

PHILADELPHIA ELECTRIC COMPANY

DOCKET NO. R-850152

Staff Development of Reduction of Customer Accounts,
Expense Based Upon Major Metropolitan Areas - Cost per Customer
for the Year Ended June 30, 1986
(\$000)

<u>Company Proposed Position</u>	<u>Recommended Position*</u>	<u>Recommended Adjustment</u>
\$64,266	\$46,633	\$17,633

<u>Company</u>	<u>1984 Costs</u>	<u>Inflation Factor 1.1478(a)</u>	<u>Average Number of Customers</u>	<u>Cost per Customer</u>
Baltimore Gas & Electric	23,426	26,888	884,905	30.39
Boston Edison	17,160	19,696	632,446	31.14
Detroit Edison	46,980	53,924	1,763,792	30.57
Commonwealth Edison	77,744	89,235	3,001,826	29.73
Consolidated Edison	125,396	143,930	2,783,593	51.71
Inflation Adjusted Average Cost per Customer				173.54
\$173.54 ÷ 5 = \$34.71				

Philadelphia Electric Company Statistics

<u>1986 Costs</u>	<u>Number of Customers</u>	<u>Cost per Customer</u>
\$64,266	1,343,513	\$47.83

<u>Number of PECO Customers</u>	<u>Average Cost per Customer</u>	<u>Recommended Position</u>
1,343,513	x \$34.71	\$46,633

- (a) Based upon average increase of 9.62% for 1983 to 1984 as set forth on Rebuttal Testimony of Thomas P. Hill, Jr., PECO Statement No. 18c, Schedule #4. Inflation rate adjusted to 14.78% to reflect 18-month period from Dec. 1984 to June 1986. $(1.0962)^{1.5} = 1.1478$

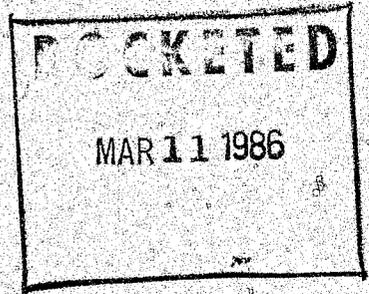
PENNSYLVANIA PUBLIC UTILITY COMMISSION

V.

