ORIGINAL

PHILADELPHIA ELECTRIC COMPANY

2301 MARKET STREET

P.O. BOX 8699

PHILADELPHIA, PA. 19101

(215) 841-5762

THOMAS P. HILL, JR.
ASSISTANT MANAGER - RATE DIVISION

RECEIVED
NOV - 4 1985
SECRETARY'S OFFICE
Public Utility Commission

October 31, 1985

Mr. Jerry Rich, Secretary
Pennsylvania Public Utility Commission
North Office Building - P. O. Box 3265
Harrisburg, Pennsylvania 17120

SUBJECT: Special Permission dated July 11, 1985 at DOCKET NO. R-850152
Departure from Requirements of 52 Pa. Code Section 53.45(2),
requested in Company's Letter Petition dated June 21, 1985

Dear Mr. Rich:

In response to the Company's Letter Petition dated June 21, 1985, the Commission on July 11, 1985 granted Special Permission which allowed the Company to depart from requirements of 52 Pa. Code Section 53.45(2) pertaining to Customer notification of electric rate changes filed on September 27, 1985 in Supplement No. 15 to Electric Tariff No. 26. The Company was allowed to use bill inserts during the one-month billing cycle beginning with bills mailed on the filing date, instead of postcard and/or letter notices being mailed the day before the filing. The bill insert process has been completed and all customers have been notified. Enclosed are an original and seven copies of the affidavits executed by the Managers of the Company's Data Processing Division and of Customers Accounting as proof of sending notices to all customers concerning the rate increase filing.

Additionally, the Company placed newspaper notices in the form of a display advertisement describing the filed electric rate changes in major daily or non-daily newspapers in the counties supplied electric service by the Company. Enclosed are the original and seven copies of proof of publication for the newspapers in which the display advertisement was published. Because of the lengthy employee strike at the Philadelphia Inquirer and Daily News, the newspaper notices in both of these newspapers were published on October 24, 1985 after the strike was ended.

Would you please acknowledge receipt of the foregoing on the enclosed copy of this letter.

Sincerely,

DOCUMENT
FOLDER

WDG:jg
Enclosures
CC: Wilmer Patrick, Chief - Tariff Section
Marlane R. Chestnut, Esq. - Law Bureau

REFERENCE: SUPPLEMENT NO. 15 TO ELECTRIC TARIFF NO. 26
PHILADELPHIA ELECTRIC COMPANY

AFFIDAVIT OF MAILING OF NOTICES

COMMONWEALTH OF PENNSYLVANIA :
: ss
COUNTY OF PHILADELPHIA :

On this 31ST day of October, 1985, before me, the subscriber, a notary public in and for said County and Commonwealth, personally appeared RICHARD E. HANINGTON of 110 Deepdale Road, Strafford, PA. 19087 who, being duly sworn according to law, deposes and says as follows:

1) That he is Manager, Data Processing Division, of the Finance and Accounting Department of Philadelphia Electric Company with offices located at 2301 Market Street, Philadelphia, PA. 19101.

2) That he was responsible for notifying the Company's residential and small commercial customers who will get an electric rate increase because of changes being made by Supplement No. 15 to Electric Tariff No. 26, by including with bills a Bill Insert giving notice of the rate changes; that these Bill Inserts were included with bills starting on September 27, 1985 and continued each billing day until the one-month billing cycle was completed and all customers had been notified.

3) That a true and correct copy of the Bill Insert with notice of rate changes which was mailed to said electric service customers is attached hereto and made a part hereof.

4) That this affidavit is made for the purpose of compliance with the Commission's Authorization dated July 11, 1985 at R-850152 which granted the Company's request in Letter Petition dated June 21, 1985 to depart from the requirements of 52 Pa. Code Section 53.45(2) pertaining to the date of mailing written notices to customers by the use of Bill Inserts.

Richard E. Hanington
RICHARD E. HANINGTON

Attachment

Sworn to and subscribed before me
this 31ST day of October 1985.

(SEAL)

Patricia D. Scholl

PATRICIA D. SCHOLL
Notary Public, Philadelphia, Philadelphia Co.
My Commission Expires February 10, 1986

0620G-46

DOCUMENT FOLDER

DOCKETED
NOV 4 - 1985

REFERENCE: SUPPLEMENT NO. 15 TO ELECTRIC TARIFF NO. 26
PHILADELPHIA ELECTRIC COMPANY

AFFIDAVIT OF MAILING OF NOTICES

COMMONWEALTH OF PENNSYLVANIA :
: ss
COUNTY OF PHILADELPHIA :

On this 31ST day of October 1985, before me, the subscriber, a notary public in and for said County and Commonwealth, personally appeared ROBERT L. CARMICHAEL of 2609 Andrew Place, Broomall, PA. 19008 who, being duly sworn according to law, deposes and says as follows:

1) That he is Manager, Customers Accounting, of the Commercial Operations Department, of Philadelphia Electric Company with offices located at 2301 Market Street, Philadelphia, PA. 19101.

2) That he was responsible for notifying the Company's large industrial customers who will get an electric rate increase because of changes being made by Supplement No. 15 to Electric Tariff No. 26, by including with bills a Bill Insert giving notice of the rate changes; that these Bill Inserts were included with bills starting on September 27, 1985 and continued each billing day until the one-month billing cycle was completed and all customers had been notified.

3) That a true and correct copy of the Bill Insert with notice of rate changes which was mailed to said electric service customers is attached hereto and made a part hereof.

4) That this affidavit is made for the purpose of compliance with the Commission's Authorization dated July 11, 1985 at R-850152 which granted the Company's request in Letter Petition dated June 21, 1985 to depart from the requirements of 52 Pa. Code Section 53.45(2) pertaining to the date of mailing written notices to customers by the use of Bill Inserts.

Robert L. Carmichael
ROBERT L. CARMICHAEL

Attachment

Sworn to and subscribed before me
this 31ST day of October 1985.

(SEAL)

Patricia D. Scholl

PATRICIA D. SCHOLL
Notary Public, Philadelphia, Philadelphia Co.
My Commission Expires February 10, 1986

0620G-46

DOCKETED
NOV 4 - 1985

DOCUMENT
FOLDER

Important Notice

NEW RATE FILING

Please take notice that on September 27, 1985 the undersigned filed with the Pennsylvania Public Utility Commission Supplement No. 15 to Electric Tariff No. 26, increasing your bills for service effective November 27, 1985. The requested increase of approximately $671 million consists of $878 million decreased by $207 million for anticipated lower energy costs. The increase of $671 million is approximately 28.2% of the Company's annual electric revenues, but the increase in your bill may vary slightly or substantially from this percentage depending on use or applicable rate schedules. The annual cost of service to the average residential user (500 kilowatt-hours per month) would increase from $700 to $910, or by 58 cents per day.

Upon request, the Company will inform you of the effect upon your bills. You may examine, at the Company's offices, a copy of the material filed with the Public Utility Commission explaining the proposed increase and its justification.

The proposed rate increase is subject to examination by the Pennsylvania Public Utility Commission which may suspend its effectiveness or institute a formal investigation thereof, or both, if it deems it appropriate.

Forms for the filing of a formal complaint may be obtained by you upon request to Pennsylvania Public Utility Commission, Harrisburg, Pennsylvania 17120. The timely filing of a formal complaint entitles you to a hearing at which you may present testimony and question Company witnesses, and places on the Company the burden of proving that the proposed rates are reasonable.

Philadelphia Electric Company

Bucks County, ss.

Robert M. White being duly affirmed according to law, deposes and says that he is the Controller (Manager or designated Agent) of the COURIER-TIMES INC, Publisher of the Bucks County Courier Times, daily newspapers of general circulation, printed and published and having its place of business at Levittown, Bucks County, Pa.; that said newspaper was established in 1910; that securely attached hereto is a printed notice which is exactly as printed and published in said newspaper on 27 September 1985

and is a true copy thereof; and that this affiant is not interested in said subject matter or advertising; and that all of the allegations in this statement as to the time, place and character of publication are true.

Affirmed and subscribed to before me this 23rd day of Oct A.D. 1985

Robert M. White
Controller

MARYELLEN McCANN, NOTARY PUBLIC
TULLYTOWN BOROUGH, BUCKS COUNTY
MY COMMISSION EXPIRES DEC. 12, 1987
Member, Pennsylvania Association of Notaries

DOCUMENT FOLDER

DOCKETED
NOV 4 - 1985

Important Notice

NEW RATE FILING

Please take notice that on September 27, 1985 the undersigned filed with the Pennsylvania Public Utility Commission Supplement No. 15 to Electric Tariff No. 26, increasing your bills for service effective November 27, 1985. The requested increase of approximately $671 million consists of $878 million decreased by $207 million for anticipated lower energy costs. The increase of $671 million is approximately 28.2% of the Company's annual electric revenues, but the increase in your bill may vary slightly or substantially from this percentage depending on use or applicable rate schedules. The annual cost of service to the average residential user (500 kilowatt-hours per month) would increase from $700 to $910, or by 58 cents per day.

Upon request, the Company will inform you of the effect upon your bills. You may examine, at the Company's offices, a copy of the material filed with the Public Utility Commission explaining the proposed increase and its justification.

The proposed rate increase is subject to examination by the Pennsylvania Public Utility Commission which may suspend its effectiveness or institute a formal investigation thereof, or both, if it deems it appropriate.

Forms for the filing of a formal complaint may be obtained by you upon request to Pennsylvania Public Utility Commission, Harrisburg, Pennsylvania 17120. The timely filing of a formal complaint entitles you to a hearing at which you may present testimony and question Company witnesses, and places on the Company the burden of proving that the proposed rates are reasonable.

Phil- -lphia Electric Company

Bucks County, ss.

Charles P. Smith being duly affirmed according to law, deposes and says that he is the General Manager (Manager or designed Agent) of the CALKINS NEWSPAPERS INCORPORATED, Publisher of the Intelligencer/Record, a daily newspaper of general circulation, published and having its place of business at Doylestown, Bucks County, Pa. and Horsham, Montgomery County, Pa.; that said newspaper was established in 1886; that securely attached hereto is a printed notice which is exactly as printed and published in said newspaper on

September 27, 1985

and is a true copy thereof; and that this affiant is not interested is said subject matter or advertising; and that all of the allegations in this statement as to the time, place and character of publication are true.

Charles P. Smith

DOCUMENT FOLDER

Affirmed and subscribed to before me this 23rd day of October A.D. 19 85

Robert Mayer

DOCKETED NOV 4 - 1985

ROBERT MAYER, Notary Public
Doylestown Boro, Bucks Co.
My Commission Expires May 1, 1988

Important Notice

NEW RATE FILING

Please take notice that on September 27, 1985 the undersigned filed with the Pennsylvania Public Utility Commission Supplement No. 15 to Electric Tariff No. 26, increasing your bills for service effective November 27, 1985. The requested increase of approximately $671 million consists of $878 million decreased by $207 million for anticipated lower energy costs. The increase of $671 million is approximately 28.2% of the Company's annual electric revenues, but the increase in your bill may vary slightly or substantially from this percentage depending on use or applicable rate schedules. The annual cost of service to the average residential user (500 kilowatt-hours per month) would increase from $700 to $910, or by 58 cents per day.

Upon request, the Company will inform you of the effect upon your bills. You may examine, at the Company's offices, a copy of the material filed with the Public Utility Commission explaining the proposed increase and its justification.

The proposed rate increase is subject to examination by the Pennsylvania Public Utility Commission which may suspend its effectiveness or institute a formal investigation thereof, or both, if it deems it appropriate.

Forms for the filing of a formal complaint may be obtained by you upon request to Pennsylvania Public Utility Commission, Harrisburg, Pennsylvania 17120. The timely filing of a formal complaint entitles you to a hearing at which you may present testimony and question Company witnesses, and places on the Company the burden of proving that the proposed rates are reasonable.

Philadelphia Electric Company

Proof of Publication of Notice in Daily Local News

Under Newspaper Advertising Act No. 587, Approved May 16, 1929

State of Pennsylvania } ss:
County of Chester }

No. _____ Term, 19____

James E. Artman, General Manager of the **Daily Local News Company**, a corporation, of the County and State aforesaid, being duly affirmed, deposes and says that the **Daily Local News**, a newspaper of general circulation, published at **250 N. Bradford Ave.**, West Chester, Pa., County and State aforesaid, was established November 19, 1872, and Incorporated December 11, 1911, since which date the **Daily Local News** has been regularly issued in said County, and that the printed notice or publication attached hereto is exactly the same as printed and published in the regular editions and issues of the said **Daily Local News** on the following dates viz

September 27, A. D. 1985

Affiant further deposes that he is the proper person duly authorized by the **Daily Local News Company**, a corporation, publishers of said **Daily Local News**, a newspaper of general circulation, to verify the foregoing statement under oath, and that affiant is not interested in the subject matter of the aforesaid notice or advertisement, and that all allegations in the foregoing statements as to time, place and character of publication are true.

James E Artman

affirmed to and subscribed before me this 23rd day of October 19 85

Esther H. Hendry
Notary Public

My Commission Expires:

ESTHER H HENDRY, Notary Public
East Bradford Township, Chester Co., PA
My Commission Expires May 27, 1989

Statement of Advertising Costs

Robert Hitchings & Co., Inc.
12 South 12th Street
Philadelphia, PA 19107

To DAILY LOCAL NEWS COMPANY, Dr.

For publishing the notice or publication attached hereto on the above stated dates ..... $____

Probating same ..... $____

Total ..... $____

Publisher's Receipt for Advertising Costs

The **Daily Local News Company**, a corporation, publishers of the **Daily Local News**, a newspaper of general circulation, hereby acknowledges receipt of the aforesaid notice and publication costs and certifies that the same has been duly paid.

DAILY LOCAL NEWS COMPANY, a Corporation,
Publishers of DAILY LOCAL NEWS, a newspaper
of General Circulation.

By _____

DOCUMENT FOLDER

DOCKETED
NOV 4 - 1985

Important Notice

NEW RATE FILING

Please take notice that on September 27, 1985 the undersigned filed with the Pennsylvania Public Utility Commission Supplement No. 15 to Electric Tariff No. 26, increasing your bills for service effective November 27, 1985. The requested increase of approximately $671 million consists of $878 million decreased by $207 million for anticipated lower energy costs. The increase of $671 million is approximately 28.2% of the Company's annual electric revenues, but the increase in your bill may vary slightly or substantially from this percentage depending on use or applicable rate schedules. The annual cost of service to the average residential user (500 kilowatt-hours per month) would increase from $700 to $910, or by 56 cents per day.

Upon request, the Company will inform you of the effect upon your bills. You may examine, at the Company's offices, a copy of the material filed with the Public Utility Commission explaining the proposed increase and its justification.

The proposed rate increase is subject to examination by the Pennsylvania Public Utility Commission which may suspend its effectiveness or institute a formal investigation thereof, or both, if it deems it appropriate.

Forms for the filing of a formal complaint may be obtained by you upon request to Pennsylvania Public Utility Commission, Harrisburg, Pennsylvania 17120. The timely filing of a formal complaint entitles you to a hearing at which you may present testimony and question Company witnesses, and places on the Company the burden of proving that the proposed rates are reasonable.

Philadelphia Electric Company

Proof of Publication of Notice in The Record

Under Newspaper Advertising Act. No. 587, Approved May 16, 1929

State of Pennsylvania
County of Chester

No. ..... Term 19....

DAVID TOMASINI, being duly affirmed according to law, deposes and says that he is General Manager of The RECORD, a newspaper of general circulation, published at 204 East Lincoln Highway, Coatesville, PA, County and State aforesaid; that the said RECORD was established in 1908 and since that date has been regularly issued in said County, and that the printed notice or publication attached hereto is exactly the same as printed and published in the regular editions and issues of the said RECORD on the following dates viz .....

27th and the ..... day of

September A.D. 19 85

Affiant further deposes and says that he is not interested in the subject matter of the aforesaid notice or advertisement, and that all allegations in the foregoing statement as to time, place and character of publication are true.

David Tomasini

Affirmed to and subscribed before me this .....

day of ..... 19 .....

.....
Notary Public

My Commission Expires:

Copy of Notice of Publication



Statement of Advertising Costs

Kalish & Rice
1845 Walnut St.
Phila, Pa. 19103
To RECORD, Dr.

For publishing the notice or publication attached hereto on the above stated dates --- $ 153.00

~~$1.50~~

Probating same ..... $.....

Total 153.00

DOCKETED
NOV 4 - 1985

Publisher's Receipt for Advertising Costs

DAVID TOMASINI, Publisher of The RECORD, a newspaper of general circulation, hereby acknowledges receipt of the aforesaid notice and publication costs and certifies that the same have been duly paid.

DOCUMENT FOLDER

DAVID TOMASINI
Publisher of the RECORD
a Newspaper of General Circulation

by G. Silman

Important Notice

NEW RATE FILING

Please take notice that on September 27, 1985 the undersigned filed with the Pennsylvania Public Utility Commission Supplement No. 15 to Electric Tariff No. 26, increasing your bills for service effective November 27, 1985. The requested increase of approximately $671 million consists of $878 million decreased by $207 million for anticipated lower energy costs. The increase of $671 million is approximately 28.2% of the Company's annual electric revenues, but the increase in your bill may vary slightly or substantially from this percentage depending on use or applicable rate schedules. The annual cost of service to the average residential user (500 kilowatt-hours per month) would increase from $700 to $910, or by 58 cents per day.

Upon request, the Company will inform you of the effect upon your bills. You may examine, at the Company's offices, a copy of the material filed with the Public Utility Commission explaining the proposed increase and its justification.

The proposed rate increase is subject to examination by the Pennsylvania Public Utility Commission which may suspend its effectiveness or institute a formal investigation thereof, or both, if it deems it appropriate.

Forms for the filing of a formal complaint may be obtained by you upon request to Pennsylvania Public Utility Commission, Harrisburg, Pennsylvania 17120. The timely filing of a formal complaint entitles you to a hearing at which you may present testimony and question Company witnesses, and places on the Company the burden of proving that the proposed rates are reasonable.

Philadelphia Electric Company

the evening phoenix

225 BRIDGE STREET
PHOENIXVILLE, PA. 19460

Phone 933-8926

STATE OF PENNSYLVANIA,
COUNTY OF CHESTER SS:

Eleanor Kuchma being duly affirmed according to law, declares and says that she or he is the Classified Director of THE EVENING PHOENIX, a daily publication established in 1888, printed and published in the Borough of Phoenixville, in said County and State; that the printed notice, a copy of which is securely attached hereto, was published in said paper on the following dates:

September 27, 1985

that your affiant is not interested in the subject matter of the notice so published and that all of the allegations of this statement as to the time, place and character of publication are true.

Eleanor Kuchma

Affirmed and subscribed before me this

20 day of Oct 1985

Pushpa S. Vij

PUSHPA S. VIJ, Notary Public
PHOENIXVILLE, CHESTER CO., PA.
My Commission Expires Oct. 5, 1987

DOCKETED
NOV 4 - 1985

DOCUMENT FOLDER

Important Notice

NEW RATE FILING

Please take notice that on September 27, 1985 the undersigned filed with the Pennsylvania Public Utility Commission Supplement No. 15 to Electric Tariff No. 26, increasing your bills for service effective November 27, 1985. The requested increase of approximately $671 million consists of $878 million decreased by $207 million for anticipated lower energy costs. The increase of $671 million is approximately 28.2% of the Company's annual electric revenues, but the increase in your bill may vary slightly or substantially from this percentage depending on use or applicable rate schedules. The annual cost of service to the average residential user (500 kilowatt-hours per month) would increase from $700 to $910, or by 58 cents per day.

Upon request, the Company will inform you of the effect upon your bills. You may examine, at the Company's offices, a copy of the material filed with the Public Utility Commission explaining the proposed increase and its justification.

The proposed rate increase is subject to examination by the Pennsylvania Public Utility Commission which may suspend its effectiveness or institute a formal investigation thereof, or both, if it deems it appropriate.

Forms for the filing of a formal complaint may be obtained by you upon request to Pennsylvania Public Utility Commission, Harrisburg, Pennsylvania 17120. The timely filing of a formal complaint entitles you to a hearing at which you may present testimony and question Company witnesses, and places on the Company the burden of proving that the proposed rates are reasonable.

Philadelphia Electric Company

Copy of Notice or Publication

Proof of Publication of Notice in Delaware County Daily Times

Under Newspaper Advertising Act. No. 587, Approved May 16, 1929

State of Pennsylvania, }
County of Delaware, } ss.

Donna Mathis designated agent of CENTRAL STATES PUBLISHING, INC., being duly sworn, deposes and says that the DELAWARE COUNTY DAILY TIMES, a daily newspaper of general circulation as defined in the above-mentioned Act, published at Primos, Delaware County, Pennsylvania, was established September 7, 1876, and issued and published continuously thereafter for a period of 100 years, and for a period of more than six months immediately prior hereto, (under the name Chester Times prior to November 2, 1959) in the City of Chester, County of Delaware, and further says that the printed notice or publication attached hereto is an exact copy of a notice or publication printed and published in the regular edition and issues of the DELAWARE COUNTY DAILY TIMES on the following dates, viz .....

September 27 A.D. 19 85

and that said advertising was inserted in all respects as ordered.

Affiant further deposes that he is the proper person duly authorized by CENTRAL STATES PUBLISHING, INC. publisher of said DELAWARE COUNTY DAILY TIMES, a newspaper of general circulation, to verify the foregoing statement under oath and that affiant is not interested in the subject matter of the aforesaid notice or advertisement, and that all allegations in the foreging statements as to time, place and character of publication are true.

Donna Mathis

Sworn to and subscribed before me this 24

day of October 19 85

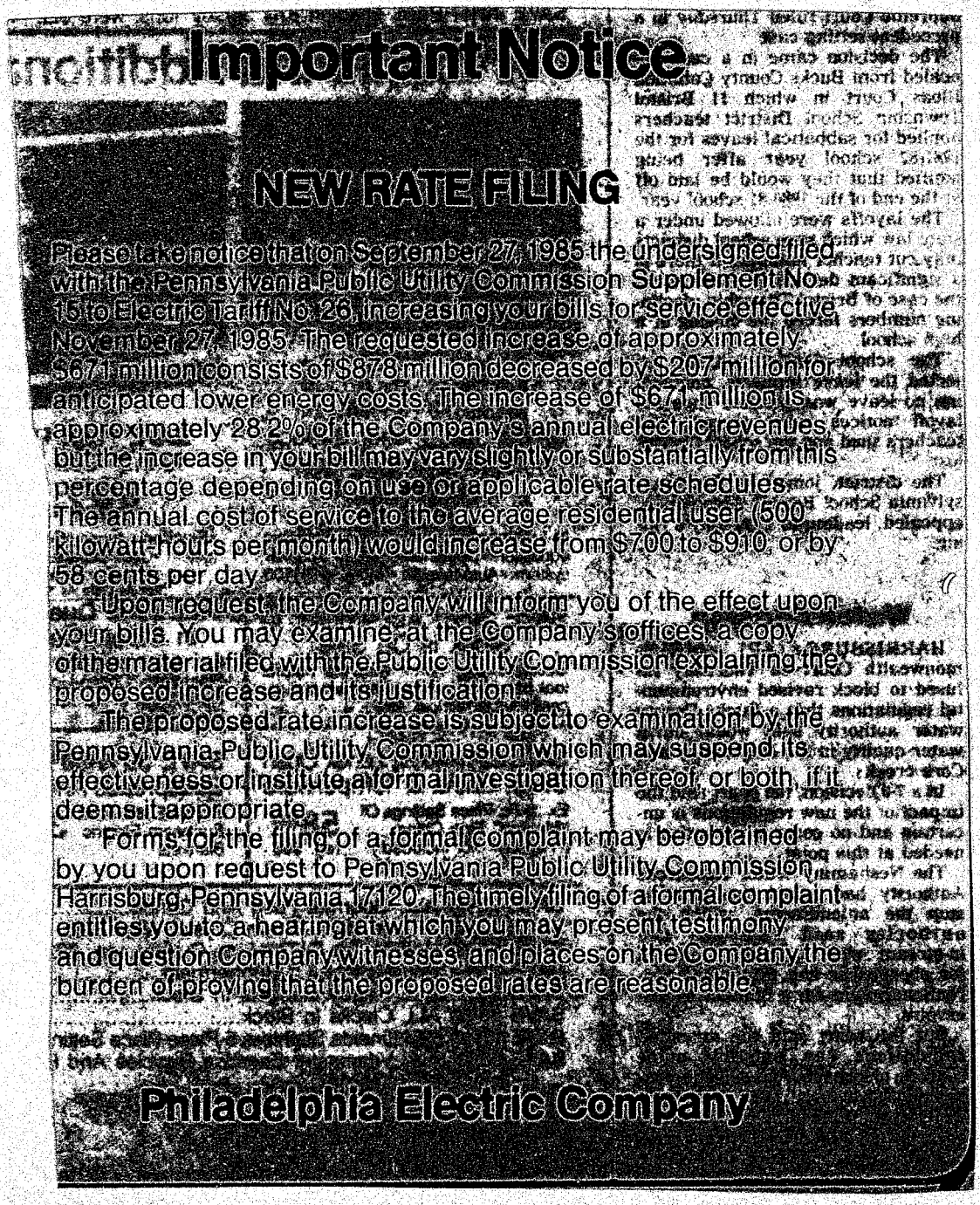
Theresa M. DiCioccio

Notary Public

THERESA M. DICIOCCIO, NOTARY PUBLIC
UPPER DARBY TWP., DELAWARE COUNTY
MY COMMISSION EXPIRES APRIL 25, 1987
Member, Pennsylvania Association of Notaries

DOCUMENT FOLDER

DOCKETED
NOV 4 - 1985



Important Notice

NEW RATE FILING

Please take notice that on September 27, 1985 the undersigned filed with the Pennsylvania Public Utility Commission Supplement No. 15 to Electric Tariff No. 26, increasing your bills for service effective November 27, 1985. The requested increase of approximately $671 million consists of $878 million decreased by $207 million for anticipated lower energy costs. The increase of $671 million is approximately 28.2% of the Company's annual electric revenues but the increase in your bill may vary slightly or substantially from this percentage depending on use or applicable rate schedules. The annual cost of service to the average residential user (500 kilowatt-hours per month) would increase from $700 to $910, or by 58 cents per day.

Upon request, the Company will inform you of the effect upon your bills. You may examine, at the Company's offices, a copy of the material filed with the Public Utility Commission explaining the proposed increase and its justification.

The proposed rate increase is subject to examination by the Pennsylvania Public Utility Commission which may suspend its effectiveness or institute a formal investigation thereof, or both, if it deems it appropriate.

Forms for the filing of a formal complaint may be obtained by you upon request to Pennsylvania Public Utility Commission, Harrisburg, Pennsylvania 17120. The timely filing of a formal complaint entitles you to a hearing at which you may present testimony and question Company witnesses, and places on the Company the burden of proving that the proposed rates are reasonable.

Philadelphia Electric Company

STATE OF PENNSYLVANIA
COUNTY OF MONTGOMERY } SS:

Patricia Himes, of The Mercury, of the County and State aforesaid, being duly sworn, deposes and says that The MERCURY, a newspaper of general circulation published at Hanover and King Streets, Borough of Pottstown, County and State aforesaid, was established September 29, 1931 since which time The Mercury has been regularly issued in said County, and that the printed notice of publication attached hereto is exactly the same as printed and published in the regular editions and issues of the said MERCURY on the following dates, viz: September 27, 1985

and the _____ day of _____, A. D. 19 _____.

Affiant further deposes that he is duly authorized by Robert Y. Kurtz, Publisher of said MERCURY, a newspaper of general circulation, to verify the foregoing statement under oath, and affiant is not interested in the subject matter of the aforesaid notice of advertisement, and that all allegations in the foregoing statements as to time, place and character of publication are true.

Patricia Himes

Patricia Himes, Business Manager

Sworn to and subscribed before me this 24th day of October 19 85

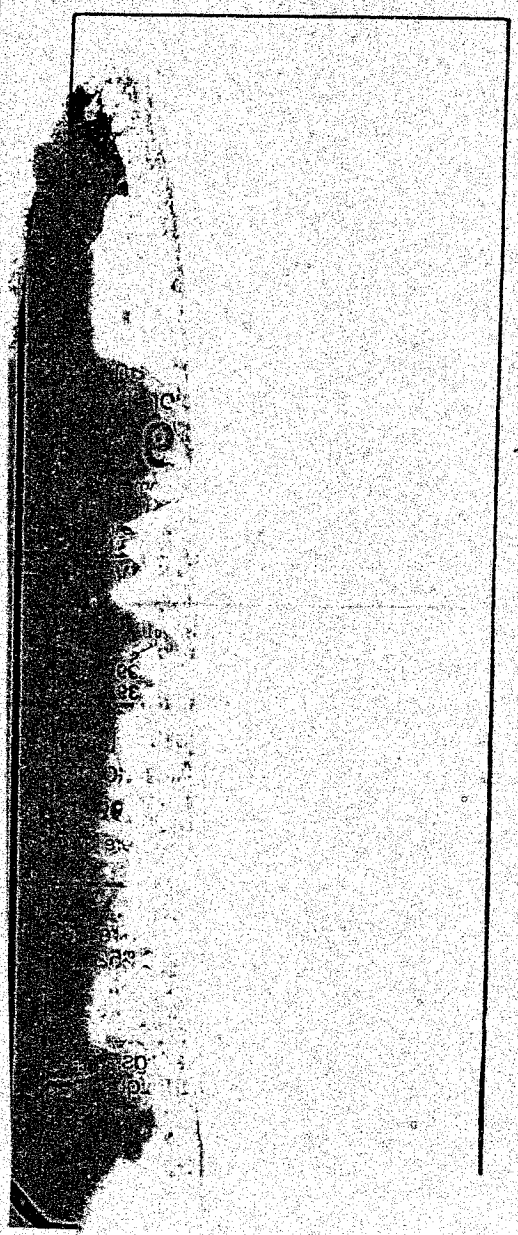
Regina D. Yanick

Notary Public

REGINA D. YANICK, NOTARY PUBLIC
POTTSTOWN BORO, MONTGOMERY COUNTY
MY COMMISSION EXPIRES MARCH 26, 1987
Member, Pennsylvania Association of Notaries

My Commission Expires:

COPY OF NOTICE OR PUBLICATION



Statement of Advertising Costs

Kalish - Rice, Inc
1845 Walnut St.
Philadelphia, Pa. 19107

To The MERCURY, Dr.
For publishing the notice or publication attached hereto

on the above stated dates ..... $ 204.75

Probating same ..... $ 1.00

Total ..... $ 205.75

Publisher's Receipt for Advertising Costs

ROBERT Y. KURTZ, Publisher of Peerless Publications, Inc., d/b/a the MERCURY, a newspaper of general circulation, hereby acknowledges receipt of the aforesaid notice and publication costs and certifies that the same have been duly paid.

