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Before
THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

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In re: R-79060865, etc. Philadelphia Electric Company
Investigation into a requested $123 million annual rate increase.

Evidentiary hearing.

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Harrisburg, Pennsylvania

November 13, 1979

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Pages 1721 to 1839

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THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

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In re: R-79060865, etc. - Philadelphia Electric Company. Investigation into a requested $123 million annual rate increase.

Evidentiary hearing.

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Stenographic report of hearing held in Hearing Room No. 2, North Office Building, Harrisburg, Pennsylvania,

Tuesday,
November 13, 1979
at 10:12 o'clock a.m.

--oOo--

JOSEPH KLOVEKORN, ADMINISTRATIVE LAW JUDGE

--oOo--

APPEARANCES:

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Trial Staff

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DPS 4 - Document entitled Actual Experience in The Future Test Year, Quarter Ended September 30, 1979 1737

THE ADMINISTRATIVE LAW JUDGE: Before we start today does any party have any preliminary matters to discuss?

MR. DASENT: If Your Honor please, I have some data requests outstanding for load factors, coincidence factors and diversity factors by strata of residential users that has not been produced as yet. I asked for it on the record about a week or so ago. I would request that that information be provided.

MR. HALL: I am not at this time aware of the request. We will look into it and if indeed we do owe Mr. Dasent something it will be provided forthwith.

MR. DASENT: In the event Mr. Hall does not wish to go through the transcript looking for that cite, I would make that request of Mr. Williams at this point in time.

MR. HALL: Fine, we will treat it as that. I will discuss with you exactly what is involved.

MS. DUFOUR: We also put in the request for literature that has been distributed on nuclear power and details that have gone into that several weeks ago which we have not received.

MR. HALL: We mailed out to all the parties -- and I must apologize, you may not have gotten a copy of it -- a listing of all material the company had as well as a discussion of various expenses of the company's speakers' bureau.

We also have here today copies of material involved which you are free to look at and we do have witnesses here to be cross-examined with regard to the material. I note that certain of the other parties have come in and have reviewed this material at this time.

THE ADMINISTRATIVE LAW JUDGE: If there is nothing further --

MR. HALL: I have a couple preliminary matters, Your Honor. First, I would like to address the scheduling for this week, just to be sure that all the parties are familiar with what we are proposing to present and what the schedule will be.

Today we have Mr. Williams and Mr. Scott, who are here to answer any questions with regard to this nuclear material which was referred to as well as the expenses related to that material.

In addition, Mr. Williams is here, as I understand it, for certain cross-examination in the rate structure area.

Finally, this afternoon we have Mr. Jeffries, who is available for further cross-examination on rate of return by telephone conference. He is in Chicago and I believe arrangements have been made for that.

Now tomorrow we have available Mr. Waddington and Mr. Hill for cross-examination by Mr. Dasent. Now I have

spoken to Mr. Dasent and he has requested that if possible Mr. Waddington should be delayed until Thursday.

It would be our intention to agree to that and to present Mr. Waddington Thursday afternoon, if that is agreeable to the other parties.

Now on Thursday we also have Mr. Millard. It would be the company's proposal that if possible we should cancel the hearing tomorrow and deal with Mr. Millard and Mr. Waddington on Thursday.

MR. SAYRE: I will have just one question for Mr. Hill which perhaps in a break we can stipulate into the record.

MR. HALL: Fine, that can be done.

THE ADMINISTRATIVE LAW JUDGE: I have two comments on the proposed scheduling. First, I notice Mr. Millard is scheduled pursuant to the stay of my order striking his testimony. There was also testimony about Mr. Boyer that I struck.

MS. BUSH: I would like the opportunity to cross-examine Mr. Boyer if you are going to proceed with litigation.

MR. HALL: That will need to be arranged at another time. I checked into Mr. Boyer's schedule pursuant to Your Honor's stay, recognizing that it covered his testimony as well, and unfortunately, Mr. Boyer is out of town this

week and is therefore not available.

I would suggest that perhaps we could reschedule Mr. Boyer for sometime during the last week in November.

MS. BUSH: I would also note that on the short notice of the stay of your ruling, Your Honor, we were not able to schedule either Mr. Love or Mr. Wheaton, who conducted the audit, to be here to assist me with cross-examination of Mr. Millard. I intend to proceed but I would like to note for the record that because of the short schedule they were not able to change their schedules to come here and I would like to reserve the right, as necessary, to bring Mr. Millard back for clarification of any points that might come up on Thursday.

THE ADMINISTRATIVE LAW JUDGE: The other comment that I have to make concerns the cross-examination this afternoon of Mr. Jeffries. I counted the number of seats in the room and there are only 10 so I suggest only those parties that are really interested attend.

MR. HERSHEY: In addition, as to the cross-examination of Mr. Waddington, Mr. Hall indicated that he was prepared to have Mr. Dasent do cross-examination. We, of course, have moved for the admission pro hac vice of Nick Scobbo with our intention that it would be Mr. Scobbo who would do the cross-examination if he is in fact admitted.

It is our understanding that that matter is on the agenda for the Thursday meeting of the Commissioners and that it would be decided in time to do that cross-examination.

MR. HALL: It was part of the company's purpose in agreeing to delay that that decision could be made by the Commission to permit Mr. Scobbo if the Commission so decides to go forth.

MR. HERSHEY: I just wanted to make that clear.

MR. RIEHL: Your Honor, If I may, I wonder if we could address for a moment the scheduling for the week of the 26th.

MR. HALL: Your Honor, have we concluded with the scheduling for this week? I take it Wednesday's hearing is canceled and Mr. Waddington will be available on Thursday.

THE ADMINISTRATIVE LAW JUDGE: That is fine with me. Wednesday's hearing will be canceled.

MR. HALL: Your Honor, the second matter that I had of an introductory nature was to discuss the scheduling of cross-examination of witnesses of opposing parties, opposing to the company. At this time I think it is necessary for us to get some further definition as to when these witnesses will be cross-examined both for their scheduling purposes and so the company will know how to proceed in its

review of this rather extensive material.

I would propose the following schedule. I have a list of dates and a list of witnesses which I would match up, and would propose that to the parties for comments. If I have omitted any witness, I apologize and I am sure the parties will bring that to my attention. We can do this off the record. Your Honor, can we go off the record?

THE ADMINISTRATIVE LAW JUDGE: Yes, let's go off the record.

(Discussion off the record.)

MR. HALL: My list has that we have agreed to cancel the 19th of November as a hearing day.

On the 20th of November, Dr. Marcus of the Consumer Advocate will be cross-examined on rate of return.

On the 21st of November, Mr. Muth of the Commission Trial Staff will be cross-examined on rate of return.

In the following week on the 26th of November Dr. Bloom and Mr. Rosenthal of the Trial Staff will be cross-examined in rate structure areas.

On the 27th of November, Mr. Rohr of the Consumer Advocate's Office will be cross-examined on rate structure areas.

Also, on the 26th, the Philadelphia Council

of Organizations will appear and present a statement.

On the 27th, Mrs. Inouye will present a statement.

Did Your Honor mention someone in addition?

THE ADMINISTRATIVE LAW JUDGE: Yes, CANE, Community Action in the Northeast.

MR. HALL: Community Action in the Northeast will present a statement.

On the 28th, Dr. Green of CEPA and Mr. Kurland, who is presented by Mr. Thompson will appear and be cross-examined.

On the 29th, various witnesses presented on behalf of CEPA will be presented as will Mr. Brubaker, presented on behalf of the industrial complainants, and as will various individuals presented by Ms. Dufour.

In addition, there is Mr. Carter Ward of General Services Administration and we will be advised as to which day will be most appropriate or else we will work him in if that is possible.

MR. ETTNER: I think since Mr. Ward is in Philadelphia we can work him in pretty well. He will be there all four days.

MR. HALL: We will work him in then.

Turning to the next week, we will cross-examine Dr. Stutz and his associates on all areas of his

testimony, on December 4.

We will cross-examine Dr. Birx, Ms. Barrett and Mr. Boonen in all areas of their testimony on December 5.

Mr. Arndt and Mr. Weiss will be cross-examined on December 6.

Most of these areas all deal with rate base.

Mr. Hagan and Mr. Markovci of the Trial Staff will be cross-examined as they can be fitted in in those three days.

On the 11th, 12th and 13th of the following week, we will begin on the 11th with Mr. Towers on revenues and expense matters, Mr. Towers representing the Office of the Consumer Advocate. We will continue with the staff rate audit people, all staff revenue, expense and tax people, as well as wrap-up witnesses who will be cross-examined through the 11th and the 12th.

On the 13th we will cross-examine staff witnesses with regard to the management audit presently going on of the company and with regard to the testimony related to Limerick.

The following week, the 18th through the 20th, is reserved for cross-examination of company rebuttal and sur-rebuttal testimony.

MS. BUSH: It just occurred to me that in the eventuality that we don't have a certain decision from the

Commission with regard to the Salem audit, or assuming that the question is certified, and we are waiting for that decision, we should tentatively at least schedule a day for the rebuttal witnesses.

MR. HALL: I think we can wait upon eventualities, and perhaps in a week or so address that problem. There are other problems that will have to be addressed as we move along.

I would expect that as the company and the other parties get a clear idea how much cross-examination is involved with respect to various testimony, which at this point is fuzzy, perhaps appropriate days will suggest themselves for just such eventualities.

MS. BUSH: These witnesses are going to have to make themselves available, so I think I will at least give them some tentative dates that we have scheduled for hearings and then we can set that between ourselves as it approaches the day.

THE ADMINISTRATIVE LAW JUDGE: Our last week of hearings, is it the 18th, 19th and 20th?

MR. HALL: 19th, 20th and 21st.

MS. BUSH: I have through the 21st, too.

MR. HALL: Ms. Bush, with regard to cross-examination on the Salem material I would suggest either the week of the 4th to the 6th or the 11th to the 12th, probably

the 4th to the 6th would be best.

MS. BUSH: All right, I will see what their schedule is.

MR. HALL: One other thing, Your Honor. The company will have some additional material within the next week or so. We have been asked on the record earlier by the Trial Staff to make a statement with regard to compliance with the President's anti-inflation program. We have since received interrogatories with respect to that.

The current rules of the Council on Wage and Price Stability permit the company up through December 1 to make its determination as to the method by which it will comply with the wage-price program. As soon as we have made that determination and filed the requisite papers with the Council, we will advise all parties. That will probably be during the last week of November.

In addition, the company will have certain additional accounting material related to such things as the increased cost of debt related to the recently issued bond issue which we will be distributing hopefully before Thanksgiving.

THE ADMINISTRATIVE LAW JUDGE: If there is nothing further --

MR. HALL: Your Honor, we are at somewhat of a loss as to who to put on at this point. It depends on what

the other parties choose. We have Mr. Williams and Mr. Scott here for whatever questions there are with regard to this nuclear material and we also have Mr. Williams for certain rate structure testimony.

If we can finish Mr. Scott quickly and get him on his way, we would appreciate doing that.

If Mr. Williams is more extensive --

MR. DASENT: I would just as soon start with Mr. Williams if none of the parties object. I don't know in terms of development of matters how long Mr. Scott will be here. I can't weigh the two against each other.

MR. HALL: We have a few questions there. Do you have any?

MS. BUSH: No.

MR. HALL: You have none of Mr. Scott?

MS. BUSH: Well, it depends on if Mr. Williams can answer some of the quantification questions.

MR. HALL: Why don't we put both of the gentlemen on together to deal with the nuclear expense question first and finish with that and then go to rate design? That would be the company's proposal.

MR. DASENT: I think half of the problem here, Mr. Hall, is that the parties have not finalized exactly their approach to dealing with Mr. Scott in terms of dividing it up between Mr. Scott and Mr. Williams. Perhaps a brief recess

would resolve that. Or I could start with Mr. Williams as they talk if you would like.

THE ADMINISTRATIVE LAW JUDGE: Let's try to resolve it during a brief recess.

(Short recess.)

MR. HERSHEY: One brief housekeeping matter, Your Honor. The testimony of Mr. Frissell and Mrs. Holliday probably will not be ready until late tomorrow. Tomorrow is the deadline. We could supply Mr. Hall's office with copies of that testimony late tomorrow if he wants it, but the rest would have to be mailed. Does anyone object?

MR. HALL: You can bring it with you to the hearing on Thursday if that is your pleasure.

MR. HERSHEY: It is being prepared in Philadelphia.

MR. HALL: However you want to do it.

MR. HERSHEY: So we could deliver it to your Philadelphia office Wednesday or Thursday or send it out in the mail, whichever you would prefer.

MR. HALL: I guess you can deliver it to our Philadelphia office if that suits your convenience at whatever time you have it ready.

MR. HERSHEY: Thank you.

MS. BUSH: Mr. Scott will go first and the

staff will cross-examine Mr. Scott briefly.

MR. HALL: Is that the only questions of Mr. Scott?

MR. SEGAL: No, I will have some questions of him then.

THE ADMINISTRATIVE LAW JUDGE: Mr. Scott has been previously sworn.

DONALD P. SCOTT, recalled as a witness on behalf of the Respondent, having been previously sworn according to law, was examined and testified further as follows:

DIRECT EXAMINATION

MR. HALL: Your Honor, I have one exhibit to identify and some additional information from Mr. Scott.

BY MR. HALL:

Q Mr. Scott, do you have before you a document entitled Philadelphia Electric Company, Actual Experience in the Future Test Year, Quarter Ended September 30, 1979?

A Yes, I do.

Q Was this document prepared under your direction and supervision?

A Yes, it was.

Q Is this document in fact the quarterly filing by the company under Commission regulations comparing its

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A Yes, I do.

Q Was this document prepared under your direction and supervision?

A Yes, it was.

Q Is this document in fact the quarterly filing by the company under Commission regulations comparing its

actual expenses and revenues experience and its rate base experience to that projected in the future test year?

A Yes, it is.

Q Is the material contained in this exhibit true and correct to the best of your knowledge and belief?

A Yes, it is.

MR. HALL: Your Honor, I would ask that this document be identified as Exhibit DPS-4 for purposes of this proceeding. It has been supplied to all counsel previously.

THE ADMINISTRATIVE LAW JUDGE: Without objection it will be so identified.

(PECO Exhibit DPS-4, document entitled Actual Experience in The Future Test Year, Quarter Ended September 30, 1979, was produced and marked for identification.)

BY MR. HALL:

Q Mr. Scott, by letter of November 2, 1979, counsel for the company submitted to all of the parties data with respect to certain materials in the company's possession which discussed the question of nuclear energy. Are you familiar with that material, Mr. Scott?

A Yes, I am.

Q That material was contained in seven attachments. Certain of the attachments discussed costs and certain did not. Are you prepared at this time to state what the costs

of the materials contained in the other attachments are?

A Yes, I am.

Q Referring to Attachment 1, Mr. Scott, in that material, would you please state for the record what the costs of obtaining and distributing the copies of information and documents which are listed on that document are?

MR. SEGAL: To which attachment are you referring?