Philadelphia Electric Company

R-850152

Exhibits to accompany the
Surrebuttal Testimony
of
Martin J. Mayer

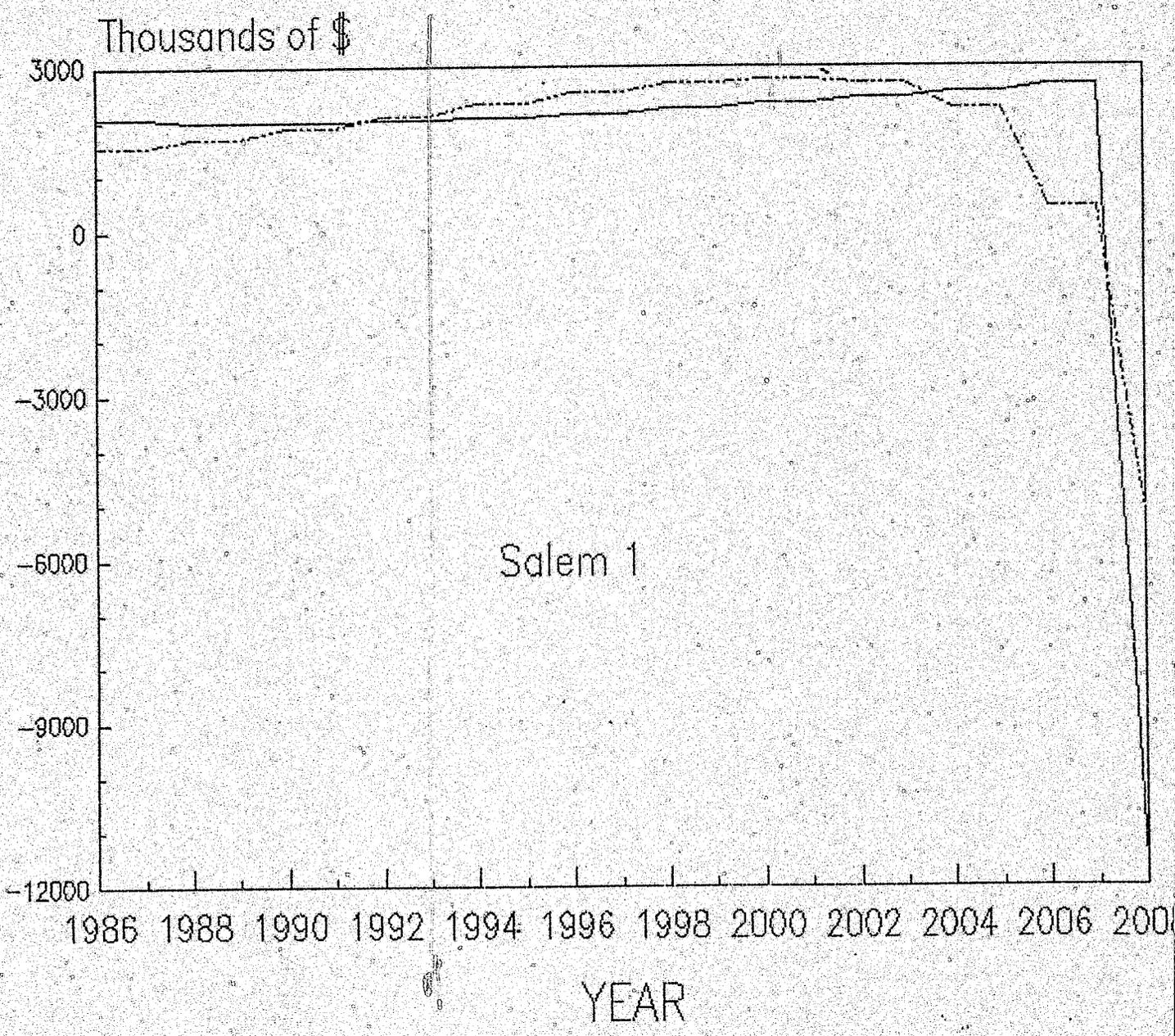


Concerning Decommissioning Expenses

Decommissioning: Annual Accrual

PECo

STAFF

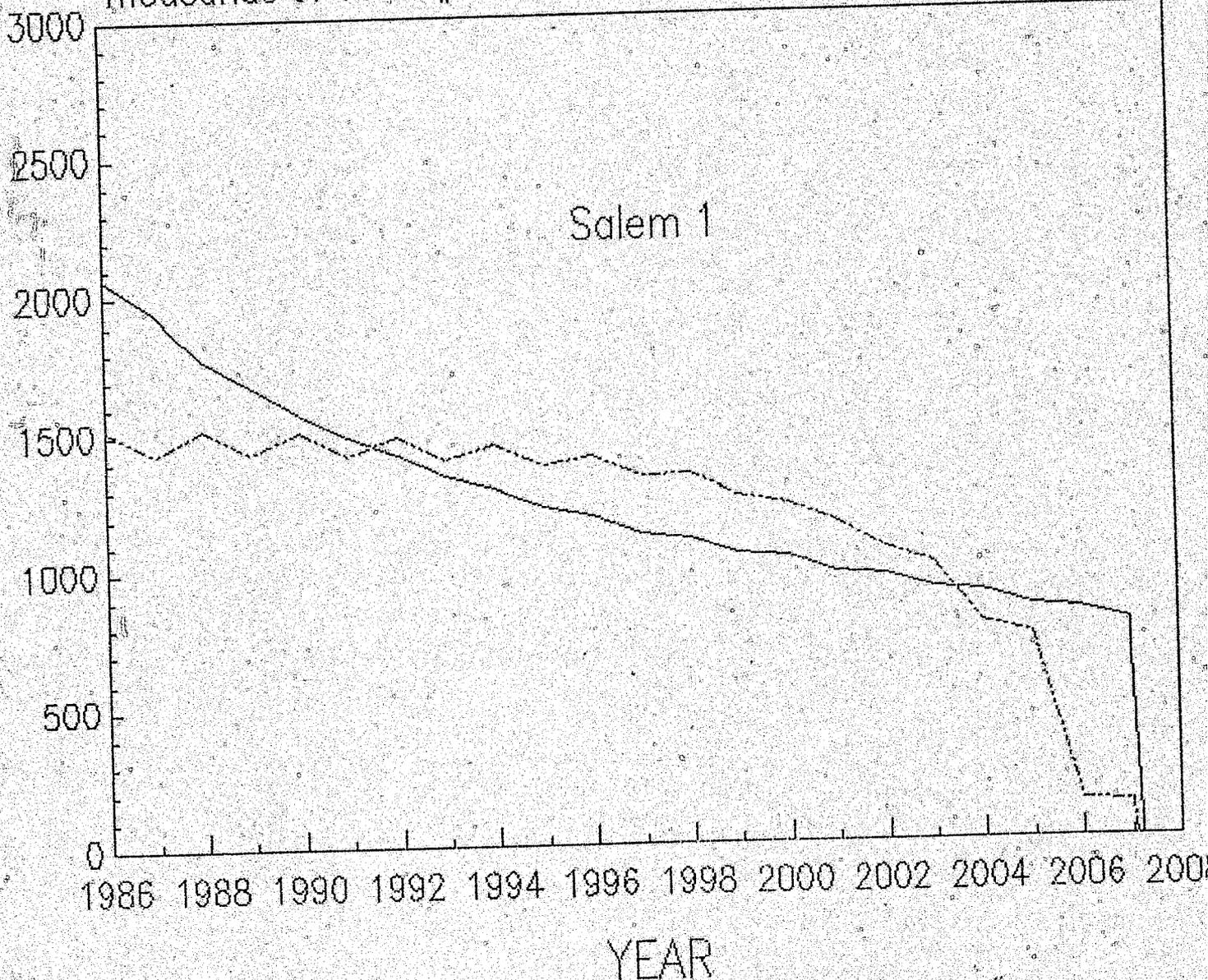


Decommissioning: Annual Accrual

PECo

STAFF

Thousands of 1986 \$



SCHEDULE 3

YEAR	ACCRUAL-CO	ESCROW-CO	RESERVE EQMT	COST	ACCRUAL-S	ESCROW-S	196-ACCRU-CO	196-ACCU-S
1986	2,062	4,944	8,408	38,342	1,518	4,944	2,062	1,518
1987	2,052	7,484	10,364	40,643	1,518	6,918	1,945	1,432
1988	1,998	10,227	12,524	43,081	1,702	9,051	1,778	1,514
1989	1,998	13,124	14,907	45,666	1,702	11,544	1,678	1,429
1990	1,984	16,251	17,530	48,406	1,898	14,237	1,572	1,504
1991	1,984	19,615	20,414	51,310	1,898	17,351	1,483	1,418
1992	2,009	23,248	23,581	54,389	2,105	20,713	1,416	1,434
1993	2,009	27,198	27,055	57,652	2,105	24,559	1,336	1,400
1994	2,562	31,463	30,861	61,111	2,314	28,712	1,294	1,452
1995	2,062	36,125	35,026	64,778	2,314	33,416	1,221	1,370
1996	2,136	41,159	39,580	68,665	2,514	38,496	1,193	1,404
1997	2,136	46,874	44,555	72,785	2,514	44,191	1,125	1,328
1998	2,226	52,630	49,983	77,152	2,681	50,340	1,106	1,332
1999	2,226	59,155	55,903	81,781	2,681	57,156	1,044	1,257
2000	2,326	66,203	62,353	86,638	2,771	64,517	1,029	1,226
2001	2,326	73,315	69,376	91,889	2,771	72,560	971	1,156
2002	2,432	82,251	77,017	97,402	2,692	81,247	957	1,060
2003	2,432	91,360	85,326	103,246	2,692	90,547	903	1,000
2004	2,540	101,198	94,354	109,441	2,212	100,591	890	773
2005	2,540	111,935	104,158	116,008	2,212	110,940	839	731
2006	2,645	123,531	114,739	122,968	426	122,116	825	133
2007	2,645	136,165	126,343	130,346	426	132,328	778	125
2008	-11,643	149,809	138,167	138,167	-5,191	143,358	-3,231	-1,440

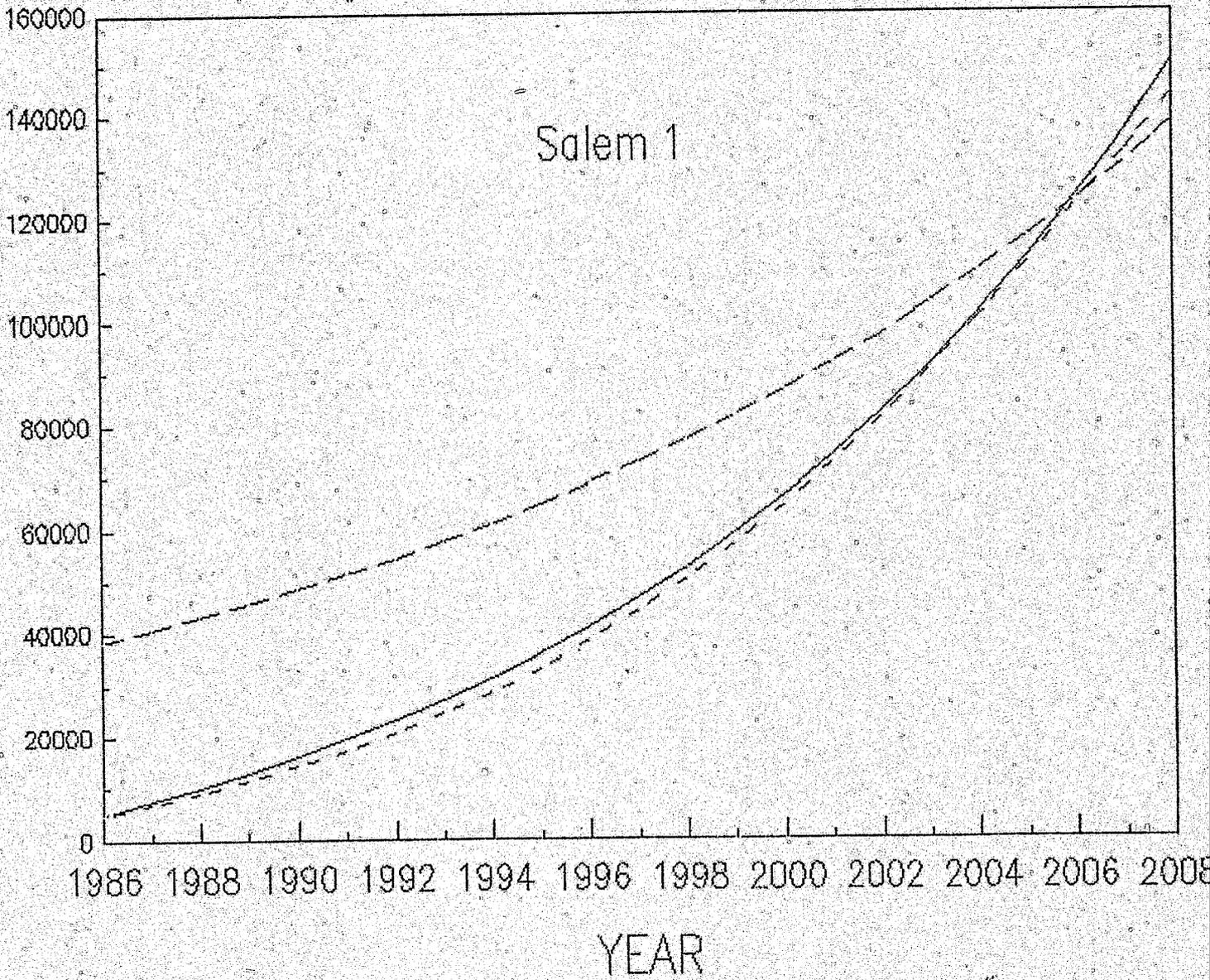
Inflated Decommissioning Cost & Total Escrow Balance

COST

PECo

STAFF

Thousands of \$



PENNSYLVANIA PUBLIC UTILITY COMMISSION

V.