ROBERT Y. KURTZ, Publisher of Peerless Publications, Inc., d/b/a The MERCURY, a Newspaper of General Circulation.

By _____

DOCUMENT FOLDER

DOCKETED
NOV 4 - 1985

Important Notice

NEW RATE FILING

Please take notice that on September 27, 1985 the undersigned filed with the Pennsylvania Public Utility Commission Supplement No. 15 to Electric Tariff No. 26, increasing your bills for service effective November 27, 1985. The requested increase of approximately $671 million consists of $878 million decreased by $207 million for anticipated lower energy costs. The increase of $671 million is approximately 28.2% of the Company's annual electric revenues, but the increase in your bill may vary slightly or substantially from this percentage depending on use or applicable rate schedules.

- The annual cost of service to the average residential user (500 kilowatt-hours per month) would increase from $700 to $910, or by 58 cents per day.

Upon request the Company will inform you of the effect upon your bills. You may examine, at the Company's offices, a copy of the material filed with the Public Utility Commission explaining the proposed increase and its justification.

The proposed rate increase is subject to examination by the Pennsylvania Public Utility Commission which may suspend its effectiveness or institute a formal investigation thereof, or both, if it deems it appropriate.

Forms for the filing of a formal complaint may be obtained by you upon request to Pennsylvania Public Utility Commission, Harrisburg, Pennsylvania 17120. The timely filing of a formal complaint entitles you to a hearing at which you may present testimony and question Company witnesses, and places on the Company the burden of proving that the proposed rates are reasonable.

Philadelphia Electric Company

{ No. ..... Term, 19 .....

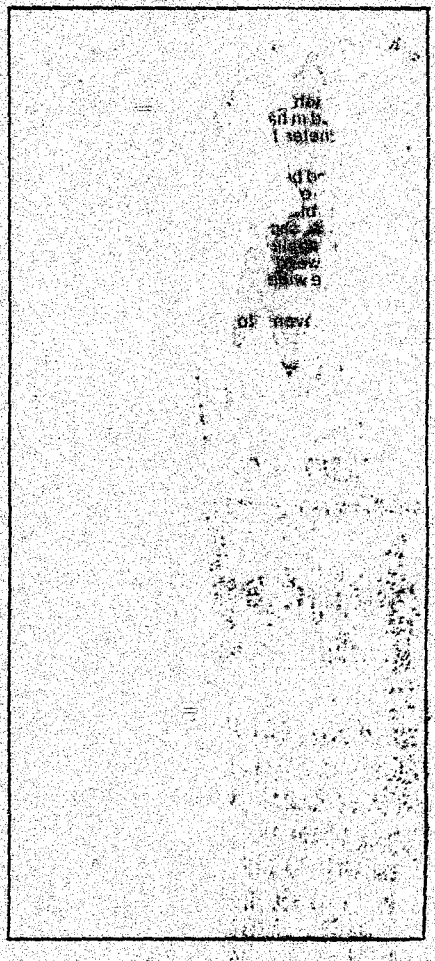
PROOF OF PUBLICATION NOTICE IN THE TIMES HERALD

Under Act No. 587, Approved May 16, 1929, P.L. 1784, as Last Amended by Act. No. 520 of July 5, 1947

STATE OF PENNSYLVANIA }
COUNTY OF MONTGOMERY. } ss.

David S. John, Publisher of THE TIMES HERALD, of the County and State aforesaid, being duly sworn, deposes and says that THE TIMES HERALD, a newspaper of general circulation published at Markley, Ann and Airy Streets, Borough of Norristown, County and State aforesaid, was established January 1, 1923, since which date THE TIMES HERALD has been regularly issued in said County, and that the printed notice or publication attached hereto, is exactly the same as was printed and published in the regular edition and issues of THE TIMES HERALD on the following dates, viz.: .....
..... and the
.....27th..... day of .....September..... A.D. 19 85.

Copy of Notice



Affiant further deposes that he is an officer duly authorized by the NORRISTOWN HERALD, INC., a corporation, publisher of THE TIMES HERALD, a newspaper of general circulation, to verify the foregoing statement under oath, and affiant is not interested in the subject matter of the aforesaid notice or advertisement, and that all allegations in the foregoing statements as to time, place and character of publications are true.

David S. John
.....
Publisher, The Times Herald

Sworn to and subscribed before me this .....27th.....
day of .....October..... , 19.85..

Marjorie A. Twiford

Marjorie A. Twiford, Notary Public
Norristown, Montgomery Co., Pa.
My Commission Expires April 24, 1988

DOCKETED
NOV 4 - 1985

DOCUMENT FOLDER

Important Notice

NEW RATE FILING

Please take notice that on September 27, 1985 the undersigned filed with the Pennsylvania Public Utility Commission Supplement No. 15 to Electric Tariff No. 26, increasing your bills for service effective November 27, 1985. The requested increase of approximately $671 million consists of $878 million decreased by $207 million for anticipated lower energy costs. The increase of $671 million is approximately 28.2% of the Company's annual electric revenues, but the increase in your bill may vary slightly or substantially from this percentage depending on use or applicable rate schedules. The annual cost of service to the average residential user (500 kilowatt-hours per month) would increase from $700 to $910, or by 58 cents per day.

Upon request, the Company will inform you of the effect upon your bills. You may examine, at the Company's offices, a copy of the material filed with the Public Utility Commission explaining the proposed increase and its justification.

The proposed rate increase is subject to examination by the Pennsylvania Public Utility Commission which may suspend its effectiveness or institute a formal investigation thereof, or both, if it deems it appropriate.

Forms for the filing of a formal complaint may be obtained by you upon request to Pennsylvania Public Utility Commission, Harrisburg, Pennsylvania 17120. The timely filing of a formal complaint entitles you to a hearing at which you may present testimony and question Company witnesses, and places on the Company the burden of proving that the proposed rates are reasonable.

Philadelphia Electric Company

PLEASE DIRECT THIS AFFIDAVIT TO THE PROPER PERSON OR DEPARTMENT AT YOUR NEWSPAPER IN ORDER TO FACILITATE PAYMENT PROCEDURES.
THANK YOU FOR YOUR COOPERATION.

Kalish & Rice (Phila. Electric)
Attn: John Crane
1845 Walnut St.
Phila., PA 19103

AFFIDAVIT

BEFORE ME, A NOTARY PUBLIC, PERSONALLY APPEARED

Holly A. Hill , WHO BEING DULY SWO

DEPOSES AND SAYS THAT YOUR ADVERTISEMENT DID APPEAR IN THE:

LANSDALE REPORTER
307 DERSTINE AVENUE
LANSDALE PA 19446

ON Sept. 27, 1985
DATE(S)

Holly A. Hill
SIGNATURE

STATE OF Pennsylvania

COUNTY OF Montgomery

SWORN TO AND SUBSCRIBED BEFORE ME

THIS 23rd DAY OF October 1985

NOTARY PUBLIC SEAL

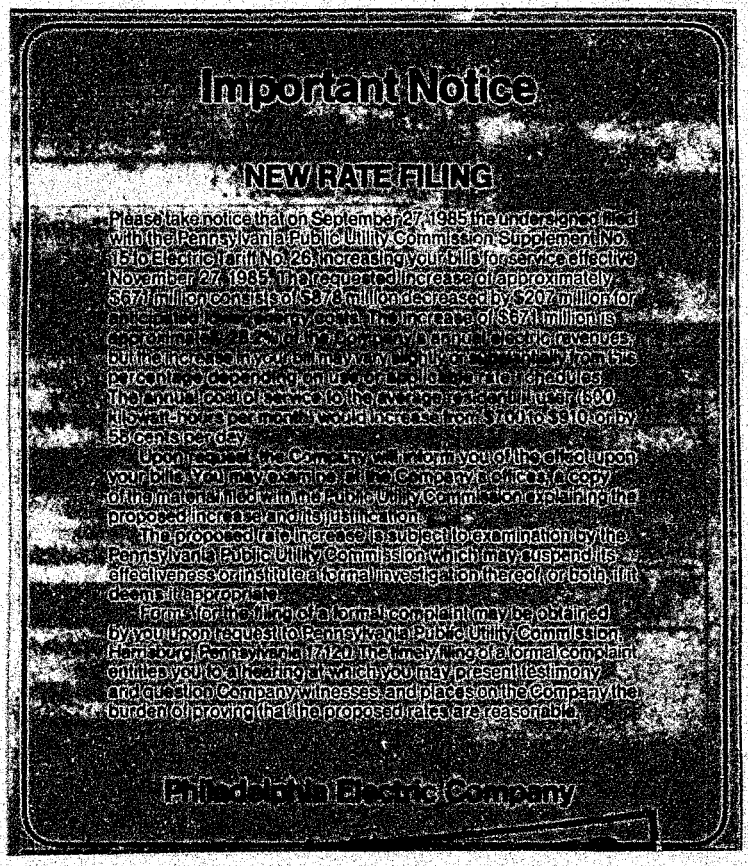
Rita M. Barr
NOTARY PUBLIC SIGNATURE

RITA M. BARR, NOTARY PUBLIC
LANSDALE BORO, MONTGOMERY COUNTY
MY COMMISSION EXPIRES JAN. 23, 1989
Member, Pennsylvania Association of Notaries

DOCUMENT FOLDER

DOCKETED
NOV 4 - 1985

PLEASE ENCLOSE 1 TEARSHEET WITH THIS SIGNED AFFIDAVIT. THANK YOU.


Important Notice
NEW RATE FILING
Please take notice that on September 27, 1985, the undersigned filed with the Pennsylvania Public Utility Commission Supplement No. 15 to Electric Tariff No. 26, increasing your bills for service effective November 27, 1985. The requested increase of approximately $671 million consists of $878 million decreased by $207 million for anticipated fuel-energy costs. The increase of $671 million is approximately 28.2% of the Company's annual cost of revenues, but the increase in your bill may vary slightly or substantially from this percentage depending on the use of electric service and the applicable rate schedules. The annual cost of service to the average residential customer (600 kilowatt-hours per month) would increase from $700 to $910, or by 55 cents per day.
Upon request, the Company will inform you of the effect upon your bills. You may examine at the Company's offices a copy of the material filed with the Public Utility Commission explaining the proposed increase and its justification.
The proposed rate increase is subject to examination by the Pennsylvania Public Utility Commission which may suspend its effectiveness or institute a formal investigation thereof, or both, if it deems it appropriate.
Forms for the filing of a formal complaint may be obtained by you upon request to Pennsylvania Public Utility Commission, Harrisburg, Pennsylvania 17120. The timely filing of a formal complaint entitles you to a hearing at which you may present testimony and question Company witnesses and places on the Company the burden of proving that the proposed rates are reasonable.
Philadelphia Electric Company

No. .....Term, 19 .....

Proof of Publication of Notice in The Philadelphia Inquirer

Under Act No. 160, P.L. 877, July 9, 1976

Commonwealth of Pennsylvania }
County of Philadelphia } *ss.:*

.....LEAH PRICE..... being duly sworn, deposes and says that THE PHILADELPHIA INQUIRER is a daily newspaper published at Broad and Callowhill Streets, Philadelphia County, Pennsylvania, which was established in the year 1829, since which date said daily newspaper has been regularly published and distributed in said County, and that a copy of the printed notice of publication is attached hereto exactly as the same was printed and published in the regular editions and issues of said daily newspaper on the following dates, viz.:

.....and the ...24TH..... day of ...OCTOBER.....A. D. 19....85.....

Affiant further deposes that he is duly authorized by Philadelphia Newspapers, Inc., a corporation, publisher of THE PHILADELPHIA INQUIRER, a daily newspaper, to verify the foregoing statement under oath, and also declares that affiant is not interested in the subject matter of the aforesaid notice or publication, and that all allegations in the foregoing statement as to time, place and character of publication are true.

Leah Price

Copy of notice or publication

Sworn to and subscribed before me this 30TH.....

day of .....OCTOBER.....19.....85..

Phyllis E. Feagans

Notary Public.

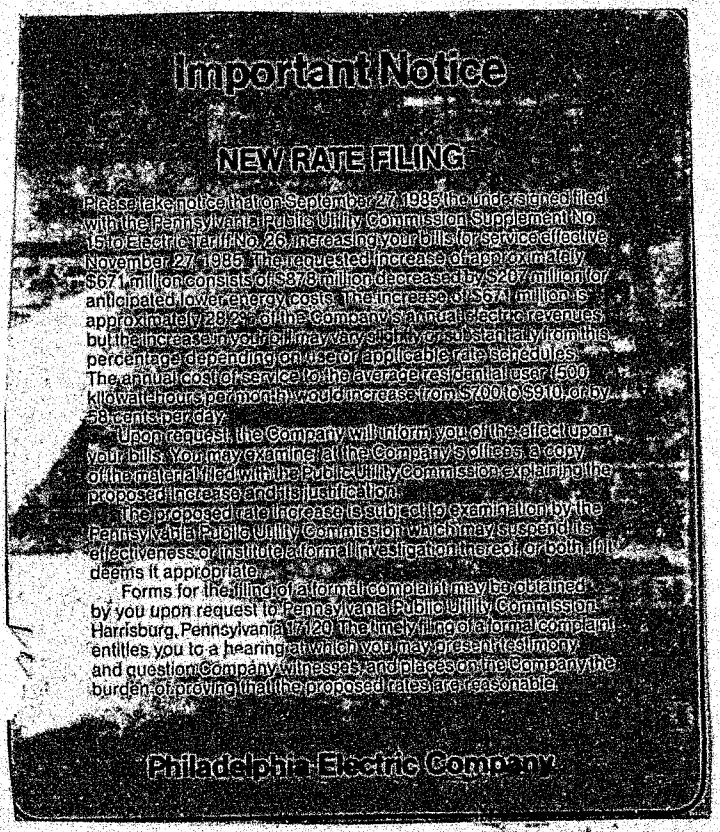
My Commission Expires:

PHYLLIS E. FEAGANS
Notary Public, Phila., Phila. Co.
My Commission Expires Sept. 8, 1986

DOCUMENT FOLDER

DOCKETED
NOV 4 - 1985

S. 111


Important Notice
NEW RATE FILING
Please take notice that on September 27, 1985 the undersigned filed with the Pennsylvania Public Utility Commission Supplement No. 15 to Electric Tariff No. 26, increasing your bills for service effective November 27, 1985. The requested increase of approximately $671 million consists of $878 million decreased by $207 million for anticipated lower energy costs. The increase of $671 million is approximately 28.9% of the Company's annual electric revenues, but the increase in your bill may vary slightly or substantially from this percentage depending on use or applicable rate schedules. The annual cost of service to the average residential user (500 kilowatt hours per month) would increase from $700 to $910, or by 58 cents per day.
Upon request, the Company will inform you of the effect upon your bills. You may examine at the Company's offices a copy of the material filed with the Public Utility Commission explaining the proposed increase and its justification.
The proposed rate increase is subject to examination by the Pennsylvania Public Utility Commission which may suspend its effectiveness or institute a formal investigation thereof or both, if it deems it appropriate.
Forms for the filing of a formal complaint may be obtained by you upon request to Pennsylvania Public Utility Commission, Harrisburg, Pennsylvania 17120. The timely filing of a formal complaint entitles you to a hearing at which you may present testimony and question Company witnesses and places on the Company the burden of proving that the proposed rates are reasonable.
Philadelphia Electric Company

No. _____ Term, 19____

Proof of Publication in The Philadelphia Daily News

Under Act No. 587, Approved May 16, 1929

STATE OF PENNSYLVANIA
COUNTY OF PHILADELPHIA } ss.:

Copy of notice or publication

E. Smith being duly sworn, deposes and says that **The Philadelphia Daily News** is a newspaper published daily, except Sunday, at Philadelphia, Pennsylvania, and was established in said city in 1925, since which date said newspaper has been regularly issued in said County, and that a copy of the printed notice or publication is attached hereto exactly as the same was printed or published in the regular editions and issues of the said newspaper on the following dates, viz.: October 24, 1985

and the .....day of ..... A.D. 19 .....

Affiant further deposes and says that ..... he is an employee of the publisher of said newspaper and has been authorized to verify the foregoing statement and that ..... he is not interested in the subject matter of the aforesaid notice or publication, and that all allegations in the foregoing statement as to time, place and character of publication are true.

E. Smith

Sworn to and subscribed before me this 24th day of October, 19 85

Esther Fisher
Notary Public

My Commission Expires:

ESTHER FISHER
Notary Public, Phila., Phila. Co.
My Commission Expires April 7, 1986

DOCUMENT FOLDER

DOCKETED
NOV 4 - 1985

S. 110

Important Notice

NEW RATE FILING

Please take notice that on September 27, 1985 the undersigned filed with the Pennsylvania Public Utility Commission Supplement No. 15 to Electric Tariff No. 26, increasing your bills for service effective November 27, 1985. The requested increase of approximately $671 million consists of $878 million decreased by $207 million for anticipated lower energy costs. The increase of $671 million is approximately 28.2% of the Company's annual electric revenues, but the increase in your bill may vary slightly or substantially from this percentage depending on use or applicable rate schedules. The annual cost of service to the average residential user (500 kilowatt-hours per month) would increase from $700 to $910, or by 58 cents per day.

Upon request, the Company will inform you of the effect upon your bills. You may examine, at the Company's offices, a copy of the material filed with the Public Utility Commission explaining the proposed increase and its justification.

The proposed rate increase is subject to examination by the Pennsylvania Public Utility Commission which may suspend its effectiveness or institute a formal investigation thereof, or both, if it deems it appropriate.

Forms for the filing of a formal complaint may be obtained by you upon request to Pennsylvania Public Utility Commission, Harrisburg, Pennsylvania 17120. The timely filing of a formal complaint entitles you to a hearing at which you may present testimony and question Company witnesses, and places on the Company the burden of proving that the proposed rates are reasonable.

Philadelphia Electric Company

PROOF OF PUBLICATION OF NOTICE IN THE PHILADELPHIA TRIBUNE

County of Philadelphia
State of Pennsylvania

MARY DANIELS being duly sworn, deposes and says that The Philadelphia Tribune is a semi-weekly newspaper published at 520-26 South 16th Street, Philadelphia. The publication attached hereto is exactly the same as the printed notice published in the regular edition and issues of the said semi-weekly newspaper on the following dates, viz:

September 27 A.D., 1985

Affiant further deposes that he/she is an employee of the publisher of said semi-weekly newspaper and has been authorized to verify the foregoing statement that he/she is not interested in the subject matter of the aforesaid notice or publication and that all allegations in the foregoing statement as to time, place and character of publication are true.

Mary A. Daniels

[redacted] notice of publication

Sworn to and subscribed before me

this 23 day of Oct A.D., 1985

Bertha V. Godfrey

BERTHA V. GODFREY
Notary Public, Phila., Phila. Co.
My Commission Expires Aug. 24, 1987

Statement of Advertising Costs

Kaush & Lee
1845 Walnut St.
Phila Pa

[redacted] attached

[redacted]

To THE PHILADEPHIA TRIBUNE, Dr.

For publishing the notice or advertising attached hereto on the above states dates _____ Probating same _____

Total $ _____

DOCKETED
NOV 4 - 1985

PUBLISHERS'S RECEIPT FOR ADVERTISING COSTS

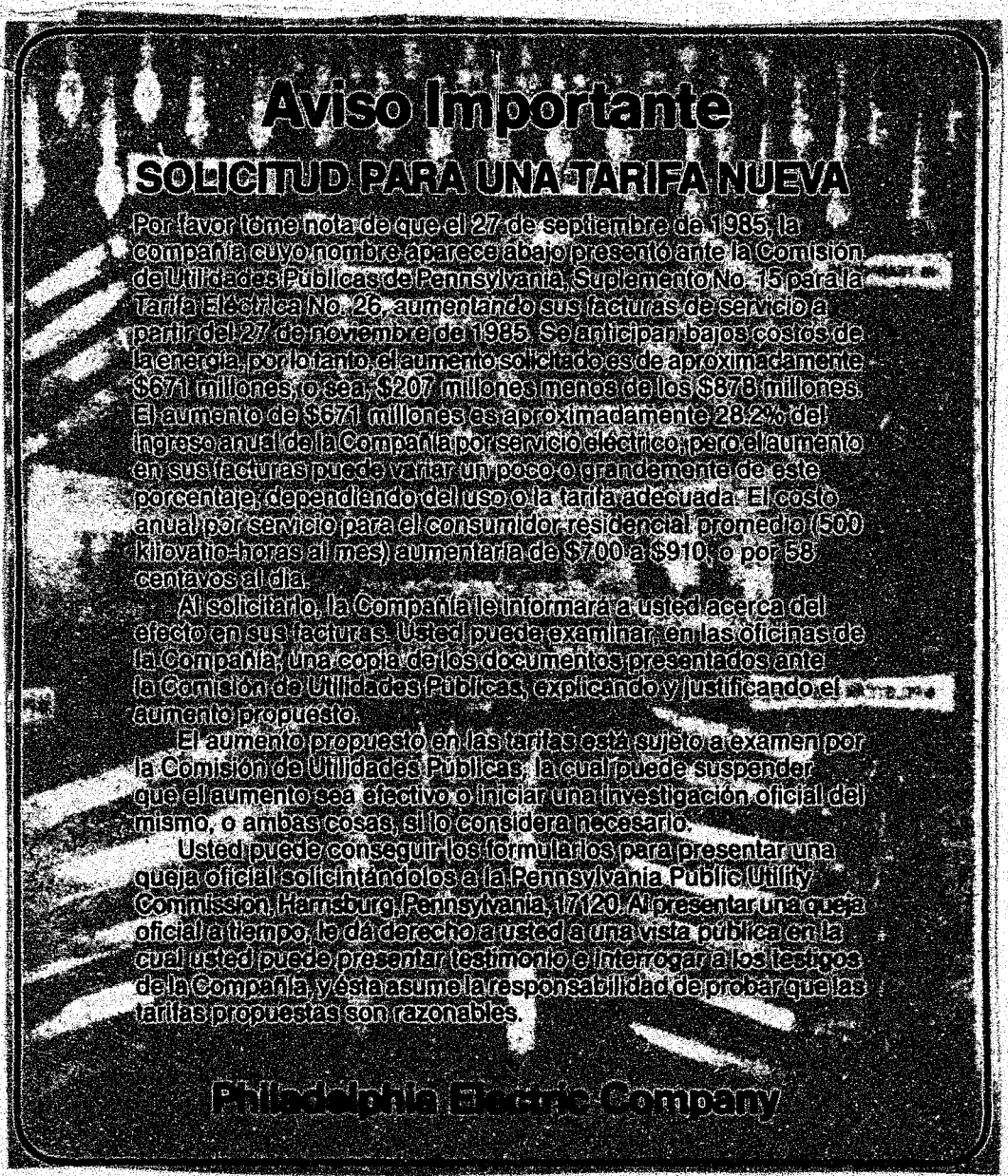
The Philadelphia Tribune Co., Inc. Publishers of the Philadelphia TRIBUNE, a semi-weekly newspaper, hereby acknowledges receipt of the aforesaid advertising and publication costs and certify that the same have been fully paid.

The Philadelphia Tribune Co.,Inc.,
Publishers of THE PHILADELPHIA TRIBUNE

BY: _____

Office:
520-26 South 16th Street
Philadelphia, Pa.
Established: 1884

DOCUMENT
FOLDER



Aviso Importante

SOLICITUD PARA UNA TARIFA NUEVA

Por favor tome nota de que el 27 de septiembre de 1985, la compañía cuyo nombre aparece abajo presentó ante la Comisión de Utilidades Públicas de Pennsylvania, Suplemento No. 15 para la Tarifa Eléctrica No. 26, aumentando sus facturas de servicio a partir del 27 de noviembre de 1985. Se anticipan bajos costos de la energía, por lo tanto el aumento solicitado es de aproximadamente $671 millones, o sea, $207 millones menos de los $878 millones. El aumento de $671 millones es aproximadamente 28.2% del ingreso anual de la Compañía por servicio eléctrico, pero el aumento en sus facturas puede variar un poco o grandemente de este porcentaje, dependiendo del uso o la tarifa adecuada. El costo anual por servicio para el consumidor residencial promedio (500 kilovatio-horas al mes) aumentaría de $700 a $910, o por 58 centavos al día.

Al solicitarlo, la Compañía le informará a usted acerca del efecto en sus facturas. Usted puede examinar, en las oficinas de la Compañía, una copia de los documentos presentados ante la Comisión de Utilidades Públicas, explicando y justificando el aumento propuesto.

El aumento propuesto en las tarifas está sujeto a examen por la Comisión de Utilidades Públicas, la cual puede suspender que el aumento sea efectivo o iniciar una investigación oficial del mismo, o ambas cosas, si lo considera necesario.

Usted puede conseguir los formularios para presentar una queja oficial solicitándolos a la Pennsylvania Public Utility Commission, Harrisburg, Pennsylvania, 17120. Al presentar una queja oficial a tiempo, le dá derecho a usted a una vista pública en la cual usted puede presentar testimonio e interrogar a los testigos de la Compañía, y ésta asume la responsabilidad de probar que las tarifas propuestas son razonables.

Philadelphia Electric Company

LA ACTUALIDAD
Eco de
Valle Delaw
LA VOZ HISPANA
4953 N. 5th. St. - Phila., Pa. 19120
Tel.: 324 -

AFFIDAVIT

ADVERTISEMENT INSERTION ORDER

This is to certify that LA ACTUALIDAD SPANISH WEEKLY NEWSPAPER has publis
the following ads on Editions 576 (Oct. 3, 1985)
according to the specifications stated in advertising insertion order received from
Kalish & Rice Inc.
located at
1845 Walnut Street, Phila. (City), PA (State)

The ad reads in Spanish:

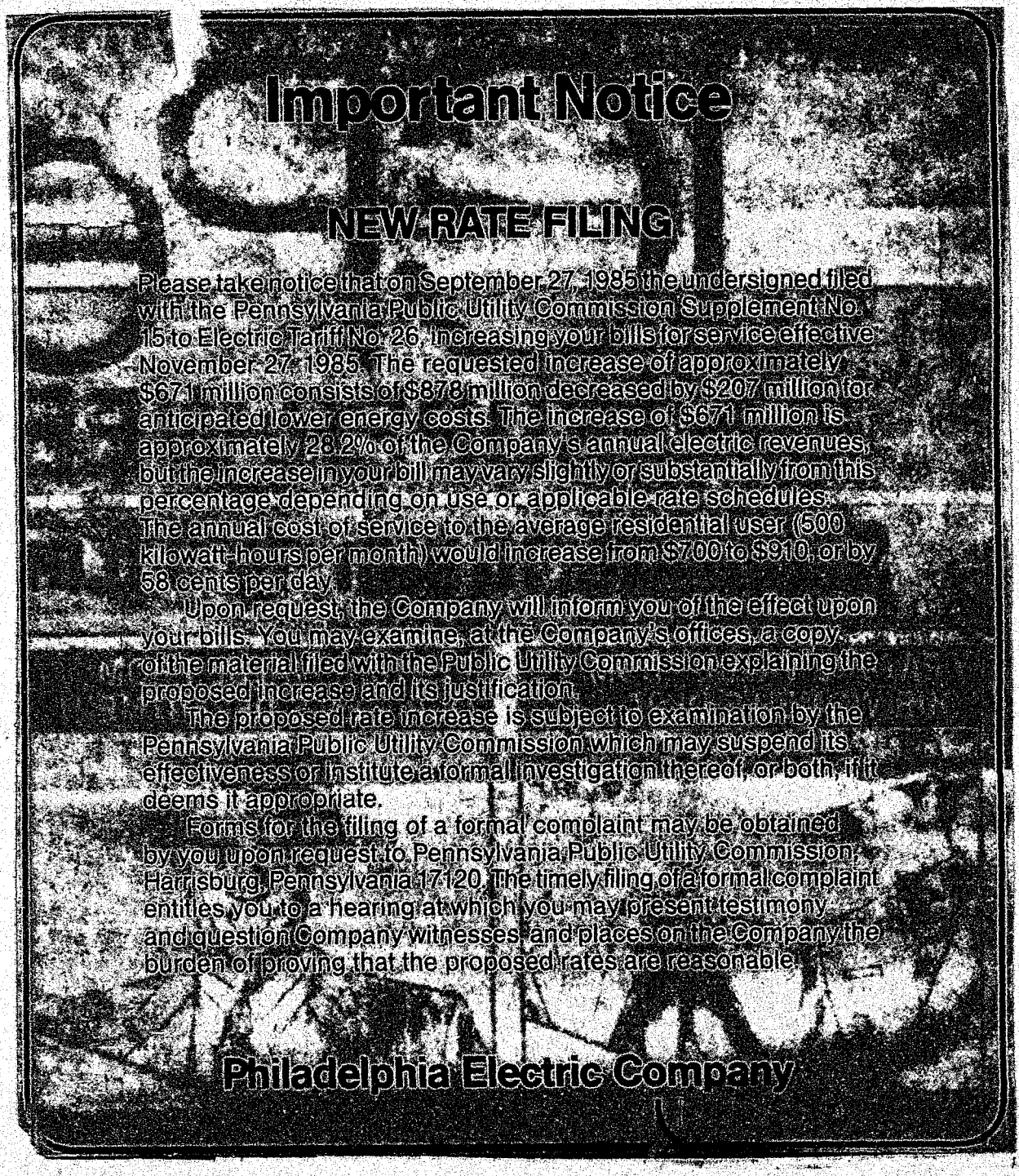
COPY ENCLOSED

The amount of said ad was charged at 50 cents per line, totalling 315 lin
net amount of $ 157.50.

