tenants under the Company's applicable rate schedules. (C)

13.2 FLUCTUATIONS. Electric service must not be used in such a manner as to cause unusual fluctuations or disturbances in the Company's supply system, and, in the case of violation of this rule, the Company may discontinue service, or require the Customer to modify his installation and/or equip it with approved controlling devices.

13.3 TYPE OF INSTALLATIONS. Motor and other installations connected to the Company's lines must be of a type to use minimum starting current and must conform to the requirements of the Company as to wiring, character of equipment, and control devices.

13.4 UNBALANCED LOAD. The Customer shall at all times take, and use, energy in such manner that the load will be balanced between phases to within nominally 10%. In the event of unbalanced polyphase loads, the Company reserves the right to require the Customer to make the necessary changes at his expense to correct the unsatisfactory condition, or to compute the demand used for billing purposes on the assumption that the load on each phase is equal to that on the greatest phase.

13.5 ADDITIONAL LOAD. The service connection, transformers, meters and equipment supplied by the Company for each Customer, have definite capacity, and no additions to the equipment or load connected thereto will be allowed except by consent of the Company.

13.6 CHANGE OF INSTALLATION. The Customer shall give immediate written notice to the Company of any proposed increase or decrease in, or change of purpose or location of, his installation.

13.7 FAILURE TO GIVE NOTICE. Failure to give notice of additions or changes in load or location shall render the Customer liable for any damage to the meters or their auxiliary apparatus, or the transformers, or wires, of the Company, caused by the additional or changed installation.

(C) Indicates change.

Philadelphia Electric Company

STATE TAX ADJUSTMENT CLAUSE

In addition to the net charges provided for in this Tariff, exclusive of Energy Clause charges, a surcharge of 4.44% will apply to all service rendered on and after May 10, 1980. (I)(C)

The above surcharge will be recomputed, using the same elements prescribed by the Commission:

(a) Whenever any of the tax rates used in calculation of the surcharge are changed;

(b) Whenever the utility makes effective increased or decreased rates;

(c) And on March 31, 1971, and each year thereafter.

The above recalculation will be submitted to the Commission within 10 days after the occurrence of the event or date which occasioned such recomputation; and that if the recomputed surcharge is less than the one in effect, the utility will, and if the recomputed surcharge is more than the one then in effect the utility may, submit with such recomputation a tariff or supplement to reflect such recomputed surcharge, the effective date which shall be 10 days after filing.

(I) Indicates increase.
(C) Indicates change.

Philadelphia Electric Company

RATE R RESIDENCE SERVICE

AVAILABILITY.

Single-phase electric service in the entire territory of the Company to the dwelling and appurtenances of a single private family (or to a multiple dwelling unit building consisting of two to five dwelling units, whether occupied or not), for the domestic requirements of its members when each service is supplied through one meter. Service is also available for related farm purposes when such service is supplied through one meter in conjunction with the farmhouse domestic requirements.

Each dwelling unit connected after May 10, 1980 except those dwelling units under construction or under written contract for construction as of that date must be individually metered for their basic electric service supply. Centrally supplied master metered heating, cooling or water heating service may be provided if such supply will result in energy conservation. (C)

CURRENT CHARACTERISTICS.

Standard single-phase secondary service.

MONTHLY RATE TABLE. (I)

SUMMER MONTHS (June through September)

5.53¢ per kWh for the first 500 kWh per dwelling unit
6.57¢ per kWh for additional kWh.

Minimum Charge: $2.55

WINTER MONTHS: (October through May)

5.53¢ per kWh for the first 500 kWh per dwelling unit
5.57¢ per kWh for additional kWh.

Minimum Charge: $2.55

STATE TAX ADJUSTMENT CLAUSE and ENERGY CLAUSE apply to this rate.

PAYMENT TERMS.

Standard.

(I) Indicates increase.
(C) Indicates change.

RATE R-H RESIDENTIAL HEATING SERVICE

AVAILABILITY.

Single-phase electric service to the dwelling and appurtenances of a single private family (or to a multiple dwelling unit building consisting of two to five dwelling units, whether occupied or not), for domestic requirements when such service is supplied through one meter and where the dwelling is heated by specified types of electric space heating systems. The systems eligible for this rate are (a) permanently connected electric resistance heaters where such heaters supply all of the heating requirements of the dwelling, (b) heat pump installations where all of the supplementary heating required is supplied by electric resistance heaters, and (c) heat pump installations where all of the supplementary heating required is supplied by non-electric energy sources and/or by electric energy sources served on Rate WH Off-Peak Service. All space heating installations must meet Company requirements. Any dwelling or dwelling unit served under this rate, except those dwelling units which, as of September 28, 1974, are being served under this rate, under construction, or under written contract for construction, must meet the heat loss limitations set forth herein. This rate schedule is not available for commercial, institutional or industrial establishments.

Each dwelling unit connected after May 10, 1980 except those dwelling units under construction or under written contract for construction as of that date, must be individually metered. (C)

(Not available when the source of supply is service purchased from a neighboring company under a borderline-purchase agreement.)

CURRENT CHARACTERISTICS.

Standard single-phase secondary service.

MONTHLY RATE TABLE. (I)(C)

SUMMER MONTHS. (June through September)
5.53¢ per kWh for the first 500 kWh per dwelling unit
6.57¢ per kWh for additional kWh.

Minimum Charge: $2.55

WINTER MONTHS. (October through May)
5.53¢ per kWh for the first 500 kWh per dwelling unit
3.09¢ per kWh for additional kWh.

Minimum Charge: $2.55

STATE TAX ADJUSTMENT CLAUSE and ENERGY CLAUSE apply to this rate.

(I) Indicates increase.
(C) Indicates change.

EXPERIMENTAL RESIDENTIAL HEATING SERVICE

AVAILABILITY.

This rate is experimental and shall be limited to 240 customers on existing Rate R-H Residential Heating Service — 120 customers with billing demand based on maximum monthly demand and 120 customers with billing demand based on maximum monthly on-peak demand. Forty customers from each of the eligible electric space heating systems will be included in each group of 120. The systems eligible for this rate are (a) permanently connected electric resistance heaters where such heaters supply all of the heating requirements of the dwelling; (b) heat pump installations where all of the supplementary heating required is supplied by electric resistance heaters; and (c) heat pump installations where all of the supplementary heating required is supplied by non-electric energy sources and/or by electric energy sources served on Rate WH Off-Peak Service. The selection of customers for this rate will be made by the Company on a random basis, as approved by the Pennsylvania Public Utility Commission. The availability of the rate is limited to the period of the experiment.

CURRENT CHARACTERISTICS.

Standard single-phase secondary service.

MONTHLY RATE TABLE. (I)

	Maximum Monthly Demand	Maximum On-Peak Demand
Summer Months.		
(June through September)		
CUSTOMER CHARGE:	$12.23 per month	$13.30 per month
DEMAND CHARGE:	$ 5.21 per kW	$ 5.49 per kW
ENERGY CHARGE:	1.71¢ per kWh	1.71¢ per kWh
Winter Months.		
(October through May)		
CUSTOMER CHARGE:	$12.23 per month	$13.30 per month
DEMAND CHARGE:	$ 3.66 per kW	$ 3.94 per kW
ENERGY CHARGE:	1.71¢ per kWh	1.71¢ per kWh

STATE TAX ADJUSTMENT CLAUSE and ENERGY CLAUSE apply to this rate.

MINIMUM CHARGE.

The minimum charge per month is the Customer Charge.

BILLING DEMAND.

The billing demand, measured to the nearest 0.1 kW, will be the maximum half-hour demand registered (a) during the billing period; or (b) between the hours of 10:00 A.M. and 8:00 P.M., daily except Saturdays and Holidays — whichever is applicable to the experimental group.

SPECIAL PROVISION.

During the experiment, the Customer's monthly bill shall be calculated under the provisions of this experimental rate. At the conclusion of the twelve-month experiment, the Customer shall be reimbursed for any amount paid in excess of the amount that would have been paid under the provisions of Rate R-H Residential Heating Service.

PAYMENT TERMS.

Standard.

(I) Indicates increase.

RATE OF OFF-PEAK SERVICE (C)

AVAILABILITY. (C)

In conjunction with Rates R, R-H and GS, for any Customer receiving service at 120/240 volts, 3 wires, or 120/208 volts, 3 wires, for the operation of hard-wired 240-volt or 208-volt equipment of a type approved by the Company. Service will be available only during off-peak periods which shall be established by the Company and may vary from Customer to Customer; however, the period of service availability shall be the same for all customers.

(Not available when the source of supply is service purchased from a neighboring company under a borderline-purchase agreement.)

SPECIAL RULES AND REGULATIONS. (C)

The control device furnished by the Company shall be suitable for use with loads up to 5.5 kW. For loads greater than 5.5 kW, a load interrupting device shall be furnished, maintained and installed by the Customer adjacent to the meter. The load interrupting device shall be adequate for the load controlled and shall meet Company specifications. The Customer shall pay for the cost of any change in local distribution facilities required to provide off-peak service other than the control device and meter.

MONTHLY RATE TABLE. (I)(C)

CUSTOMER CHARGE: $2.50 per month. (service restricted every day)
CUSTOMER CHARGE: $3.50 per month. (service restricted every day except Saturdays and Sundays)

ENERGY CHARGE: 2.83¢ per kWh.

STATE TAX ADJUSTMENT CLAUSE and ENERGY CLAUSE apply to this rate.

MINIMUM CHARGE. (C)

The minimum charge per month will be the Customer Charge.

ELECTRICAL CHARACTERISTICS OF EQUIPMENT.

The water heating installations shall be 208 volts or 240 volts, alternating current, 2 wires, single-phase, 60 hertz.

PAYMENT TERMS.

Standard.

UNRESTRICTED SERVICE. (To be withdrawn July 10, 1980.) (C)

This service is in process of elimination and is restricted to those installations and those customers who were served under its provisions prior to March 2, 1979. On July 10, 1980 service under this provision is withdrawn. Upon notification to the Company, customers may transfer their use under this provision to other rates prior to this date. Any customers remaining on this provision as of July 10, 1980 will automatically be transferred to the rate under which they are billed for other service.

Rate: 4.31¢ per kWh.
Minimum Charge: $1.67 per month.
STATE TAX ADJUSTMENT CLAUSE and ENERGY CLAUSE apply to this rate.

(I) Indicates increase.
(C) Indicates change.

RATE GLP GENERAL LIGHT AND POWER

AVAILABILITY.

Electric service through a single meter for the total requirements of offices, professional, commercial or industrial establishments, and other applications outside the scope of the Residence Service rate schedules. This rate is not available for billing demands over 4.9 kilowatts.

(Service under this rate is restricted to those installations and those customers receiving service under Rate GLP as of August 2, 1969.)

CURRENT CHARACTERISTICS.

Standard single-phase or polyphase secondary service.

MONTHLY RATE TABLE. (I)

Capacity Charge Price:
$4.37 per kW includes the first 16 hours' use of billing demand.

Energy Charge Prices:

13.33¢	per kWh for the next	64 hours' use of billing demand but not less than	100 kWh
5.40¢	" " " " "	70 " " " " " " " " "	105 "
4.33¢	" " " " "	250 " " " " " " " " "	380 "
3.84¢	" " " additional use.		

Residence Service Modification: Where the assessed demand includes one or more residence units, the last price block of the above table shall be 5.60¢ per kWh instead of 3.84¢ per kWh.

STATE TAX ADJUSTMENT CLAUSE and ENERGY CLAUSE apply to this rate.

DETERMINATION OF DEMAND.

The billing demand, which shall never be less than 1 kilowatt, shall be determined to the nearest 0.1 of a kilowatt by assessment, except that at the option of the Company the demand may be determined by measurement. The billing demand shall not be less than 40% of the greatest demand of any month of the preceding 11 months.

ASSESSED DEMAND CALCULATION.

The assessed demand shall be taken at these percentages of connected load:
1. Lighting Load—70% of the kilowatts of the lighting load.
2. Power Load—85% of the kilowatts of the power load.

Appliance, cooking, water heating and miscellaneous load will be supplied in connection with either class, and when so supplied shall be included in the assessed demand at the following values:
1. Cooking and Water Heating Load—20% of the kilowatts of the connected load.
2. Appliance and Miscellaneous Load—40% of the kilowatts of the connected load.
3. Residence Load—0.6 kilowatt for each portion of the connected load, other than water heating, which would comply with the availability intent of Rate R Residence Service, if separately metered as a residence unit, where not more than five such units are served. Metered demand measurement will be required where more than five residence units are involved.

Connected Load. The aggregate of all the devices located on the premises of the Customer which are connected to the Company's service, or which can be simultaneously connected by the insertion of fuses or by the closing of a switch, the manufacturer's rating being used to determine the magnitude of the load. In the absence of such manufacturer's rating, the rating will be determined by measuring the kilovoltamperes required for its operation.

(Continued)

(I) Indicates increase.

Philadelphia Electric Company

RATE GLP GENERAL LIGHT AND POWER—Continued

The connected load is classified as to purpose for this application as follows:

1. Lighting—illumination and display load.
2. Power—motors in excess of ½ horsepower individual rating and industrial baking and heating installations.
3. Cooking and Water Heating—heating appliances used in the preparation of food or beverages, including ranges and water heaters.
4. Appliance and Miscellaneous—load which does not conform to the other applications.

Electrical appliances, including ranges, radios and lighting fixtures with an aggregate rated capacity of not less than 500 watts which are operated solely for making intermittent sales demonstrations by a vendor of such equipment who is otherwise a Customer of the Company shall, at the written request of the Customer to the Company, be excluded from the connected load for determining the Customer's assessed demand. The capacity of signs and window display loads shall not be thus excluded.

Gaseous Tube Lighting. Connected load values of gaseous tube lighting units shall be based upon their total capacity requirement measured in terms of current and voltage. Manufacturer's rating for complete units shall be used where such rating includes the tubes and their auxiliaries and where power factor compensation is included to produce a power factor of 90% or better.

Units for which only the wattage of the lamp is available, shall be taken at the lamp wattage plus 25% for the auxiliaries in the case of units having more than one lamp, and plus 30% in the case of units with single lamps.

The wattage of units which do not include power factor compensation shall be taken from the manufacturer's over-all rating or computed in accordance with the provisions of the preceding paragraph and, in either case, multiplied by a factor of 1.8 to fix the connected load value.

Welders. The connected load value of transformer-type or resistance-type welders served on secondary service, other than any limited input welder supplied on a residence service contract or included in a residence unit demand factor, shall be taken at 70% of the product of the maximum primary current and the rated primary voltage as determined by test. Welders may be sealed, at the Customer's option, at a control point below their maximum capacity, in which case the test shall be taken for such restricted duty point. The Company may, at its option, use the welder name-plate ratings for resistance-type, or transformer name-plate ratings for transformer-type welders in lieu of a test, where the name-plate ratings conform to the USASI or IEEE recommended standards. Welder connected loads so determined shall be classified as power in the application of the assessed demand formula.