Philadelphia Electric Company

R-850152

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MAR 7 1986

**Exhibits to accompany the
Surrebuttal Testimony**

**SECRETARY'S OFFICE
Public Utility Commission**

of

Martin J. Mayer

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MAR 11 1986

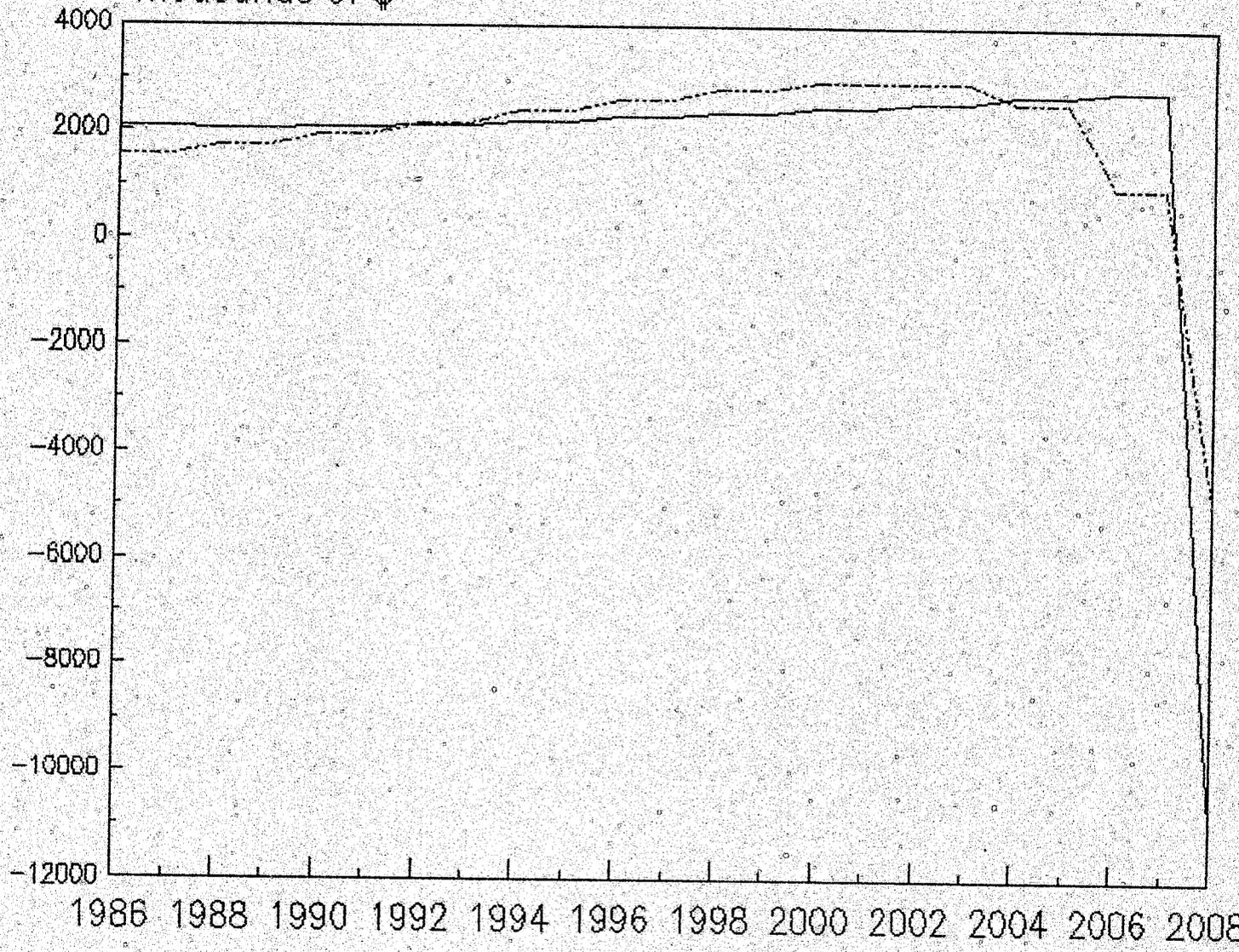
Concerning Decommissioning Expenses

Decommissioning: Annual Accru

PECo

STAFF

Thousands of \$



YEAR

Decommissioning: Annual Accrual

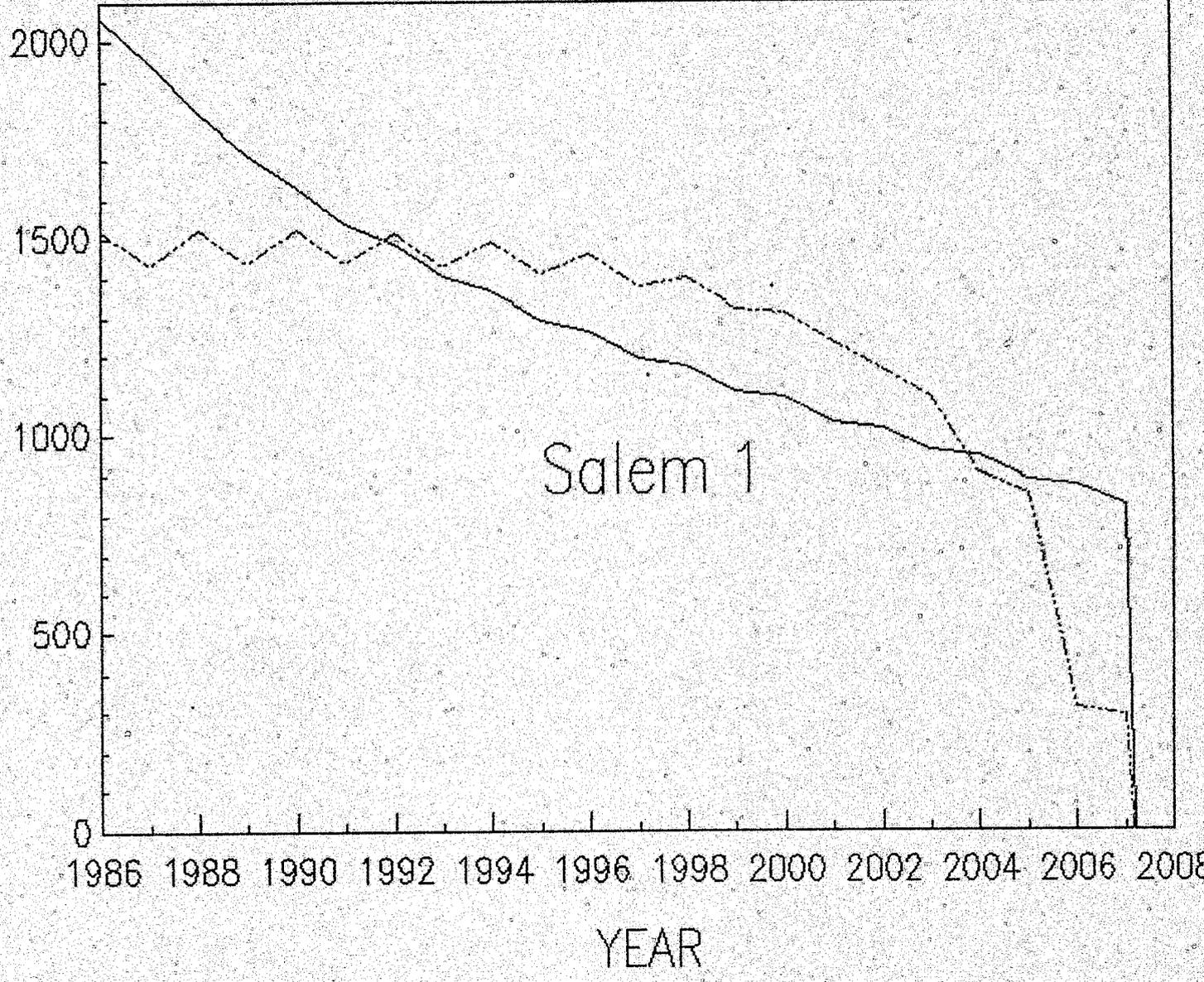
PECo

STAFF

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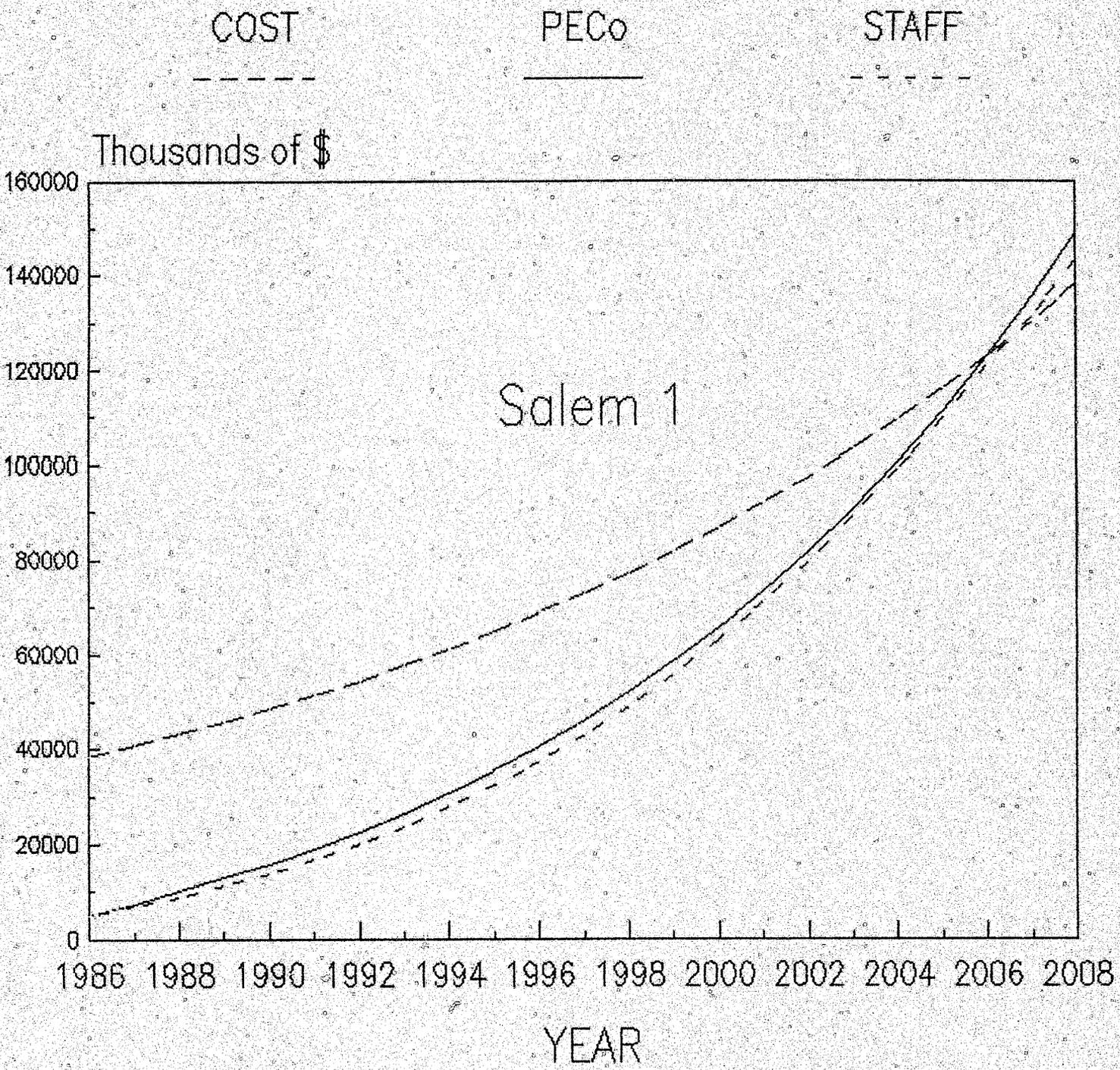
Thousands of 1986 \$



SCHEDULE 3
REVISED 3/5/86

YEAR	ACCUAL-CO	ESCROW-CO	RESERVE QMNT	COST	ACCUAL-S	ESCROW-S	886-ACCRU-CO	886-ACCU-S
1986	2,062	4,944	8,408	38,342	1,518	4,944	2,062	1,518
1987	2,062	7,379	10,364	48,643	1,518	6,814	1,945	1,432
1988	2,042	10,018	12,324	43,881	1,712	8,833	1,817	1,324
1989	2,042	12,829	14,907	45,666	1,712	11,216	1,714	1,438
1990	2,060	15,874	17,538	48,406	1,923	13,789	1,832	1,523
1991	2,069	19,181	20,414	51,310	1,923	16,788	1,539	1,437
1992	2,108	22,753	23,581	54,389	2,148	20,826	1,486	1,514
1993	2,108	26,661	27,855	57,652	2,148	23,757	1,482	1,428
1994	2,178	30,882	30,861	61,111	2,388	27,786	1,367	1,493
1995	2,178	35,513	35,826	64,778	2,388	32,388	1,289	1,488
1996	2,285	40,515	39,588	68,665	2,618	37,341	1,265	1,458
1997	2,285	46,088	44,555	72,783	2,618	42,939	1,193	1,375
1998	2,364	51,939	49,983	77,152	2,817	48,984	1,175	1,488
1999	2,364	58,449	55,903	81,781	2,817	55,727	1,188	1,321
2000	2,471	65,479	62,353	86,688	2,968	63,018	1,093	1,369
2001	2,471	73,182	69,376	91,889	2,968	71,824	1,031	1,235
2002	2,582	81,501	77,017	97,402	2,954	79,679	1,016	1,163