IN WITNESS of the above, I have executed three copies of this affidavit, and set the seal
corporation this 23rd day of October, 1985.

Carlos J. Morales
LA ACTUALIDAD, INC.

DO
N



Important Notice

NEW RATE FILING

Please take notice that on September 27, 1985 the undersigned filed with the Pennsylvania Public Utility Commission Supplement No. 15 to Electric Tariff No. 26, increasing your bills for service effective November 27, 1985. The requested increase of approximately $671 million consists of $878 million decreased by $207 million for anticipated lower energy costs. The increase of $671 million is approximately 28.2% of the Company's annual electric revenues, but the increase in your bill may vary slightly or substantially from this percentage depending on use or applicable rate schedules. The annual cost of service to the average residential user (500 kilowatt-hours per month) would increase from $700 to $910, or by 58 cents per day.

Upon request, the Company will inform you of the effect upon your bills. You may examine, at the Company's offices, a copy of the material filed with the Public Utility Commission explaining the proposed increase and its justification.

The proposed rate increase is subject to examination by the Pennsylvania Public Utility Commission which may suspend its effectiveness or institute a formal investigation thereof, or both, if it deems it appropriate.

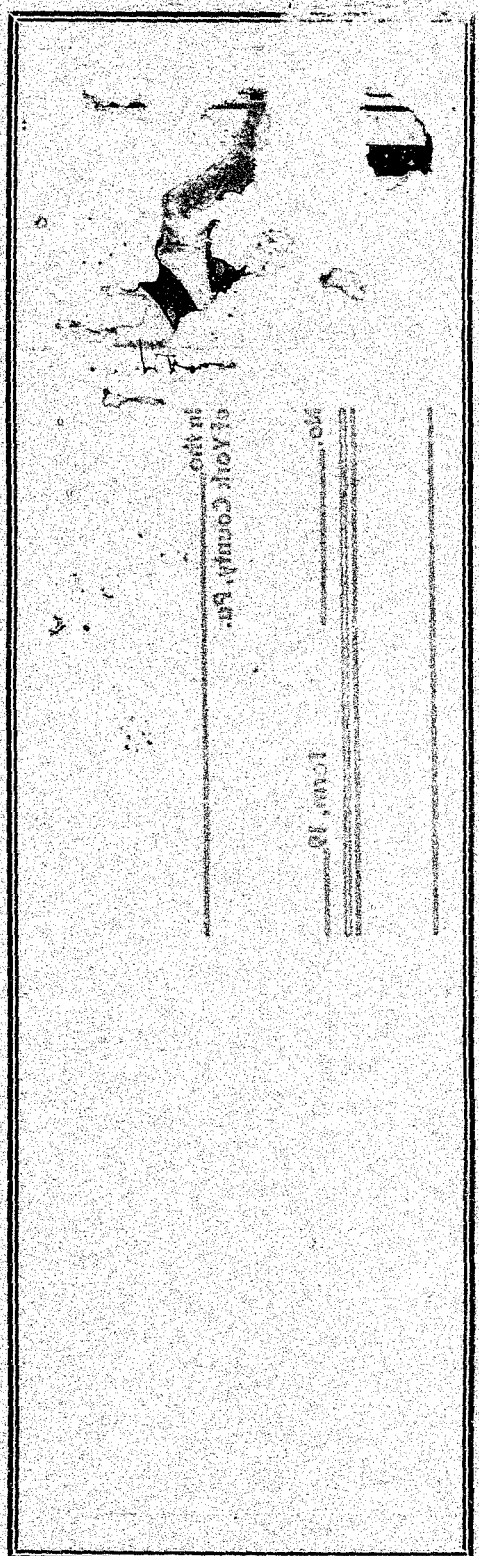
Forms for the filing of a formal complaint may be obtained by you upon request to Pennsylvania Public Utility Commission, Harrisburg, Pennsylvania 17120. The timely filing of a formal complaint entitles you to a hearing at which you may present testimony and question Company witnesses, and places on the Company the burden of proving that the proposed rates are reasonable.

Philadelphia Electric Company

Proof of Publication

in the Court of York County,

Copy of Advertisement Attached Here



Of Term, 19

No.

THE YORK DISPATCH is the name of the daily newspaper of general circulation published continuously for more than the last six months, by The Dispatch Publishing Company at its place of business, which is at 15 and 17 East Philadelphia Street, in the City of York, York County, Pennsylvania, which newspaper was established May 29th, 1876.

The printed copy of the advertisement hereto attached is a true copy, exactly as printed and published, of an advertisement printed in the regular issues of the said **The York Dispatch** published on the following dates, viz:

September 27, 1985

COMMONWEALTH OF PENNSYLVANIA
COUNTY OF YORK SS

Before me, a Notary Public of York County, duly commissioned and residing in said

County, personally came Suzanne M. Horn
who being by me duly sworn deposes and says that he is the **bookkeeper of The Dispatch Publishing Company** above mentioned and has personal knowledge of the publication of the advertisement mentioned in the foregoing statement; that the facts set forth in said statement and all the allegations of said statement as to the time, place and character of publication are true, and that the affiant is not interested in the subject matter of the above mentioned advertisement

Sworn and subscribed to before me this
23 day of Oct 85 19

Neola L. Firestone
Notary Public

Suzanne M. Horn

NEOLA L. FIRESTONE, NOTARY PUBLIC
YORK, YORK COUNTY
MY COMMISSION EXPIRES APRIL 14, 1987
Member, Pennsylvania Association of Notaries

My Commission Expires

Received of

Dollars
100

in payment of the charge for the publication of above mentioned advertisement and the expense of the above affidavit.

Advertisement $

Affidavit $

$

DOCUMENT FOLDER

DOCKETED
NOV 4 1985

Important Notice

NEW RATE FILING

Please take notice that on September 27, 1985 the undersigned filed with the Pennsylvania Public Utility Commission Supplement No. 15 to Electric Tariff No. 26, increasing your bills for service effective November 27, 1985. The requested increase of approximately $671 million consists of $878 million decreased by $207 million for anticipated lower energy costs. The increase of $671 million is approximately 28.2% of the Company's annual electric revenues, but the increase in your bill may vary slightly or substantially from this percentage depending on use or applicable rate schedules. The annual cost of service to the average residential user (500 kilowatt-hours per month) would increase from $700 to $910, or by 58 cents per day.

Upon request, the Company will inform you of the effect upon your bills. You may examine, at the Company's offices, a copy of the material filed with the Public Utility Commission explaining the proposed increase and its justification.

The proposed rate increase is subject to examination by the Pennsylvania Public Utility Commission which may suspend its effectiveness or institute a formal investigation thereof, or both, if it deems it appropriate.

Forms for the filing of a formal complaint may be obtained by you upon request to Pennsylvania Public Utility Commission, Harrisburg, Pennsylvania 17120. The timely filing of a formal complaint entitles you to a hearing at which you may present testimony and question Company witnesses, and places on the Company the burden of proving that the proposed rates are reasonable.

Philadelphia Electric Company

Proof of Publication

of Legal Advertisement in

The York Daily Record

The York Daily Record is the name of a daily newspaper of general circulation published continuously for more than the last six months by the York Daily Record, Inc., a corporation, at its place of business, which is at 1750 Industrial Hwy., York, Pennsylvania.

Copy of Advertisement

The printed copy of the advertisement hereto attached is a true copy, exactly as printed and published, of an advertisement printed in the regular issues of said The York Daily Record published on the days following:

September 27, 1985

YORK DAILY RECORD, INC.

By Robert J. Acri
Office Manager

Commonwealth of Pennsylvania, }
County of York, } ss.:

Before me, a notary public duly commissioned and residing in said County, personally came Robert J. Acri who being by me duly sworn, deposes and says that he/she is an Officer Manager of the York Daily Record, Inc. above mentioned, and as such is duly authorized to make this proof of publication for and on behalf of said Company, and has personal knowledge of the publication of the advertisement mentioned in the foregoing statement, that the facts set forth in the statement and all the allegations of said statement as to the time, place and character of publication are true, and that the affiant is not interested in the subject matter of the above mentioned advertisement.

Sworn and subscribed before me this 22nd day of October, 1985

Darthy D. Rohrbaugh

DARTHY D. ROHRBAUGH, Notary Public
York, York County, Pa.
My Commission Expires July 12, 1986

Received of Kalish & Rice

Two hundred and three---------40/100 Dollars

in payment of the charge for the publication of the above mentioned advertisement.

YORK DAILY RECORD, INC.

By
Office Manager

DOCUMENT FOLDER

DOCKETED
NOV 4 - 1985

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

November 5, 1985

IN REPLY PLEASE
REFER TO OUR FILE

Jerry Rich, Secretary
Pa. Public Utility Commission
Post Office Box 3265
Harrisburg, PA 17120

RECEIVED
NOV 5 1985
SECRETARY'S OFFICE
Public Utility Commission

Re: Pennsylvania Public Utility Commission
v.
Philadelphia Electric Company
Docket No. R-850152

Dear Secretary Rich:

Enclosed for filing please find an original and three (3) copies of Commission Trial Staff's Notice of Appearance in the above-captioned matter. Copies are being served on the Administrative Law Judge and all active parties of record.

Very truly yours,

Marlane R. Chestnut

Marlane R. Chestnut
Assistant Counsel
For Commission Trial Staff

Enclosure

MRC:gdp

cc: Honorable Joseph Matuschak (w/encl.)
All Parties of Record

DOCUMENT

RECEIVED
NOV5 1985
SECRETARY'S OFFICE
Public Utility Commission

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	Docket No.
v.	:	R-850152
	:	
Philadelphia Electric Company	:	

NOTICE
OF
APPEARANCE

To The Secretary:

Please enter the appearance of the Trial Staff of the Pennsylvania Public Utility Commission in the above-captioned proceeding.

Counsel for the Trial Staff in this proceeding are:

Marlane R. Chestnut, Assistant Counsel
Veronica A. Smith, Assistant Counsel
Daniel P. Delaney, Deputy Chief Counsel
Albert W. Johnson, III, Deputy Chief Counsel

Non-Legal Trial Staff in this proceeding will be under the supervision of:

Charles A. Smetak, Chief
Bureau of Rates - Electric Division

All service on and communications to the Trial Staff in this proceeding should be addressed to:

Marlane R. Chestnut
Veronica A. Smith
Daniel P. Delaney

DOCKETED
NOV6-1985

Albert W. Johnson, III
Deputy Chief Counsel

DOCUMENT
FOLDER

Date: November 5, 1985

CERTIFICATE OF SERVICE

I hereby certify that I am, this 5th day of November, 1985 serving the foregoing Notice of Appearance, either personally or by first class mail, upon the persons addressed below:

David Wersan
Assistant Consumer Advocate
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

David M. Kleppinger, Esquire
McNees, Wallace & Nurick
Post Office Box 1166
Harrisburg, PA 17108

Marlane R. Chestnut
Pa. Public Utility Commission

COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17120
November 5, 1985

In re: R-850152

(See attached lists)

Pennsylvania Public Utility Commission, et al.
vs.
Philadelphia Electric Company

N O T I C E

This is to inform you that a prehearing conference on the above captioned case will be held Tuesday, December 3, 1985, at 10:00 a.m., in available hearing room, Ground Floor, North Office Building, Harrisburg, Pennsylvania.

In an effort to expedite the future conduct and disposition of this proceeding, we are attaching a list of information you are expected to bring with you to this conference.

Administrative Law Judge Joseph P. Matuschak will be the presiding officer in this case. Judge Matuschak's telephone number is (412) 437-3409. His address is 97 East Main Street, Uniontown, Pennsylvania 15401.

Attachment

cc: Judge Matuschak
Law Bureau
Bureau of Rates
Mr. Bramson
Ms. Dickson
Ms. Crouse
Mr. Barrett
File Room

DOCKETED
NOV 7 - 1985

DOCUMENT
FOLDER

R-850152 - Parties of Record:

Robert H. Young, Esquire
Morgan, Lewis & Bockius
2000 One Logan Square
Philadelphia, PA 19103

J. H. Calvert, Jr., Esquire
Morgan, Lewis & Bockius
2000 One Logan Square
Philadelphia, PA 19103

Walter R. Hall, III, Esquire
Morgan, Lewis & Bockius
2000 One Logan Square
Philadelphia, PA 19103

Frederick H. Knight, Esquire
Morgan, Lewis & Bockius
2000 One Logan Square
Philadelphia, PA 19103

David B. MacGregor, Esquire
Morgan, Lewis & Bockius
2000 One Logan Square
Philadelphia, PA 19103

William E. Zeiter, Esquire
Morgan, Lewis & Bockius
2000 One Logan Square
Philadelphia, PA 19103

Edward G. Bauer, Jr., Vice President
and General Counsel
Philadelphia Electric Company
2301 Market Street
Philadelphia, PA 19101

Marlane Chestnut, Assistant Counsel
Veronica A. Smith, Assistant Counsel
Daniel Delaney, Assistant Counsel
Pa. P.U.C., Law Bureau
P. O. Box 3265
Harrisburg, PA 17120

David M. Kleppinger, Esquire
Edward J. Riehl, Esquire
McNees, Wallace & Nurick
P. O. Box 1166
Harrisburg, PA 17108-1166
(C001-Philadelphia Area Industrial
Energy Users Group)

Irwin A. Popowsky, Esquire
David Wersan, Esquire
Scott J. Rubin, Esquire
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120
(C002-David M. Barasch, Consumer Advocate)

Janet Parrish, Esquire
John Hanger, Esquire
Community Legal Services, Energy Project
3638 North Broad Street
Philadelphia, PA 19140
(C003-Consumer Education & Protective
Association, International, Inc.)

R-850152 - Parties in interest:

The Honorable Clarence D. Bell
Member, Pennsylvania Senate
P. O. Box 1750
Media, Pennsylvania 19063

Rick Etheridge
Attn: Code 111
Chesapeake Division
Naval Facilities Engineering Command
Washington Navy Yard - Building 212
Washington, D.C. 20374

Martha Bush, Esquire
237 South Melville Street
Philadelphia, PA 19139

Zori G. Ferkin, Legal Counsel
Governor's Energy Council
P. O. Box 8010
Harrisburg, PA 17105

MORGAN, LEWIS & BOCKIUS
COUNSELORS AT LAW
ONE LOGAN SQUARE
PHILADELPHIA, PENNSYLVANIA 19103
TELEPHONE: (215) 963-5000
CABLE ADDRESS: MORLEBOCK
TELEX: 83-1315

WASHINGTON
NEW YORK
LOS ANGELES

MIAMI
HARRISBURG
LONDON

DAVID B. MACGREGOR
DIAL DIRECT (215) 963-5448

November 5, 1985

RECEIVED
NOV 7 1985
SECRETARY'S OFFICE
Public Utility Commission

Mr. Jerry Rich, Secretary
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17120

Re: Pa. P.U.C. v. Philadelphia Electric Co.,
Docket No. R-850152

Dear Secretary Rich:

Enclosed for filing with the Commission are three copies of the Supplemental Testimony of Thomas P. Hill, Jr. in the above-captioned proceeding.

As shown below, I have today served copies of this testimony on all parties.

Sincerely,

David B. MacGregor
Counsel for Philadelphia
Electric Company

DBM/ms
Enclosures
cc: All Parties

FILED

PECo Statement No. 18A

RECEIVED
NOV 7 1985
SECRETARY'S OFFICE
Public Utility Commission

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

PHILADELPHIA ELECTRIC COMPANY

DOCKET No. R-850152

DOCUMENT FOLDER

DOCKETED
NOV 7 1985

SUPPLEMENTAL TESTIMONY

OF

THOMAS P. HILL, JR.

ANALYSIS OF THE COMMISSION ORDER AT DOCKET R-78080459; EXPLANATION OF CHANGES IN CERTAIN RATE BASE AND EXPENSE CLAIMS

NOVEMBER, 1985

Q. Mr. Hill, have you previously filed Direct Testimony in this case?

A. Yes, I have. My Direct Testimony was submitted with the Company's initial filing, on September 27, 1985, as Statement No. 18.

Q. What is the purpose of your supplemental testimony?

A. The purpose of my supplemental testimony is three-fold: 1) to respond to the Commission's recent Order in the Keystone Alliance Case at Docket No. C-78080459; 2) to present several additions and corrections to the Company's claim as filed to reflect new information and events which have come to the Company's attention after the filing, and 3) to provide the actual results of operations for the first three months of the future test year.

Q. Mr. Hill, please describe the results of the Company's review of the Commission's Order at Docket No. C-78080459.

A. On September 4, 1985, the Commission entered its final Order in the Keystone Alliance case at Docket No. C-78080459. The Commission's Order finds that certain expenses incurred by the Company should not be recovered from ratepayers, and that the Company should provide information on certain other expenses in future rate proceedings. A copy of the Commission's Order is provided as Schedule 1. The Company believes that the Commission's Order is in error and has appealed the Order to the Commonwealth Court. Therefore, in the Company's view, any adjustment in the current rate proceeding would be

premature. However, in order to provide a complete record in this proceeding, the Company has reviewed each of the 13 paragraphs in the Commission's Order to determine the amount of expense included in the Company's test year claim in this proceeding for each of the programs and items referenced in the Commission's Order, as follows:

Paragraph 1. The total amount of expenditures associated with Energy Education Advisory Council (EEAC) related activities included in the test year is $631,412. These expenses are recorded in FERC Accounts 909, 920, 921.

Paragraph 2. Ms. Mollie McCormick is no longer in PECo's Law Department. She is currently employed in Corporate Communications Department's Public Affairs Section. Ms. McCormick's salary is charged below the operating income line to FERC Account 426, along with other lobbying expenses, and therefore is not included in the Company's test year expense claim. The $6,600 in fringe benefits for Ms. McCormick are charged to FERC Account 926 and are included in the test year claim.

Paragraph 3. The Company's test year expense claim includes $11,000 as a payment to Reverend Cecil D. Gallup as a consultant to PECo's Corporate Communications Department. This expense is recorded in FERC Account 921.

Paragraph 4. The portion of employee salaries and fringe benefits related to Speaker's Bureau activities cannot be directly determined since the Company's payroll system is not designed to provide such an allocation. While the

exact costs are not specifically determinable, I have prepared an estimate of these costs. As set forth in Schedule 2, assuming three hours of employee time per program and assuming that all engagements are on Company time, an estimated $54,000 in electric operations employee wages and benefits are attributable to the Speaker's Bureau program. The development of this estimate is shown on Schedule 2. In the Company's view all of the speaking engagements provide important information to ratepayers and therefore are of direct benefit to ratepayers and should be reflected in rates. Moreover, it is the Company's understanding that Judge Kranzel's Recommended Decision was concerned only about speaking engagements on nuclear or nuclear related topics. As shown on Schedule 2, approximately 30% of the speaking engagements deal with nuclear-related topics and the estimated expenses associated with these engagements would be $16,000. However, I should note that this $16,000 estimate is significantly overstated since many of the speaking engagements are on the employees personal time at no cost in salary or fringe benefits to the Company.

Paragraph 5. The Company's test year claim contains $28,400 in contributions on behalf of the Utility Nuclear Waste Management Group. This expense is recorded in FERC Account 930.2.

Paragraph 6. The Company's test year claim includes $755,830 in expenses for PECo's contribution on behalf of

Edison Electric Institute TMI-Projects. This expense is recorded in FERC Account 930.2.

Paragraph 7. The Company's test year claim includes $5,600 in expenditures on behalf of Life Jobs. This expense is recorded in FERC Account 930.2.

Paragraph 8. The Company's test year claim contains $42,000 in expenditures on behalf of the American Nuclear Society. This expense is recorded in FERC Account 930.2.

Paragraph 9. The Company's test year claim includes no contributions to or expenditures on behalf of Americans For Energy Independence.

Paragraph 10. Budgeted expenditures by Corporate Communications in the current test year, excluding Muddy Run, and less expenditures disallowed in the Commission's Order, exceed the absolute level of 1978's expense by $3,748,432. As shown in Schedule 3 after the application of a wage adjustment to 1978 expenses to account for general wage increases granted by the Company and allowed by this Commission in prior rate orders, the difference is reduced to $1,240,786. Moreover, since 1978 the size and scope of the Corporate Communications Department have grown significantly. The public currently requires significantly more information about Company operations, conservation, safety and rates. As a result of the increase in the public demand for information, Corporate Communications staff has increased from 76 to 95 or 25% since 1978. This increase in staff necessitated by customer and media

requirements for information is the primary cause of the $1,240,786 adjusted increase over 1978's level of expenditures. The Company does not believe it was the intent of the Commission's Order to ignore wage inflation and necessary staff increases since 1978, and that the Corporate Communications expense claimed by the Company is just and reasonable when properly compared to 1978 levels.

Paragraph 11. Lobbying activities on behalf of PECo are conducted by the Public Affairs Section of the Corporate Communications Department. The Public Affairs Section has five employees, of which four are registered lobbyists. Eighty percent of the Public Affairs Section expenses are charged below the line to lobbying expense in FERC Account 426. The remaining 20% of expenses are charged to Electric (Accounts 920 and 921), Gas and Steam Operations. Since all lobbying expenses are booked to Account 426, the Company's test year expense claim contains no lobbying expenses.

Paragraph 12. There are no expenses in the test year associated with the litigation of Docket Number C-78080459.

Paragraph 13. Schedule 4 provides a list of industry associations to which the Company pays money for itself or its employees. The total amount paid to these associations included in the test year is approximately $1.1 million. This expense is recorded in Account 930.2. Provided below is a description of each association and the benefits to ratepayers of Company membership.

The Edison Electric Institute (EEI) is a nationwide industry organization to which the Company belongs. The organization's programs cover numerous areas ranging from Load Research and Rate Design to Depreciation Methods and Accounting Policies to Industry Safety. These committees enable members of the association to keep abreast of current changes or advances in the different areas of the industry. Current information in these areas is necessary to operate a utility properly and therefore benefits the ratepayer through improved operations.

The Pennsylvania Electric Association (PEA) is a statewide industry organizaton to which the Company belongs. This association helps the Company keep abreast of the changing regulatory environment through analyzing new and proposed regulations. Current knowledge on the impact of new and proposed legislation is necessary for the Company to properly operate its system and therefore is a proper cost of doing business which directly benefits the ratepayer.

The Electrical Association of Philadelphia is an association of electrical contractors. The Company serves as the coordinator of the association. The Association's goal is to assure that all associated contractors maintain proper safety standards and are up to date in industry standards, i.e. ASHRAE Standards. The Company considers it of utmost importance to itself and its ratepayers to have contractors that the ratepayers know will do a safe job and

conform to the most recent standards.

The Atomic Industrial Forum is a trade association for the nuclear power industry. AIF analyzes new and proposed regulations regarding nuclear power, and monitors new technologies in the industry. Such information, especially regarding the ever-changing technology and regulation of the nuclear industry is of great benefit to companies such as PECo with a large investment in nuclear power. For example, up-to-date knowledge in areas such as spent fuel disposal and safer plant operations provides for safer and, in some cases, improved operations, and clearly benefits ratepayers.

The American Nuclear Energy Council monitors current legislation regarding nuclear power. Knowledge of pending changes can be beneficial to the Company for planning purposes. Better planning provides for more efficient operation and thus benefits ratepayers.

Q. Mr. Hill, please summarize the additions and corrections to the Company's expense and rate base claim in this proceeding.

A. Several additions and corrections have been made to reflect new information, subsequent events and minor errors discovered after filing. These changes consist of: 1) a revision to the insurance claim for Limerick, 2) the addition of a storm damage claim, 3) a revision to local real estate tax expense, 4) a claim to recover the Company's investments in the Sequoyah Uranium Project and

the Lee Mine Uranium Supply Project, 5) the removal of the Bradshaw Reservoir construction project from rate base, 6) a change in Delaware #7 and #8 expected retirement dates, and 7) a correction to the Company's rate base claim for Number 2 oil inventory. My supplemental testimony will describe each of these changes and the schedules attached will provide supporting data where appropriate. Details on certain of these adjustments can be provided by the specific witness responsible for the details of the individual adjustment. The Company has chosen to present these additions and corrections at this time rather than at the Pre-Hearing Conference in order to provide the parties with additional time to review and consider these changes in the preparation of their cases. The total effect of these adjustments is to reduce the Company's overall revenue requirement by approximately $2.6 million. All of the adjustments included herein will be incorporated into the Company's final accounting exhibit and at that time the full effect of the adjustments (i.e. including effect on cash working capital) will be presented.

Q. Please describe the proposed adjustments to the Company's claimed expenses.

A. The first adjustment is to Limerick insurance expense (D-18). As filed, the Company's claim was $5,534,000. After filing, the Company discovered that the premiums are going to be higher in 1986 than initially projected due to an expected 25% increase effective January 1986 for the

cost of liability and replacement power coverage, and that due to an oversight the original claim included only 50% of common plant. The proposed adjustment increases the Company's claim from $5,534,000 to $6,435,000 and reflects both the higher premium ($339,000) and the inclusion of 100% of common facilities ($562,000). A revised D-18 adjustment is presented on Schedule 5.

The second adjustment to the Company's claim is to request recovery of an estimated $2 million in storm damage expense resulting from Hurricane Gloria on September 26-27, 1985. The Company does not budget costs associated with such storms, and though we insure for damage, the insurance deductible is $3.75 million. The Company therefore requests approval to recover the $2 million in storm damage expense through a three-year amortization allowance of $667,000 per year. This request is consistent with the three-year period employed by the Commission to amortize storm damage at Docket No. R-842590. Schedule 6 provides the details of this adjustment which will be included in the final accounting exhibit as page D-22.

The third revision is for local real estate tax expense. In further reviewing the Company's filing it was revealed that the 1985-86 Budget used to develop the Company's claim did not contain any real estate taxes for the Essex MgO facilities located in Newark, New Jersey. These taxes will be $1,212,000 per year, based on current payments. This expense will be included in FERC Account

950. Schedule 7 provides details of the proposed adjustment, which will be included as page D-23 in the Company's final accounting exhibit.

The fourth revision to expenses is a claim for the recovery of a loss on a major portion of the Company's investment in the Salem Nuclear Fuel Commitments, and on the write-off of the Lee Mine Uranium Supply Project. The Company was informed on October 3, 1985, that the Sequoyah Project portion of Salem Nuclear Fuel Commitments was terminated effective September 15, 1985. Additionally, the Company will be writing off its investment in the Lee Mine project in November 1985, as a result of an agreement with its joint owner, Quivira Mining Company, in which the Company will exhcange its current 50% equity interest in the project for an in-kind production royalty on any ore mined from the project. These projects were prudent investments initiated to secure uranium supplies for the Company's nuclear power stations. The recovery of the Company's investment therefore is reasonable and appropriate.

The Company currently has $12,094,000 invested in these projects. There will be no collateral received as a result of project termination. In developing this claim, the Company is deducting from the investment, $1,554,000, representing actual revenues collected from customers as a result of including the above investments in rate base at Docket R-811626.

The Company is requesting that the Commission allow recovery of the net investment ($10,540,000), net of tax savings, over a five-year period beginning with the effective date of rates in this proceeding. The Company is not seeking a return on the unamortized balances. This adjustment results in an annual increase to expense of $1,322,000 and an increase in revenue requirement of approximately $2.7 million. The method used to calculate the amount recoverable from ratepayers is consistent with the methodology used by the Commission at Docket No. R-842590 for recovery of the Company's investment in the Pioneer-Uravan project. Schedule 8 provides the details of this proposed adjustment, which will be included as Page D-24 of the Company's final accounting exhibit.

Finally, subsequent to filing the case, the Company has determined that in order to avoid capacity deficiency charges on the PJM Interconnection during the 1988 to 1990 period, it would be prudent to delay retirement of Delaware #7 and 8 Units from 1988 to 1990. This delay results in a reduction in depreciation accrual of approximately $2.6 million and an estimated increase in deferred taxes due to normalization of $65,000. As shown on Schedule 9 the net adjustment results in an estimated $5.2 million reduction in revenue requirements. This adjustment will be reflected in the Company's final accounting exhibit.

Q. Please describe the changes to the Company's rate base and the reasons for these changes?

A. The Company's $3.82 billion rate base claim for Limerick 1 and common plant includes $12.9 million associated with construction at the Bradshaw Reservoir site. Since it is apparent that the Bradshaw Project will not be completed and in service by the end of the future test year, the Company is eliminating the investment in plant, depreciation reserve and the annual depreciation accrual from its claimed rate base. Schedule 10 shows the development of the estimated $2.7 million reduction in revenue requirements from this change. Included on this Schedule are the reserve, accrual and accumulated deferred taxes associated with Bradshaw.

In addition, Mr. Carroll is revising the claimed inventory for No. 2 oil from 263,000 bbls. to 228,000 bbls to correct a math error. This results in a $1,117,200 reduction to the Comany's fuel inventory claim as shown on page C-10. Schedule 11 provides a copy of the revised C-10. Both of these rate base adjustments will be included in the Company's final accounting exhibit.

Q. Mr. Hill, has the Company a prepared exhibit to compare actual versus budget data for the first three months of the future test year?

A. Yes, in accordance with Commission regulations, the Company has prepared Exhibit TPH-3 (Attached as Schedule 12) which compares the results of actual operations to the budget for the first three months of the future test year.