Load Inspections. It is a condition precedent to the supply of service under this rate that the Company's representatives shall have access to the premises at reasonable times to inspect and count the connected load. Demands fixed by assessment will remain in effect until a subsequent recount of connected load made by the Company at approximately an annual, or other interval, depending upon the use of service by the Customer, results in a change in value.

MINIMUM CHARGE.

The monthly minimum charge shall be the capacity charge for the billing demand for the month, but not less than $4.37 for single phase service nor $13.11 for polyphase service. (I)

TERM OF CONTRACT.

Annual.

PAYMENT TERMS.

Standard.

(I) Indicates increase.

RATE GS GENERAL SERVICE

AVAILABILITY.

Electric service through a single metering installation for offices, professional, commercial or industrial establishments, governmental agencies, and other applications outside the scope of the Residence Service rate schedules. (C)

CURRENT CHARACTERISTICS.

Standard single-phase or polyphase secondary service.

MONTHLY RATE TABLE. (I)(D)(C)

WITHOUT DEMAND MEASUREMENT.

CUSTOMER CHARGE: $4.00 for single-phase service; $7.50 for polyphase service.

ENERGY CHARGE:

12.07¢ per kWh for the first 78 kWh or 30% of the total kWh, whichever is greater
*6.18¢ per kWh for the next 96 kWh or 36% of the total kWh, whichever is greater
3.83¢ per kWh for additional use.

WITH DEMAND MEASUREMENT.

CUSTOMER CHARGE: $4.00 for single-phase service; $7.50 for polyphase service.

ENERGY CHARGE:

12.07¢ per kWh for the first 65 hours' use of billing demand
*6.18¢ per kWh for the next 80 hours' use of billing demand
3.83¢ per kWh for additional use; except
3.04¢ per kWh over both 400 hours' use of billing demand and 2,000 kWh.

* During October through May this block is eliminated.

STATE TAX ADJUSTMENT CLAUSE and ENERGY CLAUSE apply to this rate.

DETERMINATION OF DEMAND.

The billing demand will be measured where consumption exceeds 1100 kilowatt-hours per month for three consecutive months;or where load tests indicate a demand of 5 or more kilowatts; or where the Heating Modification is applied; or where the Customer requests demand measurement. Where demand measurement is requested by the Customer, a $6.00 annual surcharge will be payable until the above demand or consumption level is exceeded. Measured demands will be determined to the nearest 0.1 of a kilowatt but will not be less than 1.2 kilowatts, and will be adjusted for power factor in accordance with the Rules and Regulations. With demand measurement, during October through May the billing demand will not be less than 40% of the highest billing demand in the preceding months of June through September, nor less than the minimum value stated in a contract for service.

MINIMUM CHARGE. (I)(D)(C)

The monthly minimum charge for customers without demand measurement will be the Customer Charge. The monthly minimum charge for customers with demand measurement will be the Customer Charge, plus a charge of $3.52 per kW of billing demand.

(Continued)

(I) Indicates increase.
(D) Indicates decrease.
(C) Indicates change.

RATE GS GENERAL SERVICE—Continued

HEATING MODIFICATION.

METERING.

A. Single Meter.

Applicable where an area is heated solely by permanently connected electric space heating installations acceptable to the Company and where the area heating requirements are at least equal to the Customer's total electrical energy requirements for all other purposes during October through May.

During October through May the monthly maximum measured demand shall be reduced by one-half of the kilowatt input to the space heating installations. This kilowatt input, used for determining such decrease in billing demand, shall not exceed the kilowatt space heating requirements of the area to be heated as determined by a mutually acceptable formula. During October through May the billing demand shall never be less than 15 kilowatts; or, except for those customers in service as of February 18, 1971, less than one-half of the monthly measured demand.

This modification will be applied upon notification to the Company of qualifying installations. It shall be the responsibility of the Customer to notify the Company of any subsequent changes in the installation.

B. Separate Meters.

At the option of the Customer, electricity supplying permanently connected space heating installations or heating equipment sensitive to outdoor temperature with a total capacity of not less than 5 kilowatts, which are acceptable to the Company and are the sole source of heat for the application, will be measured apart from his other requirements for electric service at the premises. Air conditioning equipment also may be supplied through this separate heating circuit.

During October through May the usage of this separate circuit shall be billed at 3.09¢ per kWh (I) in lieu of the pricing of the basic Monthly Rate Table.

During June through September the combined usage shall be billed under the price provisions of the basic Monthly Rate Table.

HEAT LOSS REQUIREMENTS.

The following heat loss requirements will be applicable for residential dwelling units that are served as a part of a commercial application under this rate.

Any residential dwelling unit to be so heated, except those residential dwelling units which, as of September 29, 1974, are being served under this rate, under construction, or under written contract for construction, must meet the following heat loss limitations:

In new construction, the maximum heat loss shall not exceed 30 Btu per hour per square foot of floor area of the heated space as measured to the exterior surface of the outside walls. The design temperature difference shall not be less than 70 degrees F. Maximum heat loss will be based on thermal performance values as described in FHA publication No. 2600, General Revision No. M-21 and the 1972 ASHRAE Handbook of Fundamentals, and subsequent revisions of these publications.

The Company will not be responsible for compliance of a residential dwelling unit with the heat loss requirements specified herein. Service will not be provided under this rate to residential dwelling units required to meet the heat loss requirements specified herein until the applicant for such service certifies to the Company that the space heating installation meets the Company's requirements, and that the building or buildings to be served conform with the heat loss requirements specified herein.

If heat loss standards of municipal building codes differ from those herein, the maximum heat loss shall not exceed that specified herein for service under this rate.

TERM OF CONTRACT.

Annual.

PAYMENT TERMS.

Standard.

(I) Indicates increase.

RATE PD PRIMARY-DISTRIBUTION POWER

AVAILABILITY.

Untransformed electric service from the primary supply lines of the Company's distribution system where the Customer installs, owns, and maintains, any transforming, switching and other receiving equipment required. However, standard primary service is not available in areas where the distribution voltage has been changed to either 13 kV or 33 kV unless the Customer was served with standard primary service prior to the conversion of the area to either 13 kV or 33 kV.

CURRENT CHARACTERISTICS.

Standard primary service.

MONTHLY RATE TABLE. (I)(D)(C)

CUSTOMER CHARGE: $75.00

CAPACITY CHARGE: $4.60 per kW for the first 50 kW
$3.07 per kW for additional kW.

ENERGY CHARGE PRICES:

4.09¢ per kWh for the first 150 hours' use of billing demand
3.06¢ per kWh for the next 150 hours' use of billing demand
2.05¢ per kWh for additional use.

STATE TAX ADJUSTMENT CLAUSE and ENERGY CLAUSE apply to this rate.

DETERMINATION OF BILLING DEMAND.

The billing demand will be computed to the nearest kilowatt and will never be less than the measured demand, adjusted for power factor in accordance with the Rules and Regulations, nor less than 25 kilowatts. Additionally, during the eight months of October through May the billing demand will not be less than 40% of the maximum demand specified in the contract nor less than 80% of the highest billing demand in the preceding months of June through September.

MINIMUM CHARGE. (I)(D)(C)

The monthly minimum charge shall be the Customer Charge, plus the capacity charge for the monthly billing demand.

TERM OF CONTRACT.

Three years, and thereafter from year to year until terminated by 60 days' notice from either party to the other.

PAYMENT TERMS.

Standard.

(I) Indicates increase.
(D) Indicates decrease.
(C) Indicates change.

Philadelphia Electric Company

RATE HT HIGH-TENSION POWER

AVAILABILITY.

Untransformed electric service from the Company's standard high-tension lines, where the Customer installs, owns, and maintains, any transforming, switching and other receiving equipment required.

CURRENT CHARACTERISTICS.

Standard high-tension service.

MONTHLY RATE TABLE. (I)(O)(C)

CUSTOMER CHARGE: $71.50

CAPACITY CHARGE PRICES: Per kW of billing demand:
$4.46 per kW for the first 50 kW
$2.98 per kW for the excess over 50 kW.

ENERGY CHARGE PRICES:
3.57¢ per kWh for the first 150 hours' use of billing demand
2.72¢ per kWh for the next 150 hours' use of billing demand, but not more than 7,500,000 kWh
1.89¢ per kWh for additional use.

HIGH VOLTAGE DISCOUNT:
For customers supplied at 33,000 volts: 5¢ per kW for the first 2,000 kW of measured demand.
For customers supplied at 66,000 volts or higher: 10¢ per kW for the first 10,000 kW of measured demand.

STATE TAX ADJUSTMENT CLAUSE and ENERGY CLAUSE apply to this rate.

DETERMINATION OF BILLING DEMAND.

The billing demand will be computed to the nearest kilowatt and will never be less than the measured demand, adjusted for power factor in accordance with the Rules and Regulations, nor less than 25 kilowatts. Additionally, during the eight months of October through May the billing demand will not be less than 40% of the maximum demand specified in the contract nor less than 80% of the highest billing demand in the preceding months of June through September.

DELIVERY POINTS.

Where the load of an industrial Customer located on single or contiguous premises becomes greater than the capacity of the standard circuit or circuits established by the Company to supply the Customer, an additional separate delivery point may be established for such premises upon the written request of the Customer and billing continued as if the service were being delivered and metered at a single point, provided such multi-point delivery is not disadvantageous to the Company.

MINIMUM CHARGE. (I)(O)(C)

The monthly minimum charge shall be the Customer Charge, plus the capacity charge for the monthly billing demand, less the supply voltage discount where applicable.

TERM OF CONTRACT.

Three years, and thereafter from year to year until terminated by 60 days' notice from either party to the other.

PAYMENT TERMS.

Standard.

(I) Indicates increase.
(O) Indicates decrease.
(C) Indicates change.

RATE FLP FEDERAL LIGHT AND POWER

(This rate is in process of elimination and is restricted to those installations and those customers who were served under its provisions prior to March 2, 1979. Customers will be transferred from this rate to Rate GS at the time of their first regularly scheduled meter reading after May 10, 1980. This rate is withdrawn as of July 10, 1980.) (C)

AVAILABILITY.

Only to the United States Government, in lieu and to the exclusion of Rates GLP and GS, for electric service requirements of Federal Departments for purposes other than provided under Rates SL-P and SL-S.

CURRENT CHARACTERISTICS.

Standard single-phase or polyphase secondary service.

MONTHLY RATE TABLE.

Summer Months (June through September)
6.16¢ per kWh.
Winter Months (October through May)
5.31¢ per kWh.

Heating Modification.

A. Single Meter.

Applicable where an area is heated solely by permanently connected electric resistance space heating installations, with a total capacity of not less than 15 kilowatts, which are acceptable to the Company and were in service prior to June 16, 1968.

During October through May the energy used for heating shall be determined for each of the billing months by multiplying the billing period degree-days by the estimated heating energy requirements per degree-day of the area to be heated as determined by a mutually acceptable formula.

The price for this energy use shall be 2.94¢ per kWh in lieu of the rate of 5.31¢ per kWh which will apply to the Customer's other use on the same service.

This modification will be applied upon notification to the Company of qualifying installations. It shall be the responsibility of the Customer to notify the Company of any subsequent changes in the installation.

B. Separate Meters.

Electricity supplying permanently connected resistance space heating installations or heating equipment sensitive to outdoor temperature with a total capacity of not less than 5 kilowatts, which are acceptable to the Company and are the sole source of heat for the application, will be measured by a separate meter, apart from his other requirements for electric service at the premises. Air conditioning equipment also may be supplied through this separate meter.

During October through May the usage of this separate circuit shall be billed at 2.94¢ per kWh in lieu of the rate of 5.31¢ per kWh.

During June through September the combined usage shall be billed at 6.16¢ per kWh.

STATE TAX ADJUSTMENT CLAUSE and ENERGY CLAUSE apply to this rate.

SPECIAL RULES AND REGULATIONS.

Whenever it is advantageous to the Customer at points where he has been receiving untransformed electric service from primary supply lines of the Company's distribution system, or from the Company's high-tension transmission lines, service will be supplied under this rate in lieu of the application of Rates PD or HT, and the Customer shall continue to own and maintain any transforming, switching and other receiving equipment required. On new contracts, or on additions to old contracts for any application of this rate where the prospective demand exceeds 25 kilowatts, the Company, in order to secure the most efficient use of its supply circuits, may require that service be taken at primary or high-tension voltage under the same conditions of receiving equipment ownership.

TERM OF CONTRACT.

Annual.

PAYMENT TERMS.

The final date for payment of the net amount of the bill shall be at least 30 days after presentation.

(C) Indicates change.

Philadelphia Electric Company

RATE MLP MUNICIPAL LIGHT AND POWER

(This rate is in process of elimination and is restricted to those installations and those customers who were served under its provisions prior to March 2, 1979. Customers will be transferred from this rate to Rate GS at the time of their first regularly scheduled meter reading after May 10, 1980. This rate is withdrawn as of July 10, 1980.) (C)

AVAILABILITY.

Only to the City of Philadelphia, in lieu and to the exclusion of Rates GLP and GS, for electric service requirements of the municipality for purposes other than provided under Rate SL-P.

CURRENT CHARACTERISTICS.

Standard single-phase or polyphase secondary service.

MONTHLY RATE TABLE.

Summer Months (June through September)

6.16¢ per kWh.

Winter Months (October through May)

5.31¢ per kWh.

Heating Modification.

A. Single Meter.

Applicable where an area is heated solely by permanently connected electric resistance space heating installations, with a total capacity of not less than 15 kilowatts, which are acceptible to the Company and were in service prior to June 16, 1968.

During October through May the energy used for heating shall be determined for each of the billing months by multiplying the billing period degree-days by the estimated heating energy requirements per degree day of the area to be heated as determined by a mutually acceptable formula.

The price for this energy use shall be 2.94¢ per kWh in lieu of the rate of 5.31¢ per kWh which will apply to the Customer's other use on the same service.

This modification will be applied upon notification to the Company of qualifying installations. It shall be the responsibility of the Customer to notify the Company of any subsequent changes in the installation.

B. Separate Meters.

Electricity supplying permanently connected resistance space heating installations or heating equipment sensitive to outdoor temperature with a total capacity of not less than 5 kilowatts, which are acceptable to the Company and are the sole source of heat for the application, will be measured by a separate meter, apart from his other requirements for electric service at the premises. Air conditioning equipment also may be supplied through this separate meter.

During October through May the usage of this separate circuit shall be billed at 2.94¢ per kWh in lieu of the rate of 5.31¢ per kWh.

During June through September the combined usage shall be billed at 6.16¢ per kWh.

STATE TAX ADJUSTMENT CLAUSE and ENERGY CLAUSE apply to this rate.

SPECIAL RULES AND REGULATIONS.

1. Whenever it is advantageous to the Customer at points where he has been receiving untransformed electric service from primary supply lines of the Company's distribution system, or from the Company's high-tension transmission lines, service will be supplied under this rate in lieu of the application of Rates PD or HT, and the Customer shall continue to own and maintain any transforming, switching and other receiving equipment required. On new contracts, or on additions to old contracts for any application of this rate where the prospective demand exceeds 25 kilowatts, the Company, in order to secure the most efficient use of its supply circuits, may require that service be taken at primary or high-tension voltage under the same conditions of receiving equipment ownership.