2003	2,582	90,682	85,326	103,246	2,954	88,821	959	1,097
2004	2,693	100,438	94,354	109,441	2,583	99,118	944	965
2005	2,693	111,161	104,158	116,888	2,583	109,828	898	854
2006	2,802	122,758	114,799	122,968	998	120,971	874	311
2007	2,802	135,379	126,343	130,346	998	131,582	824	294
2008	-10,832	149,818	138,167	138,167	-4,876	143,843	-3,811	-1,353

Inflated Decommissioning Cost & Total Escrow Balance



OCA Statement (A)
R-850152

507-86
3-6-86
1127
D-15013-2

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

PHILADELPHIA ELECTRIC COMPANY

RECEIVED

SUBMITTAL TESTIMONY

MAR 7 1986

OF

SECRETARY'S OFFICE
Public Utility Commission

MICHAEL A. BLEMMES

CONCERNING

RATE BASE, TAXES, REVENUES AND EXPENSES

ON BEHALF OF

PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

RECEIVED
MAR 11 1986

February, 1986

DA
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1 Q. Are you the same Michael A. Bleiweis who previously filed direct
2 testimony in this proceeding?

3 A. Yes, I have previously submitted direct testimony identified as OCA
4 Statement 4.

5

6 Q. What is the purpose of your surrebuttal testimony?

7 A. The purpose of my testimony is to 1) respond to certain issues
8 addressed in the company's rebuttal testimony, 2) clarify my position
9 on certain issues based upon Staff direct testimony and company
10 rebuttal testimony and, 3) based on the above, and upon Mr. Brennan's
11 revisions to the Company's capital structure and debt and preferred
12 stock cost rates, revise our accompanying schedules.

13

14 Q. On page 32 of his rebuttal testimony, Mr. Hill makes a new claim "to
15 incorporate the Homestake project in the Company's amortization of
16 uranium mining projects." Do you agree with this claim?