Q. Does that conclude your supplemental testimony?

A. Yes.

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17120

Public Meeting held August 28, 1985

Commissioners Present:

Linda C. Taliaferro, Chairman, dissenting
James H. Cawley
Frank Fischl
Bill Shane

Keystone Alliance
V.
Philadelphia Electric Company

C-78080459

ORDER

BY THE COMMISSION:

We adopt as our action the Initial Decision of Administrative Law Judge Isador Kranzel dated August 31, 1983, and that Exceptions be denied; THEREFORE,

IT IS ORDERED:

1. All expenditures by PECO on behalf of its Energy Education Advisory Council programs, including program materials, payments to consultants and salaries of PECO employees engaged in EEAC-related activities, shall henceforth be classified as a contribution, with such expenditures being disallowed as an expenditure to be borne by the ratepayers in the current PECO rate proceeding at R-822291.

2. The salary, including fringe benefits, of Ms. Mollie McCormick of PECO's Law Department shall henceforth be classified entirely as lobbying and, therefore, disallowed as an expense charged to the ratepayers in the current PECO rate proceeding at R-822291.

3. All payments to Reverend Cecil D. Gallup, a consultant to the Corporate Communications Department, shall be classified entirely as lobbying and, therefore, disallowed as an expense charged to the ratepayers in the current PECO rate proceeding at R-822291.

4. Salaries, including fringe benefits, of all PECO employees engaged in Speakers Bureau activities shall be reported to the PUC and a calculation shall be made in order to determine that proportion of each employee's time spent on Speakers Bureau activities, so that in future rate cases an appropriate disallowance shall be made for the amount of time spent by PECO employees which is of no direct benefit to the ratepayers.

5. Expenditures by PECO on behalf of the Utility Nuclear Waste Management Group (UNWMG) shall be classified as a contribution and, therefore, shall not be chargeable to the ratepayers in the current rate proceeding at R-822291.

6. Expenditures by PECO on behalf of Edison Electric Institute's TMI-related projects shall be classified as a contribution and, therefore, shall not be chargeable to the ratepayers in the current rate proceeding at R-822291.

7. Expenditures by PECO on behalf of Life Jobs shall be classified as a contribution and, therefore, shall not be chargeable to the ratepayers in the current rate proceeding at R-822291.

8. Expenditures by PECO on behalf of the American Nuclear Society shall be classified as a contribution and, therefore, shall not be chargeable to the ratepayers in the current rate proceeding at R-822291.

9. Expenditures by PECO on behalf of Americans for Energy Independence shall be classified as a contribution and, therefore, shall not be chargeable to the ratepayers in the current rate proceeding at R-822291.

10. Expenditures by the Corporate Communications Department in the amount of $2,829,970, less already disallowed expenditures related to the Energy Education Advisory Council, the Utility Waste Management Group, Life Jobs, the American Nuclear Society, the Edison Electric Institute-TMI, and the Americans for Energy Independence, are to be disallowed as expenses to be borne by the ratepayers in the current PECO rate investigation at R-822291.

11. In all future rate proceedings, PECO is required to specify hours spent by PECO employees in lobbying and to notify the PUC as to the same, so that such expenditures will no longer be borne by the ratepayers.

12. All litigation costs incurred by PECO in the instant case (Keystone Alliance v. Philadelphia Electric Company, Docket Number C-78080459) shall be disallowed as an expense to be borne by the ratepayers in the current PECO rate proceeding at R-822291 and any future rate proceedings where allowances for such costs are requested.

13. In all future rate proceedings PECO is required to specify any payments to industry associations such as the Atomic Industrial Forum, the Edison Electric Institute, the Pennsylvania Electric Association and any other industry association to which PECO pays monies, either on behalf of PECO or its employees, in order to determine whether any such expenditures are of a direct benefit to the ratepayers.

BY THE COMMISSION,

(SEAL)

Jerry Rich
Secretary

ORDER ADOPTED: August 28, 1985

Philadelphia Electric Company

ESTIMATED SPEAKERS BUREAU COSTS

1984 Speaking Engagement Breakdown

	Total Engagements	% of Total	Nuclear or Quasi-Nuclear Related
Conservation	252	27.5%	
Rates	180	19.7	
Nuclear Power	144	15.7	15.7%
Energy Alternatives	133	14.5	14.5
Safety	104	11.3	
Community Programs	103	11.3	
	916	100.0%	30.2%

Assumptions

- 916 is a normal number of engagements
- Three hours per engagement (includes travel time)
- Assume 90% of hours allocated to Electric Operations
- Assume all engagements on Company time.

Calculation of Cost

Total Payroll (Regular Time)	=	$424,256,000	(D-5a, TPH-2)
Total Pensions & Benefits	=	93,420,000	(55,118(C-12a, TPH-2)) /59 (D-5, TPH-2)
Total Labor Related Expenses	=	$517,676,000	
Employees @ 6/30/86	=	11,286	
Average Per Employee	=	$45,869	
Employees Allocated to Electric (a)	=	1.19	
Cost Allocated to Electric	=	$54,370	
Nuclear Related	=	30.2%	(from above)
Total	=	$16,418	

(a)

916	Engagements
x 3	Hours
2,748	Hours
x .9	Allocated to Electric
2,473	Hours
/ 2080	Hours/Person-Year
= 1.19	Person-Years

Philadelphia Electric Company
CORPORATE COMMUNICATIONS EXPENSE

1978 Corporate Communications Expense (Excluding Muddy Run) = $3,482,841

Wage Increases

1978 = 2.9% (7.0% x 5/12)	1982 = 8.8%
1979 = 7.2	1983 = 6.75%
1980 = 9.5	1984 = 6.0%
1981 = 9.75	1985 = 5.4%

Cumulative Wage Adjustment Factor =
(1.029)(1.072)(1.095)(1.0975)(1.099)(1.0675)(1.06)(1.054)
= 1.72

Inflation Adjusted 1978 Corporate
Communications Expense = $3,482,841 x 1.72 = $5,990,487

Employees in 1978 = 76
Current Level = 95
Increase = 25%

	W/O Inflation	W/Inflation
June 30, 1986 Test Year Corporate Communications =	$8,694,515	$8,694,515
Less: 1978 Corporate Communicatons =	3,482,841	5,990,487
Excess of Test Year Expenses Over the 1978 Level =	$5,211,674	$2,704,028
Less: TMI-Cleanup	631,412	631,412
EEAC Expenses	631,412	631,412
Utility Nuclear Waste Management Group	28,400	28,400
Life Jobs	5,600	5,600
American Nuclear Society	42,000	42,000
Expenses in Excess of 1978 Level	$3,748,432	$1,240,786
Adjustment to Reflect Increase in Staff	870,710 (a)	1,497,672 (a)
Expenses in Excess of the 1978 Level Adjusted for Wage Inflation and Required Staffing Increases	$2,877,222	($256,836)

(a) Adjustment for 25% increase in staff.

	W/O Inflation	W/Inflation
1978 Expense	$3,482,841	$5,990,487
Adjustment @ 25%	870,710	1,397,622

Philadelphia Electric Company

ASSOCIATION DUES
12 MONTHS ENDING JUNE 30, 1986

American Nuclear Energy Council	$20,625
Atomic Industrial Forum	62,400
Edison Electric Institute	627,000
Electrical Association of Philadelphia	114,800
Pennsylvania Electric Association	313,937
Other	8,650
Total	$1,147,412

Philadelphia Electric Company - Electric Operations

Adjustment to Reflect Full Year O&M Expenses
for Limerick No. 1 Unit
(Thousand $)

This adjustment is necessary to reflect a full year effect of the operating and maintenance expenses associated with Limerick No. 1 Unit which were not included in the original budget data.

Additional information regarding nuclear O&M expenses is contained in the Direct Testimony of J. J. Carroll. Refer to the Direct Testimony of T. P. Hill, Jr. for additional discussion regarding pensions, benefits, insurance and payroll taxes.

Description	Accounts	Amount	
Nuclear O&M Expenses	517 to 532	$63,448	(Carroll)
Pensions and Benefits	926	6,408	(Hill)
Insurance	924, 925	6,435	(Hill)
Payroll Taxes	950	350	(Hill)
Total Annual O&M		$76,641	
Amount Included in Budget		0	
Increase in O&M Expense		$76,641	
Decrease in Income Taxes		38,143	
Decrease in Income for Return		$38,498	

Philadelphia Electric Company - Electric Operations
Adjustment to Reflect Increased
Expenses Resulting From Storm Damage
($1,000's)

This adjustment provides for the expense incurred by the Company as a result of a severe storm which struck the PECo service territory during September of 1985. Although the Company maintains insurance coverage for such events with a group of insurers, this coverage provides for a $3.75 million deductible for each occurrence. Since these expenses are of an extraordinary nature, they were not included in the Company's budget and forecast and therefore have not been reflected in the Company's future test year expenses. Refer to the Supplemental Testimony of T. P. Hill, Jr. for a discussion of this adjustment.

The purpose of this adjustment is to recover, through a three-year amortization, those expenses associated with this storm damage which is not covered by insurance.

Expenses associated with storm damage	$2,000	
Annual amortization over 3 years ($2,000/3)		$667
Less: Income tax @ 49.768%		332
Decrease in income for return		$335

Philadelphia Electric Company - Electric Operations
Adjustment to Local Real Estate Taxes
To Include the Essex MgO Facilities
12 Months Ending June 30, 1986

The purpose of this adjustment is to incorporate into the Company's test year expenses the real estate tax on the Essex MgO facilities. These taxes were not included in the Company's budget and forecast. Refer to the Supplemental Testimony of T. P. Hill, Jr. for additional discussion on this adjustment.

Local Real Estate Taxes 12 months ending 6/30/86	$2,019
Local Real Estate Taxes per budget (B-14)	807
Increase Taxes other than Income Taxes	$1,212
Decrease in Income Taxes @ 49.768%	603
Decrease in Income Available for Return	$609

Philadelphia Electric Company - Electric Operations

Recovery of Losses on the
Sequoyah Uranium Supply Project
and the
Lee Mine Uranium Supply Project

The purpose of this adjustment is to amortize over a five year period the loss incurred by PECo as a result of the termination of the Sequoyah uranium mining project and the write-off of the investment in the Quivira/PECo Lee Mine Uranium Mining Project. Discussion of this adjustment is provided in the Supplemental Testimony of Thomas P. Hill, Jr.

	Sequoyah	Lee Mine	Total	Total to be Amortized	5 Year Amortization
Book Cost - 1985	$8,845	$3,249	$12,094		
Revenue Recovered From Customers (a)	1,239	315	1,554		
Book Loss	$7,606	$2,934	$10,540	$10,540	$2,108
AFUDC	2,230	410	2,640		
Tax Loss	$5,376	$2,524	$7,900		
Decrease in Taxes @ 49.768%				3,932	786
Book Loss Net of Taxes				$6,608	$1,322
Reduction in Income for Return					$1,322

(a) Revenue received from customers during the effective period of rates established at Docket R-811626. The effective period was from May 21, 1982 to November 23, 1983.

Philadelphia Electric Company - Electric Operations

EFFECT OF POSTPONING THE RETIREMENT OF DELAWARE #7, #8
($1,000)

Depreciation Accrual

Based on 1988 Terminal Date =	$5,203	(2 Year Remaining Life)
Based on 1990 Terminal Date =	$2,602	(4 Year Remaining Life)
Decrease in Accrual	($2,601)	
Effect on Revenue Requirement	($5,284)	

Deferred Tax Normalization

S/L Tax Depreciation Post 1980 Additions - Filed =	$171
S/L Tax Depreciation Post 1980 Additions - Revised =	$102
Decrease in Tax Depreciation =	$69
Change in Deferred Taxes @ 46% =	$32
Effect on Revenue Requirement =	$65

Total Effect on Revenue Requirement

Depreciation =	($5,284)
Deferred Taxes =	65
Total =	($5,219)

Philadelphia Electric Company

EFFECT OF THE ELIMINATION OF BRADSHAW RESERVOIR
FROM THE COMPANY'S CLAIM
($1,000)

Rate Base

O. C. Plant =	$12,875	
Reserve @ 6/30/86 =	126	(a)
Net	$12,749	
Less: Acc. Deferred Taxes =	636	
Rate Base =	$12,113	
Revenue Requirement @ 20.23% =	($2,450)	

Expense

Decrease in Accrual =	($331)
Decrease in Deferred Tax =	(559)
Increase in Income Tax =	761
Total	($129)
Revenue Requirements	($262)

Impact of
Total Adjustment

Rate Base	($2,450)
Expense	(262)
Total	($2,712)

(a) Based on 4.5 months of depreciation at a 2.60% annual rate.

Philadelphia Electric Company - Electric Operations
MATERIALS AND SUPPLIES
June 30, 1986
(Thousand $)

The adjustment to rate base for materials and supplies is shown below. Regarding electric fuel inventory, the quantities of fuel expressed in either tons of coal or barrels of oil represent design averages required to maintain an adequate fuel supply. The unit price for coal and oil represent the estimated prices as of June 30, 1986. The Direct Testimony of J. J. Carroll provides additional discussion on the Company's fuel inventory claim. The Direct Testimony of R. W. Wright provides additional discussion of the Company's non-fuel materials and supplies.

Electric Fuel Inventory (J. J. Carroll)			
Coal			
Philadelphia Area	204,000 tons @ $47.75/ton =	$9,741	
Keystone	121,000 tons @ $34.47/ton =	4,171	
Conemaugh	119,000 tons @ $37.34/ton =	4,444	
Total Coal Inventory			$18,356*
Oil			
No.6-1.0% Sulphur	100,000 bbls @ $26.00/bbl =	$2,600	
-0.5% Sulphur	350,000 bbls @ $27.00/bbl =	9,450	
No.2	228,000 bbls @ $31.92/bbl =	7,278	
Total Oil Inventory			$19,328*
Plant Materials and Supplies (R. W. Wright)			
Electric operating			
Total			$48,495**
Tools and related equipment			
Electric			$2,221
Stores Expense Undistributed			
Allocated portion $1,199 x 86.188% (a)			1,033
Total Electric Materials and Supplies			$89,433

(a) page B-17

* Refer to the Direct Testimony of J. J. Carroll, for the effect of Limerick on Fuel Inventory

** Non-Limerick materials and supplies = $43,495
Limerick Materials and supplies = 5,000
Total $48,495

Philadelphia Electric Company
Electric Operations
R-850152

Actual Experience in the Future Test Year
3 Months Ended September 30, 1985

October 1985

ELECTRIC OPERATING INCOME
3 Months Ended September 30, 1985
(Thousand $)

		Budget	Actual	Over/Under Budget
OPERATING REVENUE				
	Sales of Electricity:			
440	Residential	$280,023	$262,418	($17,605)
442	Small Commercial and Industrial	106,383	109,168	2,785
	Large Commercial and Industrial	293,541	277,517	(16,024)
444	Public Street and Highway Lighting	9,335	9,455	120
445	Other Sales to Public Authorities	-	-	-
446	Sales to Railroads and Railways	12,969	13,538	569
447	Sales for Resale	6,069	6,173	104
448	Interdepartmental Sales	1,034	1,062	28
	Total Sales of Electricity	$709,354	$679,331	($30,023)
	Other Operating Revenues:			
450	Forfeited Discounts	$2,821	$2,628	($193)
451	Miscellaneous Service Revenues	627	683	56
453	Sale of Water and Water Power	-	-	-
454	Rent from Electric Property	2,583	2,626	43
455	Interdepartmental Rents	470	453	(17)
456	Other Electric Revenues	2,991	4,342	1,351
	Total Other Operating Revenues	$9,492	$10,732	$1,240
	Total Electric Operating Revenues	$718,846	$690,063	($28,783)
OPERATING EXPENSES				
401	Operation and Maintenance Expense:			
	Power Production	$304,609	$286,193	($18,416)
	Transmission	6,062	5,221	(841)
	Distribution	25,479	27,950	2,471
	Customer Accounts	21,249	22,390	1,141
	Customer Service & Information	2,519	2,421	(98)
	Sales	194	229	35
	Administrative and General Expense	36,331	38,886	2,555
	Total Operation and Maintenance Expense	$396,443	$383,290	($13,153)
403	Depreciation Expense	$40,248	$42,028	$1,780
405	Amortization of Other Electric Plant	(160)	(162)	(2)
407	Amortization of Property Losses	420	108	(312)
	Taxes			
408.1	Taxes Other Than Income Taxes	$54,808	$56,254	$1,446
409.1	Income Taxes	53,313	53,070	(243)
410.1	Provisions for Deferred Income Taxes	34,907	4,179	(30,728)
411.1	Inc. Taxes Deferred in Prior Yrs-Credit	(19,666)	(6,866)	12,800
411.4	Investment Tax Credit Adjustments	22,361	30,734	8,373
	Payrop Tax Credit Adjustment	-	-	-
	Total Taxes	$145,723	$137,371	($8,352)
411.6&7	Gain or Loss from Disposition of Utility Plant	-	-	-
	Total Operating Expenses	$582,674	$562,635	(20,039)
	Operating Income	$136,172	$127,428	($8,744)

Electric Operations

OPERATING EXPENSES

3 Months Ended September 30, 1985

(Thousand $)

I. POWER PRODUCTION EXPENSES	Budget	Actual	Over/Under Budget
STEAM POWER GENERATION			
OPERATION			
500 Operation Supervision	$3,793	$3,535	($258)
501 Fuel	67,938	63,222	(4,716)
502 Steam Expenses	9,067	6,670	(2,397)
504 Steam Transferred - Credit	(6,001)	(4,667)	1,334
505 Electric Expenses	1,960	1,745	(215)
506 Miscellaneous Steam Power Expenses	3,215	3,532	317
507 Rents	3,766	3,770	4
Total Operation	$83,738	$77,807	($5,931)
MAINTENANCE			
510 Maintenance Supervision and Engineering	$2,326	$2,570	$244
511 Maintenance of Structures	3,514	2,288	(1,226)
512 Maintenance of Boiler Plant	14,129	14,944	815
513 Maintenance of Electric Plant	3,298	2,608	(690)
514 Maintenance of Miscellaneous Steam Plant	755	846	91
Total Maintenance	$24,022	$23,256	($766)
Total Power Production Expenses-Steam Power	$107,760	$101,063	($6,697)
NUCLEAR POWER GENERATION			
OPERATION			
517 Operation Supervision and Engineering	$3,236	$1,024	($2,212)
518 Fuel	30,049 (a)	23,813 (b)	(6,236)
519 Coolants and Water	281	(52)	(333)
520 Steam Expenses	3,693	3,913	220
523 Electric Expenses	451	434	(17)
524 Miscellaneous Nuclear Power Expenses	9,649	11,530	1,881
525 Rents	22	25	3
Total Operation	$47,381	$40,687	($6,694)
MAINTENANCE			
528 Maintenance Supervision and Engineering	$4,049	$1,185	($2,864)
529 Maintenance of Structures	984	1,115	131
530 Maintenance of Reactor Plant Equipment	2,840	7,547	4,707
531 Maintenance of Electric Plant	2,114	1,838	(276)
532 Maintenance of Miscellaneous Nuclear Plant	1,257	2,403	1,146
Total Maintenance	$11,244	$14,088	$2,844
Total Power Production Expenses-Nuclear Power	$58,625	$54,775	($3,850)

(a) Includes $3,332 associated with spent nuclear fuel disposal expense.
(b) Includes $3,707 associated with spent nuclear fuel disposal expense.

ERATING EXPENSES
3 Months Ended September 30, 1985
(Thousand $)

		Budget	Actual	Over/Under Budget
	HYDRAULIC POWER GENERATION			
OPERATION				
535	Operation Supervision and Engineering	$98	$94	($4)
536	Water and Power	368	352	(16)
537	Hydraulic Expenses	305	277	(28)
538	Electric Expenses	53	55	2
539	Misc. Hydraulic Power Generation Expenses	98	46	(52)
540	Rents	1	-	(1)
	Total Operation	$923	$824	($99)
MAINTENANCE				
541	Maintenance Supervision and Engineering	$131	$136	$5
542	Maintenance of Structures	65	25	(40)
543	Maintenance of Reservoirs, Dams & Waterways	28	21	(7)
544	Maintenance of Electric Plant	272	911	639
545	Maintenance of Miscellaneous Hydraulic Plant	36	51	15
	Total Maintenance	$532	$1,144	$612
	Total Power Production Expenses-Hydraulic Power	$1,455	$1,968	$513
	OTHER POWER GENERATION			
OPERATION				
546	Operation Supervision and Engineering	$269	$256	($13)
547	Fuel	4,728	3,797	(931)
548	Generation Expenses	353	297	(56)
549	Miscellaneous Other Power Generation Expenses	359	437	78
550	Rents	1,140	1,140	-
	Total Operation	$6,849	$5,927	($922)
MAINTENANCE				
551	Maintenance Supervision and Engineering	$161	$153	($8)
552	Maintenance of Structures	65	126	61
553	Maintenance of Generating and Electric Plant	1,865	2,712	847
554	Maintenance of Miscellaneous Other Power	26	22	(4)
	Total Maintenance	$2,117	$3,013	$896
	Total Power Production Expenses - Other Power	$8,966	$8,940	($26)
	OTHER POWER SUPPLY EXPENSES			
555	Purchased Power	$62,985	$108,723	$45,738
556	System Control and Load Dispatching	1,504	1,336	(168)
557	Other Expenses	63,314	9,388	(53,926)
	Total Other Power Supply Expenses	$127,803	$119,447	($8,356)
	Total Power Production Expenses	$304,609	$286,193	($18,416)

Philadelphia Electric Company - Electric Operations
OPERATING EXPENSES
3 Months Ended September 30, 1985
(Thousand $)

		Budget	Actual	Over/Under Budget
	TRANSMISSION EXPENSES			
OPERATION				
560	Operation Supervision and Engineering	$571	$583	$12
561	Load Dispatching	392	351	(41)
562	Station Expenses	442	406	(36)
563	Overhead Line Expenses	57	128	71
564	Underground Line Expenses	61	54	(7)
566	Miscellaneous Transmission Expenses	321	286	(35)
567	Rents	1,785	1,810	25
	Total Operation	$3,629	$3,618	($11)
MAINTENANCE				
568	Maintenance Supervision and Engineering	$218	$225	$7
569	Maintenance of Structures	73	53	(20)
570	Maintenance of Station Equipment	1,280	1,002	(278)
571	Maintenance of Overhead Lines	710	695	(15)
572	Maintenance of Underground Lines	152	(381)	(533)
573	Maintenance of Miscellaneous Transmission Plant	-	9	9
	Total Maintenance	$2,433	$1,603	($830)
	Total Transmission Expenses	$6,062	$5,221	($841)
	DISTRIBUTION EXPENSES			
OPERATION				
580	Operation Supervision and Engineering	$1,991	$2,090	$99
581	Load Dispatching	445	400	(45)
582	Station Expenses	1,363	1,414	51
583	Overhead Line Expenses	1,557	1,394	(163)
584	Underground Line Expenses	735	914	179
585	Street Lighting and Signal System Expenses	154	178	24
586	Meter Expenses	1,149	1,147	(2)
587	Customer Installation Expenses	1,207	1,262	55
588	Miscellaneous Distribution Expenses	2,785	2,924	139
589	Rents	1,047	1,023	(24)
	Total Operation	$12,433	$12,746	$313
MAINTENANCE				
590	Maintenance Supervision and Engineering	$968	$1,034	$66
591	Maintenance of Structures	239	210	(29)
592	Maintenance of Station Equipment	1,989	1,953	(36)
593	Maintenance of Overhead Lines	5,922	6,755	833
594	Maintenance of Underground Lines	2,485	3,233	748
595	Maintenance of Line Transformers	423	595	172
596	Maintenance of Street Lighting and Signal System	282	322	40
597	Maintenance of Meters	446	614	168
598	Maintenance of Miscellaneous Distribution Plant	292	488	196
	Total Maintenance	$13,046	$15,204	$2,158
	Total Distribution Expenses	$25,479	$27,950	$2,471

PERATING EXPENSES
(Thousand $)
3 Months Ended September 30, 1985

		Budget	Actual	Over/Under Budget
	IV CUSTOMER ACCOUNTS EXPENSES			
OPERATION				
901	Supervision	$635	$669	$34
902	Meter Reading Expenses	3,520	3,182	(338)
903	Customer Records and Collection	11,939	11,903	(36)
904	Uncollectible Accounts	5,022	6,503	1,481
905	Miscellaneous Customer Accounts Expenses	133	133	-
	Total Customer Accounts Expenses	$21,249	$22,390	$1,141
	V CUSTOMER SERVICE & INFORMATIONAL EXPENSES			
OPERATION				
907	Supervision	$259	$260	$1
908	Customer Assistance Expenses	1,561	1,345	(216)
909	Informational & Instructional Advertising Exp.	609	743	134
910	Misc. Cust. Serv. & Information Expenses	90	73	(17)
	Total Cust. Serv. & Information Expenses	$2,519	$2,421	($98)
	VI SALES EXPENSES			
OPERATION				
911	Supervision	$31	$31	-
912	Demonstrating and Selling Expenses	89	81	($8)
913	Advertising Expenses	49	117	68
916	Miscellaneous Sales Expenses	25	-	(25)
	Total Sales Expenses	$194	$229	$35
	VII ADMINISTRATIVE AND GENERAL EXPENSES			
OPERATION				
920	Administrative and General Salaries	$9,355	$8,504	($851)
921	Office Supplies and Expenses	3,645	3,612	(33)
923	Outside Services Employed	1,293	1,446	153
924	Property Insurance	2,362	2,661	299
925	Injuries and Damages	2,028	2,095	67
926	Employee Pensions and Benefits	11,896	13,064	1,168
928	Regulatory Commission Expenses	1,302	3,018	1,716
929	Duplicate Charges - Credit	(300)	(469)	(169)
930	General Advertising and Miscellaneous	4,373	4,593	220
	Total Operation	$35,954	$38,524	$2,570
MAINTENANCE				
935	Maintenance of General Plant	377	362	(15)
	Total Administrative and General Expenses	$36,331	$38,886	$2,555
	VIII TOTAL OPERATION & MAINTENANCE EXP. (B-9)	$396,443	$383,290	$13,153
	IX DEPRECIATION AND AMORTIZATION			
940	Depreciation (B-9)	$40,248 (a)	$42,028 (b)	$1,780
943	Amortization of Other Electric Plant	(160)	(162)	(2)
944	Amortization of Property Losses	420	108	(312)
	Total Depreciation and Amortization	$40,508	$41,974	$1,466

(a) Includes $900 of nuclear decommissioning accruals.
(b) Includes $1,047 of nuclear decommissioning accruals.

OPERATING EXPENSES
3 Months Ended September 30, 1985
(Thousand $)

X TAXES	Budget	Actual	Over/Under Budget
TAXES OTHER THAN INCOME TAXES			
State and Local			
Capital Stock - Pennsylvania	$6,153	$6,153	-
Capital Stock - New Jersey	31	31	-
Gross Receipts	31,402	30,060	(1,342)
Real Estate - Local	201	499	298
Real Estate - State	11,864	14,423	2,559
State Unemployment Compensation	348	342	(6)
Philadelphia Realty Occupancy	112	112	-
Other State and Local	140	155	15
Total State and Local	$50,251	$51,775	$1,524
Federal			
Telephone and Telegraph	$6	$6	-
Federal Unemployment Compensation	199	193	(6)
Federal Old Age Benefits	4,300	4,209	(91)
Other	52	71	19
Total Federal	$4,557	$4,479	($78)
Total Taxes Other Than Income	$54,808	$56,254	$1,446
INCOME TAXES			
State - Pennsylvania	$13,387	$14,813	$1,426
State - Maryland	51	59	8
State - New Jersey	465	538	73
Federal	39,410	37,660	(1,750)
Total Income Taxes	$53,313	$53,070	($243)
Provisions for Deferred Income Taxes	$34,907	$4,179	($30,728)
Income Taxes in Prior Years - Credit	(19,666)	(6,866)	12,800
Investment Tax Credit Adjustments	22,361 (a)	30,734 (b)	8,373
Paysop Tax Credit Adjustment	-	-	-
TOTAL ALL TAXES	$145,723	$137,371	($8,352)
XII TOTAL OPERATING EXPENSES (B-9)	$582,674	$562,635	($20,039)

(a) Investment tax credit of $24,924 less amortization of $2,563
(b) Investment tax credit of $33,522 less amortization of $2,788

Philadelphia Electric Company
June 1985 to September 1985
(Thousand $)

Electric Plant in Service	June 1985 Filing	3 Months Net Budget Additions	Budget As of Sept.30,1985	June 1985 Actual Filing	3 Months Actual Additions	Actual As of Sept.30,1985	Over(Under) Budget
Intangible Plant	$163	-	$163	$163	-	$163	-
Steam Production Plant	$1,116,749	$7,910	$1,124,659	$1,116,749	$10,664	$1,127,413	$2,754
Nuclear Production Plant	1,372,002	11,178	1,383,180	1,372,002	21,580	1,393,582	10,402
Hydraulic Production	83,866	17	83,883	83,866	3	83,869	(14)
Other Production Plant	133,955	-	133,955	133,955	5	133,960	5
Total Production Plant	$2,706,572	$19,105	$2,725,677	$2,706,572	$32,252	$2,738,824	$13,147
Transmission Plant	$588,114	$1,855	$589,969	$588,114	$578	$588,692	($1,277)
Distribution Plant	1,425,028	15,949	1,440,977	1,425,028	26,573	1,451,601	10,624
General Plant	35,113	541	35,654	35,113	723	35,836	182
Total Electric Plant in Service	$4,754,990	$37,450	$4,792,440	$4,754,990	$60,126	$4,815,116	$22,676
Common Plant in Service							
Intangible Plant	$677	-	$677	$677	-	$677	-
General Plant	130,509	1,236	131,745	130,509	232	130,741	(1,004)
Total Common Plant	$131,186	$1,236	$132,422	$131,186	$232	$131,418	($1,004)

ORIGINAL

PHILADELPHIA ELECTRIC COMPANY

2301 MARKET STREET

P.O. BOX 8699

PHILADELPHIA, PA. 19101

(215) 841-4000

JOHN H. AUSTIN, JR.
PRESIDENT

November 6, 1985

RECEIVED

NOV 8 1985

SECRETARY'S OFFICE
Public Utility Commission

Mr. Jerry Rich, Secretary
Pennsylvania Public Utility Commission
North Office Building
Post Office Box 3265
Harrisburg, Pennsylvania 17120

SUBJECT: SUPPLEMENT NO. 16 TO TARIFF ELECTRIC-PA. P.U.C. NO. 26
Suspension of Supplement No. 15 until June 27, 1986
Reference: Commission Order at Docket No. R-850152 entered 11/1/85

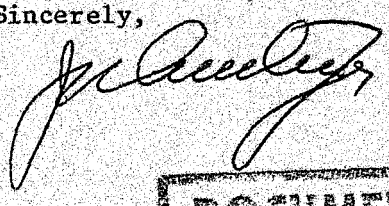
Dear Mr. Rich:

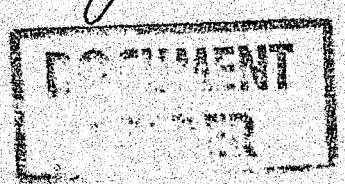
Enclosed for filing with the Commission are three copies of SUPPLEMENT NO. 16 TO TARIFF ELECTRIC-PA. P.U.C. NO. 26 which is being filed in accordance with Commission Order entered November 1, 1985 at Docket No. R-850152. This supplement provides for the suspension until June 27, 1986 of Supplement No. 15 to Tariff Electric-Pa. P.U.C. No. 26 which was filed with the Commission on September 27, 1985 to become effective November 27, 1985.