2. Service for lighting enclosed structures, tunnels or underpasses will be supplied under this rate at secondary voltage when the Customer provides satisfactory location for the Company's transformers and provides and installs the required wiring, time-control and service entrance equipment. When satisfactory transformer location cannot be provided, service may be supplied at primary voltage to Customer-owned transformers in accordance with Special Rule 1 above.

TERM OF CONTRACT.

Annual.

PAYMENT TERMS.

The final date for payment of the net amount of the bill shall be at least 30 days after presentation.

(C) Indicates change.

RATE SL-P STREET LIGHTING IN CITY OF PHILADELPHIA

AVAILABILITY.

Only to a governmental agency, municipal, state or federal, for outdoor lighting of streets, highways, bridges, parks or similar places, including directional highway signs at locations where other outdoor lighting service is established hereunder, for the safety and convenience of the public within the City of Philadelphia by incandescent filament, mercury-vapor, fluorescent or sodium-vapor lamps of standard sizes and types approved by the Company where the Customer installs, owns and maintains all Utilization Facilities as hereinafter defined. Service will be supplied under this rate for street Lighting Units supported in a conventional manner such as on poles, posts, brackets or hangers, and under conditions of installation and supply acceptable to the Company.

CHARACTERISTICS OF SUPPLY.

Service under this rate will be from series 6.6 ampere circuits or from standard single-phase secondary circuits, as specified by the Company, except that, where conditions require, or where existing standard secondary circuits are not available, the Company at its option may supply service from nonstandard secondary circuits, providing nominally 240 volts.

MONTHLY RATE TABLE. (I)

Facilities Charge Prices:

For Lighting Units in service as of the fifteenth day of the month.

$2.45 per Lighting Unit supplied from standard secondary (aerial or underground) circuits where the Customer owns the individual control for each Lighting Unit.

$2.62 per Lighting Unit supplied from aerial (series or secondary) circuits where the Company provides group controls.

$5.12 per Lighting Unit supplied from underground (series or secondary) circuits where the Company provides group controls.

Capacity Charge Price:

0.36¢ per watt

Energy Charge Price:

3.23¢ per kWh of energy billed.

STATE TAX ADJUSTMENT CLAUSE and ENERGY CLAUSE apply to this rate.

LIGHTING UNIT.

A Lighting Unit shall comprise each lighting installation which is separately connected to a delivery point on the Company's series or secondary circuit.

DETERMINATION OF BILLING DEMAND.

The wattage, expressed to the nearest tenth of a watt, of a Lighting Unit shall be composed of manufacturer's rating of its lamps, ballasts, transformers, individual controls and other load components required for its operation. The aggregate of wattages of all Lighting Units in service as of the fifteenth day of a month shall constitute the billing demand for the month.

DETERMINATION OF ENERGY BILLED.

The energy use for a month of a Lighting Unit shall be computed to the nearest kilowatt-hour as the product of one-thousandth of its wattage and the effective hours of use of such wattage during the calendar month under the established operation schedules approved by the authorized representatives of the Customer and the Company. The aggregate of the kilowatt-hours thus computed for all Lighting Units in service as of the fifteenth day of a month shall constitute the energy billed for the month.

(Continued)

(I) Indicates increase.

RATE SL-S STREET LIGHTING—SUBURBAN

AVAILABILITY.

Outdoor lighting of streets, highways, bridges, parks and similar places for the safety and convenience of the public in Suburban Divisions.

RATE TABLE—MANUFACTURER'S RATING OF LAMP SIZES.

Incandescent Filament Lamps (I)

Size of Lamp	Rate Per Year
1,000 Lumens	$ 66.24
2,500 "	101.28
4,000 "	132.36
6,000 "	147.00
10,000 "	221.76

(For each Customer, the supply of energy for incandescent filament lamps is restricted to the total of each rating in service on May 10, 1980.) (C)

Mercury-Vapor Lamps (I)

Size of Lamp	Rate Per Year
100 Watts (nominally 4,000 Lumens)	$112.20
175 " (" 8,000 ")	143.28
250 " (" 12,000 ")	167.40
400 " (" 20,000 ")	207.24
700 " (" 42,000 ")	314.88
1,000 " (" 59,000 ")	361.80

Sodium-Vapor Lamps (I)

Size of Lamp	Rate Per Year
70 Watts (nominally 5,800 Lumens)	$146.28
100 " (" 9,500 ")	162.60
150 " (" 16,000 ")	189.84
250 " (" 25,000 ")	221.88
400 " (" 50,000 ")	277.56

The supply of 320 lumen lamps at $33.96 per year and 600 lumen lamps at $48.96 per year is in the process of elimination and is restricted for any Customer to the total of each rating in service on October 15, 1963, and in each succeeding year beginning January 1, 1964, to the number of each rating in service on January first each such year. (I)

LIGHTING IMPROVEMENT DISCOUNT. The bill calculated at the pricing of the basic Rate Table will be reduced by 10% times the ratio of the number of mercury-vapor and sodium-vapor lamps in service to the total number of lamps in service.

STATE TAX ADJUSTMENT CLAUSE and ENERGY CLAUSE apply to this rate.

GENERAL PROVISIONS.

1. Service. The lighting service will be operated on an all-night, every-night lighting schedule of approximately 4,100 hours annual burning time, under which lights are turned on after sunset and off before sunrise. It includes the supply of lamps and their removal when burned out or broken.

2. Outage Allowances. Written notice to the Company prior to 4:00 pm of the failure of any light to burn on the previous night shall entitle the Customer to a pro rata reduction in his street lighting bill for the hours of failure if such failure continues for a period in excess of 12 hours after the notice is received. Allowances will not be made for outages resulting from the Customer's failure to protect the lighting system or from riot, fire, storm, flood, interference by civil or military authorities, or any other cause beyond the Company's control.

(I) Indicates increase.
(C) Indicates change.

(Continued)

RATE TL TRAFFIC LIGHTING SERVICE

AVAILABILITY.

To any municipality using Company's standard service for electric traffic signal lights installed, owned and maintained by the municipality.

CURRENT CHARACTERISTICS.

Standard single-phase secondary service.

RATE.

5.68¢ per kWh. (I)

STATE TAX ADJUSTMENT CLAUSE and ENERGY CLAUSE apply to this rate.

SPECIAL RULES AND REGULATIONS.

The use of energy will be estimated by the Company on the basis of the size of lamps and controlling apparatus and the burning-hours. The Customer shall immediately notify the Company whenever any change is made in the equipment or the burning-hours, so that the Company may forthwith revise its estimate of the energy used.

The Company shall not be liable for damage to person or property arising, accruing, or resulting, from the attachment of the signal equipment to its poles, wires, or fixtures.

MINIMUM CHARGE.

$1.70 per month per service installation. (I)

TERM OF CONTRACT.

Annual.

PAYMENT TERMS.

Standard.

(I) Indicates increase.

RATE BLI BORDERLINE INTERCHANGE SERVICE

AVAILABILITY.

Electric service supplied under reciprocal agreements, to neighboring electric utilities for resale in their adjacent territory at delivery points where the Company in its judgment can provide capacity in excess of the requirements of present and prospective customers in its own territory and for periods fixed by contract and terminable after the expiration of the initial term if capacity is no longer available.

CURRENT CHARACTERISTICS.

Standard primary or secondary service.

MONTHLY RATE TABLE.

Investment Charge:

An amount equal to 1% per month on the additional investment in facilities required to deliver and meter the service supplied.

Energy Charge:

5.65¢ per kWh. (I)

STATE TAX ADJUSTMENT CLAUSE and ENERGY CLAUSE apply to this rate.

MEASUREMENT.

The energy delivered may be metered or may be estimated from the purchaser's resales plus an agreed-upon correction to cover transformation and distribution losses.

TERM OF CONTRACT.

Five years, and thereafter from year to year until terminated by 60 days' notice from either party to the other.

PAYMENT TERMS.

Payment of amounts billed shall be made within 15 days from date of bill.

(I) Indicates increase.

APPLICABILITY INDEX OF RIDERS

Introductory Statement

Customers under different rates of this Tariff frequently desire services or present situations and conditions of supply which require special supply terms, charges or guarantees or which warrant modification of the amount or method of charge from the prices set forth in the rate under which they are supplied. Modifications for such conditions are defined by rider provisions included as a part of this Tariff. Riders may be employed when applicable, with or without signed agreement between the Customer and the Company as the case may require, notwithstanding anything to the contrary contained in the rate to which the rider is applied.

Riders	Page Numbers	Rates to Which Riders Apply							
		R	R-H	GLP	GS	PD	HT	SL-P	
Alley Lighting	52	-	-	-	-	-	-	X	
Auxiliary Service	53	X	X	X	X	X	X	-	(C)
Casualty	54	X	X	X	X	X	X	-	
Construction	55	-	-	-	-	X	X	-	
Extension Guarantee	56	X	X	(1)	(1)	-	-	-	
Investment Return Guarantee	57	-	-	X	X	-	-	-	
Night Service GS	57A	-	-	-	X	-	-	-	(C)
Night Service HT	58	-	-	-	-	-	X	-	
Night Service PD	59	-	-	-	-	X	-	-	
Off-Peak	60	-	-	-	-	(3)	(3)	-	
Receivership	61	X	X	X	X	X	X	-	
Temporary Service	62	X	X	X	X	X	X	-	
Transformer Rental	63	-	-	-	-	(2)	(2)	-	

(1) Applicable where the demand includes residence units.
(2) Rider restricted to customers served prior to October 15, 1963.
(3) Rider restricted to customers served as of October 5, 1972.

(C) Indicates change.

STANDARD RIDERS—Continued

Applicable to rates as indicated in Applicability Index of Riders.

ALLEY LIGHTING RIDER

APPLICABILITY.

To multiple, unmetered lighting service supplied the City of Philadelphia to operate incandescent lamps and appurtenances installed, owned and maintained by the City, which assumes the cost involved in making the connections to the Company's facilities.

SERVICE DEFINED.

All-night outdoor lighting of alleys and courts by incandescent lights installed on poles or supports supplied by the City.

NOTICE TO COMPANY.

The City shall give advance notice to the Company of all proposed new installations or of the replacement or reconstruction of existing installations. The City shall advise the Company as to each new installation or change in the equipment or connected load of an existing installation, including any change in burning hours and the date on which such new or changed operation took effect.

CHARGE.

5.77¢ per kWh. (I)

STATE TAX ADJUSTMENT CLAUSE and ENERGY CLAUSE apply to this rider.

PLAN OF MONTHLY BILLING.

Bills may be rendered in equal monthly installments, computed from the calculated annual use of energy, adjusted each month to give effect to any new or changed rate of annual use, by reason of changes in the City's installation, with charge or credit for fractional parts of the month during which a change occurred.

LIABILITY PROVISION.

The Company shall not be liable for damage, or for claims for damage, to persons or property, arising, accruing or resulting from, installation, location or use of lamps, wires, fixtures and appurtenances; or resulting from failure of any light, or lights, to burn for any cause whatsoever.

TERM.

Annual contract.

(I) Indicates increase.

STANDARD RIDERS—Continued

Applicable to rates as indicated in Applicability Index of Riders.

AUXILIARY SERVICE RIDER (C)

APPLICABILITY.

Service to a Customer, any part of whose electric requirements are regularly provided by other than Company-owned facilities, and where the Company supply can be substituted for that of the Customer, will be supplied only under the provisions of this rider.

EXTENT OF SUPPLY.

The maximum firm supply available from the Company will be defined by contract except for customers served on Rates R, R-H and GS-without demand measurement.

CONTROL OF SUPPLY.

In case the number of kilowatts contracted for is less than the Customer's maximum demand as estimated by the Company, the Company may require the Customer to limit his demand to the load in kilowatts contracted for by means of a circuit breaker or fuses, of types approved by the Company, to be furnished, installed, connected and maintained by the Customer at his expense. The fuse size or the setting of the circuit breaker and its adjustment shall be under the sole control of the Company.

PARALLEL OPERATION.

The Customer shall not at any instant operate any other source of supply in parallel with the Company's service until written permission is given by the Company for such parallel operation. The Company shall have the right to inspect the Customer's installation in accordance with Tariff Rule 9.3.

TYPE OF SUPPLY.

The following types of power supply are available:

Back-up Power supply is available to replace the Customer's own generating capacity whenever it may be interrupted on an unscheduled basis.

Supplementary Power supply is available to add to the Customer's own generating capacity on a continuing firm supply basis.

Maintenance Power supply is available to customers whose total load exceeds 1,000 kW to replace part or all of the Customer's own generating capacity. The supply of maintenance power will be on a scheduled basis that is acceptable to the Company and will be subject to interruption at the sole discretion of the Company. Maintenance periods will be limited to a maximum of three months duration and two occurrences per year.

RATE AND BILLING.

Back-up or Supplementary Power will be available to the Customer under a contract that will specify the total firm capacity that the Company could be required to serve at any time. The monthly billing for Back-up or Supplementary Power will be under the provisions of the normal service rate.

Maintenance Power will be billed under the provisions of the normal service rate except that charges will be prorated for periods of less than one month's supply and the 40% contract and 80% summer month ratchet of the normal service rate will not be applicable.

DISTRIBUTION FACILITIES.

Any investment in additions or changes to Company distribution facilities required to provide back-up power, supplementary power or maintenance power will be paid by the Customer before the interconnection of Company and Customer facilities.

LIABILITY.

The Customer shall reimburse or hold harmless the Company for all losses to Company, Customer, or third parties; for all damage to Company or Customer facilities; or for all liabilities to third parties as a result of Customer's operation or use of non-Company owned generating facilities under the provisions of this rider.

TERM.

Annual, except where otherwise specified by the firm rate.

(C) Indicates change.

STANDARD RIDERS—Continued

Applicable to rates as indicated in Applicability Index of Riders

NIGHT SERVICE GS RIDER (C)

(The number of customers served under this rider may be limited by the availability of the required demand meters.)

APPLICABILITY.

To service supplied during off-peak hours for demands in excess of those supplied during on-peak hours. The demand specified for off-peak hours may be limited to an amount determined by the Company which shall be dependent upon the capacity of the facilities available for such supply.

DEFINITION OF PEAK HOURS.

On-Peak Hours are defined as those hours between 8:00 am and 10:00 pm, Eastern Standard Time or Daylight Saving Time, whichever is in common use, daily except Saturdays, Sundays and holidays.

Off-Peak Hours are defined as the hours other than those specified as on-peak hours.

SERVICE RATE.

Rate GS (with demand measurement), including all its terms and guarantees, is applicable. The blocking of the energy charge of said rate shall be based on the billing demand for on-peak hours.

MONTHLY RATE TABLE.

METER CHARGE: $5.00

NIGHT SERVICE CAPACITY CHARGE (Per kW of off-peak billing demand per month):

$0.34 per kW.

STATE TAX ADJUSTMENT CLAUSE applies to this rider.