MR. HALL: Attachment 1.

THE WITNESS: Yes, for the latest 12-month period, which conclude at September, 1979, the estimated cost for the items in Attachment 1 is approximately $5,000.

BY MR. HALL:

Q Mr. Scott, is that an above-the-line expense which is included in the company's accounts for rate purposes?

A Yes, it is. It is above the line.

Q Referring to Attachment 2, would you state the cost of that material?

A Attachment 2 is approximately $23,000.

Q That is also an above-the-line expense, is that correct?

A Yes, it is.

Q And referring to Attachment 3, Mr. Scott?

A Attachment 3, approximately $10,000, again an above-the-line expenditure.

MR. HALL: Your Honor, that is all the questions I have of Mr. Scott. Mr. Scott is available for cross-examination.

CROSS-EXAMINATION

BY MR. SAYRE:

Q Mr. Scott, I am Gregg Sayre. I am not sure if I introduced myself to you. I represent the Commission Trial Staff.

I understand from some of the company's answers to Trial Staff informal interrogatories that a portion of the future test year budget includes budgeted expenses to be paid to the Electric Power Research Institute that include a budgeted amount for the development of a liquid metal fast breeder reactor, is that correct?

A Yes, I believe that is true.

Q Is it correct that the budgeted portion of the EPRI expense for the future test year for the liquid metal fast breeder reactor development program is $568,190? That would be IR-1 informal RE-66 if you want to look through your answers to staff interrogatories.

A What was the number again?

Q RE-66 informal, also RE-25. I may have your copy right here. I think we were just looking at it.

A Yes, that is right.

Q Is it correct that this expense has been budgeted but has not been paid since 1976?

A That is correct.

Q You have also provided staff a breakdown in RE-25A of research and development expenses for the 12 months ending March 31, 1977, 1978 and 1979. I would like to request that you give us the total figure only for the future test year so that we can compare it to those three figures, and I would hope you would be able to do that in a fairly short period of time.

MR. HALL: Could I ask that you repeat your question? I am sorry.

MR. SAYRE: This is the total R&D expenses for the future test year which you furnished to us broken down, and we don't need the breakdowns, but in a way comparable to the broken down expenses for the 12 months ending March 31, 1977, 1978 and 1979.

MR. HALL: You want total R&D expenses for each of those three years?

MR. SAYRE: No, we have got those. All we need is the total for the future test year, just one figure.

THE WITNESS: Yes, we will provide that information.

MR. SAYRE: Nothing further from Trial Staff at this time.

MS. BUSH: Your Honor, I have a few questions for Mr. Scott and possibly Mr. Williams with regard to the nuclear related expenditures. I would like at this time to state for the record and to explain to the opposition, to the parties here, while we will explore some quantification of some of the expenditures that we believe are not expenditures that should be assumed by the ratepayers of the company, after a review of the material provided by the company and consideration of the issues involved we think that to adequately investigate some of the quantifications we would take too much time in this proceeding.

For example, the overall donations to organizations like AIF and Edison Electric Institute would take considerable investigation to determine what part of those organizations' budgets in our view are used to promote this controversial political question, and other questions like the salaries of employees, parts of the salaries of employees that are used to engage in activities that we would consider not legitimate expenditures of ratepayers' moneys.

So we will at this time attempt to quantify some of the more general large sums of moneys and we will make proposals for adjustments in our accounting exhibit. But we feel the proper forum to thoroughly investigate this and to make an accurate factual determination as to the real extent of these expenditures should properly be done in another forum.

There is an investigation going on in a related area. There has been a petition to amend and expand that investigation into these areas. We intend to join in that investigation and pursue the more detailed and time consuming factual questions in that forum.

MR. HALL: Your Honor, the company would object to that statement. Under Your Honor's directive, the company had initially objected to providing much of this material and Your Honor overruled that objection and directed that it be provided.

Now all parties have had a full opportunity in this proceeding to review this material and to investigate it to their heart's content. We still have a month left in this proceeding. The issue first arose over three weeks ago and indeed this material we are discussing today was provided over two weeks ago.

Now there is indeed this additional complaint which began as a complaint against a particular complainant's problems with regard to an allegation of unlawful surveillance of their activities. There has been a petition filed in that complaint to expand that proceeding to include all matters related to expenditures by the company which might be related to nuclear energy.

The company has opposed that expansion and will continue to do so. We believe the proper forum for this kind

of investigation is here, because indeed here we are dealing with the company's rate levels, and if there is any adjustment to be made in rate levels it needs to be made here.

I find it rather surprising that Ms. Bush can take this position in light of her recent joinder in a res judicata motion with respect to similar matters.

MS. BUSH: If I might respond, Your Honor.

THE ADMINISTRATIVE LAW JUDGE: Certainly. I am not going to cut you off, Ms. Bush. I just wonder why. I mean, I have nothing to do with this matter up here. Counsel is making a very interesting argument and I appreciate it but I consider it irrelevant to the question before me. If you choose not to contest an issue, that is your business.

(Testimony continues on Page 1744.)

MS. BUSH: Well, we would be concerned, Your Honor, if the Commission felt that it had a sufficient record in this proceeding to make a full determination as to the extent of advertising as the Chairman has requested that the parties do under the National Energy Act, the requirement that some determination or consideration be made with regard to the advertising standards, and we think that this is too complicated and detailed an issue to be adequately addressed in the rate proceeding, and we wanted to make clear to the Commission that we would not attempt to provide a record upon which a decision could be made in this proceeding and to so notify the Commission in that regard.

THE ADMINISTRATIVE LAW JUDGE: If I'm not mistaken, the Public Utility Regulatory Policies Act of 1978 refers to promotional advertising. I thought that issue you were raising concerned political advertising.

MR. SEGAL: Your Honor, If I may, the Public Utility Regulatory Policy Act also refers to political advertising and I think that the point that I would like to join in the argument made by the Consumer Advocate's Office that we are talking about a very important issue in principle here, and one that the Commission has decided should be addressed, at least the standard under the Public Utility Regulatory Policy Act should be addressed and some policy decision made by the Commission concerning this and other

companies.

What we do not want to see is that this important issue and principle be glossed over because of the relatively small amounts of money involved and the effect on rates. And I think it is for that and other reasons that this proposal is being made. I think, Your Honor, that basically it is our feeling that we believe it is an important issue, but we certainly, in accord with your statements on the record when we were last here, do not want to spend a lot of time on this record given our limited amount of time for an issue that in terms of dollars and cents does not have a significant impact on the rates.

THE ADMINISTRATIVE LAW JUDGE: Counsellor, I am at a loss. You want me to, or I am required to investigate this and to make findings, and on the other hand, you are saying it is de minimis and it is not worth time investigating it.

MR. HERSHEY: Your Honor, no. I think what we are saying is there isn't time to fully explore the issue here. What is required, we just recently got this material. In order to fully explore it, we would then have to file interrogatories and wait for the response and by the time we get a response, we would be very close to the end of the hearing. We have just gone through the hearing schedule setting out witnesses, day by day and it is pretty well packed.

If we were to fully explore the issue, we could take a good part of the rest of the hearing time. It is our choice that because the issue is so important, in principle, that it is more important to treat it fully when we have the opportunity to do so. We do not have the opportunity to do so in this hearing, and that's why we and the Consumer Advocate have taken the position that after seeing the materials, it does require that thorough treatment.

When we first asked for the materials, we didn't know what we were going to find. We had only a hint. Now, it is clear that there is more there than we had originally anticipated and it does require thorough treatment for which there is not time in this hearing.

THE ADMINISTRATIVE LAW JUDGE: Counsellor, why didn't you request it earlier? If this hearing was going on - - you know, I'm sure that this stuff did not come as a great revelation to you.

MR. HALL: In that regard, Your Honor, the same issue was raised in the last case and precisely the same questions. This isn't a new matter.

MS. BUSH: Well, some of the questions were raised in the last case and Judge Matuschak ordered us to file a complaint before the parties that were entered to file a complaint before the Commission, that a rate case was not the place to take the time - -

MR. HALL: That is not true. Judge Matuschak directed with respect to the surveillance activities alone that did not reflect on rates that that is a matter that should be done by way of complaints by individuals involved. To the expenses, Judge Matuschak directed that the company respond and it did.

MS. BUSH: I don't disagree with you, Mr. Hall. But the point was a nuclear related activity was being investigated which would take a more thorough and time consuming investigation than one ordinarily has in rate cases.

In fact, the kinds of adjustments that we usually talk about in rate cases and particularly the Philadelphia Electric rate case are not of this minor level in terms of expenditures and I think Your Honor has discretion to recommend to the Commissioners that they might want to more thoroughly consider this question, set down some standards and principles and do that in another forum.

There are several matters that Chairman Goode directed the parties to develop a record and I think that we, as litigants, have the obligation to address the raising of those issues and whether we think the rate case is an appropriate forum to adequately address them and that's what we are doing with regard to the advertising question.

I think this is an important substantive issue, the impact on rates is minimal. Your Honor will have enough

evidence to make some kind of financial impact determination with regard to the larger expenditures such as the stations at the various nuclear plants, but that the Commission should not preclude itself from thoroughly investigating these issues that are of utmost importance in a more detailed level and a different forum.

MR. HALL: Your Honor, I don't want to extend what I think you have accurately characterized as an irrelevant argument. But I would like to know first off that this Commission's jurisdiction is not unlimited. This Commission's jurisdiction over this activity is a jurisdiction as to its rate levels.

This Commission has no jurisdiction to direct this company to do or not to do with its shareholders' money what it chooses to do with respect to this particular activity.

Secondly, these parties have had the opportunity from the very start to devote as much time as they choose to this matter, and indeed have devoted a significant amount of time. And now they are proposing to Your Honor that well, Your Honor should do the best with what they have given you but Your Honor should remember that that's not really the best shot that should be taken.

And perhaps the Commission should have another bite of the apple at some subsequent proceeding. I think Your

Honor should recognize that that's an intervention of their formal motion on res judicata. I only offer those comments.

THE ADMINISTRATIVE LAW JUDGE: Shall we proceed?

MS. BUSH: Yes, Your Honor.

BY MS. BUSH:

Q Mr. Scott, you just gave some information with regard to the attachment one, two and three and the quantities of expenditures for those items. Could you tell me at this time in which account are those expenditures listed?

A Yes. Attachment one would be in account 909, customer service and informational expenditures. Attachment two, most of those examples would also be in that same 909. However, there are some pieces in that group of literature having to do with shareholder reports. There's a report of the annual meeting, and there are, I believe, a few quarterly reports to shareholders among those samples, and those reports to shareholders would be accounted for in 930, Account 930, miscellaneous general expenses.

Q The report - -

A And - - pardon me.

Q Go ahead.

A Attachment three would be the same accounting, the 909.

Q The items that are listed in account 930, is that number five and number nineteen?

A. I would have to see what five and thirteen - -

Q. Nineteen.

A. Or nineteen - -

Q. Was that $23,000.00 you said, for that total attachment two?

A. Attachment two, approximately $23,000.00. A good piece of that $23,000.00 has to do with the shareholder reports, that 930.

Q. Can you give us a quantification for the breakdown of Account 930 and Account 909 for that attachment to group?

A. Yes. Item number five, in the attachment two is the report of annual meeting, April 4, 1979 and that is this document.

Q. Yes.

A. And that would be accounted for in account 930.

Q. Do you have a quantification of that?

A. Approximately $4400.00.

Q. And how about number nineteen? Philadelphia Electric Company's report to shareholders September, 1979.

A. Yes. That is this document, and that would be accounted for, also, in account 930.

Q. Do you have a quantification for that?

A. No, I do not have for that item.

Q. Would that be similar to the report of annual

meeting?

A. I would think it would have a similar cost, because it is mailed to all of our stockholders, and it is part - - it goes in the dividend disbursement mailing, so I would estimate that it would be in the neighborhood of the cost of the other, but I don't have the exact figure on that.

Q. These costs that you gave us, those are printing costs for all of the three attachments?

A. Yes. They are all the costs involved with those attachments.

Q. When you say all of the costs, do you mean printing in addition to any handling charges for PE employees?

A. Printing, handling, mailing.

Q. That includes any salaries of employees that mail these out or disseminate them in anyway?

A. No. That would not include salaries.

Q. In attachment seven, you have provided the 1978 and 1979 cost of operations for Peach Bottom and Limerick information centers. Are the sums for Peach Bottom, is that is the total cost or/that PE cost? Does that include PSE&G's share?

A. That would represent the total cost.

Q. And so PE's ownership is what? 42.59 percent?

A. 42.49 percent.

Q. Do you have any information or any reason to

believe that the expenditures on the annual basis of say the 1979 cost of operation, do you have it on a calendar basis, I take it?

A Yes.

Q Do you have any reason to believe that if we took another twelve month period, more specifically the test year, that amount would be different?

A It would be substantially the same.

Q You have on the 1979 list extraordinary expenses at Peach Bottom building maintenance. Could you tell me what activity was conducted with that?

A You are referring to the - - and the '78 listing the 15,000 under Peach Bottom with the note following?

Q Yes.

A No. I do not know what that 15,000 represents. We could check it and get back to you, if you would like to know.

Q Well, we are running short on time, but if you can get that to us today, I would appreciate it. If not, - - you don't, I take it, know what the grounds maintenance extraordinary expenditure is for Limerick?

A No, I don't.

Q What accounts are those expenditures listed in?

A In both 930 and 909.

Q What portion in each if you could give me for I

guess the 1979 figures?

A. The salaries would be accounted for in account 920, administrative and general salaries. Administrative and general expenses. Also, in account 909, customer service and informational expenses. Employee expenses would be account 921, which is administrative and general expenses, office supplies and expenses, and a portion in customer service and information expenses, 909, maintenance expenses would be in 932, administrative and general expenses, maintenance of general plant.

Educational materials would be in account 909, customer service and informational expenses, informational and structure advertising expenses.

Q Now, you said the first line, the salaries, those expenses are posted both in 920 and 909?

A Yes.

Q And do you have a breakdown as to how much in each?

A Approximately 70 percent would be in the 920 account and 30 percent in the 909.

Q And employee expenses, you said that is both in 921 and 909?

A Yes. In the same breakdown of the 70 and 20.

Q Is that 920 and 909 or 921?

A The employee expenses would be 921 and that would

be approximately 70 percent and the balance in 909.

Q And other supplies and expenses, what accounts for that one?

A That would be the same breakdown as employee expenses.

Q So 920 and 909 in the same proportion?

A Yes.

Q 921, excuse me.

A Yes.

Q How about general clerical assistance?

A That would be the same breakdown.

Q Association expenses?

A Same breakdown.

Q And grounds and maintenance, you said is all in 932?

A That's right.

Q And building maintenance? What is that at? 932?

A 932.

Q Audio-visual aides, literature supplies, those are both in 909?

A Audio-visual aides would be the same breakdown as the previous ones, 921 and 909.

Q And how about literature supplies?

A That would be 909.

Q Special services?

A Special services, the same breakdown as the - - 921 and 909.