A copy of Supplement No. 16 to Electric Tariff No. 26 is being placed in the posted copy of the electric tariff in the Company's main office and in the electric tariff maintained for public use in all Company offices.

Would you please acknowledge receipt of the foregoing on the enclosed copy of this letter.

Sincerely,





Enclosures

PHILADELPHIA ELECTRIC COMPANY

ELECTRIC SERVICE TARIFF

RECEIVED
NOV8 1985
SECRETARY'S OFFICE
Public Utility Commission

COMPANY OFFICE LOCATIONS

PHILADELPHIA DIVISION: DIVISION OFFICE:
2301 Market Street, Philadelphia

District Offices:
535 Adams Avenue
1819 E. Allegheny Avenue
3501 N. Broad Street
2009 S. Broad Street
55 W. Chelten Avenue
3925-B Walnut Street

DELAWARE DIVISION: 18 E. Fifth Street, Chester

EASTERN DIVISION: 400 Park Avenue, Warminster
Mechanicsville & Street Roads, Bensalem

MAIN LINE DIVISION: 213 W. County Line Road, Ardmore
76 S. 69th Street, Upper Darby

SCHUYLKILL DIVISION: 680 Ridge Pike, Plymouth Meeting
500 Germantown Pike, Plymouth Meeting
365 High Street, Pottstown

WESTERN DIVISION: 175 N. Cain Road, Coatesville
3211 Lincoln Highway, Thorndale
Main Street, Delta

For List of Communities Served, See Pages 4 and 5.

The application of rates proposed in Supplement No. 15 to Tariff Electric-Pa. P.U.C. No. 26, filed to become effective November 27, 1985 is hereby suspended until June 27, 1986, by operation of law at R-850152. Presently effective rates contained in Tariff Electric-Pa. P.U.C. No. 26 and supplements thereto, will continue in effect until otherwise amended.

Issued November 7, 1985

Issued in compliance with
Title 66 Pa. C.S. ss 1308(d).

ISSUED BY: J. H. AUSTIN, JR., PRESIDENT
2301 MARKET STREET
PHILADELPHIA, PA. 19101

DOCUMENT

DOCKETED
DOCKET
NOV 08 1985

COMMONWEALTH OF PENNSYLVANIA
GOVERNOR'S ENERGY COUNCIL
P.O. BOX 8010
300 N. 2nd STREET
HARRISBURG, PENNSYLVANIA 17105
(717) 783-9981

RECEIVED
NOV 7 1985
SECRETARY'S OFFICE
Public Utility Commission

November 7, 1985

DOCUMENT FOLDER

Jerry Rich, Secretary
Pennsylvania Public Utility Commission
P. O. Box 3265
North Office Building
Harrisburg, PA 17120

Re: Pennsylvania Public Utility Commission v. Philadelphia Electric Company, Docket No. R-850152

Dear Secretary Rich:

Enclosed for filing please find the original and two copies of the Petition to Intervene by the Governor's Energy Council Staff in the above-captioned proceeding.

Copies of these filings are being served this day on all participants of record and on Administrative Law Judge Joseph P. Matuschak.

Very truly yours,

Zori G. Ferkin by REC

Zori G. Ferkin
Chief Counsel

Enclosure
See Certificate of Service
(attached)

RECEIVED
NOV 7 1985
SECRETARY'S OFFICE
Public Utility Commission

BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

DOCUMENT FOLDER

Pennsylvania Public Utility Commission	:	Docket No. R-850152
v.	:	
Philadelphia Electric Company	:	

DOCKETED
NOV 8 1985

PETITION TO INTERVENE BY THE
GOVERNOR'S ENERGY COUNCIL STAFF

Pursuant to 52 Pa. Code §§5.71-76, the Staff of the Governor's Energy Council (GEC staff) hereby petitions to intervene in the above-captioned proceeding.

The GEC staff requests that the petition be granted on the following grounds:

1) By Executive Order 1979-7, Governor Dick Thornburgh established the Governor's Energy Council as an agency of the Commonwealth. 4 Pa. Code §5.181 et seq. The Lieutenant Governor shall serve as its Chairman, and shall appoint an Executive Director and necessary staff. 4 Pa. Code §5.182, 5.184.

2) Executive Order 1979-7 established the Governor's Energy Council to ensure that energy security for the Commonwealth is achieved through planning, development and conservation. The Council is responsible for developing short and long-term energy policies through coordination with state

agencies, local governments, the business community, and consumers. 4 Pa. Code §5.183. Executive Order 1979-7 specifically directs the Governor's Energy Council "to assist the Governor, other state agencies, and the private sector in the study and review of all energy plans, policies, and programs and to aid in the evaluation of needs, assessments of existing resources, analysis of existing programs, and the development and implementation of new policies and programs." 4 Pa. Code §5.183.

3) The Commission has ruled that the Governor's Energy Council has standing to participate with full party status in Commission rate proceedings. Letter from William P. Thierfelder, Secretary, Pennsylvania Public Utility Commission to John V. Buffington, Governor's Energy Council (September 4, 1980) in Pennsylvania Public Utility Commission v. Duquesne Light Company, Docket No. R-80011069. In addition to Duquesne Light, the Commission has granted the GEC staff's request to intervene in other rate investigations. See Pennsylvania PUC v. Pennsylvania Power & Light Company, Docket No. R-80031114; Pennsylvania PUC v. Philadelphia Electric Company, Docket No. R-79060865. The GEC staff is currently a party to the Commission's Limerick Unit No. 2 Investigation, Docket No. I-840381.

4) Philadelphia Electric Company's September 27, 1985 rate filing in this docket is the largest increase ever requested in Pennsylvania. The Commission's investigation of the request will

involve, among other issues, an evaluation of the Company's ability to achieve a projected $207 million in energy savings from operation of Limerick Unit 1, and an assessment of the Company's proposal to phase-in the revenue requirements with respect to the impact on ratepayers. The resolution of these and other issues bear directly on the implementation of the goals of the Pennsylvania Energy Policy, and will have critical significance for future economic development in Southeastern Pennsylvania.

5) The GEC staff's interests in this rate proceeding include exploring incentives to ensure energy savings are achieved, assessing the appropriateness of the Company's phase-in proposal, and supporting development of a complete record on issues important to state energy policy. The GEC staff has the knowledge, experience and expertise to address and develop these issues in this proceeding. In addition to development of the Pennsylvania Energy Policy and participation in other Commission proceedings, the GEC sponsored the work of the Pennsylvania Electric Utility Efficiency Task Force, which developed principles for regulatory reform aimed at providing electric utilities with new incentives to increase efficiency and productivity.

6) Participation of the GEC staff in this proceeding will be in the public interest. Intervention should be granted in accordance with 52 Pa. Code §5.72(b).



For the foregoing reasons, the Staff of the Governor's Energy Council requests that the Commission grant the foregoing petition to intervene. Notice of appearance of the undersigned counsel is hereby provided in accordance with 52 Pa. Code §1.24(b).

Respectfully submitted,
Staff of the Governor's Energy Council by:

Zori G. Ferkin by REC

Zori G. Ferkin
Chief Counsel
Governor's Energy Council
P.O. Box 8010
300 North Second Street, 11th Floor
Harrisburg, PA 17101

717-783-9981

Dated: November 7, 1985

AFFIDAVIT

Pursuant to 52 Pa. Code §1.36, verification of the foregoing petition to intervene is provided hereto:

Jan H. Freeman being duly sworn according to law deposes and says that he is Deputy Director of the Governor's Energy Council Staff; that he is authorized to and does make this affidavit for it; and that the facts set forth above are true and correct to the best of his knowledge, information and belief and he expects the said Governor's Energy Council Staff to be able to prove the same at any hearing hereof.

Jan H. Freeman

Jan H. Freeman
Deputy Director
Governor's Energy Council
Staff

Sworn and subscribed before me
this 7th day of November, 1985

Helen Wilhelm

HELEN WILHELM, Notary Public
Mechanicsburg, Cumberland Co., Pa.
My Commission Expires July 3, 1986

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing petition to intervene upon the following by first class, postage prepaid:

Joseph P. Matuschak
Administrative Law Judge
97 East Main Street
Uniontown, PA 15401

Janet Parrish,
Community Legal Services, Inc.
3638 North Broad Street
Philadelphia, PA 19140

Robert H. Young, Esq.
Morgan, Lewis & Bockius
2000 One Logan Square
Philadelphia, PA 19103

Kathryn Lewis, Esq.
City of Philadelphia
1500 Municipal Serv. Bldg.
15th & JFK Boulevard
Philadelphia, PA 19107

Marlene R. Chestnut, Esq.
Assistant Counsel
PA Public Utility Commission
Law Bureau
P. O. Box 3265
Harrisburg, PA 17120

David M. Kleppinger, Esq.
McNees, Wallace & Nurick
100 Pine Street
P. O. Box 1166
Harrisburg, PA 17108

Susan Perkins Westin, Esq.
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

Andre Dasent, Esq.
900 Bourse Building
21 South 5th Street
Philadelphia, PA 19106

Roger E. Clark, Esq.
Counsel
Governor's Energy Council Staff
P. O. Box 8010
Harrisburg, PA 17105
(717) 783-9981

Dated: November 7, 1986

November 13, 1985

R-850152

Paul N. Righter-
Certified Public Accountant
485 Oriole Street
Philadelphia, Pennsylvania 19125

Proposed rate increase of Philadelphia Electric Co.

Dear Sir:

In reply to your letter of November 9, 1985 requesting two sets of formal complaint forms so that you may be a witness at Philadelphia Electric Company's rate increase hearings, we wish to advise that IF YOU WANT TO APPEAR AS A WITNESS ONLY, you need not file a formal complaint with us (please review hi-lighted section of enclosed formal complaint process instructions entitled "PROTESTS AGAINST PROPOSED RATE INCREASES"). Also, please review the hi-lighted paragraph which reads, in part, that a formal complaint is filed by those who intend to ACTIVELY take part in ALL hearings which may be held as the result of a rate increase request and that, normally, such participation involves cross-examination of the company's witnesses, and presentation of witnesses by the complainants, if they so desire.

If, after reviewing the enclosed instructions, you still desire to file a formal complaint, we are enclosing one set of our formal complaint forms. Please note that more than one person can join in the formal complaint and, further, that the complaint shall be filed as an original and four copies and shall be properly notarized.

Upon receipt of your letter stating your intent to appear as a witness and/or your formal complaint, same will receive our consideration.

Very truly yours,

for JERRY RICH
Secretary

Enclosures
HHH:mpk

ORIGINAL

RECEIVED

NOV 13 1985

SECRETARY'S OFFICE
Public Utility Commission

485 Oriole Street
Phila., PA. 19128

November 9, 1985

Public Utility Commission
Secretary Bureau
P.O.Box 3265
Harrisburg, PA. 17120

R-850152

RE: P.E.Co. Rate Increase

Gentlemen:

Please send me two sets of formal complaints forms so that I may be a witness at the Philadelphia Electric Rate increase hearings.

Thank you.

Respectfully yours

Paul N. Righter

Paul N. Righter
CERTIFIED PUBLIC ACCOUNTANT

519 Grant Ave.
Downingtown, PA 19335
November 12, 1985

To: Linda Taliaferro, Chairwoman
Frank Fischl
William Shane

RECEIVED
NOV 14 1985
SECRETARY'S OFFICE
Public Utility Commission

Dear Members:

Isn't it enough that Philadelphia Electric ratepayers are already facing a billing increase to finance Limerick 1? Now I read that we'll absorb another increase to finance Limerick 2!

It's ridiculous to me that not enough initial thought is given to the construction of the reactors. After Limerick 1 was built, then it's discovered that more water is needed for its function! Is that good planning?

Many studies have found that it's not in the public interest, nor in the interest of the public's budgets, to complete Limerick 2.

My suggestion:

Survey ratepayers to find out what amount PECO can charge us for construction and operation of Limerick 2. We'll give you an answer... Nothing.

There are alternative forms of energy production. Why not spend our money wisely by investigating those alternatives? I don't like my money wasted.

DOCKETED
NOV 14 1985

Sincerely,
Barbara Cicalese
Barbara Cicalese

DOCUMENT FOLDER

SAGE — SENIOR ACTION GROUP ENDEAVOR
130 E. Oakland Ave.
DOYLESTOWN, PA. 18901

November 18, 1985

RECEIVED
NOV 20 1985
SECRETARY'S OFFICE
Public Utility Commission

Pennsylvania Public Utility Commission
PO Box 3265
Harrisburg, Pa. 17120

Dear Public Utility Commission Members:

SAGE, Senior Action Group Endeavor, is an organization of senior citizens who are interested in legislative and administrative matters which affect older adults. Each member of SAGE is a delegate from an independent senior citizens group.

SAGE is opposed to the request by the Philadelphia Electric Company for $671 million in revenues which amounts to 28.2% of the company's present revenues.

Senior citizens who live on fixed incomes cannot afford a 28.2% increase in the cost of their electricity. Such an increase will require many senior citizens to choose between food and electricity or between medicine or electricity. SAGE urges you not to allow this huge rate increase to PECO.

Thank you for your consideration of our request.

Sincerely,

Sylvia Harris/NS

Sylvia Harris

DOCUMENT FOLDER

DOCKETED
NOV 21 1985

SH:bl

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

November 20, 1985

IN REPLY PLEASE
REFER TO OUR FILE

Jerry Rich, Secretary
Pa. Public Utility Commission
New Filing Section
Harrisburg, PA 17120

RECEIVED
NOV 20 1985
SECRETARY'S OFFICE
Public Utility Commission

In re: Pennsylvania Public Utility Commission
v.
Philadelphia Electric Co.
R-850152

Dear Secretary Rich:

Enclosed for filing please find an original and three copies of the Trial Staff's Motion in Limine for filing in the above captioned matter. Copies have been served upon the Administrative Law Judge and the other parties.

Very truly yours,

D. P. Delaney

Daniel P. Delaney
Deputy Chief Counsel

DPD:jaf

Enc.

cc: Honorable Joseph P. Matuschak
Service List

Document

BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

THE HONORABLE JOSEPH P. MATUSCHAK PRESIDING

RECEIVED
NOV 20 1985
SECRETARY'S OFFICE
Public Utility Commission

DOCKETED
DOCKET
NOV 21 1985

PENNSYLVANIA PUBLIC UTILITY COMMISSION :

v. : R-850152

PHILADELPHIA ELECTRIC COMPANY :

DOCUMENT FOLDER

MOTION IN LIMINE

AND NOW, this 20th day of November 1985, comes the Trial Staff of the Pennsylvania Public Utility Commission (Trial Staff) and moves the Presiding Officer to make a preliminary determination of the nature of the evidence that may be admitted into the record in the above captioned matter. In support of its motion, the Trial Staff respectfully represents the following:

1. This proceeding was initiated on September 27, 1985 with the filing by the Philadelphia Electric Company (PECO) of Supplement No. 15 to its Tariff Electric - Pa. P.U.C. No. 26. Supplement No. 15 is designed to produce an increase in the Company's annual electric revenues of approximately $670.7 million based on budgeted sales for a future test year ending June 30, 1986. A major issue in this case is the proposed inclusion in rates of the capital and operating costs of the Limerick Nuclear Generating Station Unit I and 100% of Common Plant.

2. The Commission has previously considered the prudency of the Company's construction of the Limerick Station in Re Limerick Nuclear Generating Station, 56 Pa. P.U.C. 47 (1982), aff'd 501 Pa. 153, 460 A.2d 734 (1983). Among the issues considered there by the Commission was the prudency of the Company's decision to delay construction of the Limerick Station in 1976 and 1978. After reviewing the presiding Administrative Law Judge's conclusion that the 1976 and 1978 delays were unreasonable and the partys' exceptions to that conclusion, the Commission stated the following:

> [W]e are of the opinion that PECO management did not exercise judgement sufficient to meet our reasonable man standard in delaying construction at Limerick in 1976 and 1978.

56 Pa. P.U.C. at 61.

The Commission then refused to quantify the cost of the delays to the ratepayers since it had not at that point been presented with a claim for recovery of any of the costs associated with the construction of the plants.

3. Section 316 of the Public Utility Code, 66 Pa. C.S. §316, provides in pertinent part:

> Whenever the commission shall make any rule, regulation, finding, determination or order, the same shall be prima facie evidence of the facts found and shall remain conclusive upon all parties affected thereby, unless set aside, annulled or modified on judicial review.

4. The Commission's determination concerning the reasonableness of the 1976 and 1978 Limerick construction delays was not set aside, annulled or modified by the Pennsylvania Supreme Court in its affirmance of the Commission's Limerick Investigation Order. The Court described the Commission's delay conclusion in footnote 7 to its opinion, where it stated:

> Further, the opinion accompanying the PUC's order contained criticism, of an advisory nature, directed at PECO's decision in 1976 and 1978 to defer completion of the Limerick facilities. Such mere criticism, however, does not constitute an adjudication and cannot be reviewed on appeal.

501 Pa. at 161, 460 A.2d at 739.

5. The Trial Staff respectfully submits that the Commission's prior finding of the unreasonable nature of the 1976 and 1978 Limerick construction delays meets the requirements of Section 316 and therefore is prima facie evidence of the facts found and conclusive upon the parties to the present proceeding.

6. No party should be permitted to relitigate this issue in the current proceeding. All of the parties in the Commission's prior Limerick Investigation received a full and fair opportunity to present evidence concerning the prudency of the Company's decision to delay Limerick construction in 1976 and 1978. No useful purpose would be served by relitigating this issue in the present case. Moreover it would be a misuse

of the Commission's limited administrative resources to reconsider this already resolved issue in the present case. The Trial Staff submits that the only part of this issue that should be examined in the instant proceeding is the quantification of the effects of the unreasonable construction delays upon the Company's Limerick rate base claim.

WHEREFORE, the Trial Staff respectfully requests the Presiding Officer to rule that the Commission's prior finding that Limerick 1976 and 1978 construction delays were unreasonable is prima facie evidence of that finding and conclusive on the parties to this proceeding.

Respectfully submitted,

Marlane R. Chestnut

Veronica A. Smith

Daniel P. Delaney

For the Commission Trial Staff

G-28 North Office Building
Harrisburg, PA 17120
(717) 783-2804

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon parties of record in this proceeding in accordance with the requirement of 52 Pa. Code §1.54.

Dated this 20th day of November, 1985

D. P. Delaney

Daniel P. Delaney

For Commission Trial Staff

ORIGINAL

MORGAN, LEWIS & BOCKIUS
COUNSELORS AT LAW
ONE LOGAN SQUARE
PHILADELPHIA, PENNSYLVANIA 19103
TELEPHONE: (215) 963-5000
CABLE ADDRESS: MORLEBOCK
TELEX: 83-1315

WASHINGTON
NEW YORK
LOS ANGELES

MIAMI
HARRISBURG
LONDON

DAVID B. MACGREGOR
DIAL DIRECT (215) 963-5448

November 22, 1985

RECEIVED
NOV 25 1985
SECRETARY'S OFFICE
Public Utility Commission

Jerry Rich, Secretary
Pennsylvania Public Utility Commission
P. O. Box 3265
Harrisburg, PA 17120

Re: Pennsylvania Public Utility Commission
v.
Philadelphia Electric Company, Docket
No. R-850152

Dear Secretary Rich:

Please find enclosed the original and two (2) copies of Philadelphia Electric Company's Answer to the Petition to Intervene of the Governor's Energy Council Staff in the above-captioned proceeding.

As the attached Certificate of Service indicates, copies have been served upon Petitioner and all parties of record.

DOCUMENT FOLDER

Sincerely,

David B. MacGregor

Counsel for Philadelphia
Electric Company

/paa
Encl.
cc: The Honorable Joseph P. Matuschak

RECEIVED
NOV 25 1985
SECRETARY'S OFFICE
Public Utility Commission

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION :

v. : DOCKET NO. R-850152

PHILADELPHIA ELECTRIC COMPANY :

DOCUMENT FOLDER

DOCKETED
NOV 25 1985

ANSWER OF
PHILADELPHIA ELECTRIC COMPANY
TO PETITION TO INTERVENE OF GOVERNOR'S
ENERGY COUNCIL STAFF

NOW COMES Philadelphia Electric Company ("PECO" or the "Company"), by its attorneys, and files herewith its Answer to the Petition to Intervene of the Governor's Energy Council Staff ("GEC Staff") in the above-captioned proceeding. In support thereof, the Company respectfully represents the following:

1. Admitted in part, denied in part. The Company admits that the Governor's Energy Council ("GEC") was established by Executive Order 1979-7 and that the Lieutenant Governor is to serve as its Chairman and to appoint an Executive

Director and necessary staff. While the GEC may be an agency or officer of the Commonwealth, the Company denies that GEC Staff is an agency or officer of the Commonwealth or a person as defined in 66 Pa.C.S. §102 or 52 Pa. Code §1.8.

2. Admitted.

3. Admitted part, denied in part. It is admitted that the Commission ruled in Docket No. R-80011069 that the GEC had standing to intervene therein, but it is denied that the Commission ruled that the GEC Staff, as such, had standing to intervene therein. The balance of the allegation is admitted, except that the Company notes that GEC Staff's Petition to Intervene was unopposed in Pa. P.U.C. v. Philadelphia Electric Company, Docket No. R-79060865 and in the Limerick Unit No. 2 Investigation, Docket No. I-840381.

4. Admitted in part, denied in part. The Company admits that this case is the largest rate increase requested in Pennsylvania and that the proceeding will involve an evaluation of the energy savings from the operation of Limerick Unit 1 and an assessment of the Company's phase-in proposal. The Company denies that the resolution of these issues has any necessary bearing on the goals of the Pennsylvania Energy Policy as developed by the GEC.

The Company is without knowledge or information sufficient to form a belief as to the truth of the assertion that resolution of GEC Staff defined issues will have critical significance for future economic development in Southeastern Pennsylvania, which assertion is therefore denied.

5. Admitted in part, denied in part. PECO takes no position as to whether the interests asserted by GEC Staff are sufficient to support standing to intervene in this rate proceeding, but states its belief that such interests are not sufficient to permit either GEC or GEC Staff to file a formal Complaint or to prosecute an appeal from any Commission order. PECO does not oppose GEC Staff's intervention in this proceeding, but requests that the Commission authorize only limited participation by strictly circumscribing GEC Staff's intervention to issues directly related to the Limerick 1 rate case. See 52 Pa. Code §5.75(b).

6. As stated in paragraph 5, the Company does not oppose GEC Staff's limited intervention in this proceeding. By this statement, however, the Company does not admit that participation by either GEC or GEC Staff in this proceeding will be in the public interest or that intervention should be granted in accordance with 52 Pa. Code §5.72(b), nor does the Company waive its right to challenge either GEC or GEC Staff's

participation in future proceedings before the Commission or upon appeal, or to contest the relevance or other propriety of issues sought to be injected into the proceeding by either GEC or GEC Staff.

WHEREFORE, Philadelphia Electric Company, for the foregoing reasons, requests that the Commission limit GEC Staff's participation in this proceeding in accordance with 52 Pa. Code §5.75(b).

Respectfully submitted,



Walter R. Hall, II
David B. MacGregor

Counsel for Philadelphia Electric Company

OF COUNSEL:

Edward G. Bauer, Jr., Esq.
Vice President & General Counsel
Philadelphia Electric Company
2301 Market Street
Philadelphia, PA 19101

MORGAN, LEWIS & BOCKIUS
2000 One Logan Square
Philadelphia, PA 19103

DATED: November 22, 1985

CERTIFICATE OF SERVICE

I hereby certify that I have on this day served a true copy of the foregoing Answer upon the following parties in the proceeding at Docket No. R-850152 in accordance with 52 Pa. Code §5.66.

Zori G. Ferkin, Esq.
Governor's Energy Council
P. O. Box 8010
300 North 2d Street
Harrisburg, PA 17105

David M. Kleppinger, Esq.
McNees, Wallace & Nurick
100 Pine Street
Harrisburg, PA 17108-1166

Patricia J. Gustin, Esq.
Pennsylvania Public Utility
Commission, Rm. G-33
North Office Building
Harrisburg, PA 17120

Janet Parrish, Esq.
Community Legal Services, Inc.
Law Center North Central
3638 N. Broad Street
Philadelphia, PA 19140

Scott Rubin, Esq.
Assistant Consumer Advocate
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

David B. MacGregor

Counsel for Philadelphia
Electric Company

Date: November 22, 1985

COMMONWEALTH OF PENNSYLVANIA

November 26, 1985

SUBJECT: Pa. P.U.C. v. Philadelphia Electric Company
R-850152

TO: William H. Smith, Chief
Administrative Law Judge

FROM: Joseph P. Matuschak JPM/bjm
Administrative Law Judge

Enclosed please find an original and a copy of a Ruling on Petition to Intervene by the Governor's Energy Council Staff in the above-captioned case. Copies have been sent to the following parties of record:

Zori G. Ferkin, Chief Counsel
Governor's Energy Council
P. O. Box 8010
300 North Second Street, 11th Floor
Harrisburg, PA 17101

David B. MacGregor, Esq.
Robert H. Young, Esq.
Walter R. Hall II, Esq.
William E. Zeiter, Esq.
Morgan, Lewis & Bockius
2000 One Logan Square
Philadelphia, PA 19103

DOCUMENT FOLDER

Marlane Chestnut, Esq.
Veronica A. Smith, Esq.
Daniel Delaney, Esq.
Pa. P.U.C. Law Bureau
P. O. Box 3265
Harrisburg, PA 17120

David M. Kleppinger, Esq.
Edward J. Riehl, Esq.
McNees, Wallace & Nurick
P. O. Box 1166
Harrisburg, PA 17108-1166

Irwin A. Popowsky, Esq.
David Wersan, Esq.
Scott J. Rubin, Esq.
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

Janet Parrish, Esq.
John Hanger, Esq.
Community Legal Services Energy Project
3638 North Broad Street
Philadelphia, PA 19140

Allie B. Latimer, General Counsel
Charles V. Curcio, Esq.
Mildred E. V. Pitts, Esq.
General Services Administration
LK-Room 4002
18th & F Streets, N.W.
Washington, D.C. 20405

If you have any questions, please call this office.

Enclosures (2)

BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

DOCUMENT FOLDER

Pennsylvania Public Utility Commission	:	
	:	Docket No.
v.	:	R-850152
	:	
Philadelphia Electric Company	:	

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DEC 2 1985

RULING ON PETITION TO INTERVENE
BY THE GOVERNOR'S ENERGY COUNCIL STAFF

Under date of November 7, 1985 there was filed with the Commission a "Petition to Intervene by the Governor's Energy Council Staff."

In the petition, it is averred that by Executive Order 1979-7, Governor Dick Thornburgh established the Governor's Energy Council as an agency of the Commonwealth, 4 Pa. Code §5.181, et seq. It further asserts that the Executive Order provides that the Lieutenant Governor shall serve as Chairman and shall appoint an Executive Director and necessary staff. 4 Pa. Code §§5.182, 5.184.

The petition further states that the Commission has ruled that the Governor's Energy Council (GEC) has standing to participate with full party status in Commission rate proceedings. (Letter from William P. Thierfelder, Secretary, Pa. P.U.C. v. Duquesne Light Co., R-80011069). The petition also alleges that in addition to Duquesne Light, the Commission has granted the GEC's Staff request to intervene in other rate investigations. (See Pa. P.U.C. v. Pennsylvania Power & Light Co., R-79060865; Pa. P.U.C. v. Philadelphia Electric Co., R-79060865; Limerick Unit No. 2 Investigation, I-840381.

Party Intervenor

In its answer to the petition, Philadelphia Electric Company (PECO) admits that while the GEC may be an agency or officer of the Commonwealth, PECO denies that GEC Staff is an agency or officer of the Commonwealth or a person as defined in 66 Pa. C.S. §102 or 52 Pa. Code §1.8.

PECO further admits that while the Commission ruled in R-80011069 that the GEC had authority to intervene therein, it denies that the GEC Staff, as such, had standing to intervene therein. It further notes that PECO had not opposed GEC's Staff's Petition to intervene in R-79060865 and I-840381.