17 A. No, I do not. On page 38 of my direct testimony, regarding the
18 company's similar claims for the Sequoyah and Lee mines, I stated:

19

20 "It is the position of the OCA that this portion of nuclear fuel
21 in process never provided service to ratepayers and is not used
22 and useful property. Ratepayers should not bear the cost of
23 investing in projects of this nature."

24

25 The company's claim for the Homestake mine is no different than its
26 claims for the Sequoyah and Lee mines and should similarly be
27 disallowed.

28

1 Q. On page 37 of his rebuttal testimony, Mr. Hill states that the
2 company was allowed funds for the TMI cleanup in Docket R-842590, the
3 last base rate proceeding, and that your proposed Keystone Alliance
4 adjustment would negate the specific allowance in that case. Do you
5 agree with this premise?

6 A. Yes, I do and, therefore, on Revised Schedule 13 my adjustment is
7 revised so as not to exclude this allowance in R-842590. However,
8 the remainder of my adjustment to disallow in its entirety Keystone
9 Alliance-related costs for the current proceeding and to amortize
10 costs from two prior proceedings stands as originally proposed.
11

12 Q. On pages 39 and 40 of his rebutal testimony, Mr. Hill discusses your
13 plant-in-service adjustment. Do you agree with him?

14 A. Yes, I do. In my direct testimony, I relied upon information
15 provided by the Company which, apparently, was incorrect. By
16 correcting my original analysis, and examining updated information,
17 it appears that the Company's plant-in-service projection is
18 reasonable. Our final schedules will not show an adjustment to the
19 Company's claimed plant-in-service at June 30, 1986.
20

21 Q. On page 5 of his rebuttal testimony, Mr. Wright revises his position
22 regarding Salem Unit No. 2 decommissioning costs to exclude the
23 period of time during which Salem output was sold to JCP&L. Do you
24 agree with this revised position?

25 A. Yes, I do and this position is reflected on Revised Schedule 14.
26

1 Q. On page 11 of his rebuttal testimony, Mr. Wright states his agreement
2 with Staff to revise the company's cash working capital claim to use
3 365 days for purposes of calculating interest and preferred dividend
4 lag days and to carry all lead and lag day calculations to one
5 decimal place. Do you similarly agree with such revisions?

6 A. Yes, I do and such revisions will be reflected in revised cash
7 working capital schedules to be submitted by Mr. Knudsen.

8

9 Q. On pages 18-19 of Mr. Wright's rebuttal testimony, he states that the
10 Salem station fire protection projects should qualify for non-revenue
11 producing CWIP rate base status. Do you agree with this assertion?

12 A. Yes, I agree with Mr. Wright's assertion and on Revised Schedule 3 I
13 have included the two fire protection projects in the non-revenue
14 producing CWIP balance.

15

16 Q. On page 11 of his rebuttal testimony, Mr. Carroll suggests that one
17 method to calculate capacity factors "would be to utilize the
18 weighted average capacity factors projected by the Company for its
19 nuclear units for the next three years." This calculation would
20 yield a capacity factor of 61.7% instead of the 65% utilized by the
21 company and a 60% factor proposed in your direct testimony. Do you
22 agree with such a proposal?

23 A. For purposes of this proceeding, the company's proposal appears
24 reasonable and has been adopted on Revised Schedule 9. That schedule
25 also uses net generation, instead of gross generation, for the
26 reasons discussed by Mr. Carroll.

27

1 Q. Do you have any general comments regarding Mr. Sileo's rebuttal
2 testimony?

3 A. Yes. In my opinion, Mr. Sileo's rebuttal testimony reflects a basic
4 misunderstanding between adjustments made for accounting purposes and
5 adjustments made for ratemaking purposes. There is not necessarily a
6 direct relationship between the two types of adjustments. It must be
7 remembered that we are operating within a ratemaking context and it
8 is adjustments for ratemaking purposes that must prevail.

9
10 Q. Please address the rebuttal testimony of Mr. Sileo regarding your
11 proposed consolidated income tax adjustment.

12 A. Mr. Sileo first states "a matter of principle" on page 6 that:

13 "...it is inappropriate for PECO ratepayers to receive the
14 benefits of tax losses which were generated by expenses which
15 ratepayers did not incur or support."
16

17 This statement is clearly in opposition to the principle that taxes
18 for ratemaking purposes should be reflected on an "as paid" basis.
19 If the taxes actually paid by the company reflect the benefits
20 generated by the tax losses of its subsidiaries, then for ratemaking
21 purposes, ratepayers should share in these benefits.
22

23 Q. What comments do you have on Mr. Sileo's second argument regarding
24 Eastern Pennsylvania Exploration Company (EPEC)?

25 A. Mr. Sileo's argument that EPEC "has no impact on the Company's
26 electric operations" is incorrect. Though it is true there is no

1 direct effect on electric operations per se, by participating in the
2 filing of the consolidated tax return of PECO, EPEC does have a
3 direct effect on the amount of federal income taxes paid by the
4 consolidated entity. And, of course, PECO Electric Division also
5 participates in the same consolidated tax return.

6
7 Q. Please address Mr. Sileo's remaining arguments regarding the
8 calculation of your federal income tax adjustment?

9 A. Mr. Sileo appears to be arguing that since my total adjustment
10 applicable to PECO in this case is less than that accepted by the
11 Commission for the Gas Division alone in a prior case, that somehow
12 my adjustment is incorrect. Further, he appears to argue that it is
13 inconsistent to average taxable losses over two years but develop an
14 allocation factor utilizing just one year.

15
16 I addressed both of these issues during cross examination of my
17 direct testimony. At that time, I stated that a two-year time period
18 was utilized in this case rather than the five-year time period
19 utilized in the Gas case in order to be conservative. I noted that
20 the tax losses recently generated by EPEC have been less than in
21 prior years and that, in my opinion, use of a five-year period would
22 overstate the proper tax loss to be utilized for ratemaking purposes.

23
24 Further, I noted that actual 1983 tax data were distorted by large
25 tax losses incurred by PECO's utility operations (see Schedule 8) and
26 that it was, therefore, necessary to use only 1984 data as a

1 surrogate. I further stated that I checked the accuracy of this
2 allocation methodology by comparing it to allocations I had computed
3 previously for PECO and its subsidiaries and found my present
4 allocation to be reasonable.

5
6 Therefore, for all the above reasons, my consolidated tax adjustment
7 is proper and based on sound regulatory principles and should stand
8 as proposed.

9
10 Q. Why should the Commission adopt your position regarding the
11 calculation of the federal income tax lag to be utilized in the
12 determination of cash working capital?

13 A. The reasons for such a position can be found in Mr. Sileo's own
14 rebuttal testimony. The company has once again used the argument
15 that the tax lag should be based on a payment schedule of 25%, 25%,
16 25%, 15%, and 10% to avoid tax penalties. However, for tax year
17 1984, the company actually made only three tax payments of \$4 million
18 each. Once again we are faced with an accounting vs. ratemaking
19 argument and, in my opinion, the ratemaking argument should prevail.
20 The tax lag for regulatory purposes should be based on the statutory
21 requirement, not on some fictitious proposal made by the company.
22 Since, for whatever reason, the company has rarely, if ever, paid
23 federal income taxes according to its proposed payment schedule, the
24 statutory provisions mandating the timing of the payment of such
25 taxes should be used for ratemaking purposes.