Q What activities are special services? What kinds of things are those?

A It would be the salaries of employees who are not normally assigned to the information centers, but who would be working on a temporary basis.

Q And the service credits? What are those?

A That would be when regular employees of the information centers would be reversed where they would be working in other departments and they would get credit.

Q Do you have any information as to what they would be doing when they would be working in other departments?

A Educational activities.

Q Nuclear educational activities?

A Generally, yes.

Q Now, on attachment two, you listed these on your cover as information prepared by the company. In your - - you just responded to a question earlier that employees salaries for handling were not included in those amounts. Would that - - is it also true that any employee salaries in terms of cost of compiling this literature would not be included in that amount?

A That's correct.

Q I believe that you testified earlier that all of the lobbying activities of a company are below the line expenses, is that correct?

A. Our public affairs activity is accounted for below the line in account 426.

Q I understand from a letter that was the subject of cross examination earlier, that the company has stored in their computer various legislators, the legislators of employees and annuitants of the company, is that correct?

A. Yes, it is.

Q We had asked you to quantify for us the expenditure that the company would have to make if it did not have the benefit of the company's in-place computer and had to contract for those services with the outside. Do you have that information with you today?

MR. HALL: Objection, Your Honor. I don't see the relevance of that information for any purpose.

MS. BUSH: The relevance of it, Your Honor, is to the extent that it is those expenditures are not broken out by the company in terms of their computer costs or to the extent that the company is getting the benefit of having this computer that the ratepayers pay for to use for other below the line purposes.

I would like to insure that the ratepayers are being adequately compensated for the facilities they are

providing to the company's stockholders.

MR. HALL: The question, Your Honor, if you didn't operate the way you are operating, would your costs be different? I mean you know, we have the computer. What else can be said?

MS. BUSH: The parties have the right to try to clarify what we think the rates should contain. You may argue that they have a right to use the computer. I might argue differently.

MR. HALL: There's a certain time and cost involved in preparing this information. I think the parties rights are unlimited.

MR. SEGAL: Your Honor, if I may, previously when this question arose during the cross examination of Mr. Paquette, I made the request there that information be provided, that is the cost of the computer run and Your Honor specifically at page 1471 of the transcript directed the company to provide that information.

I have received, as I assume most of the other parties have, the company's response. They call it question 29 and they refer to transcript page 1470, and conspicuous by its absence is the cost of the computer operation for this particular item and I would review - - Your Honor has already directed the company to provide that information and I would ask that they be ordered to do that.

THE ADMINISTRATIVE LAW JUDGE: Well, we now have two different requests. Your request stating the cost of the computer run. Ms. Bush is requesting what the cost would be if you didn't have the computer.

MS. BUSH: Yes.

MR. SEGAL: That's correct. They are two different but related items.

THE WITNESS: While we don't have the specific cost for that item, our accounting system is designed that that particular computer run would be accounted for in our public affairs activities, and it would be charged below the line in 426 account. The computer time is allotted to whatever activity that it is performing, so that particular item would be accounted for in 426.

BY MS. BUSH:

Q So that you bill it to the stockholders in a sense that what the cost to operate it for any other purpose for Philadelphia Electric would be?

A That's right. In terms of the - -

Q In terms of the specific - - that portion of the employees' time that is spent on it and some formula as to other O & M expenses of running the computer for that specific time?

A That's right.

Q If Philadelphia Electric Company did not have

this computer set up in existence, would it not cost the company more to have these services available to it?

A. I couldn't answer that.

Q. So you don't know whether, if the company contracted for that service with an independent firm, it would cost more than what it cost, given the fact that the company has a computer in existence?

A. I am not familiar with the cost of contracting computer time. So I wouldn't be able to get a good answer for that.

MS. BUSH: Who would be able to give that information, Mr. Hall?

MR. HALL: Well, first off, Your Honor would have to rule on my objection to providing that information. We have just responded that this cost is below the line. I think that should terminate the inquiry. Ratepayers are not paying this cost. That should be sufficient and therefore, I think the request is irrelevant.

MS. BUSH: The ratepayers are not paying the cost for the actual time and labor, given the fact that the computer is in existence, but the ratepayers are paying for the overall existence of the computer. It is there for the company to make use of it to the extent they can, and I think we cannot doubt that there is a benefit to the ratepayers, I mean to the stockholders on the fact that the computer is

there and the company can use it at cost.

MR. HALL: But the cost is charged to the stockholders below the line of their operation. The cost of the computer and the whole operation is charged to the stockholders.

MS. BUSH: But the question is at what rate is it charged?

MR. HALL: At the rate which the company experiences in terms of the computer. At the same rate that the ratepayers pay with regard to activities of the computer which are above the line.

MS. BUSH: But not at the rate that the stockholders would pay did they not have the facilities of the ratepayers available for their use.

MR. HALL: The company has the computer and I don't think we should go off into fairy tales and for that reason, I object.

THE ADMINISTRATIVE LAW JUDGE: I will sustain the objection.

MS. BUSH: That's all the questions I have.

THE ADMINISTRATIVE LAW JUDGE: Thank you.

MR. SEGAL: Your Honor?

THE ADMINISTRATIVE LAW JUDGE: Yes, sir.

MR. SEGAL: Thank you.

BY MR. SEGAL:

Q Mr. Scott, I understand from your testimony that if one looks at attachment one that we have been describing - -

A Yes.

Q - - and attachment two, I believe that's all the questions referred to so far, that the salaries for employees' time involved with these various materials have not been included in the cost figures you have given, is that right?

A That's right.

Q Is that true, also, for the items mentioned on attachment three?

A No. The 10,000I mentioned on attachment three does not include the salaries.

Q Would you turn, please, to attachment four and that is a listing of films currently in use April, 1978 through November, 1979. Is that correct?

A That's correct.

Q I see here a total cost figure of 28,175, is that correct?

A That's correct.

Q Am I correct in saying that that figure represents the cost to the company of obtaining those prints of those films?

A That's correct.

Q So then it would also be correct, wouldn't it,

that that figure does not represent any employee, the costs of any employee time involved with obtaining or showing these particular films? Is that correct?

A. That's correct.

Q. Now, the cost figures that you have given for attachments one, two, three and four, am I correct that these are all above the line expenses?

A. That is correct.

Q. And would it also be correct that the cost of employee time, although not reflected here, would also be above the line expenses? Employee time involved in handling in one way or another, these various items?

A. That is correct.

Q. Can you supply us with the cost figures for employee time for each of these various categories of items in attachments one through four?

A. Most of the information that is listed in attachment one, two, three and four are handled by our speakers bureau which is a part of our corporate communications activity, and much of this material is utilized in their activities which take place, for the most part, after working hours and our speakers bureau is a purely volunteer activity on the part of our employees, those that conduct the meetings that are requested by the public and organizations.

So therefore, since it is a volunteer after hours

activity, there are no salaries involved. They are not paid for that activity.

Q Now, these materials that you are referring to, are they compiled or assembled for presentation at the company during working hours or after hours?

A Well, usually when a speaker has an activity, a topic and an assignment to speak to an organization such as Kiwanis or Ladies clubs or whatever, he will have this material available to him and he will gather it and take it with him so there's really no time or effort involved in gathering the material and taking forty copies or whatever with him for that activity.

Q But at some time, the material was compiled, gathered into packages or whatever form is then readily distributable, is that correct?

A Well, the cost of that material is the cost that I mentioned earlier.

Q No, I'm not talking about the costs of the materials. I'm talking about the employee costs of handling, compiling these materials into packets or however it is done.

A It would be a minimal cost. I mean how long does it take to pick up forty copies of a pamphlet to take with you? A matter of minutes.

Q Do you know if any particular employees are assigned to determine which materials to include in this

program and which not to include?

A. I think it is generally up to the speaker what material he would like to take along and what has been requested by the public in the past in the way of material.

Q. Might that depend on the particular audience to which that speaker was addressing him or herself?

A. I'm sure it would.

Q. And the particular topic, also?

A. Yes.

Q. So the employee would more or less have to edit the materials to determine what materials they were going to use for a particular occasion, isn't that true?

A. Well, if you mean by editing, making up his mind what he would like to take along, I'm sure he could do that while shaving in the morning. It is not much effort in deciding what to take along on a speaking engagement.

Q. But that might be done during working hours, might it not?

A. Just as well as it could be done in non-working hours.

Q. You don't know for any of these particular items or a particular program that is given whether that kind of function is done during working hours or not, do you?

A. What activities are you referring to, now? Gathering the material?

Q Yes.

A. It could be done during working hours and non-working hours.

(Transcript continues on next page)

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Q I refer you, please, to Attachment No. 6. Do you have that in front of you, sir?

A Yes, I have it.

Q Would you identify for the record what that is?

A It is a summary of consumer affairs programs, April 1978 through March 1979 and April 1979 through October 1979.

Also attached is a list of actual presentations for the months of May 1978 and May 1979 which represents one month of each test year. This two-month list has a listing of the day, topic, group and attendance at specific requested programs.

Q Mr. Scott, I believe it was your testimony -- correct me if I am wrong -- that most of these appearances were in evenings after working hours, is that correct?

A That is correct.

Q And it is correct, isn't it, that, however, some of them are during the day?

A Are you speaking of the speakers' bureau activities in general or these specific items listed?

Q Let's back up for a moment. These consumer affair programs, is this the same programs that we are referring to with the speakers' bureau?

A Yes.

3-2

Q Now some of these programs occur during the day, don't they?

A Yes, some of them do, although the majority are again in the evening.

Q And the salaries of employees who participate in these programs during the day, is that an above or below-the-line expense?

A That would be an above-the-line expenditure.

Q The employees who appear at these programs in the evening, I understand it is your testimony that it is voluntary, they do not receive their salary?

A That is right.

Q Do they receive expenses or any other benefits aside from salary for attending these programs?

A I believe some of them receive some incidental expenses. They are reimbursed for incidental expenditures.

Q Travel, et cetera?

A Travel, yes.

Q I would like to refer you to the company's response to Transcript Information Request entitled TR-3, Question 32. Do you have that in front of you, sir?

A I have that in front of me.

Q Are you familiar with the subject matter of the question and answer stated there?

A Yes, I am.

3-3

Q The question reads, does it not: What are the costs of the energy education program? Provide a copy of the format of these presentations. The answer reads, does it not: The cost of the energy education program reflected in the future test year amounts to $260,809. The formats of these educational presentations is described in the following two attachments, 32-A(four sheets) and 32-B (six sheets), is that correct?

A That is correct.

Q Is this two hundred and sixty thousand some dollars of an above or below-the-line expense?

A That is all above the line.

Q The energy education program which is referred to here, is that the same as the consumer affairs programs referred to in Attachment 6 that we previously spoke about or is that a separate item?

A This is a separate activity of our Corporate Communications Department.

Q Can you break out the $260,000?

MR. HALL: What do you mean, break out?

BY MR. SEGAL:

Q What does that figure represent? Materials, labor, what types of expenses?

A It represents salaries, employee expenses, other supplies and expenses, association expense, building

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occupancy expense, contracted services, other charges and credits.

Q How much of that figure is employees' salaries and expenses?

A I do not have the breakdown of the $260,000 with me at this time. We could check on that and supply that data for you.

Q Would you please?

A Yes.

Q Now would you turn, please, in the same document I believe that you have, to page captioned TR-2, Question 18. Do you have that in front of you, sir?

A I have TR-2, Question 18 in front of me.

Q Now I refer you to a little below half way down the page, two lines EEI annual dues for 1979 and AIF annual dues for 1979.

A The first one was EEI?

Q Yes. Would you identify for the record what EEI is, please?

A EEI stands for the Edison Electric Institute.

Q And AIF is what?

A AIF is Atomic Industrial Forum.

Q Now these dues payments that were made for 1979, what was it for Edison Electric Institute?

A $153,000.

Q And for Atomic Industrial Forum?

A $40,000.

Q Are these above or below-the-line expenses?

A The dues, both EEI and AIF, were above-the-line expenditures.

Q And if we were to look at the dues payment for 1978, or alternatively budgeted in 1980, would it be significantly different from what is stated here for 1979?

A To the best of my knowledge it would be a similar dollar figure.

Q Mr. Scott, are you familiar with a publication entitled Significant Facts?

A Significant Facts?

Q Yes, a publication of Philadelphia Electric Company.

A I suppose I have seen it. I just don't recall that publication at this time.

Q It is, however, a publication of Philadelphia Electric, is it not?

MR. HALL: You will have to identify it a little better than that before the witness can indicate whether it is or is not a publication of Philadelphia Electric.

THE WITNESS: Is it among these attachments that we provided?

3-6

BY MR. SEGAL:

Q I believe it is. Refer to Attachment 2, No. 9, which reads: "Significant Facts, Involve Yourself in Nationwide Nuclear Debate, Philadelphia Electric Company, June, 1979." That is a publication of the Philadelphia Electric Company, is it not?

A Do you have it there?

Q The actual document? No, I do not.

A You are referring to this publication, I believe, Significant Facts, June, 1979?

Q That is what the attachment states, No. 9.

A Involve Yourself in the Nationwide Nuclear Debate?

Q Yes.

A Yes, I believe that is the --

Q Now that is a publication of Philadelphia Electric Company, is it not?

A Yes.

Q Significant Facts, am I correct that that is the title of an ongoing publication which contains articles about various issues from time to time?

A Would you repeat your question, please?

Q I will restate it. The publication entitled Significant Facts is an ongoing publication of the company, is it not?

3-7

A That is correct.

Q How often is that published?

A I believe it has an irregular schedule of publication, several times a year. It is not a very frequent publication. It is not a weekly publication or necessarily a monthly publication. It comes out occasionally and contains a whole host of data, lots of subjects of interest to the public in the public affairs area.

Q Mr. Scott, are you familiar with a publication of Philadelphia Electric Company entitled Consumer News?

MR. HALL: Do you have a reference to that?

THE WITNESS: Yes, that is Item No. 21. It appears in Attachment 2.

I might add, before we leave Significant Facts, that the accounting for this particular publication is both above and below the line. This is a public affairs publication and 50 percent of the cost of this document would be above the line and 50 percent would be below the line.

BY MR. SEGAL:

Q When you say 50 percent above and 50 percent below of the cost, would that include employee time involved with that publication?

A Yes.

Q The cost of that publication, would that be included in the $23,000 figure that you gave us for the cost

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of all items on Attachment 2 exclusive of employees' salaries?

A Yes.

Q It would be included in that $23,000 figure?

A That particular publication is among those that we supplied on Attachment 2 and we said previously that the Attachment 2 publications total $23,000, so this would be part of that $23,000.

Q Now correct me if I am wrong, wasn't it your testimony that the $23,000 figure did not include employee's salaries involved in the handling of that?

A That is true, but one employee is involved in preparing this particular document.

Q Is that that employee's exclusive responsibility?

A No.

Q Mr. Scott, I would like to continue with the publication Significant Facts. Are you telling us that one employee writes, edits, types, prints and distributes that material, the publication entitled Significant Facts?