We agree with PECO that though GEC may be a proper party to intervene in this proceeding, GEC's Staff is not. While it is obvious that GEC must operate with its staff, the Staff, itself (as distinguished from the Commission's Prosecutory Staff) has no independent authority or status, but is under the supervision and control of GEC.

While the petition purports to be a petition of the GEC Staff, we note that it is executed by the Chief Counsel of GEC. We believe that the real party petitioner is intended to be GEC, operating through its staff. The addition of the word "Staff" in the title of the petition would appear to be inadvertent, improper or mere surplusage. It is noted that PECO has responded to the petition in the alternative -- as a petition of GEC or the GEC Staff.

Under the circumstances, it would serve no useful purpose to direct the submission of the petition in amended form. We shall view and consider the petition to be that of GEC.

Extent of Intervention

PECO takes no position as to whether the interests asserted in the petition are sufficient to support standing to intervene in this rate proceeding, it believes that such interests are not sufficient to permit GEC or GEC Staff to file a formal complaint or to prosecute an appeal from any Commission order.

As to whether GEC would be a proper party to prosecute an appeal from any Commission order in this proceeding is beyond the purview of the Commission but would be governed by the appellate courts. We cannot anticipate the nature of GEC's activities in its intervention, nor will we restrict its ability to file a complaint if it so deems proper or advisable.

Further PECO does not oppose GEC's intervention, but requests that the Commission authorize only limited participation by strictly circumscribing GEC's intervention to issues directly related to the Limerick No. 1 rate case.

We regard such blanket restriction as improper, against the public interest and contrary to the Commission's prior ruling giving GEC full party status in rate investigations. We would prefer to rule on any requests for restraint on specific applications or objections.

ORDER

IT IS ORDERED:

That the petition of the Governor's Energy Council to intervene in the within proceeding with full party status is hereby granted.

November 26, 1985

Joseph P. Matuschak

JOSEPH P. MATUSCHAK
Administrative Law Judge

SUTHERLAND, ASBILL & BRENNAN
1666 K STREET, N. W.
WASHINGTON, D. C. 20006-2803
(202) 872-7800

CABLE: SUTAB WASHINGTON
TELEX: 89-501
XEROX 485-(202) 887-3443
XEROX 495-(202) 887-3444
DEX 3600-(202) 293-1254

FIRST ATLANTA TOWER
ATLANTA, GEORGIA 30383-3001
(404) 658-8700

November 27, 1985

EARLE H. O'DONNELL
DIRECT LINE: (202) 872-7867

RECEIVED
NOV 29 1985
SECRETARY'S OFFICE
Public Utility Commission

Secretary
Pennsylvania Public
Utility Commission
P.O. Box 3265
North Office Building
Harrisburg, PA 17120

Re: Philadelphia Electric Co.,
Docket No. R850152

Dear Sir:

Enclosed are an original and two copies of the Petition of Occidental Chemical Corporation for leave to intervene and a Motion for Admission of Earle H. O'Donnell Pro Hac Vice. Please stamp the additional copies which are enclosed and return them in the enclosed self addressed envelope.

Thank you for your assistance in this matter.

Sincerely,

John D. Sharer

John D. Sharer
Pennsylvania Bar
I.D. No. 21270
Attorney for
Occidental Chemical
Corporation

JS:sak

Enclosures

RECEIVED
NOV 29 1985
SECRETARY'S OFFICE
Public Utility Commission

BEFORE THE PENNSYLVANIA
PUBLIC UTILITY COMMISSION

Philadelphia Electric Company

Docket No. R850152

PETITION OF OCCIDENTAL CHEMICAL CORPORATION FOR LEAVE TO INTERVENE

Pursuant to the Rules of Administrative Practice and Procedure of the Pennsylvania Public Utility Commission, Title 52, Part I, Subpart A, Chapter 1, Subchapters A - F, Occidental Chemical Corporation ("OCC") respectfully petitions for leave to intervene in these proceedings. In support of its Petition, OCC respectfully states as follows:

1. Communications concerning this petition should be addressed to the following persons and the following should be included on the Commission's official service list:

DOCKETED
DEC 03 1985

Earle H O'Donnell, Esq.
Merrill L. Kramer, Esq.
Sutherland, Asbill & Brennan
1666 K Street, N.W., Suite 800
Washington, D.C. 20006-2803

Robert D. Luss, Esq
Group Counsel
Occidental Chemical Corporation
P.O. Box 699
Armand Hammer Boulevard
Pottstown, PA 19464

Anthony G. Tummarello
Director of Energy
Occidental Chemical Corporation
P.O. Box 4020, River Park
Darien, CT. 06820

2. OCC owns a plastics plants in Pottstown, PA, which currently purchases its full electrical requirements from Philadelphia Electric Company. OCC is actively considering the installation of a cogeneration facility at the Pottstown plant. If constructed, the facility would consist of three coal/oil-fired boilers and a steam turbine, with a nominal capacity of between 10-13 MW. At the present time, OCC anticipates that power generated from the facility would normally be used to meet the internal electrical requirements of the plant, although some sales of cogenerated electricity would occur when output exceeded the requirements of the plant.

3. The issues in this case may significantly affect OCC's interests both as a ratepayer and prospective cogenerator. OCC is particularly concerned with the fact that separate tariffs for backup, maintenance, supplemental and interruptible service ("hereinafter "standby services") have not been filed by PECO. The standby services offerred by PECO must conform to the requirements of Section 210(c) of the Public Utility Regulatory Policies Act of 1978 ("PURPA") which requires utilities to sell electric energy to qualifying cogeneration and small power production facilities. The rates for such sales must be just and reasonable, in the public interest and nondiscriminatory.

The FERC rule further states that a utility is obligated to provide standby services on a nondiscriminatory basis in comparison to rates under which the utility provides

services to its other non-generating customers with similar load and other cost-related characteristics. 18 CFR Section 292.305(a). In formulating rates for backup services, the FERC's regulations contemplate that the rates be established on the basis of traditional ratemaking (i.e cost of service) concepts. Preamble, "FERC Regulations Implementing Section 210 of PURPA," 45 Fed. Reg. 12228 (Feb. 25, 1980). The nondiscriminatory rate must reflect, among other things, the probability that the qualifying facility will or will not contribute to the need for and the use of utility capacity. Id.

The burden under the FERC's regulations is upon the electrtic utility to show that its rates for sale of standby services are based on accurate data and consistent with system-wide costing principles. 18 CFR Section 292.305(a)(2). In addition, OCC may address PECO's avoided costs and other rate issues in this proceeding

4. OCC's interest in the proceeding cannot adequately be represented by any other party.

WHEREFORE, for the foregoing reasons, OCC respectfully requests that it be granted leave to intervene in these proceedings with the right to have notice of an appear at all hearings and conferences, to produce evidence and present witnesses, to be heard by counsel and other representatives,

to submit briefs and to make oral argument, if briefs or oral argument are so provided, and do all things which a party may properly do.

Respectfully submitted,

Earle H. O'Donnell

Earle H. O'Donnell
Merrill L. Kramer
Sutherland, Asbill & Brennan
1666 K Street, N.W.,
Suite 800
Washington, D.C. 20006-2803
(202) 872-7800

Attorneys for
Occidental Chemical Corporation

November 27, 1985

AFFIDAVIT

Earle H. O'Donnell being duly sworn according to law, deposes and says that the facts above set forth are true and correct to the best of his knowledge, information and belief and he expects to be able to prove the same at any hearing hereof.

Earle H. O'Donnell

Sworn and subscribed before me this 27th day of November, 1985.

SARAH P. LINDERMAN, NOTARY PUBLIC
DISTRICT OF COLUMBIA
My Commission Expires October 31, 1989

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon parties of record in this proceeding in accordance with the requirements of Section 1.54 (relating to service by a participant).

Dated this 27th day of November, 1985.

Earle H. O'Donnell

Earle H. O'Donnell

Counsel for
Occidental Chemical
Corporation

SERVICE LIST

David B. MacGregor, Esquire
Robert H. Young, Esquire
Morgan, Lewis & Bockius
2000 One Logan Square
Philadelphia, PA 19103

Edward G. Bauer, Jr., V.P.
and General Counsel
Philadelphia Electric Company
2301 Market Street
Philadelphia, PA 19101

Janet Parrish, Esquire
John Hanger, Esquire
Community Legal Services,
Energy Project
3638 North Broad Street
Philadelphia, PA 19140

Barbara Mather, Esquire
Kathryn Lewis, Esquire
Law Department
1 Reading Center - 5th Floor
1101 Market Street
Philadelphia, PA 19107

Honorable Joseph P. Matuschak
Administrative Law Judge
Pennsylvania Public Utility Commission
97 East Main Street
Uniontown, PA 15401

Marlane R. Chestnut
Veronica A. Smith
Daniel P. Delaney
Assistant Counsel
For Commission Trial Staff

Pa. Public Utility Commission
Room G-19 North Office Building
Post Office Box 3265
Commonwealth & North Streets
Harrisburg, PA 17120

Zori G. Ferkin,
Chief Counsel
Governor's Energy Council
Post Office 8010
300 N. Second Street
Harrisburg, PA 17105

David M. Kleppinger, Esquire
Edward J. Riehl, Esquire
McNees, Wallace & Nurick
Post Office Box 1166
Harrisburg, PA 17108-1166

Irwin A. Popowsky, Esquire
David Wersan, Esquire
Scott J. Rubin, Esquire
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

Mildred E. V. Pitts, Senior
Trial Attorney
Office of General Counsel
18th & F Streets, N.W.
Washington, D.C. 20405

RECEIVED
NOV 29 1985
SECRETARY'S OFFICE
Public Utility Commission

COMMONWEALTH OF
PENNSYLVANIA
BEFORE THE
PENNSYLVANIA PUBLIC
UTILITY COMMISSION

In the Matter of:

Philadelphia Electric Company
R850152

NOTICE OF APPEARANCE

Please enter my appearance in the above-designated matter on behalf of Occidental Chemical Corporation.

I am authorized to accept service on behalf of said participant in this matter.

(X) On the basis of this notice, I request a copy of each document hereafter issued by the Commission in this matter.

( ) I am already receiving or have access to a copy of each document issued by the Commission in this matter (alone, or in a consolidated proceeding) and do not on the basis of this notice require an additional copy.

DOCKET
DEC 03 1985

Earle H. O'Donnell

Earle H. O'Donnell
Sutherland, Asbill &
Brennan
1666 K Street N.W.
Suite 800
Washington, DC. 20006

COMMONWEALTH OF PENNSYLVANIA

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

RECEIVED
NOV 29 1985
SECRETARY'S OFFICE
Public Utility Commission

Philadelphia Electric Company	)	Docket No. R 850152

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MOTION FOR ADMISSION PRO HAC VICE

Pursuant to Sections 1.22 and 1.23 of the Rules of Administrative Practice and Procedure of the Pennsylvania Public Utility Commission, John D. Sharer respectfully moves that Earle H. O'Donnell and Merrill L. Kramer be admitted to appear as attorneys on behalf of Occidental Chemical Corporation in the above-referenced proceeding. In support thereof, movant states:

1. I am an active member of the Pennsylvania Bar (Attorney Registration No. 21270) and a partner in the law firm of Sutherland, Asbill & Brennan. My principal law offices are located in Washington, D.C. and I am a resident of the Commonwealth of Virginia.

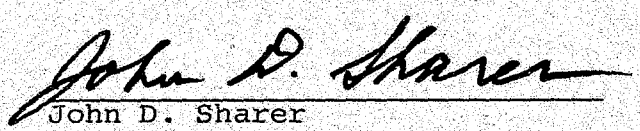
2. Mr. O'Donnell has been a member in good standing of the Maryland Bar since 1975 and the District of Columbia Bar since 1977. Mr. O'Donnell is a 1975 graduate of the George Washington University Law School. He joined Sutherland, Asbill & Brennan, the law firm in which I am a partner, in 1976; he became a partner in 1981.

3. Mr. Kramer has been a member in good standing of the Michigan Bar since 1978 and is a Maryland resident. Mr. Kramer is currently an associate with Sutherland, Asbill and Brennan.

4. Messrs. O'Donnell and Kramer have experience and particular expertise in various aspects of regulatory and energy law. Mr. O'Donnell has represented Occidental Chemical Corporation in numerous federal and state proceedings, including proceedings involving the establishment of standby and avoided cost rates for cogenerators. Prior to joining Sutherland, Asbill & Brennan as an associate, Mr. Kramer served in the Office of the General Counsel of the Federal Energy Regulatory Commission. He was assigned to the Cogeneration and Small Power Production Task Force.

WHEREFORE, I respectfully move that Mr. O'Donnell and Mr. Kramer be admitted to practice Pro Hac Vice in this proceeding.

Respectfully submitted,



John D. Sharer
Attorney I.D. No. 21270

Sutherland, Asbill & Brennan
1666 K Street, N.W., Suite 800
Washington, D.C. 20006-2803
(202) 872-7800

November 27, 1985

AFFIDAVIT

DISTRICT OF COLUMBIA, ss:

John D. Sharer, being duly sworn according to law, deposes and says that the facts set forth in the foregoing Motion are true and correct to the best of his knowledge, information and belief.

John D. Sharer

John D. Sharer

Sworn and subscribed before me this 27 day of November, 1985.

Notary Public

My Commission Expires February 14, 1989

APPEARANCE SHEET

DOCKET NO. R-850152

CASE NAME PUC, et al. vs. Philadelphia Electric Company

HEARING LOCATION Harrisburg, PA

HEARING DATE December 3, 1985

ALJ Matuschak

HEARING REPORT

CHECK THOSE BLOCKS WHICH APPLY:

Hearing concluded

Record closed

Briefs to be filed

Further hearing

Estimated add'l days

BENCH DECISION

REMARKS

RECEIVED
DEC 03 1985
Public Utility Commission

DOCKETED
DEC 19 1985
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Names and addresses of parties or counsel of record
Please Print Clearly
Incomplete Information May Result in Delay of Process

NAME	ADDRESS	APPEARING FOR
JOHN H. RINGER	COMMONWEALTH REGIONAL SERVICE CENTER NORTH CENTER 2698 NO. Broad Street, City: PHILA State: PA Zip: 19132	Consumer Education and Protective Association of Philadelphia, Citizens Action Association, Community Organizations for Reform Now, Inc., Bread Laws
ALAN R. SQUIRES	900 2 Penn Center, City: Phila State: PA Zip: 19102	PA Business Utility Users Group
ROBERT A. DiFILIPPO	555 E. Lancaster Ave, City: St Davids State: PA Zip:	
Rafael Caminero	600 Grant St. Room 1501, City: Pittsburgh State: PA Zip: 15230	United States Steel Corporation

Check this box if additional parties of counsel of record appear on back. [X]

Reporter

Michael J. Ettner	Address 1800 F Street, N.W.			U.S. General Services Administration
	City Washington	State DC	Zip 20405	
Paul M. Seftinger	Address			Phila Area Drivers Energy Group (Phaedco)
McNees, Wallace & Nurick	City Harrisburg	State Pa	Zip 17108	
ZORI G. FERKIN	Address 300 N. 2nd St., 14th fl. P.O. Box 8010			Governor's Energy Council
	City Harrisburg	State Pa	Zip 17101	
MARTANER Chestnut DANIEL P. DELANEY VERONICA SMITH	Address P.O. Box			Commission/Regl. Staff
	City Hbg	State PA	Zip 17120	
David Wyeson Scott J. Rubin Susan Perkins Weston	Address 1425 Strawberry Square			Office of Consumer Advocate
	City Harrisburg	State PA	Zip 17120	
CHARLES CAINEY	Address 5th Flr. 1101 Market St			City of Phila.
APPEARING FOR	City Phila.	State Pa.	Zip 19107	
	Address 1800 Arc. Wm. Penn Bldg			SEPTA
Michael J. Bradley J. Thomas Morris Reed Smith Shaw & McClay	City Phila	State PA	Zip 19103	Auditor
Earle H. O'Donnell	Address 1666 K Street, N.W. Suite 1000			Occidental Chemical Corporation
	City Washington	State DC	Zip 20006	
MARK RUPP Larry Seltzer	Address 129 State St			Univ. of Pa. Utility Users Ass.
	City Harrisburg	State PA	Zip 17101	

Reporter

☒ Indicate if recorded appear on back.

ROBERT H. GRISWOLD
MOSES K. ROSENBERG
ARTHUR L. BERGER
FRANCIS B. HAAS, JR.
G. THOMAS MILLER
DONALD R. WAISEL
RICHARD R. LEFEVER
J. THOMAS MENAKER
CLYDE W. McINTYRE
S. BERNE SMITH
ROD J. PERA
EDWARD W. ROTHMAN
ROBERT A. MILLS
W. JEFFRY JAMOUNEAU
HERBERT R. NURICK
DAVID E. LEHMAN
NORMAN I. WHITE
F. MURRAY BRYAN
RICHARD W. STEVENSON
WILLIAM A. CHESNUTT
HENRY R. MacNICHOLAS
WILLIAM M. YOUNG, JR.
ROBERT M. CHERRY
DAVID B. DISNEY
H. LEE ROUSSEL
MAURICE A. FRATER
C. GRAINGER BOWMAN
JOHN S. OYLER
DELANO M. LANTZ
HARVEY FREEDENBERG
EDWARD J. RIEHL
JASON S. SHAPIRO
ERIC L. BROSSMAN
ROBERT D STETS
TERRY R BOSSERT
MARY JANE FORBES
JEFFREY B. CLAY
DAVID M. KLEPPINGER
NEAL S. WEST
JESSIE L. SMITH
BRUCE A. FELDMAN
FRANKLIN A. MILES, JR.
MICHAEL A. DOCTROW
MICHAEL G. JARMAN
STEPHEN A. MOORE
DANA S. SCADUTO
BARBARA S. KAHOE

McNEES, WALLACE & NURICK
ATTORNEYS AT LAW
100 PINE STREET
P. O. BOX 1166
HARRISBURG, PA. 17108-1166
TELEPHONE (717) 232-8000

STERLING G. McNEES
1923-1959
DAVID M. WALLACE
1942-1967

RETIRED PARTNERS
HARRY H. FRANK
JAMES R. BOOSER
JAMES W. HAGAR
JAMES H. KING

OF COUNSEL
GILBERT NURICK
SAMUEL A. SCHRECKENGAUST, JR.
JEFFERSON C. BARNHART

December 3, 1985

Re: Pennsylvania Public Utility Commission, et al.,
v. Philadelphia Electric Company
Docket No. R-850152

RECEIVED
DEC 4 1985
SECRETARY'S OFFICE
Public Utility Commission

William E. Zeiter, Esquire
Morgan, Lewis & Bockius
2000 One Logan Square
Philadelphia, PA 19103

Dear Bill:

Enclosed is data request Set No. 1 of the Philadelphia Area Industrial Energy Users Group, Item Nos. 1 through 52. As PECo completes its responses to these data requests, please forward copies of those responses to me and:

Jeffry Pollock
Drazen-Brubaker & Associates, Inc.
605 Old Ballas Road
P. O. Box 12710
St. Louis, MO 63141-0110

Randall J. Falkenberg
Kennedy and Associates
Suite A-1220
1150 Hammond Drive
Atlanta, GA 30328

We had earlier requested that copies of all interrogatory and data request responses be forwarded to the above-named consultants for PAIEUG. As of this date, these consultants have not yet been receiving copies of interrogatory responses made by PECo to other parties' data requests. We would greatly appreciate the addition of the above two consultants to your service list for receipt of all interrogatory responses.

We appreciate your prompt attention to these matters.

Very truly yours,

McNEES, WALLACE & NURICK

By David M. Kleppinger
David M. Kleppinger

DMK/jf
Enclosures

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SECRETARY'S OFFICE
Public Utility Commission

PHILADELPHIA ELECTRIC COMPANY

Pennsylvania PUC Docket No. R-850152

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DEC 04 1985

Data Requests of Philadelphia Area Industrial Energy Users Group Addressed to Philadelphia Electric Company
Set No. 1

Item No.	Description
1.	Please provide a copy of the 1984 FERC Form 1 Report.
2.	Please provide a schedule showing the following information for Philadelphia Electric Company at the time of the monthly system peaks from January, 1984 to the present: a. Net dependable capability of all generating units; b. The amount of capacity unavailable because of scheduled maintenance; c. The amount of capacity unavailable because of forced outages or other reasons; d. Firm purchases and sales; e. The system peak demand (or native load); f. Reserve margins.
3.	Please provide a schedule showing the same information for the PJM Pool as requested in Item No. 2 from January, 1984 to the present.
4.	Please provide a schedule of monthly billing demand by rate schedule (demand-metered rates only) from Janaury 1984 to the present.
5.	Please provide a schedule showing the derivation of the average and excess demand allocation factors shown in Section X of Exhibit WFS-1.
6.	Please provide a schedule for Rate HT customers showing the number of customers, billing demand and energy consumed by voltage level (12 kV, 33 kV and 66 kV and over) for the most recent 12-month period available.
7.	Please provide a schedule for Rate HT customers showing the number of customers, billing demand and energy consumed by voltage level (12 kV, 33 kV and 66 kV and over) for the historic test year.

PHILADELPHIA ELECTRIC COMPANY

Pennsylvania PUC Docket No. R-850152

Data Requests of Philadelphia Area
Industrial Energy Users Group Addressed to
Philadelphia Electric Company
Set No. 1

Item No.	Description
8.	Please provide a schedule for Rate HT customers showing the number of customers, billing demand and energy consumed by voltage level (12 kV, 33 kV and 66 kV and over) projected for the future test year.
9.	Please provide a schedule for Rate HT customers served at 66 kV and higher showing the demands coincident with the four summer peaks and the corresponding energy consumed, by month.
10.	Please provide a schedule of the following information for the interruptible load for each customer for the years ending December, 1983 and 1984: a. Identify the cost-of-service class; b. The amount of interruptible load (in kilowatts) per the customers' contract; c. The amount of firm load per the customers' contract; d. The monthly energy consumption; e. Contribution to the four summer coincident peaks; f. Contribution to the class peak; g. Monthly actual maximum demands; h. Monthly billing demands (both firm and interruptible).
11.	Please provide a list of all curtailments of interruptible load including (a) the date, time and duration of each interruption; (b) the reason for each interruption.
12.	Please list the criteria used by PECO to determine under what circumstances interruptions will be requested.
13.	Please provide a schedule of all current capacity charges (including transmission) under the PJM agreement and for all other power pools with which PECO is interconnected.
14.	Please provide a schedule of the monthly PJM average system lambdas from January, 1984 through the present.

PHILADELPHIA ELECTRIC COMPANY

Pennsylvania PUC Docket No. R-850152

Data Requests of Philadelphia Area
Industrial Energy Users Group Addressed to
Philadelphia Electric Company
Set No. 1

Item No.	Description
15.	Please provide an annual forecast of purchased power for 1984 through 1994 showing (a) the source of purchase; (b) the anticipated date and duration; (c) the demand and energy amount, and (d) the capacity and energy costs associated with the purchase.
16.	Please provide an annual forecast of interchange sales for 1985 through 1995 showing (a) the destination of the sale; (b) the anticipated date and duration; (c) the demand and energy amount, and (d) the capacity and energy costs associated with the sale.
17.	For the years 1985 through 1995, please provide a description of the maximum amount of interchange power/energy PECO can import into its system. Explain why this maximum exists.
18.	Please provide the forecasted demand, energy and number of customers for the system and by rate schedule (to the extent possible) from 1985 through 1995.
19.	Please provide a schedule of the projected fuel cost (¢/MMBtu and ¢/kWh) by fuel type (including purchased power) and a composite average fuel cost from 1985 through 1995.
20.	Please provide the present and forecasted fuel mix (percent coal, oil, nuclear, etc.) from 1985 through 1995.
21.	Please provide a copy of Sections 1 and 9 from the Environmental Report-Construction Permit Phase, filed with the Nuclear Regulatory Commission (or its predecessor) pertaining to Limerick Unit No. 1.
22.	Please provide the peak load and reserve margin forecasts of PECO conducted:

PHILADELPHIA ELECTRIC COMPANY

Pennsylvania PUC Docket No. R-850152

Data Requests of Philadelphia Area
Industrial Energy Users Group Addressed to
Philadelphia Electric Company
Set No. 1

Item No.	Description
22. Cont.	a. One year prior to PECO's decision to participate in the construction of Limerick Unit No. 1; b. At the time the decision was made to participate in the construction; c. One year after the decision to participate in the construction was made.
23.	For each official delay in the in-service date of Limerick Unit No. 1: (a) please state the reason(s) for the delay; and (b) please provide a copy of the ten year peak load and reserve margin forecast.
24.	For calendar years 1979-1984, provide for each present cost-of-service customer class: (a) annual load factor; (b) annual sales levels; (c) contribution to the four coincident peaks; (d) annual non-coincident peak.
25.	Please provide a copy of the study referred to on Page 25 of Mr. Carroll's testimony used to develop the Limerick fuel cost saving. The response should include, but not be limited to, the following: a. Net generation by unit. b. Net dependable capacity (kW) by unit. c. Fuel expense. d. The amount (kW, kWh and dollars) associated with: (i) Firm purchased power (ii) Nonfirm purchased power (iii) Firm sales for resale (iv) Nonfirm sales (excluding economy) (v) Economy interchange.
26.	Please provide a copy of the fuel and purchased power cost forecast used to generate the study presented in Item No. 25 by type of fuel (both in $/MMBtu and ¢/kWH) or by source (in the case of purchased power and sales for resale).

PHILADELPHIA ELECTRIC COMPANY

Pennsylvania PUC Docket No. R-850152

Data Requests of Philadelphia Area
Industrial Energy Users Group Addressed to
Philadelphia Electric Company
Set No. 1

Item No.	Description
27.	Please provide a copy of the ECR No. 9 filing including the supporting workpapers.
28.	Please provide a copy of the following economic studies dated as follows which I refer to in the testimony of Mr. Rush: a. July 19, 1976 b. October 9, 1980 c. November 17, 1980 d. January 27, 1981.
29.	Please provide a computer tape with the hourly system loads in EEI format on computer tape for the years 1980-1984 in the following format: a. 9-track b. EBCDIC c. Fixed record length d. Block length not to exceed 5,120 e. 1,600 BPI f. Unlabeled The tape provided will be returned within two weeks of the date received.
30.	Please provide a computer tape with the hourly weather data in EEI format on computer tape for the years 1980-1984 in the following format: a. 9-track b. EBCDIC c. Fixed record length d. Block length not to exceed 5,120 e. 1,600 BPI f. Unlabeled The tape provided will be returned within two weeks of the date received.

PHILADELPHIA ELECTRIC COMPANY

Pennsylvania PUC Docket No. R-850152

Data Requests of Philadelphia Area
Industrial Energy Users Group Addressed to
Philadelphia Electric Company
Set No. 1

Item No.	Description
31.	Provide the following information on the next non-nuclear base load unit in PECO's current expansion plan: a. Fuel type b. Size c. Investment (including and excluding AFUDC) in 1985 dollars d. Fixed and variable O&M costs (in 1985 dollars) e. Fuel cost ($/MBtu 1985) f. Economic life g. Book life h. Tax life i. Capital structure/cost of capital j. Property and other ad valorem taxes k. Escalation rates for fuel, fixed and variable O&M l. Average heat rate m. Average capacity factor If a non-nuclear base load unit is not in the current expansion plan, then provide the data based on an assumed plant.
32.	Provide the same information as requested in Item No. 31 for the next peaker unit in PECO's current expansion plan.
33.	Please provide the equivalent to Page 400 of the FERC Form 1 Report for 1985. Also provide updates as additional data becomes available.
34.	Please provide a schedule reconciling the following items by rate schedule in Exhibit TPH-2, Schedule A-5 to the corresponding item by cost-of-service class shown in Exhibit WFS-1: a. Base revenues per books b. Base revenues including all adjustments (i.e., growth, etc.) c. Kilowatthour sales per books d. Adjusted kilowatthour sales.

PHILADELPHIA ELECTRIC COMPANY

Pennsylvania PUC Docket No. R-850152

Data Requests of Philadelphia Area
Industrial Energy Users Group Addressed to
Philadelphia Electric Company
Set No. 1

Item No.	Description
35.	Please provide a copy of any comparative forecasts of industrial electricity costs between PECO and those of surrounding utilities.
36.	Please provide a copy of all existing and/or proposed tariffs which could be used to provide standby and/or maintenance service for qualifying facilities. If no formal tariffs exist, then please describe the terms and conditions under which standby and/or maintenance service would be provided to a qualifying facility.
37.	Referring to Pages 11 and 12 of Mr. Rush's testimony, is it the witness's contention that PECO has zero avoided capacity costs? Please fully support your response and provide workpapers if necessary.
38.	Referring to Pages 14 and 15 of Mr. Rush's testimony, please provide a copy of the study which shows the derivation of PECO's reserve margin requirements from PJM.
39.	Please provide the attachments to the following interrogatory responses: a. OCA-2-24 b. OCA-1-31 c. OCA-6-24 d. OCA-6-26 e. Staff-REF-6 f. Staff-REO-1
40.	Please update the study used in the last rate case to determine the voltage credits in Rate HT.
41.	Please provide workpapers showing the derivation of allocation factors FS and H1 in the cost-of-service study (Exhibit WFS-1).
42.	Please provide EDH values for each day of each of the summer months (June through September) from 1980 to the present.