26

- 1 Q. On pages 13-14 of his rebuttal testimony, Mr. Sileo suggests that ITC
2 amortization applicable to Limerick was incorrectly calculated.
3 Specifically, Mr. Sileo states that the total ITC amortization is
4 equal to \$4.997 million and not the \$1.387 million utilized on
5 Schedule TEK-7. Do you agree with this suggestion?
- 6 A. Yes, there apparently was some confusion regarding the correct
7 Limerick ITC amortization total. The Limerick ITC calculation will
8 be corrected and submitted with the rebuttal testimony of Mr. Knudsen.
9
- 10 Q. Please explain why your Schedules 12, 12a, and 12b have been revised.
- 11 A. Mr. Carroll reduced the company's outage expense claim and reflected
12 an additional \$947,000 inflation adjustment. My Schedules 12, 12a,
13 and 12b reflect his reductions in the company's claim. I do not
14 believe, however, that Mr. Carroll's reduction has cured the problems
15 that I discussed in my direct testimony. As a result, the "O.C.A."
16 column in each of these schedules is the same as in my original
17 testimony.
18
- 19 Q. Mr. Bleiweis, do you agree with the adjustment proposed by Staff
20 witness Heverling (Staff Statement No. JMH-1) regarding deferred
21 taxes related to capitalized pensions, taxes and employee benefits?
- 22 A. Yes, I do. I have incorporated this adjustment in my final
23 surrebuttal schedules in this case. See Schedule 15.
24
- 25 Q. Does that conclude your surrebuttal testimony?
- 26 A. Yes, it does.

PHILADELPHIA ELECTRIC CO.
COST OF CAPITAL
TEST YEAR AT JUNE 30, 1986
(\$000)

REV. SCHEDULE 1

	RATIO (1)	COST (2)	WTD. COST (3)
LONG-TERM DEBT	50.90%	10.86%	5.53%
PREFERRED STOCK	10.70%	10.50%	1.12%
COMMON EQUITY	38.40%	14.00%	5.38%
TOTAL	<u>100.00%</u>		<u>12.03%</u>

SCHEDULE 2 HAS BEEN WITHDRAWN

PHILADELPHIA ELECTRIC CO.
 NON-REVENUE PRODUCING C.W.I.P.
 TEST YEAR AT JUNE 30, 1986
 (\$000)

REV. SCHEDULE 3

	COMPANY (1)	ADJ (2)	O.C.A. (3)
<u>EDDYSTONE</u>			
INSTALL COAL PILE RUNOFF SYSTEM	\$1,652	\$0	\$1,652
<u>PEACH BOTTOM</u>			
UPGRADE ADS ISOLATION VALVES ON SAFETY GRADE NITROGEN SUPPLY	20	0	20
INCREASE SPENT FUEL STORAGE CAPACITY	1,442	(1,442)	0
<u>SALEM</u>			
FIRE PROTECTION IN WELDING SHOP	60	0	60
FIRE PROTECTION IN OIL STOR. ROOM	107	0	107
<u>CONEMAUGH</u>			
ASH & MINE REFUSE DISPOSAL SITE PREP	1,335	0	1,335
TOTAL NON-REVENUE PRODUCING C.W.I.P.	<u>\$4,616</u>	<u>(\$1,442)</u>	<u>\$3,174</u>

PHILADELPHIA ELECTRIC CO.
 MATERIALS & SUPPLIES
 TEST YEAR AT JUNE 30, 1986
 (\$000)

SCHEDULE 4

COAL						
PHILADELPHIA AREA	204,000	TONS @	\$45.90	=	\$9,364	
KEYSTONE	121,000	TONS @	\$32.00	=	3,872	
CONEMAUGH	119,000	TONS @	\$37.34	=	4,443	
					<hr/>	
					17,679	
TOTAL COAL						
OIL						
NO.6-1.0% SULPHUR	100,000	BBLs @	\$24.21	=	2,421	
-0.5% SULPHUR	350,000	BBLs @	\$25.15	=	8,803	
NO.2	226,000	BBLs @	\$30.66	=	6,929	
					<hr/>	
					18,153	
TOTAL OIL						
PLANT M&S					53,570	
ELECTRIC OPERATING					2,322	
TOOLS & RELATED					1,033	
STORES EXPENSE					<hr/>	
TOTAL ELECTRIC M&S					\$92,757	
					<hr/> <hr/>	

PHILADELPHIA ELECTRIC CO.
 ACCUMULATED DEFERRED STATE INCOME TAXES
 TEST YEAR AT JUNE 30, 1986
 (\$000)

SCHEDULE 5

	STATE	FEDERAL	TOTAL
	(1)	(2)	(3)
ACCUMULATED DEFERRED INCOME TAXES			
ACCELERATED AMORTIZATION PROPERTY	\$382	\$1,941	2,323
OTHER PROPERTY	48,818	477,348	526,166
ADJUSTMENTS:			
RESTATE FEDERAL RESERVE @46% EFFECTIVE RATE	(19,402)	19,402	0
REFLECT AMORTIZATION DUE TO RATE CHANGE (10.5% TO 9.5%)	(1,509)		(1,509)
BALANCE	28,289	\$498,691	\$526,980
ANNUAL AMORTIZATION @5 YEARS	5,658		
UNAMORTIZED BALANCE @6/30/86	\$22,631	\$498,691	\$521,322
ANNUAL AMORTIZATION @5 YEARS			\$5,658
F.I.T. @46%			\$2,603
ADJUSTMENT TO INCOME			\$3,055
SOURCE: STAFF TXD-5			

PHILADELPHIA ELECTRIC CO.
SALEM UNIT #2- TAX BENEFIT TRANSFER
TEST YEAR AT JUNE 30, 1986

SCHEDULE 7

1984 YEAR-END BALANCE	\$6,440,000
1985- AMORTIZATION	228,000
6/30/86 AMORTIZATION	114,000
BALANCE @6/30/86	<u>\$6,098,000</u>
TEST YEAR AMORTIZATION	\$228,000
INCOME TAX @49.768%	\$113,471
ADJUSTMENT TO INCOME	\$114,529

PHILADELPHIA ELECTRIC CO.
CONSOLIDATED TAX SAVINGS

SCHEDULE B

	1983	1984	2-YEAR	2-YEAR	1984	AVE TAX
	(1)	(2)	TOT TAX	AVE TAX	AVE TAX	AVE TAX
			INC(LOSS)	INC(LOSS)	INC-POS	INC-NEG
			(3)	(4)	COS ONLY	COS ONLY
					(5)	(7)
					ALOC	AVE TAX
					FACTOR	INC-NEG
					(6)	COS ONLY
						(7)
PHILA ELEC CO	(114,989,287)	110,508,970	(4,480,317)	(2,240,159)	110,508,970	89.19%
CONOWINGO PWR CO	(1,445,216)	4,125,041	2,679,825	1,339,913	4,125,041	3.33%
PHIL ELEC PWR CO	4,946,912	(553,344)	4,393,568	2,196,784		
SUSQUE ELEC CO	110,194	2,282,391	2,392,585	1,196,293	2,282,391	1.84%
SUSQUE PWR CO	5,870,759	5,815,580	11,686,339	5,843,170	5,815,580	4.69%
ADMIN EQUIP CO	471	(102,320)	(101,849)	(50,925)		
ADMIN REALTY CO	810,188	1,177,804	1,987,992	993,996	1,177,804	0.95%
EAST PA DEVT CO	(749)	(1,945)	(2,694)	(1,347)		(\$1,347)
EAST PA EXPL CO	(496,834)	(1,433,555)	(1,930,389)	(965,195)		(965,195)
TOTAL					123,909,786	100.00% (\$966,542)
FED INC TAX RATE						46%
TAX SAV SUBJ TO ALLOCATION						(6444,609)
TAX SAV APPL TO PECO @89.19%						(6396,547)
TAX SAV APPL TO PECO ELEC @86.188%						(6341,776)
ADJ TO INCOME						4341,776

PHILADELPHIA ELECTRIC COMPANY
 HYPOTHETICAL CONSOLIDATED INCOME TAX SAVINGS

SCHEDULE B_a

LINE NO.				CONSOLIDATED TOTAL INCOME	INCOME TAX
		A	B		
1	TAXABLE INCOME- SEPARATE RETURN	\$10,000,000	(\$1,000,000)		
2	INCOME TAX @46%- SEPARATE RETURN	\$4,600,000	\$0		\$4,600,000
3	TAXABLE INCOME - CONSOLIDATED	\$10,000,000	(\$1,000,000)	\$9,000,000	
4	INCOME TAX @46%- CONSOLIDATED				\$4,140,000
5	SAVINGS=(LINE 2- LINE 4) OR 46% x TAXABLE LOSS				\$460,000