A Everything but types.

Q So another employee types it?

A And the typist is accounted for in the same manner.

Q Fifty percent above and 50 percent below the line?

A That is correct.

3-9

Q Are there any other items on Attachment No. 2 other than No. 20 which are partially above and partially below the line?

A That is the only document I see that would be accounted for in that manner in Attachment 2.

Q If you will pardon me for possibly repeating a question, the salary expense for Significant Facts that you referred to, is that included or excluded in the $23,000 figure?

A The employee that I was referring to who is responsible for this publication has many responsibilities and activities. This I would say would be a very small part of her activities and therefore her salary involved in preparing this document would be, I believe, insignificant. It is not part of that $23,000.

Q It is not?

A But it would be, as I mentioned, a very small number.

Q Now are you saying that if it were significant it would be accounted for 50 percent above the line, 50 percent below the line or that the amount, although insignificant, is accounted for 50 percent above and 50 percent below the line?

MR. HALL: Objection, Your Honor. I can't quite follow the weaving of that question. Could we have it rephrased?

3-10

MR. SEGAL: Certainly.

BY MR. SEGAL:

Q Now it is your testimony, is it not, that 50 percent of that employee's salary is accounted for above the line and 50 percent below the line?

A Correct.

Q Even though that is, as you testified, an insignificant figure?

A Her salary or this activity?

Q Her salary for this activity.

A I would approximate it as being a small insignificant number, yes.

Q Nevertheless, it is apportioned above and below the line?

A Correct.

MR. HALL: Objection, Your Honor, I think at this point this is becoming trivial. He has already testified this is an insignificant number. I fail to see the relevance to anything.

THE ADMINISTRATIVE LAW JUDGE: The witness has answered the question.

MR. SEGAL: If I may have your indulgence for a moment, Your Honor, I may only have a couple questions left.

THE ADMINISTRATIVE LAW JUDGE: We will take a five-minute break.

3-11

(Short recess.)

DONALD P. SCOTT, resumed.

MR. SEGAL: Your Honor, may I approach the witness?

THE ADMINISTRATIVE LAW JUDGE:

BY MR. SEGAL:

Q Mr. Scott, I would like to show you a document, sir. Would you examine that, please?

MR. SEGAL: I am sorry, I don't have extra copies.

MR. HALL: Could you identify the document and whether it is on Attachments 1, 2 and 3 of the company's material?

MR. SEGAL: That is what I was going to ask.

BY MR. SEGAL:

Q Mr. Scott, before you review that, would you identify the title of the document for the record, please?

A The pamphlet is entitled Atomic Energy, The Key to Your Future.

Q It also on the cover sheet states: A Program for Schools, and at the bottom Philadelphia Electric Company, an investor owned utility serving southeastern Pennsylvania and northeastern Maryland, is that correct?

A That is correct.

Q Would you like to take a moment to examine

that document?

MR. SEGAL: Off the record?

THE ADMINISTRATIVE LAW JUDGE: Off the record.

(Discussion off the record.)

BY MR. SEGAL:

Q Mr. Scott, that is a publication of Philadelphia Electric Company, is it not?

A Yes, it is.

Q Would you tell us whether or not it is listed on any of the Attachments 1 through 4, the list of material and publishers, et cetera?

A I don't see it on the list of Attachments 1, 2 or 3. Again, I see no date of publicationof this particular pamphlet so that might be the reason it is not in the listings that we presented to you before.

If you recall, what we gave you in the Attachments 1, 2 and 3 was the material in the recent 12-month period which ended in September, 1979. Now it may be that this particular pamphlet was produced prior to that time. I would hazard a guess that that may be the case.

Q It may be produced prior to that time, but isn't it true it is currently available in the lobby of the company's headquarters at 23rd and Market in Philadelphia?

A I don't know if it is or not.

3-13

Q Would you check, please?

A Whether or not this is available in the lobby?

Q Yes.

A At 23rd and Market, our main office?

Q Yes.

MR. HALL: We will check and supply an answer as to why it is not included in the list, which I think is really the purpose of the question.

MR. SEGAL: Well, it goes a little beyond that.

BY MR. SEGAL:

Q Mr. Scott, this refers to a program that is presented in the schools, does it not?

A Yes.

Q This particular program that is referred to, has that been previously identified in any of the other attachments which we have been referring to today?

A This pamphlet has not been specifically identified.

Q I am talking about the program that the pamphlet refers to.

A This particular program would be included in this Consumer Affairs Program and films pamphlet.

Q Am I correct that this program is presented in the schools during the working day and not at night?

A Yes, it would be during the school hours.

3-14

I might add that many of these programs of this nature are done at the midday, you know, the lunch hour.

Q Do you know how many? First of all, do you know for 1978 and 1979 how many of these programs were presented?

A I don't have that information with me.

Q And you don't know, do you, what percentage -- or whatever the total is -- were presented during the lunch hour?

A No, I don't, but again I would say that the dollars we are talking about for this particular pamphlet, which was probably produced in an earlier period, I would say are insignificant and the number of programs, expenses involved with those, again would be insignificant.

Q The expense of these programs, putting these on in the schools, is that an above or below-the-line expense?

A Above the line.

Q Do you know what the total cost for 1978 or 1979 is for those programs?

A I don't have the specific dollars involved in this particular program. Again, I believe those dollars would be insignificant.

Q Now I refer you back to the information request put on the transcript at TR-3, Question 32. Do you have that in front of you?

A Yes.

Q The Energy Education Program that is referred to there with the cost of approximately $260,000, is this particular school program included or excluded in the Energy Education Program referred to in this particular question and answer?

A If in fact this publication was produced during the future test year, then it would be part of that $260,000, but I don't believe this was -- well, I know it was not produced during the future test year, so the cost of this publication is not included in that figure.

Q Is the cost of the programs which that publication refers to included or excluded in the $260,000 figure at Question and Answer 32?

A When you say cost, could you be more specific? What kind of cost are you talking about?

Q I will strike my last question and we will back up again. The program that is referred to in that document, the program in the schools, is that included under the Energy Education Program which is referred to in Question and Answer 32 or is it a different program?

A Looking at the pictures included in the program I recognize the employee who is giving the program and he is an employee in the Energy Information and Education Division so his salary would be included in that $260,000.

3-16

Q Is this particular program referred to in the Attachment 32A and 32B which is appended to the document which we refer to as TR-3, Question and Answer 32?

A I would say yes it is part of that. It is mentioned indirectly in this publication.

Q Could you refer me to where in the publication you are referring to?

A I would say it would come under the elementary curriculum or secondary curriculum categories listed on page 3 of 4 of Attachment 32.

MR. SEGAL: Your Honor, at this point I have no further questions for this witness. I would, however, like to ask that at a convenient time the company make available copies of the documents referred to in Attachments 1, 2 and 3 which were referred to this morning so that we can mark those and at a later point offer them into the record, and I would note that rather than taking the time now, at a later point when there is a chance for the intervenors to put their case on we will mark and introduce the attachments themselves.

MS. DUFOUR: I would like to ask that when these attachments are sent to the parties, will you please send me one, being as I requested these in the first place? I am sorry, I didn't have a chance before today to review this material. I just have a few questions.

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BY MS. DUFOUR:

Q Mr. Scott, can you tell me the frequency with which Philadelphia Electric holds cocktail parties for stock brokerage firms?

A Cocktail parties for stock brokerage firms -- the frequency?

Q Yes.

A We have a very extensive investor relations program that we conduct which involves presentations before national security organizations in New York and various other cities. It includes a whole host of publications that we send out to the financial community. It includes visitations to analysts to keep the financial community abreast of the developments in Philadelphia Electric Company.

We make formal presentations before luncheon groups of financial analysts in various cities. Many of those functions are at the invitation of the analyst group. As part of that presentation they may or may not have a reception period.

For the most part, if there is a reception, cocktail hour you refer to, that is part of the invitation and it is at the expense of the financial community.

However, we do have company sponsored presentations before analyst groups where there may be a reception before or after the presentation and that would be,

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of course, at the company's expense.

The frequency, it is irregular intervals. I would say in a representative year there would be maybe three or four such occasions in any 12-month period.

Q When you say those charges are made to the company, are they above or below the line?

A To the best of my knowledge, subject to check, those expenses, which would be insignificant, would be above the line.

Q Mr. Scott, are you aware of Philadelphia Electric Company's ever attending daytime TV talk shows such as the Joel Spivak Show which deal with the energy issue, particularly nuclear energy issue?

A I believe there have been occasions where representatives of the company have been invited to appear with Joel Spivak. I recall one time our Financial Vice-President was involved and the format of the show covered many areas of concern to the public.

Q But are you aware of any PE employees ever attending merely to be in the audience?

A To be in the audience?

Q Yes.

A Not that I know of.

Q Could you tell me how notification of your public relations program is sent out to the groups that you

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speak at?

A This publication are you referring to?

Q Well, I see that you have a list of groups where you have spoken and I wonder if you have approached them, and if so, in what manner. Through a mailing, perhaps?

A I would say the majority of these programs are at the request of the groups.

Q You do not send out a letter say to the schools informing them that you do have a program available if they are interested?

A I believe something like this which lists all the programs available would be made available to key people in education or consumer groups.

Q Is a mailing cost for something like that included in the accounts you have listed here?

A Yes, this was listed as one of the items and it would be included in those costs I mentioned earlier.

Q I just have one last question. Would it be possible for you to provide me the exact sum of money you contributed to the Wall Street Journal ad appearing last spring on I Was The Only Victim of TMI?

MR. HALL: Your Honor, that would be insignificant, the amount of dollars, so I would object to the question.

MR. HERSHEY: Your Honor, the company has

continually characterized a number of these expenses as insignificant.

One of the purposes of cross-examination, of course, is to question their characterization of various expenses.

I would also note that there are approximately 42 hearing days for this case. If we added up all of the insignificant issues over those 42 days we might very well come to a very significant sum.

MR. HALL: I would note, Your Honor, we probably will in those 42 days in our discussion of this issue greatly outspend the money we are talking about. However, we are talking about in this particular request a Wall Street Journal advertisement, as I understand it, run by some group, it was not the company's advertising. The amount would be infinitesimal.

BY MS. DUFOUR:

Q You wouldn't know offhand how much a two-page ad in the Wall Street Journal costs?

A No, I wouldn't. Do you know who sponsored the ad?

Q Dresser Industries did.

A We had nothing to do with that ad, then.

Q Then why is it merely listed as something that is available to the public which deals with nuclear

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energy in your attachments?

A That ad?

Q Yes.

A I guess we reproduced it. We did not have anything to do with the original ad if it is in there by Dresser Industries.

MS. DUFOUR: No further questions.

THE ADMINISTRATIVE LAW JUDGE: Thank you. Let's adjourn for lunch. We will resume at 2:00 o'clock in the Administrative Law Judge Conference Room, Room G-8.

(The hearing recessed at 12:52 o'clock p.m.)

(Transcript continues on Page 1785.)

(The hearing resumed in Room G-8, North Office Building)

FRANCIS E. JEFFRIES, recalled as a witness, (telephonically) having been previously duly sworn, was examined and testified further as follows:

FURTHER CROSS EXAMINATION

BY MR. DASENT:

Q First of all, Mr. Jeffries, good afternoon.

A Good afternoon.

Q Can you hear me?

A I can hear you fine. Can you hear me?

Q Yes.

Isn't it correct that in your testimony, that for a living, you analyze individual utility companies for your investor clients?

A Yes, sir.

Q This would include Philadelphia Electric Company, wouldn't it?

A I do not analyze Philadelphia Electric Company specifically. Our firm does, but I do not.

Q Now, what types of investors do you advise, Mr. Jeffries?

A Well, the investors include a broad list. Insurance companies, trust departments, mutual funds,

pension and retirement funds and several investment advisors. So it covers a broad section of all investors.

Q Now, Mr. Jeffries, as far as your clients are concerned, isn't it correct that the higher the rate of return, the higher the earnings and the higher rates generally, the better Philadelphia Electric is as an investment to them?

A Not necessarily. It depends upon the price of the security, also.

Q In making the evaluation as to whether to invest in a given security, however, isn't it true that you would look to the rate of return and the earnings in the rates generally?

A Prospectively, yes.

Q Now, Mr. Jeffries, throughout your testimony and specifically on pages 4, 8, 10, 11 and 12, you indicated the economy has declined since 1967, isn't that right?

A The economy has declined?

Q That's right.

A No.

Q You have indicated that inflation is increased.

A Yes.

Q And you have indicated for the utility industry that their earnings, in several instances in the recent past, at least, have deteriorated, isn't that right?

A Their returns relative to alternative investments have deteriorated.

Q Now, in fact, you indicate that earnings per share, market to book ratios, dividend yields have declined across the utility industry, isn't that true?

A No. That's not true. Yields, for example, have increased for utility companies.

Q Now, between 1967 and today, as I recall, there have been several significant events that impacted upon the US economy and the utility industry, the most notable of which is the Arab Oil Embargo and escalating prices on fuel. Isn't that correct?

A Yes, sir.

Q So all of us, investors and consumers, have to pay higher fuel costs, is that right?

A Yes, sir.

Q If we look at the utility industry alone, all utilities seem to be harshly affected by the ravages of inflation, is that right?

A Electric utilities have been, yes, sir.

Q Your testimony concerns rate of return. I take it you are familiar with the Bluefield and Hope decisions, am I right?

A Yes, sir. I am familiar with those decisions.

Q And these decisions generally set out the

parameters of concern in regard to the just determination of fair rate of return, am I right?

A. Yes, sir.

Q. And Mr. Jeffries, those decisions do state that a fair rate of return should be calculated to provide a profit or return on investment in line with comparable companies of similar risk, am I right?

A. Yes, sir. But I do want to correct one of your previous statements. You said that my testimony had to do with the rate of return and that was not my assignment in this proceeding.

Q. Well, your assignment in this proceeding does impact, though, upon the $123 million increase that PECO has requested as indicated on the final page of your testimony, am I right?

A. Does it impact upon it?

Q. Yes.

A. I don't understand in what regard.

Q. Well, you recommend that the full increase be granted by the PUC, am I right?

A. What I concluded was that if the full amount were granted, it would improve their financial standing.

Q. I see. So you do support the filing of Philadelphia Electric Company, I take it?

A. Yes. To improve their financial credit standing,

yes.

Q And that necessarily includes rate of return, doesn't it, Mr. Jeffries?

A Well, rate of return is a result of that, yes.

Q Now, Mr. Jeffries, you point out throughout your testimony that inflation and interest rates are interrelated and that both can have an adverse effect on earnings, am I right?

A Yes, sir.

Q And I take it you would agree with me that we, at this point, are at the peak of an inflationary cycle, am I right?

A That we are at a peak?

Q Yes.

A I would not agree, necessarily, that we are at a peak.

Q This is the highest inflation has been in a while, isn't it?

A Yes. But you could have said the same thing back in 1974 and 1975 and now we have exceeded those inflation rates.