DETERMINATION OF OFF-PEAK BILLING DEMAND.

The off-peak billing demand shall be the amount by which the greatest demand during off-peak hours, as determined by measurement and adjusted for power factor, exceeds the billing demand for on-peak hours, whether the latter is a minimum or an actual demand.

OTHER RIDERS.

Where the Auxiliary Service Rider and this rider are applied to the same contract, the Auxiliary Service Rider will be applied only to the on-peak hours and this rider will then be applied to the contract as modified. This rider will not be applied in conjunction with the Temporary Service Rider.

TERM.

Annual.

(C) Indicates change.

Philadelphia Electric Company

STANDARD RIDERS—Continued

Applicable to rates as indicated in Applicability Index of Riders.

NIGHT SERVICE HT RIDER

APPLICABILITY.

To service supplied during off-peak hours for demands in excess of those supplied during on-peak hours. The demand specified for off-peak hours shall be limited to an amount determined by the Company which shall be dependent upon the capacity of the facilities available for such supply.

DEFINITION OF PEAK HOURS.

On-Peak Hours are defined as those hours between 7:00 am and 7:00 pm, Eastern Standard Time or Daylight Saving Time, whichever is in common use, daily except Saturdays and holidays.
Off-Peak Hours are defined as the hours other than those specified as on-peak hours.

SERVICE RATE.

Rate HT, including all its terms and guarantees, is applicable to service supplied during on-peak hours. The capacity charge and blocking of the energy charge of said rate shall be based on the billing demand for on-peak hours except that, when the greatest demand during off-peak hours, as determined by measurement and adjusted for power factor, exceeds the demand specified for off-peak hours, the amount of such excess shall be added to the billing demand for on-peak hours and the resultant sum shall then constitute the basis for said capacity charge and blocking of the energy charge.

Night Service Capacity Charge: Per kW of off-peak billing demand per month:
Summer Months (June through September)
$0.94 per kW. (D)
Winter Months (October through May)
$0.50 per kW (I)

STATE TAX ADJUSTMENT CLAUSE applies to this rider.

DETERMINATION OF OFF-PEAK BILLING DEMAND.

The off-peak billing demand shall be the amount by which the greatest demand during off-peak hours, as determined by measurement and adjusted for power factor, exceeds the billing demand for on-peak hours, whether the latter is a minimum or an actual demand, except that, when said greatest demand during off-peak hours exceeds the demand specified for off-peak hours, said greatest off-peak demand shall be reduced by the amount of the excess in determining the off-peak billing demand. In no event shall the off-peak billing demand be less than 25% of the greatest off-peak billing demand determined during any month of the preceding 11 months.

OTHER RIDERS.

Where the Auxiliary Service Rider and this rider are applied to the same contract, the Auxiliary Service Rider will be applied only to the on-peak hours and this rider will then be applied to the contract as modified. (C) Where the Off-Peak Rider and this rider are applied to the same contract, the Off-Peak Rider will be applied only to the provisions of the contract, and this rider will then be applied to the contract as modified. This rider will not be applied in conjunction with the Temporary Service Rider.

TERM.

Annual.

(I) Indicates increase.
(D) Indicates decrease.
(C) Indicates change.

STANDARD RIDERS—Continued

Applicable to rates as indicated in Applicability Index of Riders.

NIGHT SERVICE PD RIDER

APPLICABILITY.

To service supplied during off-peak hours for demands in excess of those supplied during on-peak hours. The demand specified for off-peak hours shall be limited to an amount determined by the Company which shall be dependent upon the capacity of the facilities available for such supply.

DEFINITION OF PEAK HOURS.

On-Peak Hours are defined as those hours between 7:00 am and 7:00 pm, Eastern Standard Time or Daylight Saving Time, whichever is in common use, daily except Saturdays and holidays.

Off-Peak Hours are defined as the hours other than those specified as on-peak hours.

SERVICE RATE.

Rate PD, including all its terms and guarantees, is applicable to service supplied during on-peak hours. The capacity charge and blocking of the energy charge of said rate shall be based on the billing demand for on-peak hours except that, when the greatest demand during off-peak hours, as determined by measurement and adjusted for power factor, exceeds the demand specified for off-peak hours, the amount of such excess shall be added to the billing demand for on-peak hours and the resultant sum shall then constitute the basis for said capacity charge and blocking of the energy charge.

Night Service Capacity Charge: Per kW of off-peak billing demand per month:

Summer Months (June through September)

$0.94 per kW. (I)

Winter Months (October through May)

$0.50 per kW. (I)

STATE TAX ADJUSTMENT CLAUSE applies to this rider.

DETERMINATION OF OFF-PEAK BILLING DEMAND.

The off-peak billing demand shall be the amount by which the greatest demand during off-peak hours, as determined by measurement and adjusted for power factor, exceeds the billing demand for on-peak hours, whether the latter is a minimum or an actual demand, except that, when said greatest demand during off-peak hours exceeds the demand specified for off-peak hours, said greatest off-peak demand shall be reduced by the amount of the excess in determining the off-peak billing demand. In no event shall the off-peak billing demand be less than 25% of the greatest off-peak billing demand determined during any month of the preceding 11 months.

OTHER RIDERS.

Where the Auxiliary Service Rider and this rider are applied to the same contract, the Auxiliary Service Rider will be applied only to the on-peak hours and this rider will then be applied to the contract as modified. (C) Where the Off-Peak Rider and this rider are applied to the same contract, the Off-Peak Rider will be applied only to the provisions of the contract, and this rider will then be applied to the contract as modified. This rider will not be applied in conjunction with the Temporary Service Rider.

TERM.

Annual.

(I) Indicates increase.
(C) Indicates change.

Philadelphia Electric Company

STANDARD RIDERS—Continued

Applicable to rates as indicated in Applicability Index of Riders.

OFF-PEAK RIDER

(The application of this rider is restricted to those customers who were served under its provisions as of October 5, 1972.)

APPLICABILITY.

To the restricted use of purchased energy caused by the seasonal requirements of customers other than those using the service for comfort cooling, where the Company is the exclusive source of supply for the connected load.

WINTER MONTHS DEFINED.

November, December, January and February.

SUMMER MONTHS DEFINED.

June, July, August and September.

BASE CONTRACT.

The Customer shall enter into a standard contract for service under the applicable rate which will stipulate the maximum billing demand to be supplied.

RESTRICTED USE.

Use shall be restricted between the hours of 7:00 am and 7:00 pm daily except Saturdays and holidays to demands not in excess of 50% of the maximum billing demand of the Customer's contract both during the winter months and, upon notice by Company given at least twelve hours prior to the time the Customer is to restrict the use of service and specifying the duration of such restricted use, during periods of hot weather occurring in the summer months.

MINIMUM WAIVER.

The minimum payment obligations of the applicable rate under the contract shall not apply during the winter months nor during any summer month in which notice of restriction has been given to Customer.

RATE APPLICATION.

Service taken each month shall be paid for at the applicable rate under the contract except as modified by the terms of this rider.

EXCESS DEMAND.

Demands in excess of 50% of the maximum billing demand stipulated in the Customer's contract imposed between the hours of 7:00 am and 7:00 pm daily except Saturdays and holidays either during the winter months, or in a summer month during a period for which notice has been given to restrict use, will be billed an additional charge of $3.42 per kilowatt per month for such excess demand. (I)

STATE TAX ADJUSTMENT CLAUSE applies to this rider.

CONTRACT TERM.

Coincidentally with the term of the rate applied.

(I) Indicates increase.

STANDARD RIDERS—Continued

Applicable to rates as indicated in Applicability Index of Riders.

TRANSFORMER RENTAL RIDER

(This rider is in process of elimination and its application is restricted to customers who had it incorporated in contracts, or had accepted it in writing, prior to October 15, 1963. The capacity of each individual installation under this rider shall be limited to the amount in service as of that date. Ownership of facilities provided under this rider will be made available to the Customer if he wishes to purchase them from the Company.)

APPLICABILITY.

To the supply in Suburban Divisions, of a transformer installation furnished, operated and maintained on the premises of a Customer to transform a single standard primary or high-tension service to a supply corresponding in phase and voltage to the standard polyphase secondary or primary service supplied by the Company at the time when and in the territory where the installation is made. Transformation from standard high-tension service to 2,400 volts, 3-phase, although nonstandard in 4,160-volt, 3-phase areas, may be furnished at the Customer's request in such areas.

INSTALLATION CONDITIONS.

The transformer installation under this rider is limited to a single bank of transformers installed in accordance with the Company's applicable standards, and to exclusive operation and control by the Company. Suitable housing, foundations, supporting structures and inclosures for such installations and all secondary facilities including suitable overload protective equipment, shall be provided, owned and maintained by the Customer.

MONTHLY RENTAL CHARGE. (I)

Fixed Charge:

Supply Voltage	Type of Switching Installation	Amount
2,400 volts or 4,160 volts	Outdoor or Indoor	$26.59
13,200 volts	Outdoor	71.18
13,200 volts	Indoor	160.50
33,000 volts	Outdoor	160.50

Operating Charge: 16.1¢ per kilowatt of demand.

STATE TAX ADJUSTMENT CLAUSE applies to this rider.

DEMAND DEFINED:

The demand for application of this rider shall be:

(a) the billing demand of the current month, or

(b) when in conjunction with the Night Service Rider, the sum of the on-peak billing demand of the current month and the greatest off-peak billing demand of the 12 months ending with the current month, said sum, however, not to exceed the greatest monthly total of on-peak and off-peak billing demands in the same period.

No waivers allowable as to minimum demands shall be considered as applicable in the determination of the transformer-rental charge.

LIABILITY.

The Company shall not be liable for any loss, damage or injuries to person or property, including loss of life or property, sustained by the Customer, his agents or employees, or by any person whomsoever, arising out of the presence or operation of said transformer installation on the Customer's premises, except where caused by the negligence of the Company, its agents and employees, and except for injuries sustained by the Company's employees, not caused by the negligence of the Customer, his agents and employees.

CONTRACT TERM.

Coincidentally with the rate to which this rider is attached, but not for less than 3 years from the date the rider is accepted.

(I) Indicates increase.

REFERENCE:
PHILADELPHIA ELECTRIC COMPANY
SUPPLEMENT NO. 15 TO ELECTRIC TARIFF NO. 25

EXHIBIT I

SUPPORTING DATA FOR TARIFF CHANGES

a) Summary of Revenue Increases by Tariff Subdivisions.
b) Revenue Computations by Tariff Subdivisions.

May 9, 1980

Philadelphia Electric Company - Electric Operations
Kilowatt Hour Sales and Revenue by Tariff Subdivisions
Twelve Months Ended March 31, 1980
($1,000)

	mWh Sales Year Ended 3/31/80 (1)	Number of Customers 3/31/80 (2)	Total Book Revenue (3)	Less: Book STAC (4)	Less: Book EC Rev. (5)	Base Revenue (6)=(3)-(4+5)	Supplement No. 15 Proposed Base Rev. (7)	Proposed Increase (8)=(7)-(6)	% Increase (9)=(8)-(6)
Electric Tariff No. 25									
R	6,351,590	1,103,000	$377,614	$15,259	$11,478	$350,877	$359,812	$8,935	2.5%
RH	960,540	46,900	39,646	1,563	1,921	36,162	38,478	2,316	6.4
WH	509,120	110,296 (a)	17,718	697	943	16,078	17,702	1,624	10.1
POL	9,190	4,250 (a)	1,244	49	18	1,177	1,177	0	0.0
GLP	43,020	7,700	2,670	108	75	2,487	2,548	61	2.5 (b)
GS	2,792,100	106,720	174,367	7,053	5,100	162,214	176,627	14,413	8.9
PD-(Incl. Riders)	2,441,300	3,754	111,403	4,458	4,428	102,517	112,619	10,102	9.9
HT-(Incl. Riders)	13,794,500	2,004	470,399	18,542	25,345	426,512	473,057	46,545	10.9
SLP	107,186	2	7,054	288	206	6,560	7,538	978	14.9
SLS	60,568	421	8,992	369	111	8,512	9,457	945	11.1
MLP	100,240	1,463	5,994	244	188	5,562	6,195	633	11.4
PLP	16,100	342	980	40	30	910	1,007	97	10.7
TL	31,490	186	1,771	72	59	1,640	1,792	152	9.3
BLI	70	2	5	0	0	5	6	1	8.2
Transformer Rental Rider	-	496 (a)	288	12	0	276	298	22	8.0
Total Electric Tar. No. 25	27,217,014	1,272,494	$1,220,145	$48,754	$49,902	$1,121,489	$1,208,313	$86,824	7.7
Other Electric Operations	596,116	2	34,273	0	0	34,273	34,273	0	0.0
Total Electric	27,813,130	1,272,496	$1,254,418	$48,754	$49,902	$1,155,762	$1,242,586	$86,824	7.5
Plus: STAC in Excess of STAC Related Taxes (D-1)						2,843	2,843	0	0.0
Plus: Additional Revenue from Growth Adjustment (D-3)						7,030	7,669	639	0.0
Plus: Revenue from New or Transfer Customer Charge(c)						0	1,350	1,350	-
Total Revenue						$1,165,635	$1,254,448	$88,813	7.6

(a) Duplicate customers not included in total.
(b) Reflects effects of transfers of existing Rate GLP customers to either Rate R or Rate GS. All customers remaining on Rate GLP will receive an approximate 15% increase.
(c) Revenues to be derived from the $6.00 New or Transfer Customer Charge (Rule 9.7)

Rate	Revenue
R	$1,173
RH	50
GLP	2
GS	119
HT	4
PD	2
Total	$1,350

Summary

Philadelphia Electric Company - Electric Operations
Rate R - Single Dwelling Unit Portion
Calculation of Revenue Increase of Supplement No. 15
12 Months Ended March 31, 1980

Line No.	12 Mos. Sample	Tariff No. 25 Bills And kWh From Sample (1)	Tariff No. 25 Pricing (2)	Tariff No. 25 Revenue (3)=(1)x(2)	Supplement No. 15 Bills And kWh From Sample (4)	Supplement No. 15 Pricing (5)	Supplement No. 15 Revenue (6)=(4)x(5)
1	Number of Bills	1,201,068 Bills	$2.55	$3,062,723	1,201,068 Bills	$2.55	$3,062,723
2	kWh Included in Minimum	54,984,960 kWh	0.00¢	0	54,984,960 kWh	0.00¢	0
3	All Additional up to 500 kWh	397,612,918	5.53¢	21,987,994	397,612,918	5.53¢	21,987,994
4	kWh Over 500 - Winter	80,810,823	5.03¢	4,064,784	80,810,823	5.57¢	4,501,163
5	kWh Over 500 - Summer	80,295,151	6.03¢	4,841,798	80,295,151	6.57¢	5,275,391
6	Sub-Total	613,703,852 kWh		$33,957,299	613,703,852 kWh		$34,827,271
7	Unaccounted For			171			175 (a)
8	Base Revenue			$33,957,470			$34,827,446
	Total Rate RS-12 Months Ended 3/31/80						
9	Base Revenue			$347,985,000			$356,900,000 (b)