LINE NO.					CONSOLIDATED TOTAL INCOME	INCOME TAX
		A	B	C		
1	TAXABLE INCOME- SEPARATE RETURN	\$10,000,000	(\$1,000,000)	\$2,000,000		
2	INCOME TAX @46%- SEPARATE RETURN	\$4,600,000	\$0	\$920,000		\$5,520,000
3	TAXABLE INCOME - CONSOLIDATED	\$10,000,000	(\$1,000,000)	\$2,000,000	\$11,000,000	
4	INCOME TAX @46%- CONSOLIDATED					\$5,060,000
5	SAVINGS=(LINE 2- LINE 4) OR 46% x TAXABLE LOSS					\$460,000

PHILADELPHIA ELECTRIC CO.
 AMORTIZATIONS
 TEST YEAR ENDED JUNE 30, 1986
 (\$000)

SCHEDULE 10

	COMPANY (1)	ADJUSTMENT (2)	O.C.A. (3)
LIMERICK #2 SHOW CAUSE	\$1,100	(\$1,100)	\$0
INCOME TAXES @49.768%		\$547	
ADJUSTMENT TO INCOME		<u>\$553</u>	
HEATON-BYBERRY 230 KV LINE	(89)	89	0
TOTAL ADJUSTMENT TO INCOME		<u><u>\$642</u></u>	

PHILADELPHIA ELECTRIC COMPANY
REVENUE
TEST YEAR ENDED JUNE 30, 1986
(\$000)

SCHEDULE

	COMPANY ADJUSTMENT (1)	(2)	O.C.A. (3)
CHANGE IN BASE REVENUE	\$38,771	\$11,004	\$49,775
LESS: GROSS RECEIPTS TAX @2.0%	775	221	996
CHANGE IN REVENUE	37,996	10,783	48,779
LESS: CHANGE IN DP'S EXP 6.2E+08 KWH@2.8178¢/KWH	13,805	3,601	17,406
ADJUSTMENT TO TAXABLE INCOME	\$24,191	\$7,182	\$31,373
INCOME TAXES @49.768%	\$12,039	\$3,575	\$15,614
ADJUSTMENT TO INCOME	\$12,152	\$3,607	\$15,759

	BUDGET (1)	W.A. (2)	W.A.-BUD (3)	% CHNG (4)	BUDGET (5)	W.A. (6)	W.A.-BUD (7)	% CHNG (8)	BUDGET (9)	W.A. (10)	W.A.-BUD (11)	% CHNG (12)
	RESIDENTIAL				HOUSE HEATING				SMALL COMM'L & IND'L			
JUL, 1985	704,400	700,200	(4,200)	-0.60%	82,400	86,700	4,300	5.22%	306,100	342,700	36,600	11.96%
AUG	734,300	712,200	(22,100)	-3.01%	80,300	88,900	8,600	10.71%	314,000	330,600	16,600	5.29%
SEP	658,900	642,900	(16,000)	-2.43%	69,600	87,300	17,700	25.43%	299,600	328,100	28,500	9.51%
OCT	536,200	527,000	(9,200)	-1.72%	78,000	78,300	300	0.38%	274,000	298,000	24,000	8.76%
NOV	496,100	484,800	(11,300)	-2.28%	112,600	97,200	(15,400)	-13.68%	245,800	281,100	35,300	14.36%
TO DATE	3,129,900	3,067,100	(62,800)	-2.01%	422,900	438,400	15,500	3.67%	1,439,500	1,580,500	141,000	9.80%
\$/KWH		\$0.1020				\$0.0793				\$0.0979		
REVENUE		(\$6,406)				\$1,229				\$13,804		

	LARGE COMM'L & IND'L				TOTAL			
	BUDGET	W.A.	W.A.-BUD	% CHNG	BUDGET	W.A.	W.A.-BUD	% CHNG
JUL, 1985	1,347,800	1,375,800	28,000	2.08%	2,440,700	2,505,400	64,700	2.65%
AUG	1,339,200	1,329,700	(9,500)	-0.71%	2,467,800	2,461,400	(6,400)	-0.26%
SEP	1,281,700	1,297,200	15,500	1.21%	2,309,800	2,355,500	45,700	1.98%
OCT	1,252,300	1,268,600	16,300	1.30%	2,140,500	2,171,900	31,400	1.47%
NOV	1,163,400	1,147,200	(16,200)	-1.39%	2,017,900	2,010,300	(7,600)	-0.38%
TO DATE	6,384,400	6,418,500	34,100	0.53%	11,376,700	11,504,500	127,800	1.12%
\$/KWH		\$0.0697						
REVENUE		\$2,377				\$11,004		

PHILADELPHIA ELECTRIC CO.
 NUCLEAR & FOSSIL PRODUCTION O&M
 TEST YEAR ENDED JUNE 30, 1986
 (\$000)

REV. SCHEDULE 12

	COMPANY (1)	ADJUSTMENT (2)	O.C.A. (3)
NUCLEAR PLANT O&M INCREASE OVER BUDGET	\$20,001	(\$268)	\$19,733
FOSSIL PLANT O&M INCREASE OVER BUDGET	3,713	(378)	3,335
REVISIONS TO MAINTENANCE SCHEDULE	(15,795)	0	(15,795)
SALEM MANAGEMENT EVALUATION PROGRAM	3,642	(3,642)	0
REDUCED LEVEL OF INFLATION	(947)	0	(947)
ADJUSTMENT TO EXPENSE	\$10,614	(\$4,288)	\$6,326
INCOME TAXES @49.768%	(\$5,282)	\$2,134	(\$3,148)
ADJUSTMENT TO INCOME	(\$5,332)	\$2,154	(\$3,178)

PHILADELPHIA ELECTRIC CO.
 NUCLEAR PLANT OUTAGE EXPENSE
 TEST YEAR ENDED JUNE 30, 1986
 (\$000)

REV. SCHEDULE 12a

STATION	OUTAGE EXPENSE 1984\$	1985 INFLATION FACTOR	INFLATION FACTOR TO 6/30/86	OUTAGE EXPENSE 6/30/86\$	PECO CLAIM D-10a
PEACH BOTTOM	\$11,726	1.035	1.0175	\$12,349	\$12,605
SALEM	10,368	1.035	1.0175	10,919	11,145
LIMERICK #1(1985\$)	12,900		1.0325(A)	13,319	13,401
TOTAL				36,587	37,151
BUDGET OUTAGE EXPENSE				16,854	16,854
CHANGE IN O&M EXPENSE				\$19,733	\$20,297

(A) Reflects one-half year each of 3% real growth and 3.5% inflation.
 $0.5 \times (1.03 + 1.035) = 1.0325$

PHILADELPHIA ELECTRIC CO.
 FOSSIL PLANT OUTAGE EXPENSE
 TEST YEAR ENDED JUNE 30, 1986
 (\$000)

REV. SCHEDULE 12b

	O.C.A.	PECO CLAIM D-10b
	-----	-----
CORRECTED VALUE (1984\$)	\$20,924	
1985 INFLATION	1,0350	
INFLATION TO 6/30/86	1,0175	

NORMALIZED EXPENSE-O.C.A.	22,035	\$22,413
BUDGET OUTAGE EXPENSE	18,700	18,700°
	-----	-----
CHANGE IN O&M EXPENSE	\$3,335	\$3,713
	=====	

PHILADELPHIA ELECTRIC CO.
 KEYSTONE ALLIANCE-RELATED COSTS
 TEST YEAR ENDED JUNE 30, 1986
 (\$000)

REV. SCHEDULE 13

	R-822291	R-842590	R-850152	TOTAL
	(1)	(2)	(3)	(4)
PARAGRAPH 1	\$960,650	\$767,600	\$631,412	
PARAGRAPH 2	5,800	6,300	6,600	
PARAGRAPH 3	7,200	9,900	11,000	
PARAGRAPH 4	14,634	16,008	16,418	
PARAGRAPH 5	17,800	20,400	28,400	
PARAGRAPH 6	0	0	755,830	
PARAGRAPH 7	5,000	53,000	5,600	
PARAGRAPH 8	0	0	42,000	
PARAGRAPH 9	0	0	0	
PARAGRAPH 10	0	0	0	
PARAGRAPH 11	0	0	0	
PARAGRAPH 12	0	0	0	
PARAGRAPH 13 (A)	785,050	764,730	1,147,412	
TOTAL	\$1,796,134	\$1,637,938	\$2,644,672	
# MOS RATES IN EFFECT	14	17		
AMT TO BE RECOVERED	\$2,095,490	\$2,320,412	\$2,644,672	
AMORTIZATION OVER 3 YEARS	698,497	773,471	2,644,672	\$4,116,640
INCOME TAXES @49.768%				\$2,048,769
ADJUSTMENT TO INCOME				\$2,067,871

(A) The entries for R-822291 and R-842590 reflect the company's total claim in each case less the Commission's adjustment to EEI dues of \$160,000 and \$245,000, respectively.