Q You would agree, though, Mr. Jeffries, that our economy is cyclical, isn't it?

A It is cyclical, yes.

Q In fact, if we refer to your exhibit FEJ-1 which

is appended to your testimony, we would see that interest rates were very low in the mid '60's, isn't that right?

A. By today's standards, they were low in the 1960's.

Q. And a significant rise is certainly to be noted in 1966 by annual rises of at least a percentage point or more during the period of 1968 to 1970, isn't that right?

A. Yes, sir.

Q. And overall interest actually declined in the following three years from the 1970 high, didn't it, Mr. Jeffries?

A. Yes, sir.

Q. And also interest rates were on the rise in the 1973 to 1975 period, there was a moderate decline after '75, isn't that right?

A. Yes, sir.

Q. And of course, these rates have been increasing ever since, isn't that right?

A. Yes, sir. And that is a very important point in that you point out the cyclical changes in the interest rates, but the important thing to note is the circular trend in those secular movements, the secular trend is continuously upward in that each new peak in interest rates is higher than the previous peak. Each new valley is higher than the previous valley.

So although they are cyclical, the secular trend continues upward.

Q Now, Mr. Jeffries, as the economy improves from its current sluggishness, I take it interest rates would decline, however. Wouldn't you be in agreement with me on that?

A. If it improves from its sluggishness?

Q Yes.

A. That the interest rates will decline?

Q Yes.

A. Quite the contrary. As the activity in the economy increases, it tends to put demands on credit and normally is followed with higher interest rates.

Q So I take it, then, you think the high interest rates that we are experiencing now will be continued ad infinitum, forever, am I right?

A No, sir.

Q Let's focus on the financial health of Philadelphia Electric Company. Isn't it correct, sir, and I might refer you to either the annual report of the company or preferably the financial analysts forecast information for 1979. Isn't it correct, sir, that approximately 50 percent of construction expenditures are financed through internally generated funds, 1979?

A. Just a moment. I will have to find the document.

You referred me to an analyst's forecast?

Q That's right. The financial analyst's forecast information put out April 30, 1979 with Mr. Paquette's name on the cover.

A I don't believe I have that document in front of me here. But I was to accept, subject to check, any numbers from it, if you would like to read them to me.

Q Fine. Subject to check, then, Mr. Jeffries, isn't it correct that for actual 1978, the percentage expenditures generated internally by Philadelphia Electric Company was 53 percent?

A For 1978, I will accept that subject to check.

Q And for 1979, the internally generated funds were 52 percent?

A '79 must be an estimate, because the year has not been concluded.

Q Budget '79?

A '79 is an estimate, then.

Q It is labeled budget '79 in the analyst's report.

A I will accept the budgeted number subject to check, yes.

Q And for 1980, it is stated to be 50 percent.

A 50 percent. I will accept that subject to check. I presume that those numbers include allowance for funds

used during construction and that without the allowance for funds used during construction, it is much lower.

Q Mr. Jeffries, tell me as a matter of practicality, doesn't it follow, necessarily, that higher depreciation rates or accelerated depreciation rates and higher costs for new plants, that will generate internally - - that will produce internally generated funds can continue to be generated at a high level, given Philadelphia Electric's construction plans for the future?

A. First of all, the higher depreciation rates would, everything else being equal, generate higher internal cash generation than would lower depreciation rates. However, the second part of your question implied that there was a large construction program and therefore, the internal cash generation as a proportion with construction expenditures would also increase and that would not necessarily be true because the denominator could be increasing faster than the numerator in the calculation of internal cash generation to construction expenditures.

Q Would you explain your explanation of denominator and numerator a little bit more? You lost me there.

A. Well, to get the percentage number, the internal cash generation would be the numerator and the construction expenditures would be the denominator. So although the

numerator, internal cash generation, in dollar amount could be increasing, if the denominator, the construction expenditures are increasing faster than the percentage calculation of internal cash generation to construction expenditures would be declining rather than increasing.

Q Now, given your knowledge of the fact that Philadelphia Electric is building now, one plant, Limerick, to be added to rate base, would it necessarily follow that the denominator will be increasing rapidly during the future years, up to the mid-'80's?

A That it will be increasing rapidly?

Q Yes.

A It is my understanding that the construction budget for the period 1979 through '83, that's the five year budget, is 2.8 billion dollars and that is larger than the budget for the previous five years which is around $2 billion. So the denominator, it will be large and will be larger than it was in the previous five years.

Q It is my understanding during the next few years though, Philadelphia Electric will maintain construction expenditures at the level of 400 to 600 million dollars a year. Does that number sound right to you?

A Yes. I said it is $2.3 billion over five years.

Q Do you have any idea of the reserve margin that currently exists and those that are projected for each year

for Philadelphia Electric Company between now and 1985?

A I believe I saw it in reviewing some of the testimony that was filed but the exact number escapes me at this time, although I thought it was somewhere in the 30 percent range.

Q Do you have any idea of Philadelphia Electric's projected KW growth rates for 1973 to 1978?

A For '73 to '78?

Q That's right.

A That's the past five years?

Q That's right.

A Yes. I think I have a table in my testimony that shows the kilowatt hour sales increased only 4.2 percent during those five years.

Q My question was directed to demand, KW growth. Do you have any idea what their system peaks look like?

A Oh, KW?

Q Yes.

A Just a moment and I will try to put my hands on that. You wanted the peak load growth?

Q That's right.

A Well, using '73 as the base year, it was lower in '78, slightly lower than it was in '73. It increased through 1977 and then it declined in 1978.

Q Do you have any idea of the excess capacity per

year for the years 1973 to '78?

A. If you are asking about the reserve margin, it was according to the annual report, again, 10.7 percent in 1973, 28.3 percent in 1974, 30.5 percent in 1975, 34.1 percent in 1976, 39.3 percent in 1977, 36.4 percent in 1978.

(Transcript continues on next page)

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Q Mr. Jeffries, have you done any formal comparability studies of industrial enterprises and utilities other than the analysis shown in your exhibits?

A No, sir.

Q Isn't it correct that industrials do not have fuel clauses or similar mechanisms which automatically pass through a large percentage of the companies' costs?

A They just change the prices when they deem it necessary. They don't need automatic clauses because they don't have to go to any authorities to get permission to increase the prices, so it is not necessary.

Q Isn't it true, though, Mr. Jeffries, that there is a certain price ceiling that you can go to in determining what the market will bear in terms of buying your goods in a competitive marketplace?

A Yes, sir.

Q Isn't it also true that industrials do not have state granted monopoly status?

A State granted monopoly status?

Q Yes.

A Yes, sir.

Q Isn't it also true that industrials cannot rely on the Hope and Bluefield decisions as a mandate under law that they should get a just and reasonable return?

A Yes, sir.

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Q Now on pages 15 and 16 of your testimony you indicate that there exists a 200 basis point difference between Baa and A-rated utilities and that Philadelphia Electric is in worse shape than other Baa utilities, isn't that right?

A No, sir. I said that in 1975 there existed a spread of 200 to 250 basis points between Baa and A-rated utility bonds.

Q What formal study have you done that would indicate this?

A All you have to do is look at the yields on single A versus Baa issues at that time period, and for example, on January 9, 1975, Orange and Rockland, which had a Baa rating, sold new bonds at a yield of 12.75 percent, and on January 14, 1975, Delmarva Power and Light sold single A-rated bonds at a 9.25 percent rate -- excuse me, at 10.25 percent that must have been -- so that the difference was 250 basis points.

Q Are these the only two utilities that you are looking at in making that particular comparison?

A No, that was just an example at that period of time.

Q What other utilities did you look at specifically?

A That is the only example that I have at this moment.

Q What other utilities did you examine, however,

5-3

in coming to your conclusions?

A I just looked at the market back in early 1975 and those were the results.

Q Can you cite to me any other utilities that you looked at?

A Let me correct that. It is 9.25 on Delmarva. I am looking now at the yield at that time. So that the difference actually was 350 basis points, not 250 basis points.

Another Baa that sold at that same time was Detroit Edison, sold $50 million of bonds at 12.75 percent. That was the same as the Orange and Rockland, for example. In fact, Philadelphia Electric sold some debentures that were rated Baa and the yield was 12.50 percent.

So the difference there was 325 basis points.

Western Massachusetts Electric sold Baa rated bonds and had to pay 12.80 percent, even a wider spread than the Delmarva 9 and a quarter.

Q It is obvious to me as you are perusing these additional materials now that you did not look at them when you came up with your 250 basis points conclusion, isn't that right?

A That is not true at all. Based on my experience back at that time I remembered that the spreads between Baa and single A were in the order of 200 to 250 basis

5-4

points.

Q And the parameters of your studies for any specific utilities would include Delmarva, Orange and Rockland Counties, and anyone else?

A It is not a study. All this is is a reflection of what actually existed in the marketplace at that time period.

Q Mr. Jeffries, if you will just give me one moment.

A Sure.

MR. DASENT: That is all I have, Your Honor.

THE ADMINISTRATIVE LAW JUDGE: Any redirect, Mr. Hall?

REDIRECT EXAMINATION

BY MR. HALL:

Q Mr. Jeffries, I just have one question. I note, Mr. Jeffries, in reviewing your testimony and the attached schedules that the data shown there is for calendar year 1978, is that not correct?

A Yes, sir.

Q That is the latest data shown?

A Yes, sir.

Q In addition, Mr. Jeffries, is it not correct that you prepared this testimony approximately in July of this

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year?

A Yes, sir.

Q Am I correct, then, Mr. Jeffries, that you could not have been considering, at the time you reached your conclusions in July, the current interest rate levels which we are experiencing today?

A No, sir.

MR. HALL: Thank you. That is all I have.

THE ADMINISTRATIVE LAW JUDGE: Does any other party have any questions of this witness?

MR. SAYRE: No, Your Honor.

THE ADMINISTRATIVE LAW JUDGE: Thank you. If not, thank you very much, Mr. Jeffries. You are excused.

THE WITNESS: You are entirely welcome. Thank you.

THE ADMINISTRATIVE LAW JUDGE: This hearing is concluded. We will reconvene in Hearing Room No. 2.

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(The hearing resumed immediately in Hearing Room No. 2.)

RAYMOND C. WILLIAMS, recalled as a witness on behalf of Respondent, having been previously sworn according to law, was examined and testified further as follows:

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MR. HALL: Your Honor, we have here for additional cross-examination in the area of rate design Mr. Raymond C. Williams, the company's Manager of its Rate Division.

THE ADMINISTRATIVE LAW JUDGE: Mr. Williams has been previously sworn. Who has questions of Mr. Williams?

MS. BUSH: I believe Mr. Dasent does.

CROSS-EXAMINATION

BY MR. DASENT:

Q Mr. Williams, let me refer you to RCW-1A, page 4. Would you look down at line 8. I want you to explain something to me. Deferred fuel expense always catches my eye. Why don't you explain to me what the treatment of that is in the various columns? I don't understand what the entry is even about. Why is it there?

A Well, the treatment of that deferred fuel expense as to the various rate classes which are spread horizontally across the sheet is distributed to those various classes on the basis of kilowatt hours in that year that the individual class experienced, since fuel expense is directly proportional to the kilowatt hour sales of the class.

Q I see, and the deferred fuel is the product of what?

A Deferred fuel is the difference between the revenue collected and the expense incurred for energy expense

within the test year.

Q I take it line 8 represents a provision for deferred income taxes so you are giving, I take it, a credit to various consumers based on the income tax deferral that is the product of deferred fuel, is that exactly what has happened?

A The deferred fuel expense carries with it an income tax credit which is recognized at the time of the deferred fuel expense recognition.

Q Now in computing the rate of return for the various classes, I take it this is factored in. Am I right or wrong?

A That is correct, that is the reason it is distributed among the various classes in proportion to their kilowatt hours.

Q Why don't you explain the next line, line 9, Peach Bottom No. 1 loss, what is that?

A That is the amortization of Peach Bottom No. 1 plant which has been decommissioned, is no longer operative.

Q Tell me where is the treatment of leased fuel for your nuclear facilities indicated in the cost of service study?

A You are speaking of the nuclear fuel, I assume, for the Peach Bottom plants?

Q That is right.

A And that is handled as an energy expense per kilowatt of output from those plants.

Q Is that handled through the fuel clause?

A Yes.

Q For purposes of your exercise, actually in the DPS exhibits where you are backing out fuel costs, the deferred fuel indicated on line 8 of page 4 of RCW-1, is that backed out as well?

A A5?

Q Yes, A5 of the DPS exhibit.

MR. HALL: Is your question, is that backed out of revenues?

MR. DASENT: Yes.

BY MR. DASENT:

Q I think the whole process was complicated enough without your doing that but I suspect you have done it. Am I right or wrong?

A I am not sure I am following you. I believe you are referring to the method in which we did our rate making --

Q That is right.

A -- in that we took the energy component out of the base rates.

Q That is right. Is this a part of the energy component?

A No, the deferred fuel has no relationship to

the energy component.

Q Perhaps this is the best time to handle the operation of the fuel clause as well. As I understand it, during the course of any year the fuel clause in terms of covering your expenses is sometimes in the red, sometimes in the black, isn't that right? I mean, as the year progresses eventually you are going in the red, it does not recover everything you want it to in terms of expenses, am I right?

A Theoretically, that is the way it should work, a balancing, sometimes plus, sometimes minus. Currently we are severely under-collected as far as energy expense.

Q And that is the reason that you came in to revise your fuel clause, isn't that right, to get it to a level where you would not be in the red?

A No, that is not right. You are speaking of our current proposal which has been recently filed before the Commission?

Q That is right.

A For a leveling at 17 mills of our fuel adjustment. The reason for that proposal is to try to stabilize the fuel adjustment charged to the customer because we see as we project fuel expense through the next six-month period a cycling up and then subsequently down in this energy charge to the customer.

To avoid that roller coaster type charging and

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to try to stabilize it, we are proposing a stabilization at 17 mills for the six-month period between December 1 through June of 1980.

But the stabilization will in fact cause more deferrals and cause the company to have to wait longer to collect the energy expenses.

Ultimately they will be reconciled as we go through 1980 but not until later in the year. If we left the thing alone and let it cycle high, the company would be made whole sooner than it will be under our proposal.

Q In adjusting the fuel clause are you then putting a ceiling at a higher level or a lower level than already existed?

A We are putting a ceiling at 17 mills, which is what we estimate will be just about the December charge level. That ceiling we are proposing to continue through June 1980 and our estimates show that the charge, if left uncontrolled, would go to an area of 22 mills.

(Testimony continues on Page 1806.)

Q I see. So youke insulating your customers against the escalating prices?

A That's correct.

Q And in doing that, I take it you are going to have some very real expenses that you are going to pay yourself. You are going to eat it for awhile, in other words?

A Well, we are going to have larger levels of deferred fuel expense and hence we have to carve and borrow money to carry that deferred fuel expense, which would be at a higher level than it would be if it were left uncontrolled.

Q I see. Now - -

A We believe this treatment is the reasonable and fair thing to do, seeing the fluctuation that we project ahead for this charge.