(a) (Ln.6, col.6 ÷ Ln.6, col.3) x Ln.7,col.3

(b) (Ln.8, col.6 ÷ Ln.8, col.3) x Ln.9, col.3

Page 1A
Rate R

Philadelphia Electric Company - Electric Operations
Rate R - Multiple Dwelling Unit Portion
Calculation of Revenue Increase of Supplement No. 15
12 Months Ended March 31, 1980

Line No.	12 Mos. Sample	Tariff No. 25 Bills And kWh From Sample (1)	Tariff No. 25 Pricing (2)	Tariff No. 25 Revenue (3)=(1)x(2)	Supplement No. 15 Bills And kWh From Sample (4)	Supplement No. 15 Pricing (5)	Supplement No. 15 Revenue (6)=(4)x(5)
1	No. of Bills	60,468 Bills	$2.55	$154,193	60,468 Bills	$2.55	$154,193
2	kWh Included in Minimum	2,764,409 kWh	0.00¢	0	2,764,409 kWh	0.00¢	0
3	All Additional Up to 500 kWh	29,555,742	5.53¢	1,634,433	29,555,742	5.53¢	1,634,433
4	kWh Over 500 - Winter	1,526,916	5.03¢	76,804	1,526,916	5.57¢	85,049
5	kWh Over 500 - Summer	977,539	6.03¢	58,946	977,539	6.57¢	64,224
6	Sub-Total	34,824,606 kWh		$1,924,376	34,824,606 kWh		$1,937,899
				(4)			(4) (a)
7	Unaccounted For						
8	Base Revenue			$1,924,372			$1,937,895
	Total Rate RM-12 Mos.Ended 3/31/80						
9	Base Revenue			$2,892,000			$2,912,000 (b)

(a) (Ln.6, col.6 ÷ Ln.6, col.3) x Ln.7,col.3

(b) (Ln.8, col.6 ÷ Ln.8, col.3) x Ln.9, col.3

Philadelphia Electric Company - Electric Operations
Rate R - Summary
Calculation of Revenue Increase of Supplement No. 15
12 Months Ended March 31, 1980

	Tariff No. 25			Supplement No. 15		
	Single Unit (1) from 1A	Multiple Unit (2) from 1B	Total (3)=(1)+(2)	Single Unit (4) from 1A	Multiple Unit (5) from 1B	Total (6)=(4)+(5)
Total Rate R 12 Mos. Ending 3/31/80						
Base Revenue	$347,985,000	$2,892,000	$350,877,000	$356,900,000	$2,912,000	$359,812,000

Page 1C
Rate R

Philadelphia Electric Company - Electric Operations
Rate R-H
Calculation of Revenue Increase of Supplement No. 15
12 Months Ended March 31, 1980

Line No.	12 Mos. Sample	Tariff No. 25 Bills And kWh From Sample (1)	Tariff No. 25 Pricing (2)	Tariff No. 25 Revenue (3)=(1)x(2)	Supplement No. 15 Bills And kWh From Sample (4)	Supplement No. 15 Pricing (5)	Supplement No. 15 Revenue (6)=(4)x(5)
1	No. of Bills (22,419 x 12)	269,028 Bills	$2.55	$686,021	269,028 Bills	$2.55	$686,021
2	kWh Included in Minimum	12,368,113 kWh	0.00¢	0	12,368,113 kWh	0.00¢	0
3	All Additional up to 500 kWh	110,489,869	5.53¢	6,110,090	117,333,875	5.53¢	6,488,563
4	kWh Over 500 - Winter	349,175,399	2.94¢	10,265,757	349,175,399	3.09¢	10,789,520
5	kWh Over 500 - Summer	34,486,777	6.03¢	2,079,553	57,248,857	6.57¢	3,761,250
6	Water Heating Block - Summer	29,606,086	4.31¢	1,276,022	-	-	-
7	Sub-Total	536,126,244 kWh		$20,417,443	536,126,244 kWh		$21,725,354
8	Unaccounted For			2,413			2,568 (a)
9	Base Revenue			$20,419,856			$21,727,922
	Total Rate R-H-12 Mos. End. 3/31/80						
10	Base Revenue			$36,162,000			$38,478,000 (b)

(a) (Ln.7, Col.6 ÷ Ln.7, col.3) x Ln.8, col.3

(b) (Ln.9, col.6 ÷ Ln.9, Col.3) x Ln.10, Col.3

Philadelphia Electric Company-Electric Operations
Rate R-H Experimental
Determination of Supplement No. 15 Pricing

	Tariff No. 25 Pricing (1)	% Increase[a] (2)	Supplement No. 15 (3)=(1)x(2)
Monthly Rate Table			
Maximum Monthly Demand			
Summer Months (June through Sept)			
Customer Charge:	$11.50 per month	1.063741	$12.23 per month
Demand Charge:	$4.90 per kW	"	$5.21 per kW
Energy Charge:	1.61¢ per kWh	"	1.71¢ per kWh
Winter Months (October through May)			
Customer Charge:	$11.50 per month	"	$12.23 per month
Demand Charge:	$3.44 per kW	"	$3.66 per kW
Energy Charge:	1.61¢ per kWh	"	1.71¢ per kWh
Maximum On-Peak Demand			
Summer Months (June through Sept)			
Customer Charge:	$12.50 per month	"	$13.30 per month
Demand Charge:	$5.16 per kW	"	$5.49 per kW
Energy Charge:	1.61¢ per kWh	"	1.71¢ per kWh
Winter Months (October through May)			
Customer Charge:	$12.50 per month	"	$13.30 per month
Demand Charge:	$3.70 per kW	"	$3.94 per kW
Energy Charge:	1.61¢ per kWh	"	1.71¢ per kWh

Note: There are no revenue effects associated with these pricings since all billing units for Rate R-H service are included on page 2.

(a) The increase is the same percentage increase received by the regular Rate R-H class of service.

Philadelphia Electric Company - Electric Operations
Rate WH - Unrestricted Portion
Calculation of Revenue Increase of Supplement No. 15
12 Months Ended March 31, 1980

Line No.	12 Mos. Analysis	Tariff No. 25 Bills & kWh[a] (1)	Tariff No. 25 Pricing (2)	Tariff No. 25 Revenue (3)=(1)x(2)	Supplement No. 15 Bills & kWh (4)	Supplement No. 15 Pricing (5)	Supplement No. 15 Revenue (6)=(4)x(5)
1	No. of Bills (11,534 x 12)	138,408	$1.67	$231,141			
2	kWh in Minimum Block	5,286,230	0.00¢	0			
3	Additional kWh up to 400 kWh	-	-				
4	Additional kWh	64,733,770	4.31¢	2,790,025			
5	Sub-Total	70,020,000		$3,021,166			
6	Unaccounted For			(4,166)			
7	Base Revenue			$3,017,000			
8	Customer Charge				0 Bills	$3.50	$ 0
9	Customer Charge				138,408 Bills	$2.50	346,020
10	Total kWh				70,020,000 kWh	2.83¢	1,981,566
11	Sub-Total						$2,327,586
12	Unaccounted for						(3,210)[c]
13	Base						$2,324,376
	Total Rate WH-Unrestricted 12 Mos. End. 3/31/80						
14	Proforma Base Revenue			$3,017,000			$2,324,000 [d]

(a) Developed using bill frequency Analysis 12 Months Ended December 31, 1978

	kWh Block Ending (1)	kWh in % of Avg. Bill[b] (2)=(1)÷505.90	kWh Billed in Block % (3)	kWh Billed in Block Amount (4)
1. Tariff No. 25				
kWh in Minimum ($1.67÷4.31¢)	38.75	7.6596	7.5496	5,286,230
Additional	-		92.4504	64,733,770
Total			100.0000	70,020,000

(b) The average bill for the 12 Mos. Analysis was 505.90 kWh. The total sales for the year were 70,020,000 kWh.

(c) (Ln.11, Col.6 ÷ Ln.5, Col.3) x Ln.6, Col.3

(d) (Ln.13, Col.6 ÷ Ln.7, Col.3) x Ln.14, Col.3

Philadelphia Electric Company - Electric Operations
Rate WH - Off-Peak Portion
Calculation of Revenue Increase of Supplement No. 15
12 Months Ended March 31, 1980

Line No.	12 Mos. Analysis	Tariff No. 25 Bills & kWh[a] (1)	Tariff No. 25 Pricing (2)	Tariff No. 25 Revenue (3)=(1)x(2)	Supplement No. 15 Bills & kWh (4)	Supplement No. 15 Pricing (5)	Supplement No. 15 Revenue (6)=(4)x(5)
1	No. of Bills (97,669 x 12)	1,172,028	$1.67	$1,957,287			
2	kWh in Minimum Block	63,611,977	0.00¢	0			
3	Additional kWh up to 400 kWh	292,052,436	3.03¢	8,849,189			
4	kWh in excess of 400 kWh	83,435,587	2.68¢	2,236,074			
5	Sub-Total	439,100,000		$13,042,550			
6	Unaccounted For			18,450			
7	Base Revenue			$13,061,000			
8	Customer Charge				0 Bills	$3.50	$ 0
9	Customer Charge				1,172,028 Bills	$2.50	2,930,070
10	Total kWh				439,100,000 kWh	2.83¢	12,426,530
11	Sub-Total						$15,356,600
12	Unaccounted for						21,723 (c)
13	Base Revenue						$15,378,323
	Total Rate WH-Off Peak 12 Mos.End.3/31/80						
14	Proforma Base Revenue			$13,061,000			$15,378,000 (d)

(a) Developed using bill frequency Analysis 12 Months Ended December 31, 1978

	kWh Block Ending (1)	kWh in $ of Avg. Bill[b] (2)=(1)$374.65	kWh Billed in Block % (3)	kWh Billed in Block Amount (4)
1. Tariff No. 25				
kWh in Minimum ($1.67÷3.03¢)	55.12	14.7124	14.4869	63,611,977
Additional up to 400 kWh	400.00	106.7663	66.5116	292,052,436
kWh in excess of 400 kWh	-		19.0015	83,435,587
Total			100.00000	439,100,000

(b) The average bill for the 12 months analysis was 374.65 kWh. The total sales were 439,100,000 kWh.

(c) (Ln.11, Col.6 ÷ Ln.5, Col.3) x Ln.6, Col.3

(d) (Ln.13, Col.6 ÷ Ln.7, Col.3) x Ln.14, Col.3

Philadelphia Electric Company - Electric Operations
Rate WH - Summary
Calculation of Revenue Increase of Supplement No. 15
12 Months Ended March 31, 1980

	Tariff No. 25			Supplement No. 15		
	Unrestricted Portion (1) from 3a	Off-Peak Portion (2) from 3b	Total (3)=(1)+(2)	Unrestricted Portion (4) from 3a	Off-Peak Portion (5) from 3b	Total (6)=(4)+(5)
Total Rate WH 12 Mos. End. 3/31/80						
Base Revenue	$3,017,000	$13,061,000	$16,078,000	$2,324,000	$15,378,000	$17,702,000

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Rate WH

Philadelphia Electric Company - Electric Operations
Rate POL
Calculation of Revenue Increase of Supplement No.
12 Months Ended March 31, 1980

No Change

Philadelphia Electric Company - Electric Operations
Rate GLP-Without Residence Service Modification Portion
Calculation of Revenue Increase of Supplement No. 15
12 Months Ended March 31, 1980

Line No.	12 Months Sample	kW & kWh From Sample(a) (Prior to Transfer) (1)	Tariff No. 25 Pricing (2)	Tariff No. 25 Revenue (3)=(1)x(2)	kW & kWh From Sample(a) (After Transfer) (4)	Supplement No. 15 Pricing (5)	Supplement No. 15 Revenue (6)=(4)x(5)
1	Capacity charge	72,428 kW	$3.80	$275,226	10,604 kW	$4.37	$46,339
2	First 16 hrs. use incl. in capacity charge	1,158,854 kWh	0.00¢	0	169,675 kWh	0.00¢	0
3	Next 64 hrs. use (but not less than 100 kWh)	4,345,423 kWh	11.44¢	497,116	437,084 kWh	13.33¢	58,263
4	Next 70 hrs. use (but not less than 105 kWh)	3,412,023 kWh	4.54¢	154,906	638,301 kWh	5.40¢	34,468
5	Next 250 hrs. use (but not less than 380 kWh)	7,204,118 kWh	3.61¢	260,069	3,056,742 kWh	4.33¢	132,357
6	Additional use	2,974,985 kWh	3.18¢	94,605	2,712,877 kWh	3.84¢	104,174
7	Sub-Total	19,095,403 kWh		$1,281,922	7,014,679 kWh		$375,601
8	Unaccounted for			30,542			8,949 (b)
9	Base revenue from customers on Rate GLP			$1,312,464			$384,550
10	Base revenue from customers transferred (page 5b)						1,047,439
11	Total base revenue						$1,431,989
	Total Rate GLP-Without Residence Service Modification - 12 Mos. ended 3/31/80						
12	Base Revenue			$1,269,000			$1,384,000 (c)

(a) It is estimated that of the Rate GLP customers served on the Without Residence Service Modification Portion as of 3/3179, 85% will be transferred to Rate GS Without Demand Measurement and 6% will be transferred to Rate GS With Demand Measurement and 9% will remain when Tariff No. 25 becomes effective.