PHILADELPHIA ELECTRIC COMPANY

Pennsylvania PUC Docket No. R-850152

Data Requests of Philadelphia Area
Industrial Energy Users Group Addressed to
Philadelphia Electric Company
Set No. 1

Item No.	Description
43.	Please provide a description of the methodology and the basic data utilized to develop the EDH values requested above.
44.	Please provide a description of the methodology and the load research data utilized to develop the regular residential peak day demands as found in the Company's cost-of-service study shown in Exhibit WFS-1.
45.	Please provide a copy of all workpapers, computer runs, etc., used to develop Rate R coincident and noncoincident peak load demands as found in Exhibit WFS-1.
46.	Please provide a copy of all workpapers, computer runs, etc., used to develop Rate RH coincident and noncoincident peak load demands as found in Exhibit WFS-1.
47.	Please provide the demand on an hour-by-hour (or half-hour-by-half-hour basis) for each of the rate classes for each of the four peak days as found in the Company's cost-of-service study in Exhibit WFS-1.
48.	Please provide a copy of all studies, reports, etc., which show a relationship between system peak demand and EDH.
49.	Please provide a copy of all studies, reports, etc., which show a relationship between energy consumption and EDH.
50.	Please provide a copy of all workpapers used to develop the proposed charges for Rate HT.
51.	Please provide a proof of revenue for Rate HT. Include the number of bills, billing demand units, energy sales by billing block, the effect of Riders, etc.
52.	Certain allocation factors in Section IV of Exhibit WFS-1, such as A3, A5 and C1 are only shown on a percentage basis. For all of these schedules, please provide the actual units (kW, kWh, customers, etc.) associated with these allocation factors.

Services Administration General Counsel Washington, DC 20405

December 3, 1985

RECEIVED
DEC 5 1985
SECRETARY'S OFFICE
Public Utility Commission

Walter R. Hall, II, Esquire
Morgan, Lewis & Bockius
2000 One Logan Square
Philadelphia, Pennsylvania 19103

Dear Mr. Hall:

Re: Pennsylvania Public Utility Commission, et al.
v.
Philadelphia Electric Company
Docket No. R-850152

Enclosed are two copies of the Second Set of Interrogatories of the General Services Administration (GSA) directed to the Philadelphia Electric Company in the above-captioned proceeding.

In accordance with normal practice, please provide answers to these inquiries within fifteen (15) days of receipt, indicate the sponsoring witness, and send two (2) copies to me.

Copies of this set of interrogatories have been served on all parties as evidenced by the attached Certificate of Service.

Sincerely,

Mildred E. V. Pitts

DOCUMENT
FOLDER

MILDRED E. V. PITTS
Senior Trial Attorney
Information Resources & Utilities Division

Enclosures

cc: Honorable Joseph P. Matuschak
Administrative Law Judge

All Parties

CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utilities Commission, et al.
v.
Philadelphia Electric Company
Docket No. R-850152

I hereby certify that I am, this 3rd day of December, 1985 serving either by special messenger or by first-class mail, the foregoing document, Second Set of Interrogatories, upon the persons listed below:

Honorable Joseph P. Matuschak
Administrative Law Judge
Pennsylvania Public Utility Commission
97 E. Main Street
Uniontown, Pennsylvania 15401

Marlene R. Chestnut, Esquire
Assistant Counsel
Veronica A. Smith, Esquire
Daniel Delaney, Esquire
Office of Staff Counsel
Pennsylvania Public Utility Commission
North Office Building, Room G19
Harrisburg, Pennsylvania 17120

Walter R. Hall, II, Esquire
David B. MacGregor, Esquire
Robert H. Young, Esquire
Morgan, Lewis & Bockius
2000 One Logan Square
Philadelphia, Pennsylvania 19103

Irwin A. Popowsky
Scott J. Rubin, Esquire
David Wersan, Esquire
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, Pennsylvania 17120

David M. Kleppinger, Esquire
Edward J. Riehl, Esquire
McNees, Wallace & Nurick
100 Pine Street
Harrisburg, Pennsylvania 17108

Janet Parrish, Esquire
Community Legal Service
Energy Project
3638 N. Broad Street
Philadelphia, Pennsylvania 19140

Zori G. Ferkin, Esquire
Governor's Energy Counsel
P.O. Box 8010
Harrisburg, Pennsylvania 17105

Jerry Rich, Secretary
Pennsylvania Public Utility Commission
Room B-18 North Office Building
North & Commonwealth Avenue
Harrisburg, Pennsylvania 17120

Michael L. Browne
Reed Smith Shaw & McClay
1600 Avenue of the Arts Building
Broad & Chestnut Streets
Philadelphia, Pennsylvania 19107

Franklin L. Kury
Reed Smith Shaw & McClay
300 North Second Street
P.O. Box 11844
Harrisburg, Pennsylvania 17108

Mildred E. V. Pitts
MILDRED E. V. PITTS

Before The
Pennsylvania Public Utility Commission
Docket No. R-850152

GSA's Second Set of Interrogatories to PECO
December 2, 1985

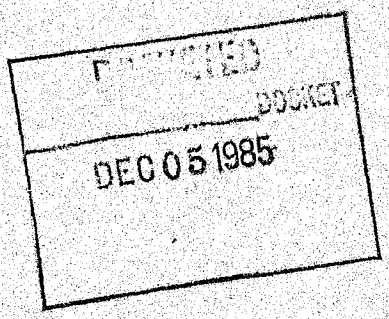
Interrogatories for Mr. Wright:

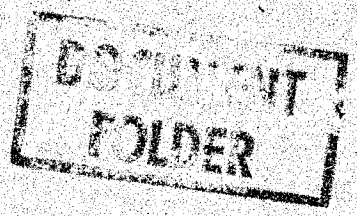
II. 1. For each project identified by Mr. Wright in PECO's claim for land held for future use, indicate the extent to which, on a projected usage basis, the project will be used in support of, or in conjunction with, the Limerick 1 facility. Provide similar information for projects associated with the Limerick 2 facility.

II. 2.(a) Provide all data inputs to PECO's estimate of materials and supplies as of June 30, 1986. Specifically indicate the inflation rate(s) used in these estimates.

(b) Identify the dollar amount of materials and supplies included in Mr. Wright's June 30, 1986, estimate that are needed to support the Limerick 1 facility.

II. 3. Referring to Appendix of PECO Statement No. 20, please provide the data, calculations, studies and workpapers used to estimate the index for each decommissioning cost category for June, 1986.





Interrogatories for V.S. Boyer:

II. 4. Please explain how the inclusion of common plant is "designed to produce substantial cost savings to ratepayers", as referred to on page 26, PECO Statement No. 1.

II. 5. Please provide copies of the "various studies and experience" referred to on page 27, line 25 of your direct testimony, as well as supporting workpapers.

II. 6. Please provide a list of the common plant facilities which could have been designed smaller and at a lower cost. Please include the cost as constructed plus the cost savings possible from each facility.

II. 7. Please provide workpapers, and other material supporting the $330.4 million additional cost of construction if one-half of common plant is excluded from rate base.

Interrogatories for C.H. Rush:

II. 8. Please provide a list of all months during the past two years in which PECO's peak load exceeded its own generation capability.

II. 9. Please provide the monthly reserve margin for the PJM system for the most recent two year period.

II.10. Please provide a list of all plants, including Southwark 1 and 2, whose retirement was precipitated by the completion of Limerick 1.

II.11. Please include the type of plant, nameplate rating, number of years in operation and whether used as base, intermediate or peak unit, for all plants in question II.10.

II.12. Please provide any studies, correspondence, etc., as to which plants will be retired and which will have their useful life extended.

Interrogatories for T.P. Hill, Jr.:

II.13. Please provide support for the derivation of the 7.505 mills/kwh reduction in the base rate cost of energy.

II.14. Please provide a further breakdown of Exhibit TPH-2, A-16, between Limerick 1 and common plant.

II.15. Please provide any complete lead-lag studies performed by or for PECO during the prior three years.

II.16. Please explain the rationale in purchasing the nuclear fuel for Limerick 1, as opposed to leasing it, as is the case with the Peach Bottom and Salem plants.

Interrogatories Directed to Raymond Williams:

II.17 Referring to PECO Statement 17, pp. 5-6, PECO plans to phase in approved rates at 9.4% per year, and to recover uncollected approved rates by a surcharge. Provide all studies, calculations, and workpapers supporting the three year phase in period.

II.18. Again referring to PECO Statement 17, direct testimony of Raymond C. Williams, pp. 5-6, were periods longer than three years considered? If so, provide all data, analyses, calculations, and workpapers used in deciding to reject a phase-in period longer than three years.

II.19. Referring to PECO Statement 17, direct testimony of Raymond C. Williams, pp. 5-6, provide all data, studies, calculations, and workpapers showing what PECO has done to minimize the variance in rates over the phase-in period and surcharge period.

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

December 4, 1985

IN REPLY PLEASE
REFER TO OUR FILE

R-850152

(See attached lists)

DOCUMENT FOLDER

DOCKETED
DEC - 5 1985

Pennsylvania Public Utility Commission, et al.
vs.
Philadelphia Electric Company

N O T I C E

As agreed to at prehearing conference, hearings in the captioned proceeding will be held as follows:

Harrisburg - 10:00 a.m., available hearing room, Ground Floor, North Office Building

Tuesday through Friday	- December 10, 11, 12 & 13, 1985
Monday through Friday	- December 16, 17, 18, 19 & 20, 1985
Monday and Tuesday	- December 30 & 31, 1985

Philadelphia - 10:00 a.m., Room 1306, Philadelphia State Office Building, Broad and Spring Garden Streets

Monday through Thursday	- January 6, 7, 8 & 9, 1986
Tuesday and Wednesday	- January 21 & 22, 1986

The location for the following hearings will be announced at a later date:

Tuesday through Friday	- January 28, 29, 30 & 31, 1986
Wednesday through Friday	- February 5, 6 & 7, 1986
Monday through Friday	- February 10, 11, 12, 13 & 14, 1986
Tuesday through Friday	- February 18, 19, 20 & 21, 1986
Tuesday	- February 25, 1986
Wednesday through Friday	- March 5, 6 & 7, 1986
Monday through Friday	- March 10, 11, 12, 13 & 14, 1986

Administrative Law Judge Joseph P. Matuschak is the presiding officer in this case. Judge Matuschak's number is (412) 437-3409. His address is 97 East Main Street, Uniontown, Pennsylvania 15401.

PLEASE NOTE - In any scheduled hearings of two or more consecutive days, if testimony scheduled for that sequence of hearings is concluded in less time, any subsequent date in that sequence is subject to cancellation without advance notice.

cc: Judge Matuschak, Law Bureau, Bureau of Rates, Mr. Bramson, Ms. Dickson, Ms. Crouse, File Room

R-850152 - Parties of Record:

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R-850152 - Parties in interest:

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General Services Administration
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ORIGINAL

December 3, 1985

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SECRETARY
Public Utility Commission

Mr. Jerry Rich, Secretary
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, Pennsylvania 17120

Re: Pennsylvania Public Utility Commission, et al.
v.
Philadelphia Electric Company
Docket No. R-850152

Dear Mr. Rich:

Enclosed for filing with the Commission are an original and three (3) copies of GSA's Prehearing Conference Memorandum.

Sincerely,

Michael J. Ettner

MICHAEL J. ETTNER
Attorney

Enclosures

cc: Honorable Joseph R. Matuschak
Active Parties

DOCUMENT FOLDER

ORIGINAL

BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-850152
	:	
Philadelphia Elecitrc Company	:	

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SECRETARY'S OFFICE
Public Utility Commission

PREHEARING CONFERENCE MEMORANDUM
OF THE
GENERAL SERVICES ADMINISTRATION

The General Services Administration ("GSA"), a party to the above captioned proceeding, hereby submits the following information in response to the Commission's Notice of November 5, 1985, and in accordance with provisions of Section 333 of the Public Utility Code, 66 Pa. C.S.A. 333.

DOCKETED
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I. Statement of Issues and GSA's Position on these Issues

A. Issue: Cost of Capital

GSA's Position: Company witness Brennan's recommendations respecting PECO's cost of capital are excessive. The cost of capital allowed in this case should be based on market based forecasts of PECO's test year embedded costs of debt and preferred stock and current investor requirements on common equity.

B. Issue: Appropriate inflation rates for use in estimating test year operating expenses

GSA's Position: Inflation rates used by PECO to estimate test year operating expenses are excessive. Estimated test year operating expenses should be reduced to reflect more reasonable estimates of test year inflation.

DOCUMENT
FOLDER

C. Issue: Phase-in of rate increase

GSA's Position: The period proposed by PECO for phase-in of increased rates is too brief. The proposed phase-in period should be lengthened.

D. Issue: Rate design for electric tariffs applicable to Federal customers

GSA's Position: To be determined after receipt of responses to data requests.

E. Issue: Limerick 1

GSA's Position: Either the entire amount for Limerick 1 should be excluded from rate base, or, if a portion is allowed in rate base, the amount should be phased-in over a three or four year period.

F. Issue: Rate Increase

GSA's Position: PECO's proposed 28.2% revenue increase is based upon a $207 million energy cost offset, which assumes a capacity factor for Limerick 1 of 65%. The assumed capacity factor, and therefore the offset, are excessive in light of the operating experience of other units. Neither Salem 1, nor Salem 2, has operated anywhere near that capacity factor for their entire operating periods.

G. Issue: Common Plant

GSA's Position: All amounts not directly associated with the construction of Limerick 1 should be excluded from rate base, because of: (1) the used and useful concept; (2) the necessity of the additional capacity on the system and; (3) the uncertainty of the completion of Limerick 2.

H. Issue: Cash Working Capital

GSA's Position: To be determined after receipt of responses to data requests.

I. Issue: Compliance with prior Commission order

GSA's Position: PECO has not complied with the Commission order in the prior rate case, Docket No. R-842590, with respect to the sale of tax benefits to Hercules Corporation.

J. Issue: Cost of Service Adjustments

GSA's Position: To be determined after receipt of responses to data requests.

II. Proposed GSA Witnesses and the Subject Matter They Will Cover

Witness	Subject Matter
Philip R. Winter	Cost of Capital
David E. Kelley	Phase-in of rates Inflation rates appropriate for use in estimating test year operating expenses Rate design

III. Description of Evidence Proposed to be Submitted at the Hearing

A. Current investor return requirements on PECO's common equity and on prospective embedded costs of PECO's debt and preferred stock during the test year.

B. Recently experienced and prospective rates of inflation applicable to PECO's operating expenses during the test year.

C. The prospective impact on customer's bills of PECO's proposal, and GSA's recommendation for rate phase-in; rate phase-in plans found reasonable for other utilities.

D. Rate design evidence as it pertains to tariffs applicable to Federal customers, yet to be determined.

E. Other relevant and material evidence, as developed on cross-examination and in response to data requests, supportive of GSA's positions on issues delineated above.

Dated: December 3, 1985

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December 5, 1985

RECEIVED
DEC 6 1985
SECRETARY'S OFFICE
Public Utility Commission

Mr. Jerry Rich, Secretary
Pennsylvania Public Utility Commission
North Office Building
Commonwealth and North Streets
P. O. Box 3265
Harrisburg, PA 17120

Re: Pennsylvania Public Utility Commission
v. Philadelphia Electric Company,
Docket No. R-850152

Dear Secretary Rich:

Enclosed for filing with the Commission is an original and two copies of Philadelphia Electric Company's Answer to the Trial Staff's Motion In Limine in the above-captioned proceeding.

Copies of the enclosed document have been served upon the Administrative Law Judge and all parties of record.

Sincerely,

Jack E. Jerrett

Jack E. Jerrett

Counsel for Philadelphia
Electric Company

JEJ/cmb
cc: Honorable Joseph P. Matuschak
All Parties of Record

DOCUMENT FOLDER

RECEIVED
DEC 5 1985
SECRETARY'S OFFICE
Public Utility Commission

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION :
:
v. : Docket No. R-850152
:
PHILADELPHIA ELECTRIC COMPANY :

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CONFORMED COPY

ANSWER TO
MOTION IN LIMINE

NOW COMES Philadelphia Electric Company ("PECO" or the "Company"), by its Counsel, and answers and requests denial of the Motion In Limine of the Pennsylvania Public Utility Commission Trial Staff ("Trial Staff"), as follows:

1. Admitted.

2. Admitted in part, denied in part. It is admitted that the prudence of the Company's construction of the Limerick Station was generally reviewed by the Commission in Re Limerick Nuclear Generating Station, 56 Pa. P.U.C. 47 (1982), aff'd, 501 Pa. 153, 460 A.2d 734 (1983) (hereafter referred to as 1980 Limerick Investigation). It is denied, however, that either the Administrative Law Judge ("ALJ") or the Commission in that proceeding adjudicated, determined, found or ordered that the 1976 and 1978 decisions to defer construction were unreasonable or the result of imprudent management. To the contrary, as explained below in New Matter, the ALJ and Commission stated, in advisory dicta, only that the deferral decisions may have been unreasonable, but concluded that no adjudication, determination, finding or order could be made as the issue was not ripe for decision in that proceeding.

3.-5. Admitted in part, denied in part. It is admitted that Section 316 has been accurately quoted. However, as established more fully below, the Commission's 1980 Limerick Investigation Order contained no "finding, determination or order" respecting the 1976 and 1978 completion deferral decisions, a fact the Commission itself has recognized on several occasions. Moreover, even if it could be found that the Commission had intended to render a "finding, determination or order" as to this matter, such "finding, determination or order" was "set aside, annulled or modified on judicial review". Accordingly, the requirements of Section 316 are not present to permit "conclusive" or even "prima facie" effect to be given the 1980 Limerick Investigation Order as to this matter.

6. Denied. The presentation of evidence and argument respecting the prudence of the 1976 and 1978 construction completion deferral decisions in the instant rate proceeding is entirely appropriate and, indeed, necessary. As described more fully both above and below, this issue was not resolved in the 1980 Limerick Investigation as it was not ripe for adjudication at that time as was expressly held by the Commission and also by the Pennsylvania Supreme Court. Accordingly, the presentation of evidence and argument on the matter does not constitute its "relitigation" as alleged by Trial Staff. Moreover, as described below, efficient administrative procedure and the lateness of the Motion's filing also require its rejection.

New Matter

7. The Trial Staff asserts that the Company's 1976 and 1978 decisions to defer Limerick construction were evaluated by the Commission in the 1980 Limerick Investigation and found to be the product of unreasonable management. The Trial Staff avers that this prior determination meets the requirements of Section 316 of the Public Utility Code (66 Pa.C.S. §316) and is, therefore, conclusive as to the reasonableness of these decisions and cannot be relitigated in this proceeding.

The Motion should be denied for three reasons: 1) the Commission did not render an adjudication, make a determination or issue a finding respecting the Company's 1976 or 1978 construction deferrals in its 1980 Limerick Investigation Order; 2) the Supreme Court affirmed, based on representations made to it by the Commission, that the Commission had failed to issue such an adjudication, determination or order; and 3) as the instant proceeding is the first proceeding in which the Company has claimed rate base inclusion of the costs of Limerick, this proceeding is the first proceeding in which the issue is ripe for decision and thus the first proceeding in which the Company has had the opportunity to exercise its statutory and constitutional right to present evidence and argument on this issue. See 66 Pa. C.S. §332(c).

8. In Pa. P.U.C. v. Philadelphia Electric Co., 501 Pa. 153, 460 A.2d 734 (1981), PECO, anticipating just such an attempt by others to use the prior proceedings as preclusive on the prudency of the 1976 and 1978 deferral decisions, challenged the validity of the Commission's discussion of the subject. However, the Supreme Court held that the Commission's discussion on the subject was merely criticism, did not constitute an adjudication and would not be reviewed on appeal. 460 A.2d at 739 n.7. Thus, the only relevant final adjudication by the Supreme Court in the 1981 appeal was that the Commission's discussion of the prudency of the 1976 and 1978 deferral decisions was not a final order binding on PECO! Trial Staff's rather bizarre citation of this holding for precisely the opposite point is certainly unpersuasive in the extreme.

In light of the Supreme Court's holding, the Commission has clearly not rendered a "finding, determination or order" within the meaning of Section 316. A determination or order of an administrative agency is generally defined as the equivalent of an adjudication and must comply with the due process requirements of reasonable notice and hearing in order to be valid and binding. See, 2 Pa. C.S. §§101, 504; Allegheny Ludlum Steel Corp. v. Pa. P.U.C.,

501 Pa. 71, 459 A.2d 1218 (1983); Schanz v. Bureau of Corrections, 52 Pa. Cmwlth. 300, 415 A.2d 978 (1980). Similarly, an administrative finding generally refers to formal agency action which resolves a particular matter, and such findings generally comprise and must support the agency's adjudication. 2 Pa. C.S. §507; Mack Trucks, Inc. v. Unemployment Compensation Board of Review, 77 Pa. Cmwlth. 74, 465 A.2d 87 (1983); Tate v. Antosh, 3 Pa. Cmwlth. 144, 281 A.2d 192 (1971); Thomas v. Unemployment Compensation Board of Review, 144 Pa. Super. 369, 19 A.2d 488 (1941). Since the Commission's discussion is not an adjudication, it does not fall within the types of Commission action contemplated by Section 316.

Moreover, it has been repeatedly held that Section 316 can be applied only to preclude collateral attack of a final, appealable Commission Order where a party has failed to properly exercise its right to appeal the matter at issue. See, e.g., Allegheny Steel Co. v. N.Y. Cent. R. Co., 324 Pa. 353, 188 A. 332 (1936); N.Y. and Pa. Co. v. N.Y. Cent. R. Co., 281 Pa. 257, 126 A. 382 (1924), rev'd. on other grounds, 271 U.S. 124 (1926); Erie v. Pa. P.U.C., 60 Pa. Cmwlth. 106, 430 A.2d 1037 (1981); Philadelphia Suburban Water Co. v. Dept. of Trans., 36 Pa. Cmwlth. 8, 387 A.2d 501 (1978); accord, Pa. Petroleum Ass'n. v. Pa. Power and Light Co., 32 Pa. Cmwlth. 19,

377 A.2d 1270 (1977), aff'd., 488 Pa. 308, 412 A.2d 522 (1980); York Teleph. and Teleg. v. Pa. P.U.C., 181 Pa. Super. 11, 121 A.2d 605 (1956).

Indeed, Section 316 merely codifies the doctrines of res judicata and collateral estoppel. An essential requirement for each doctrine, and thus also for Section 316, is that a prior final adjudication on the merits must have been rendered. Where a controversy is not the subject of a final order and is thus not ripe for appellate review, there can be no res judicata or collateral estoppel effect. See, e.g., Lawlor v. National Screen Service Corp., 349 U.S. 322 (1955); Bearoff v. Bearoff Brothers, Inc., 458 Pa. 494, 327 A.2d 72 (1974); Gallery v. Municipal Authority of Blythe Twp., 432 Pa. 307, 243 A.2d 385 (1968); Safeguard Mutual Life Ins. Co. v. Williams, 463 Pa. 567, 345 A.2d 664 (1975); Schuback v. Silver, 461 Pa. 366, 336 A.2d 328 (1975); Fincher v. Middlesex Twp., 64 Pa. Cmwlth. 355, 439 A.2d 1353 (1982); Restatement (Second) of Judgments §27 (1982). In view of the Supreme Court's holding, and indeed the language in the Commission's Order itself as will be described below, res judicata, collateral estoppel and Section 316 clearly do not apply.

9. The Commission itself has stated, both in its Orders and in its submittals to the Supreme Court during the appeals procedure, that it made, in its 1980 Limerick Investigation Order, no adjudication that could constitute a determination or finding subject to the conclusiveness of res judicata, collateral estoppel or Section 316, as respects the 1976 and 1978 deferral decisions. For example, in its October 10, 1980 Order initiating

the Investigation, as amended by letter dated November 8, 1980, the Commission stated that the purpose of the Investigation was to gather information in order to facilitate a future determination of the reasonableness of Limerick costs when claimed in a future rate proceeding:

> "We are opening this investigation proceeding so that information can be gathered in an orderly and expeditious manner, before PECO seeks to include Limerick in its rate base as used and useful property. This approach will enable us to proceed without the pressures of time associated with rate cases.
>
> We realize, of course, that Limerick is under construction and that it represents a major, and controversial, undertaking by PECO. However, although we agree with the OCA that a Limerick proceeding should be opened, we do not agree that the Rule to Show Cause requested by the OCA is appropriate. We must first proceed to gather facts. We can then reach conclusions and enter whatever orders we deem to be appropriate." (Order, p. 1)

A review of the briefs filed before the Commission further illustrates the lack of any belief by the parties that a final adjudication concerning the construction deferral decisions was to be made in the 1980 Limerick Investigation. As expressed by Trial Staff:

> "[the Commission should] wait until Limerick is claimed in rate base to determine whether the cost of management ordered delays, particularly the 1976 and 1978 delays, should be disallowed." (T.S. Main Brief, p. 2; Appendix A).

> Trial Staff suggests that this issue [i.e., a rate base adjustment associated with the deferral issues] should therefore be considered again and more fully at the time PECO seeks to include Limerick in rate base." (emphasis added; T.S. Main Brief, p. 11; Appendix A)

This position was, in fact, subsequently adopted by the ALJ who did not find that the deferral decisions were unreasonable, but rather concluded that such a determination should be deferred until a future rate proceeding, as follows:

> "I agree with Trial Staff that any decision now would be advisory only. This Commission cannot bind the future Commission that must decide PECO's claim for rate base treatment of these plants when they become commercially operable. Furthermore, this proceeding is a fact-gathering one. For purposes here, it is sufficient to note that the decisions to postpone Limerick were, in part, the result of management's discretion as well as financial circumstances. In a subsequent proceeding, consideration can be given to the extent to which these delays were caused by financial and other external constraints and the extent to which management's fear of Commission sanctions entered into these decisions. Such a proceeding would also be an appropriate forum to quantify the effects of these delays. Such a record does not exist at the present time." (emphasis added; Recommended Decision, pp. 54-55; Appendix B)

Further, the Commission's final Order in the 1980 Limerick Investigation expressly states that a determination, finding or adjudication was not made. It is true that, as respects the 1976 and 1978 deferral decisions, the Commission criticized the Company, stating: "PECO management did not

exercise judgment sufficient to meet our reasonable man standard in delaying construction..." (Order, p. 17; Appendix C). However, the Commission found it inappropriate to determine the extent to which such unreasonable management decision-making had affected, if at all, the reasonable cost of the Limerick Station:

> "We note at the outset of our discussion, that to adopt any proposed adjustments or calculations presented to us, at this time, would be inappropriate. The record presented is inadequate to guage [sic] the costs of delay. Nor is the issue ripe for decision. Only when the plants are complete and the attendant costs claimed will the costs of delay be suseptible to accurate assessment." (emphasis added; Order, p. 13; Appendix C)

The Commission's Order, comprising the ordering paragraphs at page 29 of its Opinion and Order, set forth no finding, determination or order respecting the deferral decisions.

Because of a specific concern that in the future Limerick 1 rate proceeding, a party would seek to have ascribed conclusive or res judicata effect to the Commission's discussion of the 1976 and 1978 deferral decisions, PECO appealed that portion of the Commission's Opinion. It explained the purpose of its appeal to the Court as follows:

> "It is PECO's position that this Honorable Court should likewise decline to review these determinations, because the PUC's statements and directive do not constitute a final adjudication and have no res judicata effect. PECO does request that this Court, unlike the Commonwealth Court, expressly hold in its Order that each of these determinations is at present not reviewable and without res judicata effect.

> An explicit statement to this effect is essential to avoid future pointless controversy over the meaning of these statements and directive and to reduce the financial uncertainty imposed by them upon PECO, which uncertainty increased capital attraction costs to the injury of both PECO and its ratepayers....
>
> Clearly the PUC's criticisms of PECO's 1976 and 1978 deferral decisions are not presently reviewable. The PUC has neither determined whether PECO should be penalized for its actions nor what the form or magnitude of any such penalty should be. Rather, it has explicitly held that the controversy is not ripe for its decision, much less that of this Court. The PUC has thus not rendered a final judgment as to any legally cognizable matter.

In response to the Company's argument, the Commission expressly noted in its Brief before the Pennsylvania Supreme Court that an adjudication had not been made as respects the 1976 and 1978 deferral decisions:

> "The Commission further agreed with the ALJ that, this proceeding was not appropriate for resolving the total amount of the increases in the construction costs brought on by the delays, or for determining whether or not PECO could later recover those increases .... The Commission also reserved judgment on PECO's right to recover the costs of delay-induced increase until PECO actually seeks reimbursement in a subsequent proceeding." (emphasis added; Commission Brief Before the Supreme Court, pp. 11-12; Appendix E) 1/

1/ Although at other locations in its Brief, statements are made which appear inconsistent with the above quotation, i.e. apparently asserting that a determination had been made, the significance of these statements is unclear and this position was clearly rejected by the Supreme Court.

Clearly, in light of these, the Commission's own statements made to the Supreme Court, Staff's position must be recognized as error and its Motion denied. Accepting these representations of the Commission, the Supreme Court characterized this portion of the Commission's Order as follows:

> "[T]he opinion accompanying the PUC's order contained criticism, of an advisory nature, directed at PECO's decisions in 1976 and 1978 to defer completion of the Limerick facilities. Such mere criticism, however, does not constitute an adjudication and cannot be reviewed on appeal." Pa. P.U.C. v. Philadelphia Electric Co., 501 Pa. 153, 460 A.2d 734, 739 n.7 (1983).

As described above, as the language cited by the Trial Staff is not an adjudication or the result of an adjudication, it is not a "finding, determination or order" which can be given conclusive effect pursuant to Section 316. 2/

2/ Moreover, barring adjudication on the project deferral issue in this proceeding would clearly be a violation of the Company's due process rights. The Commission's use of language respecting the 1976 and 1978 deferrals was, according to the Supreme Court, mere "criticism of an advisory nature", and not an "adjudication" of the specific facts and issues warranting appellate review. As the Commonwealth Court has stated:

> "It is clear that 'where an administrative agency, pursuant to delegated power, promulgates an order definitive, basic findings of fact are essential to the validity of its action, and such findings must be sufficiently specific to enable the court in reviewing that action to pass upon questions of law . . . . Failure to make the requisite findings is a violation of due process' " [Citing Gottshall v. Batt, 71 Dauph. 383, 399

10. The principal issue in this proceeding is the reasonableness and prudence of costs associated with Limerick 1 and Common Plant. Resolution of this issue will require an examination of numerous, complex and interrelated factors. For the first time, the reasonableness of the deferral decisions is ripe for adjudication, and the Company has a statutory and constitutional due process right to submit testimony and develop a full record on this issue. 66 Pa. C.S. § 332(c); Town Development, Inc. v. Pa. P.U.C., 50 Pa. Cmwlth. 104, 411 A.2d 1317 (1980); In Re Shenandoah Suburban Bus Lines, 355 Pa. 521, 50 A.2d 301 (1947). The Trial Staff's Motion would clearly violate these rights.