PHILADELPHIA ELECTRIC CO.
 DECOMMISSIONING COST
 TEST YEAR ENDED JUNE 30, 1986
 (\$000)

REV. SCHEDULE 14

	COMPANY (1)	ADJUSTMENT (2)	O.C.A. (3)
PEACH BOTTOM #1	\$691	(\$691)	\$0
PEACH BOTTOM #2	1,644	0	1,644
PEACH BOTTOM #3	1,644	0	1,644
SALEM #1 & #2	2,620	0	2,620
LIMERICK #1	3,253	0	3,253
<hr/>			
TOTAL ANNUAL EXPENSE	9,852	(691)	9,161
CORRECT PRIOR ACCRUALS	2,364	0	2,364
<hr/>			
TOTAL	12,216	(691)	11,525
<hr/>			
EXPENSE IN BUDGET	4,190	0	4,190
<hr/>			
ADJUSTMENT TO EXPENSE	\$8,026	(\$691)	\$7,335
<hr/>			
INCOME TAXES @49.768%	(\$3,994)	\$344	(\$3,650)
<hr/>			
ADJUSTMENT TO INCOME	(\$4,032)	\$347	(\$3,685)
<hr/>			
SOURCE: DR-STAFF-RED-6			

PHILADELPHIA ELECTRIC CO.
 CAPITALIZED PENSIONS, TAXES AND BENEFITS
 TEST YEAR ENDED JUNE 30, 1986
 (\$000)

SCHEDULE 15

	BALANCE 6/30/86
ACCUM CAPITALIZED PENSIONS AND TAXES	\$31,744
ACCUM CAPITALIZED FRINGE BENEFITS	10,982
	<hr/>
TOTAL @6/30/86	42,726
	<hr/>
LESS: ANNUAL CLAIMS	
CAPITALIZED PENSIONS AND TAXES	(6,012)
CAPITALIZED FRINGE BENEFITS	(3,566)
	<hr/>
REVISED TOTAL @6/30/86	\$33,148
	<hr/> <hr/>
ANNUAL AMORTIZATION OVER 5 YEARS	\$6,630
INCOME TAXES @49.768%	\$3,300
ADJUSTMENT TO INCOME	\$3,330
TEST YEAR CAP'D PENSIONS AND TAXES	\$6,012
TEST YEAR CAP'D FRINGE BENEFITS	3,566
	<hr/>
TOTAL TEST YEAR	\$9,578
INCOME TAXES @49.768%	\$4,767
ADJUSTMENT TO INCOME	\$4,767
ADJUSTMENT TO ACCUM DEF INC TAXES	
	<hr/>
ANNUAL AMORTIZATION OVER 5 YEARS	(\$6,630)
TEST YEAR CAP'D PENSIONS AND TAXES	(6,012)
TEST YEAR CAP'D FRINGE BENEFITS	(3,566)
	<hr/>
TOTAL	(\$16,208)
	<hr/> <hr/>

Q.IR-GSA-5-2. (a) Provide all increases in accounts 901 through 935, for the test year ended June 30, 1986, due to application of the 5.8% corporate inflation factor. Also, indicate the accuracy of the data which is provided.

(b) Explain how the data provided in response to IR-GSA-3-2 can be a reasonable basis for determining the increases in account 902, 903, 920 due to the use of the 5.8% corporate inflation factor, when you also state that the amounts of increases are not available.

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A.IR-GSA-5-2. (a)(b)

The corporate budget and forecast is prepared annually and provides data for the four year period subsequent to the year of preparation. All of the data utilized in the budget and forecast period is developed on a calendar year basis. The first two years of the budget are detailed on a monthly basis, the last two years are detailed on an annual basis only. As stated by Mr. Solecki in his Direct Testimony, the estimated annual corporate inflation factors are provided to each of the 162 responsible budget areas and are used only in those instances when projected departmental expenses are not known.

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Public Utility Commission

The test year data presented by the Company in this case, although taken from the corporate budget, is done on a fiscal year period. Since the budget is done on a calendar year basis, the actual amount of dollars included in the test year which represent the application of the corporate inflation factor is unknown. Also, the distribution of monthly expenses is based on an actual analysis of anticipated disbursements, therefore, one cannot simply assume a uniform distribution of charges. This is evident in PECO Exhibit #1, Response II-E-1 which provides the operating revenue and expense budget, on a monthly basis, which served as the basis for the Company's test year claims contained in Exhibit TPH-2.

With regard to the increases in accounts 902, 903 and 920, see the Rebuttal Testimony of T. P. Hill, Jr., Statement 18C. With regard to the remaining accounts, 901 through 935, the following table represents the base dollars of expense in each FERC Account for the calendar years ending December 31, 1985 and December 31, 1986, as budgeted, to which the corporate inflation factors were apparently applied. This determination was accomplished by reviewing each of the responsible budgeting areas and ascertaining which dollars increased on an annual basis by exactly the projected corporate inflation rate percentage.

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DOCUMENT
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<u>Account</u>	<u>1985</u>	<u>1986</u>
901	-	-
905	6,054	6,412
907	-	-
908	1,533,134	1,473,152
909	247,876	232,454
910	42,755	42,293
913	48,380	47,857
921	745,156	357,018
923	1,236,505	360,033
924	1,243	965
925	40,562	42,943
926	236,096	247,157
928	3,210,574	930,965
929	-	-
930	1,149,449	942,364
931	12,448	13,166
932	324	1,274
935	45,925	39,843
Total	8,556,481	4,737,896

Utilizing the corporate budget data from above and the projected corporate inflation factors for the calendar years 1985 and 1986, the level of expenses included in the Corporate Budget for these accounts resulting from the application of the corporate inflation factor is:

Calendar Year 1985 = 8,556,481 x .0525 = \$449,215
 Calendar Year 1986 = 4,737,896 x .064 = 303,225

However, as stated above, since budgeted expenses are not spread on a uniform monthly basis, one cannot simply assume that one half of the calendar year 1985 and 1986 expenses developed above are contained in the test year claim.

In addition, the D Section of Company Exhibit TPH-2 adjusts certain test year expense levels to reflect a more appropriate ratemaking claim. For example, page D-12 adjusts the test year budgeted rate case expenses (Account 928) to reflect a proper ratemaking claim.

Finally, the Company is required to provide the Commission and all parties of record a comparison of actual and budgeted test year expense levels on a quarterly basis. The comparison for the three months ended September 30, 1985 was previously provided as Exhibit TPH-3 and a comparison for the three months ended December 31, 1985 was previously provided as Exhibit TPH-4. A review of the 901 through 935 accounts comparison contained in these exhibits demonstrates that the actual expenses incurred during these periods has exceeded those contained in the test year data. Consequently, it seems inappropriate to further reduce these test year expense levels because of some misconceived overstatement.

Responsible Witness: T. P. Hill, Jr., Asst. Manager - Rate Division