(b) (Ln.7, col.6 ÷ Ln.7, col.3) x Ln.8, col.3

(c) (Ln.11, Col.6 ÷ Ln.9, Col.3) x Ln.12, Col.3

(Continued on next page)

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Rate GLP

Philadelphia Electric Company - Electric Operations
Rate GLP-Without Residence Service Modification Portion
Calculation of Revenue Increase of Supplement No. 15
Of Those Customers Who Transfer to Rate GS
12 Months Ended March 31, 1980

Line No.	12 Months Sample	Bills & kWh From Sample (1)	Supplement No. 15 Pricing (2)	Supplement No. 15 Revenue (3)=(1)x(2)
	Customers Transferred to Rate GS Without Demand Measurement			
1	No. of bills Single Phase x 12	42,837 Bills	$4.00	$171,348
2	Poly Phase x 12	240 Bills	$7.50	1,800
3	Next 78 kWh or 30% of total	3,366,249 kWh	12.07¢	406,306
4	Next 96 kWh or 36% of total (summer only)	868,820 kWh	6.18¢	53,693
5	Additional use	4,194,671 kWh	3.83¢	160,656
6	Sub-Total	8,429,740 kWh		$793,803
7	Unaccounted for			3,836 (a)
8	Base Revenue			$797,639
	Customers Transferred to Rate GS With Demand Measurement			
9	No. of bills Single Phase	2,865 Bills	$4.00	$11,460
10	Poly Phase	192 Bills	$7.50	1,440
11	Next 65 hrs. use to 50 kW	1,055,835 kWh	12.07¢	127,439
12	Next 80 hrs. use (summer only)	477,498 kWh	6.18¢	29,509
13	Additional use, under 400 hrs. use and 2,000 kWh	2,024,058 kWh	3.83¢	77,521
14	Additional use, over 400 hrs. use and 2,000 kWh	92,809 kWh	3.04¢	2,821
15	Sub-Total	3,650,200 kWh		$250,190
16	Unaccounted for			(390)(b)
17	Base revenue			$249,800
18	Combined Base Revenue of Customers Transferred (Line 8 plus Line 17)			$1,047,439

(a) $\$3,797 \times \frac{\$793,803}{\$785,815} = \$3,836$

(b) $(\$393) \times \frac{\$250,190}{\$252,147} = (\$390)$

(Continued on next page)

Page 5b
Rate GLP

Philadelphia Electric Company - Electric Operations
Rate GLP-With Residence Service Modification Portion
Calculation of Revenue Increase of Supplement No. 15
12 Months Ended March 31, 1980

Line No.	12 Months Sample	kW & kWh From Sample (a) (Prior to Transfer) (1)	Tariff No. 25 Pricing (2)	Tariff No. 25 Revenue (3)=(1)x(2)	kW & kWh From Sample(a) (After Transfer) (4)	Supplement No. 15 Pricing (5)	Supplement No. 15 Revenue (6)=(4)x(5)
1	Capacity Charge	43,897	$3.80	$166,809	1,250	$4.37	$5,463
2	First 16 hrs use incl in cap chg	702,358	0.00¢	0	19,994	0.00¢	0
3	Next 64 hrs use (but not less than 100 kWh)	3,168,126	11.44¢	362,434	65,083	13.33¢	8,676
4	Next 70 hrs use (but not less than 105 kWh)	3,368,354	4.54¢	152,923	92,405	5.40¢	4,990
5	Next 250 hrs use (but not less than 380 kWh)	10,146,143	3.61¢	366,276	675,833	4.33¢	29,264
6	Additional Use	7,832,488	4.71¢	368,910	1,577,885	5.60¢	88,362
7	Sub-Total	25,217,469		$1,497,352	2,431,200		$136,755
8	Unaccounted For			139			13 (b)
9	Base revenue from customers on Rate GLP			$1,497,491			$136,768
10	Base revenue from customers transferred to Rates R or GS (page 5d)			0			$1,294,474
11	Total Base Revenue			$1,497,491			$1,431,242
	Total Rate GLP-With Residence Service Modification - 12 Mos. Ended 3/31/80						
12	Base Revenue			$1,218,000			$1,164,000 (c)

(a) It is estimated that of the Rate GLP customers served on the With Residence Service Modification portion as of 3/31/79, 94% will be transferred to Rate R, 3% will be transferred to Rate GS Without Demand Measurement, 2% will be transferred to Rate GS With Demand Measurement portion and 1% will remain when Supplement No. 15 becomes effective.

(b) $\$139 \times (\frac{\$136,755}{\$1,497,352}) = \$13$

(c) (Ln.11, Col.6 ÷ Ln.11, Col.3) x Ln.12, Col.3

(Continued on next page)

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Rate GLP

Philadelphia Electric Company - Electric Operations
Rate GLP-With Residence Service Modification Portion
Calculation of Revenue Increase of Supplement No. 15
Of Those Customers Who Transfer to Rates R or GS
12 Months Ended March 31, 1980

Line No.	12 Months Sample	Bills & kWh From Sample (1)	Supplement No. 15 Pricing (2)	Supplement No. 15 Revenue (3)=(1)x(2)
	Customers Transferred to Rate R			
1	No. of bills (2,118 x 12)	25,048	$2.55	$63,872
2	kWh incl. in minimum	1,145,117	0	0
3	All additional up to 500 kWh	17,668,321	5.53¢	977,058
4	kWh over 500 - winter	1,426,429	5.57¢	79,452
5	kWh over 500 - summer	1,157,983	6.57¢	76,079
6	Sub-Total	22,569,782		$1,196,461
7	Unaccounted for			921 (a)
8	Base revenue			$1,197,382
	Customers transferred to Rate GS- Without Demand Measurement			
9	Customer Charge - Single phase Custs x 12	860	$4.00	$3,440
10	- Poly phase Custs x 12	24	$7.50	180
11	Next 78 kWh or 30% of total	203,040	12.07¢	24,507
12	Next 96 kWh or 36% of total (summer only)	89,885	6.18¢	5,555
13	Additional use	383,919	3.83¢	14,704
14	Sub-Total			$48,386
15	Unaccounted for			(76)(b)
16	Base revenue			$48,310
	Customers transferred to Rate GS - With Demand Measurement			
17	Customer Charge - Single phase Custs x 12	548	$4.00	$2,192
18	- Poly phase Custs x 12	24	$7.50	180
19	First 65 hours use	204,941	12.07¢	24,736
20	Next 80 hours use (summer only)	103,400	6.18¢	6,390
21	Additional use; except	395,992	3.83¢	15,166
22	Additional use over both 400 hrs. use and 2000 kWh	6,505	3.04¢	198
23	Sub-Total			$48,862
24	Unaccounted for			(80)(c)
25	Base Revenue			$48,782
26	Combined Base Revenue of customers transferred			$1,294,474

(a) $\frac{\$1,196,461}{\$1,286,763} \times \$991 = \$921$

(b) $\frac{\$48,386}{\$48,662} \times (\$77) = (\$76)$

(c) $\frac{\$48,862}{\$49,269} \times (\$81) = (\$80)$

Philadelphia Electric Company - Electric Operations
Rate GLP - Summary
Calculation of Revenue Increase of Supplement No. 15
12 Months Ended March 31, 1980

	Tariff No. 25			Supplement No. 15		
	Without Residence Modification (1)	With Residence Modification (2)	Total (3)=(1)+(2)	Without Residence Modification (4)	With Residence Modification (5)	Total (6)=(4)+(5)
Total Rate GLP 12 Mos. End. 3/31/80						
Base Revenue	$1,269,000	$1,218,000	$2,487,000	$1,384,000	$1,164,000	$2,548,000

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Rate GLP

Philadelphia Electric Company - Electric Operations
Rate GS - Without Demand Measurement
Calculation of Revenue Increase of Supplement No. 15
12 Months Ended March 31, 1980

Line No.	12 Mos. Sample	Bills & kWh From Sample (1)	Tariff No. 25 Pricing (2)	Tariff No. 25 Revenue (3)=(1)x(2)	Bills & kWh From Sample (4)	Supplement No. 15 Pricing (5)	Supplement No. 15 Revenue (6)=(4)x(5)
1	No. of Bills (20,544 custs. x 12)	246,528	$3.88	$956,529			
2	First 20 kWh included in minimum	4,550,987	0.00¢	0			
3	Next 96 kWh or 36% of Total	26,220,948	11.19¢	2,934,124			
4	Next 96 kWh or 36% of Total (summer only)	6,912,517	4.80¢	331,801			
5	Additional Use	26,067,781	2.98¢	776,820			
6	Sub-Total			$4,999,274			
7	Unaccounted For			7,991			
8	Total Base Revenue			$5,007,265			
9	Customer Charge - Single phase Custs x 12				242,784	$4.00	$971,136
10	- Poly phase Custs x 12				3,744	$7.50	28,080
11	First 78 kWh or 30% of Total				23,171,161	12.07¢	2,796,759
12	Next 96 kWh or 36% of Total (Summer only)				7,441,695	6.18¢	459,897
13	Additional Use				33,140,032	3.83¢	1,269,263
14	Sub-Total						$5,525,135
15	Unaccounted for						496 (a)
16	Total Base Revenue						$5,525,631
	Total Rate GS - 12 Mos. ended 3/31/80						
17	Base Revenue			$9,449,000			$10,427,000 (b)

(a) Direct from sample analysis of rates.
(b) (Ln.16, Col.6 ÷ Ln.8, Col.3) x Ln.17, Col.3

Philadelphia Electric Company - Electric Operations
Rate GS With Demand Measurement-Non Space Heating Portion
Calculation of Revenue Increase of Supplement No. 15
12 Months Ended March 31, 1980

Line No.	12 Mos. Sample	Bills & kWh From Sample (1)	Tariff No. 25 Pricing (2)	Tariff No. 25 Revenue (3)=(1)x(2)	Bills & kWh From Sample (4)	Supplement No. 15 Pricing (5)	Supplement No. 15 Revenue (6)=(4)x(5)
1	No. of bills (33,190 custs. x 12)	398,280	$3.88	$1,545,326			
2	First 20 kWh, included in minimum	7,774,957	0.00¢	0			
3	Next 80 hrs.use to 50 kW, plus 65 hrs. use over 50 kW	410,709,702	11.19¢	45,958,416			
4	Next 80 hrs.use (summer only)	135,298,483	4.80¢	6,494,327			
5	Additional use; except	696,531,588	2.98¢	20,756,641			
6	Additional use, over both 400 hrs.use and 2000 kWh	45,248,763	2.38¢	1,076,921			
7	Sub-Total	1,295,563,493		$75,831,631			
8	Unaccounted For			182,660			
9	Total Base Revenue			$76,014,291			
10	Customer Charge (Single Phase Custs x 12)				261,444	$4.00	$1,045,776
11	(Poly Phase Custs x 12)				136,836	$7.50	1,026,270
12	First 65 hours use				342,474,969	12.07¢	41,336,729
13	Next 80 hours use (summer only)				141,597,329	6.18¢	8,750,715
14	Additional use; except				766,242,432	3.83¢	29,347,085
15	Additional use, over both 400 hrs. use and 2,000 kWh				45,248,763	3.04¢	1,375,562
16	Sub-Total				1,295,563,493		$82,882,137
17	Unaccounted for						213,416 (a)
18	Total Base Revenue						$83,095,553
	Total Rate GS - 12 Mos. Ending 3/31/80						
19	Base Revenue			$131,576,000			$143,833,000 (b)
20	Revenue loss from Night Service Rider						892,000 (c)
21	Adjusted Base Revenue						$142,941,000

(a) Direct from Sample Analysis of Rates.

(b) (Ln.18, Col.6 ÷ Ln.9, Col.3) x Ln.19, Col.3

(c) Revenue loss of 0.62% from analysis of GS customer characteristics.

Philadelphia Electric Company - Electric Operations
Rate GS With Demand Measurement-Space Heating Portion
Calculation of Revenue Increase of Supplement No. 15
12 Months Ended March 31, 1980

Line No.	12 Mos. Sample	Bills & kWh From Sample (1)	Tariff No. 25 Pricing (2)	Tariff No. 25 Revenue (3)=(1)x(2)	Bills & kWh From Sample (4)	Supplement No. 15 Pricing (5)	Supplement No. 15 Revenue (6)=(4)x(5)
1	No. of bills (4,733 custs. x 12)	56,796	$3.88	$220,368			
2	First 20 kWh, included in minimum	564,954	0.00¢	0			
3	Next 80 hrs.use to 50 kW, plus 65 hrs. use over 50 kW	45,961,436	11.19¢	5,143,085			
4	Next 80 hrs.use (summer only)	19,661,813	4.80¢	943,767			
5	Additional use, under 400 hrs.use and 2000 kWh	98,765,235	2.98¢	2,943,204			
6	Additional use, over 400 hrs.use and 2000 kWh	12,677,138	2.38¢	301,716			
7	Space Heating Use	98,781,804	2.94¢	2,904,185			
8	Sub-Total	276,412,380		12,456,325			
9	Unaccounted For			(80,482)			
10	Total Base Revenue			$12,375,843			
11	Customer Charge - (single phase custs x 12)				29,400	$4.00	$117,600
12	- (poly phase custs x 12)				27,396	$7.50	205,470
13	First 65 hours use				39,328,472	12.07¢	4,746,947
14	Next 80 hours use (summer only)				20,190,118	6.18¢	1,247,749
15	Additional Use; except				105,434,848	3.83¢	4,038,155
16	Additional use, over 400 hours use and 2,000 kWh				12,677,138	3.04¢	385,385
17	Space Heating use				98,781,804	3.09¢	3,052,358
18	Sub-Total				276,412,38		$13,793,664
19	Unaccounted for						(124,331)(a)
20	Total Base Revenue						$13,669,333
	Total Rate GS - 12 Mos. Ended 3/31/80						
21	Base Revenue			$21,189,000			$23,404,000 (b)
22	Revenue loss from Night Service Rider						145,000
23	Adjusted Base Revenue						$23,259,000 (c)

(a) Direct from Sample Analysis of Rates.
(b) (Ln.20, Col.6 ÷ Ln.10, Col.3) x Ln.21, Col.3
(c) Revenue loss of 0.62% from analysis of GS customer characteristics.

Philadelphia Electric Company - Electric Operations
Rate GS With Demand Measurement - Summary
Calculation of Revenue Increase of Supplement No. 15
12 Months Ended March 31, 1980

	Tariff No. 25				Supplement No. 15			
	Without Dmd Measurement (1) from 6	Non-Space Heating (2) from 7a	Space Heating (3) from 7b	Total 4=(1)+(2)+(3)	Without Dmd Measurement (5) from (6)	Non-Space Heating (6) from 7a	Space Heating (7) from 7b	Total 8-(5)+(6)+(7)
Total Rate GS With Demand Measurement 12 Months End. 3/31/80								
Base Revenue	$9,449,000	$131,576,000	$21,189,000	$162,214,000	$10,427,000	$142,941,000	$23,259,000	$176,627,000

Philadelphia Electric Company - Electric Operations
Rate PD
Calculation of Revenue Increase of Supplement No. 15
12 Months Ended March 31, 1980

Line No.	12 Mos. Sample	Bills, kW & kWh From Sample (1)	Tariff No. 25 Pricing (2)	Tariff No. 25 Revenue (3)=(1)x(2)	Bills, kW & kWh From Sample (4)	Supplement No. 15 Pricing (5)	Supplement No. 15 Revenue (6)=(4)x(5)
1	Customer Charge	-	-	-	44,867	$75.00	$3,365,025
2	First 50 kW	2,177,295	$5.12	$11,147,750	2,177,295	$4.60	10,015,557
3	Additional kW	5,695,436	$2.71	15,434,632	5,695,436	$3.07	17,484,989
4	First 150 hrs use (not less than 5000 kWh)	1,160,741,097	3.74¢	43,411,717	1,156,857,795 (a)	4.09¢	47,315,484
5	Next 150 hrs use	845,482,358	2.75¢	23,250,765	846,198,309	3.06¢	25,893,668
6	Additional Use	459,086,518	2.19¢	10,053,995	459,490,559	2.05¢	9,419,556
7	Sub-Total			$103,298,859			$113,494,279
8	Unaccounted for			(30,986)			(51,354)(b)
9	Base Revenue			$103,267,873			$113,442,925
	Total Rate PD - 12 Mos. Ended 3/31/79						
10	Proforma Base Revenue (Excl NSR)			$103,802,810			$114,030,501 (c)
11	Night Service Rider (direct calculation)			6,870			7,691
12	Total Proforma Base Revenue			$103,809,680			$114,038,192
	Total Rate PD - 12 Mos. Ended 3/31/80						
13	Base Revenue (Incl NSR)			$102,517,000			$112,619,000 (d)