Q Now, on pages 6 and 7 of RCW-1 and also on page 8, there are certain accounts, 500, 518, 547 that are labeled fuel. Are these all handled through the fuel clause? Or base rates?

A Yes. The accounts that are handled through the fuel adjustment clause are enumerated on the fuel adjustment statement, itself, which is a part of our tariff. 518 is one of them. 501, 547, 518 and 521 and 555.

Q All right. But for account 555, you have capacity and energy. I take it you would allocate those differently?

A. For the energy clause, we include the amounts charged or credited to account 555 excluding demand charges. I am reading from the energy clause statement.

Q. Excluding?

A. Excluding.

Q. And the reason there are charges to these accounts for 555 for both capacity and energy, I take it is because of the kind of dispatch? When you are seeking the lowest price unit to operate?

A. This is the net result of the PJM operation which is the economy dispatch and the economy dispatch seeks out the most economical unit during any hourly period.

Q. Now, just so I have it clearly in my mind, we talked about this briefly the other day, about what costs are allocated on an energy basis. Could you give me some specific examples in your cost of service study in terms of allocations on energy basis? C-1 is the notation, I take it, in the allocation schedule.

A. C-1 is the annual kilowatt hours of net generation and C-2 is the annual kilowatt hours at meter. So that either of those two schedules would designate the number of KW usage on a kilowatt hour basis.

We go through the allocation wherever those C-1 or C-2 appear. In fact, the expenses have been allocated on an energy basis.

Q So all of those expenses would be correlated with sales in one way or another?

A Correct.

Q Could you tell me how the gross receipts tax works?

A Yes. It very quickly is a tax on total revenues payable by the company to the State in the amount of four and a half percent, right off the top.

Q So that's correlated with sales, too?

A That's correlated with revenues. Which are correlated with sales.

Q Now, in your cost of service study, I take it production related costs represent one of the largest percentages of costs which are allocated. Is that right?

A Yes.

Q If not the largest?

A I believe that's true.

Q How is the valuation of Philadelphia Electric's electric facilities reflected in the cost of service study?

A The original cost of the plant is recorded in each of the plant accounts, and used directly in the cost of service study.

Q I see. Then on page 4 of RCW-1, rate base, line 18?

A Yes.

Q I take it that is how valuation comes into play?

A That is the original cost of the total electric plant that's used in the cost allocation and allocated to various classes of service, that's correct.

Q And right below it, under depreciated utility plant line 21, I take it that also comes into play in your cost of service study in terms of the ultimate rate of return that's derived at the bottom of the page for the system. Am I right?

A Yes, sir. Just as in the rate making process, it is the net value of the plants that's used in this cost allocation study. And indeed, it is exactly the same value of plant that's shown in the company's rate filing.

Q Now, just so I have it clearly in my mind, Mr. Williams, concerning the choices that you had to make in devising rates in this case, I take it we start first with the cost of service study, you would have to determine how much you are going to rely on this particular document. In other words, a strict adherence to it or some other more flexible approach. Wouldn't that be your first choice?

A A cost of service study is always one of the considerations involved in considering how to spread the increase among the classes of customers, yes.

Q And so that is your first choice, deciding how much to rely strictly on this document?

A. That's one of the factors considered in making a spread of increase. Determining how to spread the increase among the various classes of customers.

Q Now, within the cost of service study, itself, you also have to make some choice, I take it, in deciding how costs are to be functionalized? I take it that's one of your more straightforward decisions, though?

A. Obviously, these decisions must be made as to how one has performed a cost allocation study and we have explained that the production plant is allocated to the various classes based on their demand during the four periods, during the four summer months. For production and transmission expenses and plant are allocated based on the demands of each of the classes that they impose on the system on average during the months of June, July, August and September.

Q And I take it, then, within the cost of service study, also, you have to make choices as to whether you are going to use the four summer months or one summer month or twelve monthly averages of all your peaks, or some other methodology, isn't that right?

A. One must consider the type of load of the company involved. In our case, it is a summer peaking load and the summer peak has historically always occurred in one of the four summer months. Therefore, we believe it is fair to recognize the average of the contribution of each class

to the four summer monthly peaks.

Q And perhaps I should have mentioned this before, but you also have to make a choice as to whether to use average cost or some other cost methodology. Marginal cost, for example?

A. No. I think that's fairly straightforward in that we are dealing with a rate making process which must be tied into book average cost and our cost allocation does exactly that.

Q I understand that. That is a choice you have to make, maybe even in the beginning.

A. There is no choice as to what is to be allowed in the rate making process and they are average book costs.

Q I realize that, but in deciding rates, you realize also, other states have used other allocation procedures or methodologies, marginal costs being one of them and you, I take it, made that threshhold decision as to whether to use one or the other. That's all I'm getting at.

A. But one must always come back to revenues that are consistent with average book costs, no matter how one starts with marginal incremental, long run incremental, one must always bring back the revenues that tie into average book costs. So that we go directly to that result.

Q All right. And also, when going through a cost of service study and figuring out how to allocate costs,

you use various allocation factors, whether you use a composite allocation factor or some other allocation factor, that's another choice you have to make, isn't it?

A. We allocate things as they impose costs on the system. We just reviewed several things that we allocate on the basis of kilowatt hours, because fuel is related to kilowatt hours of load supply. We allocate kilowatts based on the demand that that class imposes at certain times. So that as to use the appropriate allocator.

Q. Now, other choices you have to make, I take it, concern the test period. Are you going to use calendar year 1978 or are you going to use a future test year. That's another choice you have to make, isn't that correct?

A. We were directed by the filing requirements to use the most recent available calendar year which is 1978, which we did and then as supplementary information, we supplied a cost allocation tied into the test year ended March, 1980, so that using exactly the same allocation process, so that the results of both allocations could be used in the rate making process.

Q. I see. But that was a choice you made, isn't that correct, whether to use a March test year or going through 1980 or you could have started with February. That is a choice?

A. As I say, the regulations directed 1978 and the

filing year directed March, 1980. It was fairly straightforward.

Q But it was a choice? You did make that choice?

A Once the test year was determined, I don't see any choice. That's it.

Q The month you used in the test year, you could have used January to December, you could have used January to February of the next year?

A Are you speaking about the cost allocation or the filing, itself?

Q The filing, itself.

A Of course, we could use any period for the filing period which shows March, 1980 and we tied the cost allocation into that same period is my point.

Q Also, in putting together this study, you look at input load data or you look at load data from a sampling of your customers in various classes?

A That's correct.

Q So the vintage of that input data would also be a choice that you have to make. Are you going to do a study for RH, for example, or are you not, this year? Or are you going to use 1978 data for HT or PD or are you going to use some other less recent data that is available.

A As we have reviewed, we do our testing of PD and HT on an annual basis and that 1978 annual load test data is

the most recent available and that's what's been used. In other cases, we do a sampling of customers to obtain load data for the class and we do that on approximately a five year rotating basis and we have used the most recent study available in all cases.

Q I understand that. But let me make sure that you understand that the question is directed to a choice or a factor in your consideration in designing a cost of service study or putting together or compiling a cost of service study. You had those choices to make, what data to use, when to do a load study. Isn't that right?

A The choice as to which data to use in putting together this cost allocation was a straightforward one to use the most recent data available and the choice, in developing our load testing program, was to try to develop a program that was reasonable from an economic basis for the company to pay for and that decision was made to do it on a five year rotating basis for the residential and small commercial classes.

The regulations of Section 133 of PURPA have recognized the reasonableness of a rotating schedule such as this and they have directed a four year periodicity. So we will do that for a future test year.

Q Now, getting back to the number of factors you have to consider in putting together your cost of service

study, let me show you a list of methods for allocating embedded costs and there are thirty in all and I would like to know if you recognize those as being various variations, combinations of methodologies that you have used in computing average or embedded costs.

MR. HALL: Could you identify this document for us, please, Mr. Dasent?

MR. DASENT: It is a list of studies that has been compiled by John Wilson Associates as to various methodologies for computing average costs.

MR. HALL: And where did you take it from? I notice it has a docket number designation.

MR. DASENT: It is from the South Dakota proceeding in which I was involved. I didn't think that was particularly relevant. If Mr. Williams recognizes them, he does.

THE WITNESS: These are various methods for dealing with different allocation factors within a cost allocation. I don't think they could be categorized as a complete methodology, in themselves.

BY MR. DASENT:

Q Well, included in that list are, or if you would want to add some more to that list of 30 various approaches to computing average costs, why don't you put average and excess, non-coincident demand, coincident demand, four peak

method, average of the monthly peaks. Wouldn't those all be methodologies for computing average costs?

A. The things you have just described are methods of allocating demand charges within a cost allocation. Some of these deal with demand charges. Some of them deal with energy charges. They are all different approaches to allocating different things within cost allocations.

Q. But those are approaches to computing average costs?

A. Well, the "phantom customer" method certainly is not an embedded cost approach. That's a marginal type thing. They are not complete methods in themselves. I wouldn't categorize them as such.

Q. But an energy allocation, just so we are clear, is one approach to allocating fixed plant under average or embedded cost methodologies, isn't it?

A. Not a classically recognized reasonable method of allocating plant.

Q. But it is a choice?

A. I'm sure someone has made that choice somewhere, but I don't think it is a widely recognized method.

Q. We were talking earlier today concerning load studies and your supplying load factors and coincident factors and diversity factors for the residential class by strata. At that point in time, you indicated that you do not utilize

them in devising rates, is that correct?

A. We developed load shapes for each of the strata that we test. There are six of them in the residential class. There are approximately 40 customers in each strata, and we gave weight to those load shapes based on the bill frequency of the appropriate test year.

As far as developing a load factor, a coincidence factor for each strata and making use of that number in some manner, no, we do not use them.

Q. And the reason for that is you look at the whole class? You don't look for intra-class distinctions in terms of coincidence factors?

A. No. We give each strata the proper weight in developing the total class load. But it is not necessary to develop that strata's load factor or coincidence factor to do that weighting exercise.

Q. All right, Mr. Williams. Maybe we should look, then, at PECO Exhibit 1, Volume 4, at the various graphs you put together by strata for the residential class. I believe it is Roman numeral IV-C-17 and any of those pages will do. I'm just interested in looking at the average weekday load.

Let's look at page 7 of 12 in that series. The average weekday load. How do you build that up to get the class average?

A. This is customers with bi-monthly use of four

to 600 kilowatt hours for this particular load data to which you have referred me.

Q Yes. I'm really interested in the generic descriptions how you are going to build the average weekday load up to their class contribution to a system peak. Maybe even a summer day would be more appropriate. I don't know.

A We look at the bill frequency for the year involved for which we are building load and a give appropriate weight to the customers of this size in order to build the load of the year under test. We also have to make adjustments for the difference in degree days of cooling between the test year and the year under test, since we are using data for one year and transposing it for build up of loads in another year, we have to recognize any differences in degree days of cooling problems.

Q Let me make sure I understand that. I had referred you to the summer peak day, and non-coincident data that you are going to use to build up to get the class contribution to the system peak. Are you saying that after correcting for weather, you can add up the various stratas' demand and come up, then, with the class contribution to the system?

A By giving appropriate weight to each strata based on that year's use. The number of customers that fall into that category, in other words, in the year you are

building up. weighting factor for this particular strata's load shape and by adding all these together, you come up with the load of the residential class on the year in your test.

Q Now, let me focus on rate RH for a moment. How did you select the load study sample from the total universe for that particular rate? We discussed this generally, before. But I don't think we focused on exactly what your methodology was.

A Rate RH?

Q Yes.

A That was strictly a random sample drawn from the universe of RH customers on the system at the time the load test was performed.

Q I see. How many customers were in the total universe that you were looking at?

A My recollection is about 45. Now, understand, we were just testing their heating load. We were testing a homogenous heating load. Not their total load.

Q A resistance heat type of load?

A Any type of heating load.

Q Do you know what percentage of your RH customers had heat pumps when you designed your particular load study for RH class?

A I have testified before that we are currently

doing a test on RH customers load right now. The test data being currently used was from the 1970 test and I don't have the exact numbers, but I'm sure that the heat pump saturation is much higher now than it was in 1970. But I would point out that during the coldest day of the year, the load of a heat pump customer and that of a resistance heating customer are essentially the same.

Since the heat pump is not capable of carrying the load on the coldest day and must rely on resistance heat back-up. So that for that coldest day, the load shape will not change the study.

(Transcript continues on next page)

Q The mix of customers in terms of whether they had heat pumps, whether they had fossil fuel backup or resistance heat backup has changed substantially since the period of your study in 1970, isn't that correct?

A Yes, that is right, in fact, the fossil fuel backup was not available as an option in 1970.

Q What percentage of HT and PD customers had magnetic tape meters during 1978?

A Currently we have approximately 600 magnetic tape billing recorders and there are 2,000 HT cutomers. A few of those recorders are on PD but very few. So that is the saturation, apparently.

Q Do you have any idea of actual numbers? You gave me today's figures. I am interested in 1978 when you did your load study.

A Essentially the same.

Q If I am correct, then, it sounds like approximately a third of your HT customers or 600 out of about 1944 have magnetic tape meters and your PD customers do not have a great percentage of magnetic tape meters?

A Very low.

Q If we could look at RCW-1A, at the graph which you state is the bottom line in terms of your reliable load study we have been talking about so much --

A That is on page 61.

7-2

Q Isn't it correct that the dotted line represents the sampling of all your customers and a buildup of their non-coincident demands for the system?

A No, the dotted line is the actual recorded system demand as shown on page 61 and the solid line is the total of all of the class loads at that particular hour. The sum of all those classes shown at the bottom of the graph is totaled and shown as a total of class loads at the top of the graph.

So if our class load studies are accurate, that total buildup would exactly equal our actual recorded system demand at every hour and it does come very close.

Q As to the other solid lines, I take it those are the various demands that you measure for various periods of time whether 1978 or for further in the past; I take it those lines you cannot give me an actual recording for any of those lines so I could compute the variance of the actual experience from your test experience, am I right?

A The load of each individual class is not recorded on any meter anywhere. It necessarily must be a build-up from load study result and that is what those solid lines at the bottom represent, a buildup from our load study data of that class of load at each hour in 1978.

We have taken that from each hour, as I say, and added it to the total class load at the top. The only

thing that is metered is indeed what we send out to the total system and that is what is shown as the dotted line.

Q All right, fine, Mr. Williams. Now I want to talk a bit about coincidence factors. You indicated on Transcript Page 900 that coincidence factors were determined from 2100 commercial and industrial customers served by eight utilities for, I take it, rates PD and HT. Could you explain that a little more? I mean that is a correct statement, isn't it?

A Well, you are referring to the point where we were discussing the load factor-coincidence factor curve and those numbers, I believe, are cited from the last test that was made of that relationship between load factor and coincidence factor on a joint basis by these several utilities. That is correct.

It has been tested several times through the last 20 years and the relationship was found to remain essentially stable.

The numbers cited were the customers that were used as a sample for a test of the most recent reassurance that the relationship still was correct.