(a) 5000 kWh minimum is eliminated; 100 hours use minimum is eliminated
(b) Direct from Sample Analysis of Rates.
(c) (Ln. 9, col. 6 ÷ Ln. 9, col. 3) x Ln. 10, col. 3
(d) (Ln. 12, col. 6 ÷ Ln. 12, col. 3) x Ln. 13, col. 3

Philadelphia Electric Company - Electric Operations
Rate HT
Calculation of Revenue Increase of Supplement No. 15
12 Months Ended March 31, 1980

Line No.	12 Mos. Sample	Bills, kW & kWh From Sample (1)	Tariff No. 25 Pricing (2)	Tariff No. 25 Revenue (3)=(1)x(2)	Bills, kW & kWh From Sample (4)	Supplement No. 15 Pricing (5)	Supplement No. 15 Revenue (6)=(4)x(5)
1	Customer Charge	-	-	-	22,945	$71.50	$1,640,568
2	First 50 kW	1,140,553	$5.19	$5,919,470	1,140,553	$4.46	5,086,866
3	Next 4,950 kW	19,815,559	$2.54	50,331,520	19,815,559	$2.98	59,050,366
4	Over 5,000 kW	2,778,843	$2.13	5,918,936	2,778,843	$2.98	8,280,952
5	First 150 hrs use (not less than 6000 kWh)	3,521,718,425	3.17¢	111,638,474	3,519,741,665 (a)	3.57¢	125,654,777
6	Next 150 hrs use (not over 2,000,000 kWh)	3,168,283,339	2.63¢	83,325,852	3,254,566,869 (b)	2.72¢	88,524,219
7	Additional use	3,015,994,407	1.87¢	56,399,095	2,929,961,637	1.89¢	55,376,275
8	High voltage discount (66 kV & over)			(49,168)			(49,168)
9	High voltage discount (33 kV)			(288,966)			(288,966)
10	Sub-Total			$313,195,213			$343,275,889
11	Unaccounted for			(317,099)			(337,502)(c)
12	Base Revenue			$312,878,114			$342,938,387
	Total Rate HT - 12 Mos. Ended 3/31/79						
13	Proforma Base Revenue (Excl NSR & 8 Large Custs)			$312,544,961			$342,573,031 (d)
14	Night Service Rider (Direct Calculation)			147,285			145,473
15	Proforma Base Revenue of 9 Large Custs (Page 9a)			106,672,483			122,411,238
16	Total Proforma Base Rev			$419,364,729			$465,129,742
	Total Rate HT - 12 Mos. Ended 3/31/80						
17	Base Revenue			$426,512,000			$473,057,000 (e)

(a) 6,000 kWh minimum is eliminated; 100 hours use minimum is eliminated
(b) 2,000,000 kWh maximum is raised to 7,500,000 kWh maximum
(c) Direct from sample analysis of rates
(d) (Ln. 12, col. 6 ÷ Ln. 12, col. 3) x Ln. 13, col. 3
(e) (Ln. 16, col. 6 ÷ Ln. 16, col. 3) x Ln. 17, col. 3

Philadelphia Electric Company - Electric Operations
Rate HT - 9 Large Customers
Calculation of Revenue Increase of Supplement No. 15
12 Months Ended March 31, 1980

Line No.	12 Mos. Sample	Tariff No. 25 Bills, kW & kWh (1)	Tariff No. 25 Pricing (2)	Tariff No. 25 Revenue (3)=(1)x(2)	Supplement No. 15 Bills, kW & kWh (4)	Supplement No. 15 Pricing (5)	Supplement No. 15 Revenue (6)=(4)x(5)
1	Customer Charge	-	-	-	108	$71.50	$7,722
2	First 50 kW	5,400	$5.19	$28,026	5,400	$4.46	24,084
3	Next 4,950 kW	534,600	$2.54	1,357,884	534,600	$2.98	1,593,108
4	Over 5,000 kW	7,232,726	$2.13	15,405,706	7,232,726	$2.98	21,553,523
5	First 150 hrs use (not less than 6000 kWh)	1,165,908,900	3.17¢	36,959,312	1,165,908,900 (a)	3.57¢	41,622,948
6	Next 150 hrs use (not over 2,000,000 kWh)	216,000,000	2.63¢	5,680,800	696,529,150 (b)	2.72¢	18,945,593
7	Additional use	2,527,527,030	1.87¢	47,264,755	2,046,997,880	1.89¢	38,688,260
8	High voltage discount (66 kV & over)	240,000	10¢	(24,000)	240,000	10¢	(24,000)
9	High voltage discount (33 kV)	0	5¢		0	5¢	0
10	Base Revenue			$106,672,483			$122,411,238

(a) 6000 kWh minimum is eliminated; 100 hours use minimum is eliminated.

(b) 2,000,000 kWh maximum is raised to 7,500,000 kWh maximum

Page 9a
Rate HT

Philadelphia Electric Company-Electric Operations
Rate SL-P
Calculation Of Revenue Increase Of Supplement No. 15
12 Months Ended March 31, 1980

Line No.	12 Months Analysis	Lamps, Watts & kWh (1)	Tariff No. 25 Pricing (2)	Tariff No. 25 Monthly Revenue (3)=(1)x(2)	Tariff No. 25 Annual Revenue (4)=(3)x 12	Supplement No. 15 Pricing (5)	Supplement No. 15 Monthly Revenue (6)=(1)x(5)	Supplement No. 15 Annual Revenue (7)=(6)x 12
	Facilities Charge:							
	City Control:							
1	Aerial	70,676	$1.59	$112,375	$1,348,500	$2.45	$173,156	$2,077,872
2	Underground	13,801	1.59	21,944	263,328	2.45	33,812	405,744
3	Twenty-Four Hour	109	1.59	173	2,076	2.45	267	3,204
4	Daytime	40	1.59	64	768	2.45	98	1,176
	Company Control:							
5	Aerial	565	1.70	961	11,532	2.62	1,480	17,763
6	Underground	4,590	5.02	23,042	276,504	5.12	23,501	282,012
7	Limited Access Highways	199	5.02	999	11,988	5.12	1,019	12,228
	Capacity Charges:							
8	First 100 Watts	8,979,136	0.36¢	32,325	387,900	0.36¢	32,325	387,900
9	Additional Watts	14,197,984	0.36¢	51,113	613,356	0.36¢	51,113	613,356
10	Total Watts	23,177,120						
11	Energy Charges	94,887,129 (a)	3.23¢		3,064,854	3.23¢		3,064,854
12	Outage Allowance(b)				(8,132)			(8,132)
13	Alley Lighting Rider	8,324,593	4.97¢		413,732	5.77¢		480,329
14	Base Revenue				$5,386,406			$7,338,306
	Total Rate SLP - 12 Mos. Ended 3/31/80							
15	Base Revenue				$5,560,000			$7,538,000 (c)

(a) 23,177,120 Watts x 4094 burning hours per year.

(b) Outage Allowance = (Capacity Charges + Energy Charges) x 0.2%.

(c) (Ln 14, col.7 ÷ Ln. 14, col.4) x Ln. 15, col. 4

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Rate SL-P

Philadelphia Electric Company - Electric Operations
Rate SLS
Calculation of Revenue Increase of Supplement No. 15
12 Months Ended March 31, 1980

Line No.	12 Mos. Analysis	Number of Lamps (1)	Tariff No. 25 Pricing (2)	Tariff No. 25 Annual Revenue (3)=(1)x(2)	Supplement No. 15 Pricing (4)	Supplement No. 15 Annual Revenue (5)=(1)x(4)
	Facilities Charged by Lamp Size					
	Incandescent					
1	320 Lumens	174	$29.64	$5,157	$33.96	$5,909
2	600 Lumens	42	42.72	1,794	48.96	2,056
3	1,000 Lumens	14,819	57.84	857,131	66.24	981,611
4	2,500 Lumens	3,342	93.48	312,410	101.28	338,478
5	4,000 Lumens	0	122.16	0	132.36	0
6	6,000 Lumens	775	135.60	105,090	147.00	113,925
7	10,000 Lumens	34	204.60	6,956	221.76	7,540
	Sub-Total	19,186				
	Mercury Vapor					
8	4,000 Lumens	31,998	97.92	3,133,244	112.20	3,590,176
9	8,000 Lumens	16,785	132.24	2,219,648	143.28	2,404,955
10	12,000 Lumens	3,136	154.44	484,324	167.40	524,966
11	20,000 Lumens	6,488	191.16	1,240,246	207.24	1,344,573
12	35,000 Lumens	327	290.52	95,000	314.88	102,966
13	55,000 Lumens	401	333.84	133,870	361.80	145,082
	Sub-Total	59,135				
	Sodium Vapor					
14	23,000 Lumens	1,539	204.72	315,064	221.88	341,473
15	42,000 Lumens	691	256.08	176,951	277.56	191,794
	Sub-Total	2,230				
16	Sub-Total	80,551		$9,086,885		$10,095,504
17	Discount (a)			(692,257)		(769,091)
18	Base Revenue			$8,394,628		$9,326,413
	Total Rate SLS - 12 Mos. Ended 3/31/80					
19	Base Revenue			$8,512,000		$9,457,000 (b)

(a) Discount = (Sub-Total) x (Fraction of Total Number of Lamps that are either Mercury Vapor or Sodium Vapor x 10%.

(b) (Ln. 18, col. 5 — Ln. 18, col. 3) x Ln. 19, col. 3

Philadelphia Electric Company - Electric Operations
Rate MLP
Calculation of Revenue Increase of Supplement No. 15
12 Months Ended March 31, 1980

Effective with Supplement No. 15, Rate MLP is eliminated (per Commission Order at RID 438) and the account presently served on this Rate will be transferred to either Rate GS, Rate PD or Rate HT. The analysis detailed below develops the estimated revenues to be paid on the new Rates by all existing accounts.

12 Months Ending March 31, 1980

Present, under Rate MLP

Number of accounts	1,463
Sales	100,240,000 kWh
Base revenue, Tariff No. 25	$5,562,000

Proposed, under Rates GS, PD or HT

	No. of Accounts	kWh Sales	Avg. Unit Base Rev.(a)	Base Revenue
To Rate GS, Non-Meas	509	1,844,000	8.49¢/kWh	$156,556
To Rate GS, Meas.	940	94,387,000	6.22	5,870,871
To Rate PD	8	2,566,000	4.61	118,293
To Rate HT	6	1,443,000	3.43	49,495
Total	1,463	100,240,000		$6,195,215

(a)

Rate	MWh Sales Summary Sheet	Proposed Supp No.15 Revenue	Avg Unit Base Rev.
GS-ND	122,744	10,427,000 (Page 7c)	8.49¢/kWh
GS-Meas	2,669,356	166,200,000 (Page 7c)	6.22
PD	2,441,300	112,620,000 (Page 8)	4.61
HT	13,794,500	473,057,000 (Page 9)	3.43

Philadelphia Electric Company - Electric Operations
Rate FLP
Calculation of Revenue Increase of Supplement No. 15
12 Months Ended March 31, 1980

Effective with Supplement No. 15, Rate FLP is eliminated (per Commission Order at RID 438) and the accounts presently served on this Rate will be transferred to either Rate GS or Rate PD. The analysis detailed below develops the estimated revenues to be paid on the new Rates by all existing accounts.

12 Months Ending March 31, 1980

Present, under Rate FLP

Number of accounts	342
Sales	15,593,000 kWh
Base Rev, Tariff No. 25	$910,000

Proposed, under Rates GS, PD or HT

	No. of Accounts	kWh Sales	Avg. Unit Base Rev.(a)	Base Revenue
To Rate GS, Non-Meas	92	348,000	8.49¢/kWh	$29,545
To Rate GS, Meas.	248	15,593,000	6.22	969,885
To Rate PD	2	159,000	4.61	7,330
Total	342	16,100,000		$1,006,760

(a) See page 12

Philadelphia Electric Company - Electric Operations
Rate TL
CALCULATION OF REVENUE INCREASE OF SUPPLEMENT NO. 15
12 Months Ended March 31, 1980

	kWh	Tariff No. 25		Supplement No. 15	
		Pricing	Revenue	Pricing	Revenue
	(1)	(2)	(3)=(1)x(2)	(4)	(5)=(1)x(4)
12 Months Ending March 31, 1980					
All kWh	31,490,000	5.20¢	$1,637,000	5.68¢	$1,789,000
Unaccounted for			3,000		3,000
Base revenue			$1,640,000		$1,792,000

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Rate TL

Philadelphia Electric Company - Electric Operations
Rate BLI
CALCULATION OF REVENUE INCREASE OF SUPPLEMENT NO. 15
12 Months Ended March 31, 1980

	kWh	Tariff No. 25		Supplement No. 15	
		Pricing	Revenue	Pricing	Revenue
	(1)	(2)	(3)=(1)x(2)	(4)	(5)=(1)x(4)
12 Months Ending March 31, 1980					
All kWh	70,000	5.28¢	$4,000	5.65¢	$5,000
Unaccounted for			1,000		1,000
Base revenue			$5,000		$6,000

Page 15
Rate BLI

Philadelphia Electric Company - Electric Operations
Transformer Rental Rider
Calculation of Revenue Increase of Supplement No. 15
12 Months Ended March 31, 1980

Line No.	12 Mos. Analysis	Custs. & kW (1)	Tariff No. 25 Pricing (2)	Tariff No. 25 Revenue (3)=(1)x(2)x 12	Supplement No. 15 Pricing (4)	Supplement No. 15 Revenue (5)=(1)x(4)x 12
1	2,400 or 4,160 Volts-Outdoor or Indoor Installation	476 Custs.	$24.76	$141,429	$26.59	$151,882
2	13,200 Volts - Outdoor Installation	0 Custs.	$66.01	0	$71.18	0
3	13,200 Volts - Indoor Installation	20 Custs.	$148.84	35,722	$160.50	38,520
4	33,000 Volts - Outdoor Installation	0 Custs.	$148.84	0	$160.50	0
5	Operating Charge	881,331 kW	14.9¢	131,318	16.1¢	141,894
6	Sub-Total			$308,469		$332,296
7	Unaccounted For			(27,481)		(29,604)(a)
8	Base Revenue			$280,988		$302,692
	Total Transf. Rental Rider - 12 Mos. End. 3/31/80					
9	Base Revenue			$276,000		$298,000 (b)

(a) (Ln.6, Col.5 ÷ Ln.6, Col.3) x Ln.7, Col.3

(b) (Ln.8, Col.5 ÷ Ln.8, Col.3) x Ln. 9, Col.3

REFERENCE:
PHILADELPHIA ELECTRIC COMPANY
SUPPLEMENT NO. 15 TO ELECTRIC TARIFF NO. 25

EXHIBIT II

RECALCULATION OF STATE TAX ADJUSTMENT VALUE

May 9, 1980

REFERENCE: SUPPLEMENT NO. 15 TO ELECTRIC TARIFF NO. 25

PHILADELPHIA ELECTRIC COMPANY - ELECTRIC OPERATIONS
Computation of State Tax Adjustment
To Recover New and Increased State Taxes
Based on Twelve Months Ended December 31, 1979