Q All right, now, I take it these various customers that were served by eight utilities were assembled by some formula. I mean, how did you pick these particular customers or how did the committee actually pick these

particular customers?

A Well, in the case of Philadelphia Electric they were picked by contributing data from all customers who were on magnetic tape meters and from whom data could be readily provided, and most other companies follow the same procedure.

Q What other utilities were involved in this committee research over some 20 years or more?

A I believe I did read into the record those that were involved in this most recent test.

Q You mentioned two. I was disturbed that you could not remember the other six. Pacific Gas and Electric Company comes to mind. Any others?

A Rochester Gas and Electric, Carolina Power and Light, Public Service of New Jersey, Consumers Power of Michigan and Pennsylvania Power and Light.

Q Is the committee's work the basis of the Bary curves?

A The Bary curve was named for Constantine Bary, a former Rate Manager of Philadelphia Electric Company, who was active for years in the AEIC Load Research Committee, and this committee has conducted tests similar to that I just described throughout the years to validate this coincidence factor-load factor relationship. That is the relationship between the two.

-5

Q Is the committee then working on research that is directed toward establishing or correcting the Bary curve?

A No, this is one activity of the committee. The committee is devoted to the assembling and use of load test data from all customer load tests that we have been discussing by various companies and methodologies of conducting such tests and improving that methodology and developing it for the industry use in general, for the use of all its members.

It is still a very much alive and functioning committee, interested in load research in the utility industry, and in fact cooperating on a national level now with consultants that are associated with various contracts with the Department of Energy.

Q The data that we have been talking about concerning 2100 commercial and industrial companies, what was the vintage of the latest data you have gotten on that?

A 1974.

Q Was this data somehow input into your load analysis or the computation --

A No, this data was strictly for a validation of the load factor-coincidence factor, so-called Bary curve. That was its purpose.

Q I see, but isn't it always relevant if you

have non-coincident demand and you are trying to correlate the two, load factor and coincidence factor, doesn't that become relevant in your cost of service study?

A We make use of the Bary curve relationships in our cost allocation procedure, yes.

Q For those HT and PD customers on magnetic tape meters, what is the time interval in minutes within which maximum demands are recorded?

A Thirty minutes.

Q For your general service customers what is the maximum?

A Thirty minutes.

Q And your residential customers?

A Thirty minutes.

Q Your RH study in 1970?

A It is all 30 minutes.

Q Does Philadelphia Electric Company provide load diversity studies to Edison Electric Institute? There was some mention made --

A I am at a loss to understand your question.

Q Well, there is some mention made of load diversity studies submitted to Edison Electric Institute in the FERC rule making that just came out. Since you made reference to it before I thought I would make sure that you had or had not made a contribution to the Institute. You have

7-7

no knowledge of it, obviously.

A I am not understanding your question.

Q Why don't I withdraw it for a minute and maybe I can find the document and talk to you about it off the record.

Could you define value of service for us?

A Value of service is generally defined just as it says, the value of a utility service or any service to a customer, what that customer is willing to pay for a service. The marketplace value, if you will.

Q Now, Mr. Williams, we have talked before about your summer and winter differential and I was just wondering how long has that differential in your residential rates been in existence?

A Since 1969.

Q You have over a similar period also had ratchets or some other device to control your loads in other rates, am I right?

A We have recognized summer-winter differential in all rates since 1969, all major rate classifications.

Q Now I would like to talk to you a bit about an appliance profile that you advanced in your last case for your average use customer. It is my understanding that your average user of Philadelphia Electric System is about 500 KWH per month, am I right?

7-8

A That is approximately.

Q Now in the last hearing I advanced to you an appliance profile which you agreed sounded like a reasonable one for an average residential household. I included in that profile -- and let me show you the transcript page, 4828, of RID 438 -- I included in that profile a washing machine, electric iron, refrigerator, manual or frost-free, a motor load for a heating system, a television, lighting for a six-room house, a vacuum cleaner, a radio, miscellaneous appliances, two clocks, and a minimal electric cooking, by which I meant a toaster, perhaps a small oven or other miscellaneous cooking appliances.

Also in that hearing I advanced to you an estimate based on your PRMD-7, I believe, testimony indicating the appliance usages to be associated with those appliances and uses. Do you recall that?

A I don't specifically recollect that, no.

Q Do you recall the appliance profile that I just advanced in the record?

A It sounds very similar to the one which I have included in my testimony in this case, the additional direct testimony on page 11.

Q I see, but specifically showing you now, to refresh your recollection, my question to you in RID 438, and your answer, which is yes, do you recall your response and my

question for the appliance profile in the last proceeding as including the list of appliances that I just reiterated to you?

A You are referring here to my exhibit from FRMD-7?

Q Yes, which I can also provide to you. But, I mean it is right before you. Do you recall it now? Have I refreshed your recollection and wasn't your answer last time, yes?

A Yes, right.

Q Now moving right along, below the --

MR. HALL: First, the answer, yes, is merely to the fact that indeed there is an appliance profile. I take it, is that your question, did you answer yes, there is an appliance profile?

MR. DASENT: That is right.

MR. HALL: And I listed the numbers and you answered yes, that is an appliance profile.

MR. DASENT: Sure. And I also asked in the question, we find agreement as to what would be an average stock of appliances, an average appliance profile for a household.

MR. HALL: So your question is for a household are the appliances listed in that transcript page an average stock? Is that your question?

7-10

MR. DASENT: Yes.

MR. HALL: You have answered.

BY MR. DASENT:

Q Based on your testimony in the last case.

MR. HALL: Well the transcript speaks for itself.

MR. DASENT: It is not a part of the record. I just wanted to see if he first of all recalled his testimony in the last case. I wasn't trying to trick him.

THE WITNESS: As you say in this transcript, it is a repeat of what I provided in PRMD-7 and I provided the same listing on page 11 of my additional testimony here.

BY MR. DASENT:

Q I think there is a slight difference because we were dealing with average users and over here I think you are dealing with low users.

A No, I was dealing with the minimum needs in PRMD-7 and that is exactly what I set forth.

Now you put the word average somewhere -- an average stock of appliances -- and I replied to you at that time, are you referring to PRMD-7, and your answer was yes, I will provide you with an exhibit from PRMD-7, if you want to refer to it I will talk to you, and I agreed that was my PRMD-7 exhibit.

Q All right, fine.

7-11

A And I still agree and I put it in this record again.

Q Now referring to page 9-8 in your PRMD exhibit where you list a number of appliances and you indicate at the top of the page that electrical appliances vary considerably in size and are different in terms of saturation of various households, you make a list there of dishwashers, clothes dryers and assorted items not included in your testimony, RCW Statement 2A, I believe it is, isn't that correct?

A Yes, there are appliances listed here which are not in Statement 2A, such as a dishwasher which I don't consider as a minimum monthly energy need.

Q Fine, that is all I was trying to do is to indicate, there is a difference between your list, which I think is a minimal list, and an average list, which perhaps all your household customers would have more typically in their household.

A I have offered it here as a minimum monthly energy needs. I offered it as such in PRMD-7.

Q Well, PRMD-7 included much more, I think, than the minimum monthly energy needs and all I am trying to get at is that you have a minimal listing here, which is fine for what it is worth, I am not questioning that, I am not trying to discredit it in any way. I am trying to indicate your average household would have other items, which you have

7-12

indicated in, I believe, PRMD-7 and in RID 438 and today that there are average appliance stocks that are different from the minimal list you have over there.

A I agree.

Q Just to make sure I am clear on this, what was the source of your information for the sample size for each strata in the residential class?

A A sample size of at least 30 customers is required to get reliable data from any strata test and we normally start with a sample size of 40 to assure ourselves that after losing two or three, which is always inevitable, we have at least 30 to 35 remaining.

Q I see. In the last case I recall that Constantine Bary had something to do with that. Inasmuch as it is the same load study, am I still correct that the proper reference for choosing that magic number 40 is that Constantine Bary said so in the book?

A No, there is a curve which I believe we submitted as part of the last case which shows that generally a curve that becomes asymptotic as you get beyond 30 customers, you keep adding customers, it doesn't much change your result, so that economically the best level of strata test is 30 to 35 customers; beyond that you are incurring additional expense for testing and adding very, very little to the reliability of the results.

7-13

Q But the curve that you are making reference to was out of a publication authored by Constantine Bary?

A No, it was out of a publication of the Load Research Committee.

Q You mentioned in the last case there was a manual of procedures for load surveys printed by the Edison Illuminating Company, is that what you are making reference to?

A That is the same committee.

Q Did you refer at all to the NARUC Allocation Manual in devising or designing your load study used in 1975?

A I believe our methods are essentially consistent with the recommendations in the NARUC manual.

MR. DASENT: If I might have a moment, Your Honor.

THE ADMINISTRATIVE LAW JUDGE: Let's take a five-minute recess.

(Short recess.)

RAYMOND C. WILLIAMS, resumed.

BY MR. DASENT:

Q Mr. Williams, referring you again to RID 438 and your testimony concerning appliance usages in that proceeding, let me see if I can solicit your agreement, or at least refresh your recollection as to what you said those

7-14

appliance usage levels would be by month in the average residential household. Again, if you would like to look at your data in the PRMD-7 proceeding, you are certainly welcome.

Do you see there on page 4829 that I advanced to you appliance usages based on Edison Electric Institute figures indicating a washing machine would use approximately 10 kilowatt hours per month, an electric iron would use approximately 20 kilowatt hours per month, a refrigerator whether it be manual or frost-free would use a range of 110 to 150 kilowatt hours per month, a motor load for a heating season would be roughly 55 kilowatt hours per month, a television whether black and white or color would use a range of 40 to 80 kilowatt hours per month, miscellaneous appliances including a radio, a vacuum cleaner, a clock, et cetera, would use approximately 20 kilowatt hours per month, lighting for a six-room house would use approximately 60 kilowatt hours per month, and minimal electrical cooking appliances would use roughly 100 kilowatt hours per month? Do you see before you in your testimony before the Pennsylvania Public Utility Commission in RID 438 that you agreed with that statement?

A Yes.

(Transcript continues on Page 1834.)

Q Now, Mr. Williams, do you recall that in PRMD-7, we considered a host of rate structure considerations, including low usage rates, including marginal cost rates, including almost anything you could think of that impacted upon rate structure, isn't that correct?

A There were numerous issues regarding rate structure in PRMD-7. You have named some of them.

Q And in the section labeled item 10, rates for residential users of small quantities of electricity, I take it that is what you were referring to in your response to me previously that your appliance profile would relate to a minimal user as opposed to an average user. Is that the qualification you were advancing?

A This was submitted as part of our response, as I recollect, to Item 10, which was rates for residential users of small quantities.

Q Okay. But you would agree with me that on page 10-2 which I made reference to in the previous proceeding that you have an average use group and a very minimal use group of up to 200 kilowatt hours and a sort of intermediate group of 201 to 300 kilowatt hours per month, isn't that correct?

A We have two load groups. One from 100 to 200, one from 200 to 300 and an average use group from 450 to 600.

Q Now, I take it, then, from all I have heard today,

that you are still standing by your testimony at §38. Am I right?

A I see no problem with what testimony you have presented to me.

Q Okay. I'm almost through, Your Honor. Now, just so I'm clear on the purpose of load studies, Mr. Williams, I asked you a question in the last proceeding that you agreed to and it went something like this. I want to see if you still agree.

"Isn't it correct that the demand related costs not properly allocated to various classes of service or that cannot be properly allocated to various classes of service without actually measuring the demand of the various rate classes and their relationship as to the company's total system demand. That's the purpose of your load study, isn't it?

MR. HALL: Could you show him the transcript page which you just read, please?

MR. DASENT: Sure.

THE WITNESS: It is not clearly defined to me what that question means, but I - -

MR. HALL: Could I attempt to paraphrase the question? I think you're asking, are you not - -

MR. DASENT: Let me try it, since it is my own question.

BY MR. DASENT:

Q Isn't it correct, Mr. Williams, that if you are not going to individually meter every one of your customers to get the actual load, that's the purpose of your load study to measure the demand and thereby come up with what portion of plant each customer class has to pay for, isn't that right?

A The purpose of the study is to construct as closely as possible what we believe to be an accurate load curve for each class of customers and we do it by sampling.

Q And the purpose of that is to allocate plant, isn't that right?

A Yes. And expenses.

MR. DASENT: Your Honor, that's all I have.

THE ADMINISTRATIVE LAW JUDGE: Does any party have any other questions for Mr. Williams?

MR. HALL: No redirect, Your Honor.

MR. DASENT: Your Honor, before we conclude, let me clarify one thing that was brought to my attention by co-counsel.

BY MR. DASENT:

Q You indicated that you didn't utilize the load factors and coincidence factors by strata for residential users. Are these particular figures available by strata for the residential class?

A No, I don't develop them.

THE ADMINISTRATIVE LAW JUDGE: If there's nothing further for this witness, Mr. Williams, you are excused. If there's nothing further today --

MR. DASENT: There is.

THE ADMINISTRATIVE LAW JUDGE: Yes, sir.

MR. DASENT: One matter that I had forgotten that sort of impacts me, has to do with the scheduling of filing of testimony in the rate structure area and I want to get a clear sense of whether we are on schedule or not so that I might produce my particular testimony in a timely fashion, but not necessarily before everyone else. I worry about these things.

THE ADMINISTRATIVE LAW JUDGE: It is due the 14th, I think.

MS. BUSH: It is due tomorrow, Wednesday. We -- I had requested Mr. Hall, my witness was, because of the holiday and typing problem, having difficulty preparing his for Wednesday and I have requested from Mr. Hall an extension until Friday. As it turns out, I think I am going to get my testimony at the end of the day Thursday, which he agreed to, given the fact that he needed to prepare for cross examination, if I didn't mean that all the other parties would then be also filing late.

I spoke to all of the other parties and General

Services Administration and Mr. Johnson for the Commission Staff, a concern that everybody wouldn't be filing their rate structure testimony at the same time, so that they, we formulated a situation where Mr. Hall would get the testimony but everybody would actually file on Friday. If that was agreeable to all the other parties and then Mr. MacNicholas called me and he also wanted an extension and I understand that he talked that over with the company and the company didn't object to that.

Now, I don't know - -

MR. HALL: I would like to receive copies of the testimonies of the other parties on rate structure as soon as it is available. I think if the parties have some difficulties in transposing between themselves because one is filing later than the other, I think they can work that out to a common date where they all give their testimony between them.

The only reason I asked for the testimony as soon as possible is obviously, I am getting hit with a great number of documents and spacing them will help me to some degree.

MR. DASENT: If Your Honor please, with your permission, if we could file simultaneously amongst each other and Mr. Hall could get his copies so he could read it since he is one person and we are many, perhaps that would be an accommodation we could all live with. I have no problems

with it.

But I thought we should be out in the open about it since we would all be filing late without your permission to do so.

THE ADMINISTRATIVE LAW JUDGE: If everybody's happy, I'm happy.

If there's nothing further, we will adjourn until Thursday morning at 10:00 o'clock. Is that adequate?

MR.HALL: I told Mr. Willard 9:30.

THE ADMINISTRATIVE LAW JUDGE: Okay. 9:30.

(Whereupon at 4:07 p.m. the hearing was adjourned.)

* * * * *

I hereby certify that the evidence and proceedings are contained fully and accurately in the notes taken by me during the hearing of the within cause, and that this is a true and correct transcript of the same.

MOHRBACH & MARSHAL, INC.

BY James P O'Hara
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BY Eugene W. Holbert
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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 SEPTEMBER 30, 1979

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November 1, 1979

Philadelphia Electric Company - Electric Operations
OPERATING EXPENSES
(Thousand $)

		3 Months Ending 9/30/79		
		Budget	Actual	Over/(Under) Budget
I.	POWER PRODUCTION EXPENSES			
	STEAM POWER GENERATION			
	OPERATION			
500	Operation Supervision	$1,595	$1,607	12
501	Fuel	77,361	81,137	3,776
502	Steam Expenses	2,430	2,367	(63)
504	Steam Transferred - Credit	(4,717)	(5,461)	(744)
505	Electric Expenses	1,454	1,538	84
506	Miscellaneous Steam Power Expenses	1,874	2,070	196
507	Rents	7	7	-
	Total Operation	$80,004	$83,265	$3,261
	MAINTENANCE			
510	Maintenance Supervision and Engineering	718	867	149
511	Maintenance of Structures	848	657	(191)
512	Maintenance of Boiler Plant	5,102	5,180	78
513	Maintenance of Electric Plant	1,138	2,130	992
514	Maintenance of Miscellaneous Steam Plant	368	394	26
	Total Maintenance	$8,174	$9,228	$1,054
	Total Power Production Expenses-Steam Power	$88,178	$92,493	$4,315
	NUCLEAR POWER GENERATION			
	OPERATION			
517	Operation Supervision and Engineering	612	886	274
518	Fuel	6,839	5,471	(1,368)
519	Coolants and Water	138	170	32
520	Steam Expenses	1,804	2,819	1,015
523	Electric Expenses	204	155	(49)
524	Miscellaneous Nuclear Power Expenses	2,386	2,507	121
525	Rents	2	8	6
	Total Operation	$11,985	$12,016	$31
	MAINTENANCE			
528	Maintenance Supervision and Engineering	1,188	1,263	75
529	Maintenance of Structures	172	455	283
530	Maintenance of Reactor Plant Equipment	1,084	2,307	1,223
531	Maintenance of Electric Plant	619	1,403	784
532	Maintenance of Miscellaneous Nuclear Plant	646	658	12
	Total Maintenance	$3,709	$6,086	$2,377
	Total Power Production Expenses-Nuclear Power	$15,694	$18,102	$2,408

(a) Includes $4,730 associated with spent nuclear fuel disposal expense which was budgeted for the first 3 months of 1980.

Philadelphia Electric Company - Electric Operations
OPERATING EXPENSES
(Thousand $)

		3 Months Ending 9/30/79		
		Budget	Actual	Over/(Under) Budget
	HYDRAULIC POWER GENERATION			
OPERATION				
535	Operation Supervision and Engineering	74	67	(7)
536	Water and Power	-	90	90
537	Hydraulic Expenses	132	148	16
538	Electric Expenses	39	21	(18)
539	Miscellaneous Hydraulic Power Generation Expenses	60	38	(22)
	Total Operation	$305	$364	$59
MAINTENANCE				
541	Maintenance Supervision and Engineering	55	58	3
542	Maintenance of Structures	57	11	(46)
543	Maintenance of Reservoirs, Dams & Waterways	29	20	(9)
544	Maintenance of Electric Plant	233	580	347
545	Maintenance of Miscellaneous Hydraulic Plant	24	11	(13)
	Total Maintenance	$398	$680	$282
	Total Power Production Expenses-Hydraulic Power	$703	$1,044	$341
	OTHER POWER GENERATION			
OPERATION				
546	Operation Supervision and Engineering	211	202	(9)
547	Fuel	7,865	3,483	(4,382)
548	Generation Expenses	171	160	(11)
549	Miscellaneous Other Power Generation Expenses	212	205	(7)
550	Rents	665	665	-
	Total Operation	9,124	4,715	(4,409)
MAINTENANCE				
551	Maintenance Supervision and Engineering	65	64	(1)
552	Maintenance of Structures	40	28	(12)
553	Maintenance of Generating and Electric Plant	1,087	940	(147)
554	Maintenance of Miscellaneous Other Power	15	8	(7)
	Total Maintenance	1,207	1,040	(167)
	Total Power Production Expenses - Other Power	$10,331	5,755	(4,576)
	OTHER POWER SUPPLY EXPENSES			
555	Purchased Power			
	Purchased	2,501	2,282	(219)
	Interchange			
	Economy Power	30,878	97,230	66,352
	Capacity	-	-	-
556	System Control and Load Dispatching	705	592	(113)
557	Other Expenses	(7,509)	(61,805)	(54,296)
	Total Other Power Supply Expenses	26,575	38,299	11,724
	Total Power Production Expenses	$141,481	$155,693	$14,212

Philadelphia Electric Company - Electric Operations
OPERATING EXPENSES
(Thousand $)

		3 Months Ending 9/30/79		
		Budget	Actual	Over/(Under) Budget
	TRANSMISSION EXPENSES			
OPERATION				
560	Operation Supervision and Engineering	$352	$336	($16)
561	Load Dispatching	159	169	10
562	Station Expenses	345	336	(9)
563	Overhead Line Expenses	51	44	(7)
564	Underground Line Expenses	43	39	(4)
566	Miscellaneous Transmission Expenses	219	260	41
567	Rents	1,893	2,234	341
	Total Operation	$3,062	$3,418	$356
MAINTENANCE				
568	Maintenance Supervision and Engineering	160	168	8
569	Maintenance of Structures	93	133	40
570	Maintenance of Station Equipment	825	592	(233)
571	Maintenance of Overhead Lines	693	604	(89)
572	Maintenance of Underground Lines	129	136	7
573	Maintenance of Miscellaneous Transmission Plant	-	4	4
	Total Maintenance	$1,900	$1,637	($263)
	Total Transmission Expenses	$4,962	$5,055	$93
	DISTRIBUTION EXPENSES			
OPERATION				
580	Operation Supervision and Engineering	$1,126	$1,144	$18
581	Load Dispatching	236	251	15
582	Station Expenses	934	870	(64)
583	Overhead Line Expenses	818	944	126
584	Underground Line Expenses	265	291	26
585	Street Lighting and Signal System Expenses	144	96	(48)
586	Meter Expenses	621	627	6
587	Customer Installation Expenses	750	860	110
588	Miscellaneous Distribution Expenses	1,800	1,926	126
589	Rents	242	178	(64)
	Total Operation	$6,936	$7,187	$251
MAINTENANCE				
590	Maintenance Supervision and Engineering	807	886	79
591	Maintenance of Structures	134	134	-
592	Maintenance of Station Equipment	1,324	1,139	(185)
593	Maintenance of Overhead Lines	3,352	4,143	791
594	Maintenance of Underground Lines	1,231	1,282	51
595	Maintenance of Line Transformers	137	174	37
596	Maintenance of Street Lighting and Signal System	230	236	6
597	Maintenance of Meters	311	289	(22)
598	Maintenance of Miscellaneous Distribution Plant	175	133	(42)
	Total Maintenance	$7,701	$8,416	$715
	Total Distribution Expenses	$14,637	$15,603	$966

Philadelphia Electric Company - Electric Operations
OPERATING EXPENSES
(Thousand $)

		3 Months Ending 9/30/79		
		Budget	Actual	Over/(Under) Budget
	IV CUSTOMER ACCOUNTS EXPENSES			
OPERATION				
901	Supervision	329	321	(8)
902	Meter Reading Expenses	1,770	1,784	14
903	Customer Records and Collection	6,908	6,745	(163)
904	Uncollectible Accounts	2,408	2,627	219
905	Miscellaneous Customer Accounts Expenses	266	276	10
	Total Customer Accounts Expenses	$11,681	$11,753	$72
	V CUSTOMER SERVICE & INFORMATIONAL EXPENSES			
OPERATION				
907	Supervision	40	39	(1)
908	Customer Assistance Expenses	310	293	(17)
909	Informational & Instructional Advertising Expenses	302	235	(67)
910	Misc. Cust. Serv. & Information Expenses	46	48	2
	Total Cust. Serv. & Information Expenses	$698	$615	($83)
	VI SALES EXPENSES			
OPERATION				
911	Supervision	21	21	-
912	Demonstrating and Selling Expenses	58	59	1
913	Advertising Expenses	15	21	6
914	Miscellaneous Sales Expenses	29	-	(29)
	Total Sales Expenses	$123	$101	($22)
	VII ADMINISTRATIVE AND GENERAL EXPENSES			
OPERATION				
920	Administrative and General Salaries	3,398	3,503	105
921	Office Supplies and Expenses	1,721	1,946	225
923	Outside Services Employed	559	607	48
924	Property Insurance	826	987	161
925	Injuries and Damages	991	825	(166)
926	Employee Pensions and Benefits	7,281	6,581	(700)
928	Regulatory Commission Expenses	43	152	109
929	Duplicate Charges - Credit	(270)	(214)	56
930	General Advertising and Miscellaneous	1,131	1,197	66
	Total Operation	$15,680	$15,584	($96)
MAINTENANCE				
932	Maintenance of General Plant	98	122	24
	Total Administrative and General Expenses	$15,778	$15,706	($72)
	VIII TOTAL OPERATION AND MAINTENANCE EXP. (B-9)	$189,360	$204,526	$15,166
	IX DEPRECIATION AND AMORTIZATION			
942	Depreciation (B-9)	$26,691	$26,670	($21)
943	Amortization of Other Electric Plant	(160)	(159)	(1)
944	Amortization of Property Losses	-	-	-
	Total Depreciation and Amortization	$26,531	$26,511	($20)

(a) Includes $615 booked in first 3 months of 1980 to reflect cost of nuclear decommissioning.

Philadelphia Electric Company - Electric Operations
OPERATING EXPENSES
Twelve Months Ended March 31,
(Thousand $)

	3 Months Ending 9/30/79		
	Budget	Actual	Over/(Under) Budget
X TAXES			
TAXES OTHER THAN INCOME TAXES			
State and Local			
Capital Stock - Pennsylvania	3,644	3,644	-
Capital Stock - New Jersey	60	61	1
Gross Receipts	14,718	15,910	1,192
Real Estate - Local	239	239	-
Real Estate - State	1,721	1,923	202
Personal Property - New Jersey	30	31	1
Local Franchise	60	60	-
Public Utility Commission Expense	688	501	(187)
State Unemployment Compensation	19	171	152
Philadelphia Realty Occupancy	43	43	-
Miscellaneous State and Local	5	7	2
Total State and Local	$21,227	$22,590	$1,363
Federal			
Telephone and Telegraph	10	15	5
Federal Unemployment Compensation	8	75	67
Federal Old Age Benefits	1,745	1,706	(39)
Total Federal	$1,763	$1,796	$33
Total Taxes Other Than Income	$22,990	$24,386	$1,396
INCOME TAXES			
State - Pennsylvania	4,164	878	(3,286)
State - Maryland	9	-	(9)
State - New Jersey	110	(8)	(118)
Federal	7,380	(6,209)	(13,589)
Local - Philadelphia	-	-	-
Total Income Taxes	$11,663	($5,339)	($17,002)
Provisions for Deferred Income Taxes	$11,382	$38,182	$26,800
Income Taxes Deferred in Prior Years - Credit	(462)	(13,948)	(13,486)
*Investment Tax Credit Adjustments	8,768	8,795	27
TOTAL ALL TAXES	$54,341	$52,076	($2,265)
XI GAIN OR LOSS FROM DISPOSITION OF UTILITY PLANT	-	-	-
XII TOTAL OPERATING EXPENSES (B-9)	$270,232	$283,113	$12,881

* Investment tax credit of $45,806 less amortization of $4,791

Philadelphia Electric Company - Electric Operations
STATEMENT OF ELECTRIC OPERATING INCOME
(Thousand $)

		3 Months Ending 9/30/79		
		Budget	Actual	Over/(Under) Budget
	OPERATING REVENUE			
	Sales of Electricity:			
440	Residential	$125,088	$129,447	$4,359
442	Small Commercial & Industrial	50,660	52,003	1,343
	Large Commercial & Industrial	139,350	144,620	5,270
444	Public Street and Highway Lighting	3,884	5,221	1,337
445	Other Sales to Public Authorities	2,117	600	(1,517)
446	Sales to Railroads and Railways	6,889	6,530	(359)
447	Sales for Resale	4,471	5,583	1,112
448	Interdepartmental Sales	477	494	17
	Total Sales of Electricity	$332,936	$344,498	$11,562
	Other Operating Revenues:			
450	Forfeited Discounts	1,384	1,210	(174)
451	Miscellaneous Service Revenues	22	34	12
453	Sale of Water & Water Power	-	-	-
454	Rent from Electric Property	644	695	51
455	Interdepartmental Rents	241	242	1
456	Other Electric Revenues	911	954	43
	Total Other Operating Revenues	$3,202	$3,135	($67)
	Total Electric Operating Revenues	$336,138	$347,633	$11,495

Philadelphia Electric Company
ELECTRIC PLANT BUDGET AND ACTUAL ADDITIONS
APRIL TO SEPTEMBER 1979
(Thousand $)

	March 1979 Filing	6 Months Net Budget Additions	Total	March 1979 Filing	6 Months Actual Additions	Total	Over/(Under) Budget
Electric Plant in Service							
Intangible Plant	$163	-	$163	$163	-	$163	-
Steam Production Plant	$914,212	$13,439	$927,651	$914,212	$8,825	$923,037	$4,614
Nuclear Production*	741,922	16,218	758,140	741,922	12,645	754,567	3,573
Hydraulic Production	81,614	1,149	82,763	81,614	(80)	81,534	1,229
Other Production Plant	138,664	84	138,748	138,664	14	138,678	70
Total Production Plant	$1,876,412	$30,890	$1,907,302	$1,876,412	$21,404	$1,897,816	$9,486
Transmission Plant	$459,346	$152	$459,498	$459,346	($776)	$458,570	$928
Distribution Plant	$1,110,364	$25,416	$1,135,780	$1,110,364	$14,129	$1,124,493	$11,287
General Plant	$16,602	$215	$16,817	$16,602	$467	$17,069	($252)
Electric Plant in Service	$3,462,887	$56,673	$3,519,560	$3,462,887	$35,224	$3,498,111	$21,449
Common Plant in Service							
Intangible Plant	$677	-	$677	$677	-	$677	-
General Plant	116,358	1,400	117,758	116,358	(12)	116,346	1,412
Total Common Plant	$117,035	$1,400	$118,435	$117,035	($12)	$117,023	$1,412

* Excludes Salem II