Additional Revenue Required to Recover:	Electric Operations	Reference
1. Increase in the Capital Stock Tax From 6 Mills to 10 Mills	$5,102,274	Line 8, Exh. 1
2. Increase in the Penna. Corporate Net Income Tax Rate from 7½% to 10½%	8,113,373	Line 16, Exh. 2
3. New 30 Mill Public Utility Realty Tax	7,188,606	Line 10, Exh. 3
4. Increase in the Utility Gross Receipts Tax from 20 Mills to 45 Mills	29,860,980	Line 6, Exh. 4
5. Adjustments to PURTA Tax as shown on Exhibit 6	758,538	Line 4, Exh. 6
6. Subtotal Before Adjustment for Gross Receipts Tax	$51,023,771	(1)+(2)+(3)+(4)+(5)
7. Total Additional Revenue Required Including Adjustment for Gross Receipts Tax on Additional Revenue	$53,428,032	(6) ÷ 0.955
8. Gross Intra-State Operating Revenue Derived from Service under Rates and Riders Subject to PUC Jurisdiction	1,202,245,807	Line 8, Exh. 5
9. State Tax Adjustment	4.44%	(7) ÷ (8)

May 9, 1980

PHILADELPHIA ELECTRIC COMPANY

Details of Computation of Increase in Capital Stock Tax
12 Months Ended December 31, 1979

		Phila. Elec. Co.	Electric Operations	Gas Operations	Steam Operations	Reference
1.	Taxable Value of Capital Stock	1,365,266,600				Value Determined by Last Settlement (1977)
2.	Capital Stock Tax @ 6 Mills	8,191,600				(1) x .006
	Allocation to Operations					
3.	- %	100%	93.43%	5.55%	1.02%	Based on Utility Plant
4.	- Amount		7,653,412	454,634	83,554	(2) x (3)
5.	Capital Stock Tax @ 10 Mills	13,652,666				(1) x .010
	Allocation to Operations					
6.	- %	100%	93.43%	5.55%	1.02%	Based on Utility Plant
7.	- Amount		12,755,686	757,723	139,257	(6) x (7)
8.	Increase		5,102,274	303,089	55,703	(7) - (4)

May 9, 1980

Exhibit 1

Computation of Adjustment for Increase in Pennsylvania
Corporate Net Income Tax
12 Months Ending December 31, 1979

	Total PECO	Electric Operations	Gas Operations	Steam Operations	
Net Income for Computing Penna. Corporate Net Income Tax					
1) Actual 1979-Total Company	8,282,022				Company Records
2) Deduct: Non Utility Income	(65,070,722)				Company Records
3) Actual 1979 from Utility Operation	73,352,744	58,398,233	18,661,621	(3,707,110)	Allocated (based on calculated taxable income for each utility service)
4) Less: Tax Preference Items -					
Excess of Amortization over Liberalized Depreciation on Pollution Control Facilities	552,352	552,352	-	-	Company Records
Excess of Liberalized Over Straight Line Depreciation Applicable to Bldgs.	816,000	699,598	104,481	11,921	Company Records
5) Add: Add'l Income to Reflect Full Yr. Effect of Deferred Fuel Expenses	79,285,079	77,735,931	(3,063,938)	4,613,086	Company Estimates
6) Actual Total for Computing Adjustment for Incr. in Corp. Net Income Tax Rate	154,834,044	134,882,214	18,508,188	1,443,642	(3)-(4)+(5)
7) Add: Add'l Rev. to Reflect					
1980 Rate Increase - Full Yr. Effect		87,085,794	10,690,200	-	Ln. 3, Exh. 5; Ln. 2, Exh. 5
1979 Rate Increase - Full Yr. Effect		-	-	2,183,634	Ln. 2, Exh. 4
8) Less: Gross Rec. Tax Add'l Rev. from:					
1980 Rate Increase - Full Yr. Effect		1,741,716	213,804	-	(7) x .02
1979 Rate Increase - Full Yr. Effect		-	-	-	-
9) Less: CWI Portion of STAC Revenues Included in Line 3) Above		5,481,080	776,636	114,352	Company Estimate
10) Revised Total for Computing Adjusting for Incr. in Corp. Net Income Tax Rate	246,466,084	214,745,212	28,207,948	3,512,924	(6)+(7)-(8)-(9)
11) Less: Total Income Allocable to Other States - Electric Operations		12,375,309	-	-	Company Estimate
12) Total Allocable to Penna.		202,369,903	28,207,948	3,512,924	(10)-(11)
13) Adj. for Incr. in Penna. Net Income Tax Rate		7,966,494	1,110,434	138,290	(12) x .039366
Adjustment for Disallowance of Tax Preference Items:					
14) Excess of Amortization over Liberalized Depreciation on Pollution Control Facilities		552,352	-	-	Company Records
Excess of Liberalized Over Straight Line Depreciation Applicable to Buildings		699,598	104,481	11,921	Company Records
Total Tax Preference Items		1,251,950	104,481	11,921	
15) Adj. A/C Loss of Tax Preference Items		146,879	12,258	1,399	(14) x .11732
16) Total Incr. in Penna. Corp. Net Income Tax		8,113,373	1,122,692	139,689	(13) + (15)

Exhibit 2

May 9, 1980

PHILADELPHIA ELECTRIC COMPANY

Computation of New 30 Mill State Public Utility Realty Tax
Based on Utility Plant as of December 31, 1979

Original Cost - 12/31/79	Electric Operations	Gas Operations	Steam Operations	Sub-Total	Common Plant	Total	Reference
1. Land Owned in Fee	$ 42,071,750	$ 430,301	$ 565,055	$ 43,067,106	$ 2,443,358	$ 45,510,464	Note A
2. Structures and Improvements	311,457,869	4,691,156	4,180,429	320,329,454	74,305,367	394,634,821	Note A
3. Sub-Total	$353,529,619	$5,121,457	$4,745,484	$363,396,560	$76,748,725	$440,145,285	(1) + (2)
4. Less: Realty Taxed Locally	7,089,353	239,883	213,778	7,543,014	56,677,133	64,220,147	Company Estimates
5. Total	$346,440,266	$4,881,574	$4,531,706	$355,853,546	$20,071,592	$375,925,138	(3) - (4)
6. Less: Accrued Depn on Struc	120,798,410	1,540,417	2,754,059	125,092,886	3,710,430	128,803,316	Company Estimates
7. State Taxable Value	$225,641,856	$3,341,157	$1,777,647	$230,760,660	$16,361,162	$247,121,822	(5) - (6)
8. Realty Tax @ 30 Mills	$ 6,769,256	$ 100,235	$ 53,329	$ 6,922,820	$ 490,835	$ 7,413,655	(7) x .03
9. Allocated Common	$ 419,350	$ 64,471	$ 7,014	$ 490,835	$ (490,835)	-	Note B
10. Total Tax Inc. Alloc. Common	$ 7,188,606	$ 164,706	$ 60,343	$ 7,413,655	-	$ 7,413,655	(8) + (9)
11. Total PURTA Capitalized	8,042,520	2,367	258	8,045,145	-	8,045,145	
12. Total PURTA Tax	$ 15,231,126	$ 167,073	$ 60,601	$ 15,458,800	-	$ 15,458,800	(10) + (11)

Note A - Based on Company records.

Note B - Allocation based on average plant, revenue and customers for the separate utility service as of 12/31/79.
Electric @ 85.436%
Gas @ 13,436%
Steam @ 1.429%

May 9, 1980

Exhibit 3

Exhibit 4

PHILADELPHIA ELECTRIC COMPANY
Computation of Increase in
Gross Receipts Tax
12 Months Ended December 31, 1979

State Tax Base for Computation of 1979 Gross Receipts Tax	Electric Operations	Reference
1. Based on Actual Revenue	1,264,789,912	Est. that would be filed on return
2. Plus Additional Revenue from 5/10/80 Base Rate Increase, Not Yet Reflected in Actual Revenue	87,085,794	Company Estimate
3. Less Actual Revenue from all Electric Fuel Adjustment Clauses on Sales in 1979	111,936,276	Line 4, Exh. 5
4. Less Revenue from State Tax Adjustment for 1979	45,500,247	Company Records
5. Adjusted Tax Base	1,194,439,183	(1)+(2)-(3)-(4)
6. 25 Mill Increase in Gross Receipts Tax	29,860,980	(5) x .025

May 9, 1980

Exhibit 5

PHILADELPHIA ELECTRIC COMPANY

Development of Gross Intra-State Operating Revenue
12 Months Ended December 31, 1979

		Electric Operations	Reference
1.	Actual Revenue from Sales	$1,229,108,016	Company Accounts (Note A)
2.	Plus Additional Revenue from Recoupment	15,471,963	Company Estimate (Note A)
3.	Plus Additional Revenue from 5/10/80 Base Rate Increase, Not Yet Reflected in Actual Revenue	87,085,794	Company Estimate
4.	Less Actual Revenue from Electric Fuel Adjustment Clause and Energy Clause on Sales in 1979	111,936,276	Company Accounts
5.	Adjusted Revenue from Sales	$1,219,729,497	(1)+(2)+(3)-(4)
6.	Less Revenue not subject to PUC Jurisdiction:		
	Interdepartmental Sales	2,031,272	Company Accounts
	Sales to Conowingo Power Co.	15,720,990	Company Accounts
	Sales to Borough of Lansdale	4,718,179	Company Accounts
7.	Plus Other Operating Revenue Subject to PUC Jurisdiction:		
	Forfeited Discounts	4,708,288	Company Accounts (Note A)
	Transformer Rental Rider	278,463	Company Accounts
8.	Total Gross Intra-State Operating Revenue Derived from Service Under Rates and Riders Subject to PUC Jurisdiction	$1,202,245,807	(5)-(6)+(7)

Note A: Excludes revenues from State Tax Adjustment Clause.

May 9, 1980

Exhibit 6

PHILADELPHIA ELECTRIC COMPANY

Adjustment to Eliminate the Refund of Overcollection and Recoupment Undercollection of Realty Tax on Certain "Special Purpose" Structures

1. Recoupment of refund allowed in period 7/1/79 to 11/15/79 which will be recouped 11/16/79 to 11/15/80.

Total amount that was intended to be refunded over 9 months (7/1/79 to 3/31/80)	=	$278,427(1)
Amount of Refund given back 7/1/79 to 11/15/79 $\frac{4\frac{1}{2} \text{ mos.}}{9 \text{ mos.}} \times \$278,427$	=	$139,213
i.e. Amount to be recovered over 12 months (11/16/79 to 11/15/80)	=	$139,213

2. Recoupment of that portion of the PURTA tax not collected in the period 7/1/79 to 11/15/79

Amount of Undercollection in $4\frac{1}{2}$ month period $\frac{4\frac{1}{2} \text{ mos.}}{12 \text{ mos.}} \times \$1,113,709(1)$	=	$417,641
i.e. Amount to be recovered over 12 months (11/16/79 to 11/15/80)	=	$417,641

3. Recoupment of undercollection of realty Tax on certain structures in $7\frac{1}{2}$-month period (4/1/79 to 11/15/79)

(7,358,059 Exh. 3 - 11/14/79 − 7,035,365 Exh.3 - 4/27/79)	=	$322,694
Amount of Undercollection in PURTA Tax 4/1/79 to 11/15/79 = $\frac{7\frac{1}{2} \text{ mos.}}{12 \text{ mos.}} \times 322,694$	=	$201,684
i.e. Amount to be collected over 12 months (11/16/79 to 11/15/80)	=	$201,684

4. Total of (1), (2) and (3) = $758,538

(1) Reference: STAC Filing of Supplement No. 5 to Tariff Electric - Pa. P.U.C. No. 25 - Exhibit 6 of Supporting Data dated June 20, 1979.

May 9, 1980

REFERENCE:
PHILADELPHIA ELECTRIC COMPANY
SUPPLEMENT NO. 15 TO ELECTRIC TARIFF NO. 25

EXHIBIT III

IMPLEMENTATION OF RATE STRUCTURE CHANGES
IN ACCORDANCE WITH
COMMISSION ORDER OF APRIL 25, 1980 AT DOCKET NO. R-79060865

May 9, 1980

IMPLEMENTATION OF RATE STRUCTURE CHANGES

1. Rate WH - Water Heating Service is Changed to Rate OP - Off Peak Service

The name of this rate is changed to Off Peak Service because it is now being made available for the operation of loads other than water heating during off peak periods. The rate structure has been converted to a customer charge and a single energy charge. A customer charge of $2.50 per month is applicable when service is restricted every day for a period of 6½ hours. A customer charge of $3.50 per month is applicable when service is restricted only during the five weekdays of Monday through Friday for a period of 6½ hours. The additional charge reflects the cost for the more sophisticated controller. The Unrestricted Water Heating Service formerly available under Rate WH is eliminated as described below in Item #2.

2. Elimination of Rate WH - Unrestricted and Rate RH - Floating Block Water Heating Provision

There are approximately 8,000 customers remaining on Rate WH - Unrestricted. These customers were all advised in May 1979 that Rate WH - Unrestricted would be increased by one cent per kilowatt-hour on July 1, 1979 and then eliminated at the time of the Company's next general rate increase, but they have elected to remain on the rate. We will send a letter to each of these customers and notify them that Rate WH - Unrestricted will now be eliminated as of July 10, 1980 (two months after the effective date of new rates). During this two month period, these customers may convert their water heating load without cost to Rate OP - Off-Peak Service or to other rates prior to July 10, 1980 when unrestricted service will be withdrawn. We expect most of these customers will elect to convert to new Rate OP with the provision for unrestricted service on Saturdays and Sundays which is now being offered.

3. Service Charge for New or Transferred Customers

There will be a $6 charge for each new or each transfer of service to a new location for all classes of customers. Tariff Rule 9.7 has been added to institute this charge. The charge will be added to the customer's initial bill for service and will be collected as part of the regular service bill. The following message will appear on the customer's bill where the charge is applicable: "The transfer fee included on this bill is for the costs involved in transferring this account into your name."

4. Limitation on Master Metering

An addition has been made to Rule 13.1 to require individual metering for residential dwelling units. Centrally supplied master metered heating, cooling or water heating service may be provided if such supply will result in energy conservation. Limitations on master metering have also been added to the availability statements of Rates R and RH.

5. Transfer of Rates FLP and MLP Customers to Rates PD, HT or GS

At the time of the last rate increase in March 1979, all Rates FLP and MLP customers using less than 1100 kilowatt-hours per month were converted to Rate GS without demand measurement. Since that time demand meters have been installed on all the remaining MLP and FLP customers in preparation for their conversion to Rate GS with demand measurement at the time of this rate increase. In order to transfer all of these customers to Rate GS on the day that the new rates become effective a demand reading on each of the 1200 remaining customers would have to be obtained on that day to be sure that the demand had not occurred prior to the date of transfer to Rate GS. To eliminate this mass meter reading, we will transfer these customers to Rate GS on their first normal meter reading date after May 10, 1980. Several customers will be transferred to Rates PD and HT. Rates FLP and MLP will be withdrawn July 10, 1980.