Continued

> (1958).] Begis v. Industrial Board of the Department of Labor and Industry, 9 Pa. Cmwlth. 558, 562, 308 A.2d 643, 646 (1973).
>
> See also McKinley v. State Board of Funeral Directors, 5 Pa. Cmwlth. 42, 46, 288 A.2d 840, 842 (1972); State Real Estate Commission v. Bewley, 1 Pa. Cmwlth. 85, 94-95, 272 A.2d 531, 535 (1971).
>
> * * *
>
> To summarize on this point, due process requires that this Court be presented with an adjudication which indicates what the affected party has done or failed to do, and which specific factual and legal conclusions were made to justify the administrative action." Norwood v. Pa. State Horse Racing Commission, 16 Pa. Cmwlth. 219, 328 A.2d 198, 204 (1974).

See also D'Anjollel v. State Board of Funeral Directors, 3 Pa. Cmwlth. 64, 280 A.2d 123, 126 (1971); Erie Lighting Co. v. Pa. P.U.C., 131 Pa. Super. 190, 198 A.901, 903 (1938).

Moreover, the Trial Staff's Motion, if granted, would eliminate from consideration by the Commission substantial evidence which bears directly on the reasonableness of Limerick costs. The Commission should not be so limited in its review. Given the Commission's finite resources and the seven month period within which it must render a final order, a full and complete record on this issue should be developed. The Commission can then determine to what extent it will adopt its prior discussion of the deferral decisions and reject the additional evidence already submitted by the Company. Thus, principles of procedural efficiency also support denial of the Motion of Limine.

WHEREFORE, for the reasons stated above, the Philadelphia Electric Company respectfully requests that the Trial Staff's Motion in Limine be denied.

Respectfully submitted,

Walter R. Hall II

Robert H. Young
William E. Zeiter
Walter R. Hall, II
Jack E. Jerrett

Counsel for Philadelphia
Electric Company

OF COUNSEL:

Edward G. Bauer, Jr., Esquire
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MORGAN, LEWIS & BOCKIUS
2000 One Logan Square
Philadelphia, PA 19103

DATE: December 5, 1985

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

BEFORE ADMINISTRATIVE LAW JUDGE JOSEPH J. KLOVEKORN

LIMERICK NUCLEAR STATION INVESTIGATION

DOCKET NO. I-80100341

BRIEF FOR COMMISSION TRIAL STAFF

Gregg C. Sayre
Assistant Counsel

For the Trial Staff of the Pennsylvania
Public Utility Commission

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(717) 783-2804

Dated: January 8, 1982

I. INTRODUCTION AND CONCLUSION

Trial Staff of the Pennsylvania Public Utility Commission is taking no position on many of the issues in this proceeding. Based on the testimony of Dr. James M. Giordano, Trial Staff submits that the completion of Limerick is more economical than its replacement by a medium sized coal unit plus interchange purchases. Apart from this conclusion, Trial Staff takes no position on the question of whether it is cheaper to complete, cancel or replace either unit of Limerick with some alternate program.

Trial Staff further suggests that unless the Commission finds the economics of the situation so compelling that PECO must be ordered to change its course, it does not make regulatory sense to order or approve any construction plan at this time.

Assuming the Commission does not order the cancellation of Limerick, it should do the following:

(1) Order PECO submit to the Commission its most recent estimates of costs and dates of commercial operation of Limerick 1 and 2 as used in this proceeding in PECO's analysis of the economics of various alternatives.

(2) Order PECO to notify the Commission immediately of any occurrence which will affect the critical path of construction and therefore the completion dates, and of any deviations from PECO's cost projections in excess of one million dollars. PECO should further be required to explain and justify any deviations in completion date or costs within two weeks of the notification to the Commission,

and in particular should be required to demonstrate why the delay or overrun was not within the control of PECO or its architect-constructor in the exercise of sound management. The Commission should be prepared to make future rate base disallowances of the cost of delays or cost overruns if they are not justified or are not reported promptly to the Commission.

(3) As a further monitoring of construction, order PECO to submit within 120 days a detailed schedule of specific construction and cost milestones to be reached in each subsequent two month period during the next two years, and require reports every two months specifying what milestones have been met.

(4) Order PECO to prepare a standby plan for possible future funding of construction through contributions in aid of construction, if and when customer support of construction becomes necessary to prevent further delays, and to request a letter ruling from the Internal Revenue Service that the customer contributions would not be taxable to PECO.

(5) Wait until Limerick is claimed in rate base to determine whether the cost of management ordered delays, particularly the 1976 and 1978 delays, should be disallowed.

II. SLIPPAGE OF COST AND COMPLETION DATE ESTIMATES

A. Historic Slippage

Limerick is being constructed for PECO by Bechtel Power Corp. on a cost-plus basis (the plus is a fixed fee for Bechtel; TR-1, 1, T.S. Exh. B). Bechtel has only remote motivations to get the plant completed on time and at the target costs; if it does a particularly bad job, it

Trial Staff submits that the evidence in this case establishes that PECO's management was imprudent in postponing Limerick in 1976 and 1978. For two reasons, however, Trial Staff recommends that the Commission defer decision on this subject:

(1) A prospective rate base adjustment is arguably not within the Commission's power when PECO has not yet claimed the plant (except $500 million of CWIP) in rate base.

(2) A prospective rate base or other adjustment such as a four year stoppage of AFDC would give the consumers no immediate benefits in terms of lower rates; such a decision at this time might well lead to a bond downrating or higher cost of debt or equity which would have a short range negative impact both on PECO and its ratepayers. Trial Staff suggests that this issue should therefore be considered again and more fully at the time PECO seeks to include Limerick in rate base.

D. The Cost of Future Delays

The potential cost of further delays is enormous. Bechtel's project manager estimated that a six month slippage would cost $50-100 million in direct costs, excluding the half-year of AFDC which would be accrued on the investment plus AFDC to date (Tr. 60-61). Dr. Nellis estimated a total cost of $344 million for a one year delay (Exh. REN-1A,

APPENDIX B

BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

LIMERICK NUCLEAR GENERATING

STATION INVESTIGATION

I-80100341

INITIAL DECISION

OF

JOSEPH J. KLOVEKORN

Administrative Law Judge

March 26, 1982

over 10.8 million shares of common stock in 1975 at an average price of $12.31 per share. This increased the number of shares outstanding by 20% in just one year.

No party disputes that these events occurred. The OCA notes, however, that the company should have been aware then of the quagmire of direct construction cost escalations and in-service delays experienced by PECO at its other principal construction sites. (OCA M.B., p. V-11). The cost of this delay has been estimated at $36.6 million by the company. (PECO Statement 1B, pp. 6-7)[7] and $372 million by the OCA.[8]

Trial Staff argues that PECO should have either cancelled the units at this time or built the plant as quickly as possible. Instead, it criticizes the company for choosing the worst possible path-not cancelling before the bulk of construction was begun, but not pressing forward to get the plant finished in light of optimistic economic forecasts for 1976-1978. (OCA Ex. 23, Tr-1, 9; T.S. M.B. pp. 8-9).

1976 Extension

In 1976 PECO announced a further delay in the commercial operation of Limerick. Unit I was now to start in April 1983 and Unit II

7/ This is the additional carry-charge which would be experienced on the existing investment as the result of the deferral. It neglects, however, to reflect inflation in the costs of construction due to the delay.

8/ This is arrived at by comparing the July 1972 PECO estimates of total direct Limerick cost ($923 million) with the October 1974 estimate of $1.295 billion (OCA Ex. 1, IR 2, 1-3). This rough approximation cannot be relied on, since, of course, it reflects all post-July 1972 inflation, not just that portion related to the delay.

in April 1985. According to PECO, this rescheduling was made primarily to match growth in capacity additions with a new lower load forecast which was made in the spring of 1976. According to the company Witness Paquette, the rescheduling was desirable from a financial standpoint. The company had not been able to improve its financial performance to a satisfactory level and, therefore, any lightening of the construction program enabled it to reduce the financing burden that it was facing.

During 1974 and 1975, PECO's return on common equity was in the range of 8.9% to 9.4%, its SEC interest coverage decreased further to 2.3-2.4 times and the price of its stock remained in the area of $10 to $15 per share, which was only 50% to 70% of book value. Also, in 1976, Standard & Poor's reduced its bond rating again, this time to A-.

In the summer of 1975 PECO's electric peak load was 5,530 megawatts, again below the 1973 record. This gave PECO further indications that energy conservation was having a significant effect and that it could expect a permanent adjustment in customers' usage of energy. Therefore, at that time the company changed its forecasted growth rate from its pre-1974 level of 7% per year down to 5%. The effect of this reduced growth rate was to lower its estimated 1980 peak load by almost 1,000 megawatts. This meant that it could reduce its capacity accordingly. Therefore, it delayed the Limerick units by two years, which lowered its projected capacity by 1,055 megawatts in the years 1981 to 1984 inclusive.

PECO had filed for another rate increase in November 1975 for a total of $95 million, or 10%. It requested $47 million to go into effect on January 19, 1976 on an interim basis, but the Commission allowed only $24 million of the increase, a 2.5% increase, to go into

effect in February 1976. Another $23 million increase became effective in August of that year on an interim basis.

In the spring of 1976, PECO lowered its five-year construction program by about $750 million. On average, PECO was able to reduce its outside financings in those years by about $60 million per year, or about 20%.

Mr. Paquette also testified that in evaluating the 1976 postponement, "it is also important to appreciate the context within which these decisions were being made". (PECO Statement No. 9, p. 10). When growth forecasts began to level off and it became apparent that it would not need Limerick's capacity in 1981 and 1983, Mr. Paquette stated, it was entirely consistent with corporate and regulatory policy to slow down the construction of that plant in order to avoid bring it on line in advance of its need. This concern about excess capacity came to the surface in the company's 1975 and 1976 rate proceedings, when questions were raised by the Commonwealth of Pennsylvania concerning reserve margins and the possibility that the company then had "excess capacity" which should be eliminated from its rate base. Although the PUC rejected the Commonwealth's arguments in that case, it did indicate that the company would be required to justify its installed capacity in the next rate case. According to Mr. Paquette, in such an environment the company concluded that the public interest did not warrant a speedy completion of Limerick. Indeed, the company felt that there was some risk that if it brought on the Limerick units in 1981 and 1983, this Commission might exclude it from rate base with very dire financial consequences to the Company (PECO Statement No. 9, p. 11).

According to the testimony the company recognized that such a delay could result in a higher cost for Limerick, although the amount of this increase could not be accurately determined. PECO stated that balancing these factors, it was clear that rates would be greatly reduced in the short term from a postponement of Limerick since customers would not have to pickup the carrying costs for the plant in 1981 and 1983.

PECO believed, based on a review of Commission actions at that time, that the Commission's preference would be to have lower rates in the short term, even though that might result in some long term increases. During the proceeding, PECO estimated the cost of this delay at $68 million. (PECO Statement 1B, p. 7).

The OCA is highly critical of PECO's 1976 decision to slip Limerick's construction schedule, stating that it evidences a corporate attitude to react to load growth by building more and more capacity and not attempting to control such growth. (OCA M.B., p. V-15). It also criticized the company for failing to analyze what capacity would be needed if load growth continued to deescalate. It rejects the company's expressed concern about excess capacity. Under such circumstances, OCA maintains, the appropriate consideration, if not necessarily, would be whether it was reasonable, possible and responsible to stockholders and ratepayers to cancel one or both units. OCA notes that no analysis of this type was made. The only generation planning analysss during this period were plant-to-plant, coal versus nuclear, studies. Furthermore, OCA argues, PECO's load forecasts were fundamentally flawed in their methodological failure to capture the changing consumption patterns. In May of 1976, $284 million direct construction costs had been expended on Limerick. (OCA Ex. No. 6, IR-2, 8-12). The delay announced in 1976

added, according to the OCA, some $202 million to the direct cost of Limerick. (OCA Ex. No. 20, IR-2, 1-3).

Trial Staff was also highly critical of the 1976 delay. It estimated the cost of this postponement to be approximately $506 million (T.S. Ex. REN-1A, Sch. 2, p. 1). Trial Staff's witness Dr. Donald L. Birx, noted that PECO's originally stated reason for the delay was reduced load forecast. (T.S. Statement DLB-1, pp. 3-4). A press release issued at the time, however, also referred to financial constraints. (PECO Statement 11-B, App. A).

Trial Staff Witness Donald H. Muth testified, that according to the company, the 1976 delay reduced PECO's financing requirements by $56 million (1976), $44 million (1977) and $76 million (1978). (PECO Statement No. 9, Table C).

Mr. Muth concluded that PECO would have been able to issue sufficient additional mortgage bonds in 1976-1978 to eliminate the reason for this postponement. (T.S. Statement DHM-2, pp. 2-3). Although these debt issues would have increased rates by increasing the cost of debt, Trial Staff admits, this is true whenever any debt is issued at greater than the embedded cost. It should also be noted that long term bond rates were lower in 1976-1978 than in 1974-1975 (Tr. 509).

Mr. Muth, however, would have had the company using some debt mixed with equity issues to finance the additional capital investment. In 1977 and 1978, according to the witness, PECO passed up an unparalleled opportunity to issue more common stock at close to book value. In fact, he noted such an issuance would have been closer to book value than the stock has attained since 1974 (T.S. Statement DHM-2, pp. 4-5 and T.S. Ex. DHM-2A, Sched. 8). In 1978, when the proceeds/book ratio was 90.6%

(Sched. 8), PECO did not even make a stock issue. The 1.9 million shares issued during this time were only through the ongoing dividend reinvestment and employee stock ownership programs (Tr. 510). Trial Staff argues that PECO should have been eager to issue common stock in 1978 after observing conditions in 1977, during which the average proceeds/book ratio was 101.5% (T.S. Ex. DHM-2A, Sched. 8). The increase in equity ratio would also have tended to increase rates in R.I.D. 438 and R-79060865, thus further improving PECO's interest coverage. Trial Staff maintains that PECO could have financed the construction in a variety of ways. In 1976, PECO's mortgage coverage ratio was 2.5 times. If PECO had not reduced its 1976 construction expenditures by $56,000,000 and had financed these additions with first mortgage bonds, its mortgage coverage ratio would have only been reduced to 2.4 times. (T.S. Statement No. DHM-2, p. 4).

Trial Staff argues that PECO could also have financed the $56,000,000 of construction on an interim basis through short-term debt. PECO reduced its short-term debt by $100,728,000 during 1976 and there was only $7,226,000 of short-term debt outstanding on its balance sheet at December 31, 1976.

According to Trial Staff, PECO could also have issued additional common stock during 1976. Although its common stock was still selling below book value at an average price of $16.68 per share, this price was substantially higher than the 10,866,340 shares it issued in 1975 at $12.31 per share.

Trial Staff also argues that PECO could have financed the additional $44 million needed to maintain its construction schedule in 1977 through the issue of more common stock. However, this construction could also have been financed by first mortgage bonds or, on an interim

basis, with short-term debt. In 1977, PECO issued 5,317,952 shares of common stock at an average price of $19.54, or 101.5% of book value. If PECO had issued another 2,300,000 shares it would have had sufficient funds to cover the $44,000,000 of additional construction expenditures. Common stock issued in 1977 would have totaled 7,617,952 shares or substantially less than the 10,866,340 shares issued in 1975 (at $12.31 per share) or the 9,749,355 shares issued in 1980 (at $14.14 per share).

PECO's mortgage coverage ratio was 2.35 times in 1977. If PECO had issued an additional $44,000,000 of first mortgage bonds in 1977, its interest coverage would have been reduced to 2.28 times (assuming that the $56,000,000 of additional construction expenditures in 1976 had not been financed with mortgage bonds). The issuance of an additional $44,000,000 of first mortgage bonds in 1977 would therefore not have had a material effect on its interest coverage. Even if the 1976 and 1977 construction expenditures had both been financed with mortgage bonds, the mortgage coverage ratio would have only been reduced from 2.5 times to 2.2 times.

Trial Staff argues that PECO could also have financed the $44,000,000 of additional 1977 construction through short-term debt. PECO only increased its short-term debt by $7,649,000 in 1977, meaning there was only $14,875,000 of short-term debt outstanding on its balance sheet at December 31, 1977.

PECO could have financed its 1978 construction expenditures by issuing additional common stock. PECO had no public stock offering in 1978. The shares that it issued in 1978 were sold through its Dividend Reinvestment and Stock Purchase Plan, its Employee Stock Purchase Plan and its Tax Reduction Act Stock Ownership Plan. The stock issued through

these plans was sold at an average price of $17.46 or 90.6% of book value. If PECO had held a public sale of stock during the first quarter of 1978, its per share price would have been even greater than $17.46.

PECO's mortgage coverage ratio was 2.37 times in 1978. If PECO had issued an additional $76,000,000 of first mortgage bonds in 1978, its interest coverage would have been reduced to 2.26 times (assuming no additional mortgage bond issues in 1976 or 1977).

If the postponed 1976 and 1978 construction of $56,000,000 and $76,000,000, respectively, had been financed with mortgage bonds and the 1977 construction of $44,000,000 with common equity, the 1978 mortgage coverage ratio would have been 2.18 times.

Short-term debt outstanding at December 31, 1978, totaled only $16,129,000. This balance provided sufficient leeway for PECO to finance some or all of the $76,000,000 of 1978 postponed construction with short-term debt if it had chosen to do so.

PECO argues that Trial Staff's position is not supportable. First, it claims Trial Staff employs hindsight to construct a set of hypothetical financings allowed by circumstances about which the company could not have known when faced with the need to make its decision. Trial Staff is able to construct this hypothetical financing program because, as Trial Staff points out, long term bond rates were at a lower level between 1976 and 1978 than they were in 1976, because the rate of inflation decreased in the period 1976 through 1978, and because the value of PECO common stock increased between 1976 and 1978.

According to PECO, the second deficiency of Trial Staff's hypothetical financing program is that, even with the benefit of hindsight, it is impractical. Trial Staff insists that, while PECO common was still selling below book in 1976, the company could have sold $56 million of common to finance Limerick since the 1976 market price exceeded the 1975 market price. In addition, common stock sales of $44 million in 1977 and $76 million in 1978 were recommended. As an alternative, Trial Staff suggested that PECO could have issued $56 million in mortgage debt in 1976 because the company's coverage ratio was 2.5 times, that PECO could have issued $44 million in mortgage debt in 1977 with a coverage ratio of 2.35 times, or that PECO could have issued $76 million in 1978 because the company's mortgage ratio stood at 2.37 times. If sales of common stock or mortgage debt failed, Trial Staff suggests the use of short term debt "on an interim basis" to finance $56 million in 1976 and/or $44 million in 1977, and/or $76 million in 1978.

PECO maintains that Trial Staff's hypothetical financing program is not fiscally sound. If its suggestions were added to the amounts actually issued by the Company through the same period, PECO would have been left with an indenture coverage below 2.0 times in 1979, and further mortgage bond financing would have been precluded. (PECO Statement 11D, p. 5).

PECO claims that in the 1975 to 1979 period it could only have issued a total of about $30 to $40 million in additional mortgage bonds while maintaining a 2.0 times mortgage coverage ratio in 1979 (PECO Statement 11B, p. 6).

Trial Staff also hypothesized common stock offerings in 1976 ($56 million), 1977 ($44 million), and 1978 ($76 million), but PECO claims, ignored the cumulative effect of such offerings. If as Trial Staff suggested, PECO had issued an additional $176 million in common stock, the company would have been left with earnings of $1.70 per share in 1978, an amount insufficient to cover the company's common stock dividend. (PECO Statement 11D, p. 5).

Trial Staff's suggestion that PECO could have financed all or some of their 1976-78 requirements through short-term debt, PECO claims, ignores the fact that short term debt must be constantly refinanced. It also ignores the fact that use of large amounts of short term debt for immediate construction needs would sacrifice all of the financial flexibility inherent in short term debt reserves which are necessary to protect against capital market disruptions and unanticipated operating needs. (PECO Statement 11D, p. 5).

1978 Extension

In May 1978 PECO announced a decision to reschedule Units I and II from 1983-85 to 1985-87. PECO Witness Mr. Paquette testified that PECO did not in fact change the critical path of the construction schedule from 1978 through 1980, and that in those years PECO authorized and spent the additional dollars to maintain the 1983-85 service dates in the event that it became desirable to complete the units earlier than 1985-1987 (PECO Statement No. 9, p. 12; Tr. 495). The record shows, however, that PECO reduced its direct expenditures from 1978-1980 from the budgeted amount of $529 million to $479 million (OCA Exh. 23, Tr-1, 7). PECO explains, however, that it funded all major construction activities

required to maintain the earlier completion dates, but not activities of lesser importance (PECO R.B., p. 96, fn. 7).

The reasons for announcing a delay in 1978, according to PECO witness Paquette, were similar to those which were involved in the 1976 decision. In other words, by 1978 there were two more no-growth years. PECO's load forecasters lowered peak load estimates from 5% to 3% per year. In addition, PECO claims, the Commission permitted inadequate rate relief during this period. One important factor in this decision to postpone was apparently the recommendation of Administrative Law Judge Joseph Matuschak at R.I.D. 438 that an adjustment be made to PECO's rate base for "excess capacity." This was viewed as a message to the company not to optimize installed capacity but to minimize current costs and rates.

PECO, however, continued to preserve its options to maintain the earlier timetable due to the fact that escalating oil costs now made it appear that completion of Limerick at an early date might be advantageous to customers even if the capacity was not required, since the fuel cost savings resulting from Limerick's operations would more than offset the carrying costs of the plant (PECO Statement No. 9, p. 14).

Unlike the 1976 delay (Tr. 502), however, PECO this time performed an analysis to determine the level of short-term savings vs. long-term costs attributable to deferring completion of the plant. In 1978 PECO estimated that a one-year delay would reduce revenue requirements in the first year by $190 million. This would come about through a $350 million savings in base rates offset by higher operating expenses of about $160 million due to continued energy purchases. However, beginning in the second year and every year thereafter for the life of

the plant customers' bills would be approximately $47 million higher so that it would take approximately five years before the savings would be offset. No present value analysis was made (Tr. 502-503).

OCA points out, in response, that Judge Matuschak's decision in R.I.D. 438 came months after the decision to delay was announced. OCA also claims that the company failed to adequately analyze the economic and financial implications of the delay and the possible cancellation of at least one unit (OCA M.B., p. V-24-26).

Trial Staff estimates the cost of the 1978 delay to be $597 million (T.S. Ex. REN-1A, Sch. 2, p. 1).

1980 Schedule Extension

In 1980 PECO abandoned its option of maintaning the earlier 1983/1985 completion dates. This was made necessary when it became obvious that manpower availability and labor productivity in the installation of bulk commodities such as conduit and pipe were not meeting the target values. The manhours necessary to install the seismic design of pipe hangers and restraints turned out to be greater than estimated, and interferences introduced by these hangers to duct work and cable trays also required additional manhours to resolve. In addition, the NRC action items resulting from Three Mile Island were issued, adding additional manhours of job effort (PECO Statement 1B, p. 7).

Reasonableness of the Delays

Having discussed the various delays in the Limerick construction schedule, we now turn to the reasonableness of PECO management's various decisions to postpone the commercial operation dates of these units.

Initial consideration should be given to the standard of prudence against which these decisions should be measured. PECO argues (PECO M.B. pp. 296-299), that Trial Staff has actually ignored the legal standard establishing the requirements for a showing of management imprudence. PECO notes that the "prudent investment" theory is not new to the regulatory process. It was first articulated by Justice Brandeis nearly sixty years ago in Missouri ex. rel. Southwestern Bell Tel. Co. v. Missouri Public Service Commission, 262 U.S. 276, 67 L.Ed. 981 (1923). In defining the appropriate standard to be applied by regulatory agencies in their review of utility expenditures, Justice Brandeis stated as follows:

> The term prudent investment is not used in a critical sense. There should not be excluded from the finding of the base, investments which, under ordinary circumstances, would be deemed reasonable. The term is applied for the purpose of excluding what might be found to be dishonest or obviously wasteful or imprudent expenditures. Every investment may be assumed to have been made in the exercise of reasonable judgement, unless the contrary is shown. Southwestern Bell, supra (dissenting opinion), 262 U.S. at 289, n. 1. (Emphasis added).

An assessment of management's prudence is not properly premised upon hindsight. As stated by the Michigan Public Service Commission in Re Consumers Power Co., 14 P.U.R. 4th 1 (Mich. P.S.C. 1976):

> It has also become well established that in applying the prudent investment theory to particular management decisions, the commission must determine that there existed a reasonable need and basis for the utility to commit funds for the construction of utility plant in light of the circumstances which prevailed when the decisions were made and, further, that the expenditures were reasonably incurred. . . . [T]he Commission reviews these questions, not with hindsight, but based upon the circumstances that existed at the time those decisions were made. (At pp. 15-16). (Emphasis added.)

Accord, Wisconsin Telephone Co. v. Public Service Commission, 232 Wis. 274, 287 N.W. 122, 148 & 157 (1939).

According to PECO mere speculation as to potential cost savings will not support a finding of managerial imprudence. Re Consolidated Edison Co., 54 P.U.R. 3d 43, 103-114 (N.Y.P.S.C. 1964); Re Consolidated Edison Co., 96 P.U.R. NS 194 (N.Y.P.S.C. 1952). Nor will evidence that certain claimed expenditures are unusually high alone justify their disallowance. Boise Water Corp. v. Idaho Public Utility Commission, 578 P.2d 1089 (1978).

Further, it is not sufficient that such testimony simply question the wisdom of management's decision. As stated by the New York Public Service Commission in Re Consolidated Edison Company, 54 P.U.R. 3d 43, 112 (N.Y.P.S.C. 1964):

> A determination of prudence of imprudence calls for an inquiry into the reasonableness of management's judgment, i.e. whether there was a rational basis for it, but not an inquiry into its wisdom. In short, it is not for a commission to determine prudence by reference to what it would have done if it had been exercising the powers of management. (Emphasis added.)

Also, it is not sufficient that opponents to rate base inclusion of the claimed investment show that management could have made other decisions which would have had equal economic or other decisions which would have had equal economic or other benefit. As stated by the Supreme Judicial Court of Maine in Central Maine Power Company v. Public Utilities Commission, 405 A.2d 153, 178 (Me. 1979):

> Where, as here, the road chosen by management is arguably at least as economical as any alternative, and the benefit (i.e. cost) does not clearly appear to be 'excessive, or unwarranted, or incurred in bad faith,' management's judgment must be respected.

PECO argues that the Courts of this Commonwealth have applied these same principles as the legal standard which must be satisfied before a ratemaking disallowance may be justified on the basis of "management imprudence." Pennsylvania Power & Light Co. v. Public Service Commission, 128 Pa. Super. 195, 210, 216-17, 193 A. 427, 433-34 & 436-37 (1937); Pittsburgh v. Pa. P.U.C., 370 Pa. 305, 318 (1952); Pittsburgh v. Pa. P.U.C., 173 Pa. Super. 87, 92 (1953).

PECO concludes that an analysis of its various scheduling decisions relative to Limerick, demonstrates that, at the time and in the circumstances, its decisions were prudent. It claims that only by ignoring the circumstances surrounding each of its decisions and by using instead hindsight and strained comparision that one is able to argue otherwise.

The standard by which PECO seeks to have its actions measured appears to this administrative law judge to be inappropriate. In effect, the company is saying that as long as there is a rational basis for its action, any decision that it makes cannot be criticized. While that may have been the rule in the past, more recent decisions by regulatory agencies have held that:

> "...the company's conduct should be judged by asking whether the conduct was reasonable at the time, under all the circumstances, considering that the company had to solve its problems prospectively rather than in reliance on hindsight. In effect, our responsibility is to determine how reasonable people would have performed the tasks that confronted the company. Case 27123, Consolidated Edison Company of New York, Inc. (Opinion 79-1, issued January 16, 1979, pages 5-6). (N.Y.P.S.C.) See also, Case 27565, Niagara Mohawk Power Corp. (Opinion 80-25 issued June 24, 1980), Case 27869, Consolidated Edison Company of New York, Inc. (Opinion 82-2, issued January 21, 1982, pp. 11-14).

This standard of "reasonable care" rather than "rational basis" appears to be more appropriate here, primarily because it reflects the need to recognize the economic impact of delays in construction on the company's ratepayers. The rational basis standard might well be appropriate where one is dealing with a single routine item of plant which may cost several millions or the selection of one transmission line route over another. Certainly, this Commission should not take it upon itself to review every management decision. But where, as here, a company decision will have a substantial, if not overwhelming impact on rates for many years, this Commission must judge that action by some standard other than its rationality. PECO's conduct in delaying construction shall be judged on the basis of how reasonable people would have responded to the events of 1974-1978 and whether PECO's response was satisfactory in light of all those conditions and circumstances.

On this basis PECO's action in 1974 was reasonable by any standard. The oil embargo of late 1973 resulted in higher energy prices and recessionary economic conditions throughout the country. For the just time since World War II, energy sales and peak loads decreased. In addition the market for utility securities was poor due to the omission of Consolidated Edison's dividend. Under these circumstance, the company's decision to slip its construction schedule by two years was a reasonable response to an extraordinary series of events.

By 1976, however, the reduced load and financial constraints experienced by the company two years earlier continued. PECO's decision in the Spring of 1976 to delay Limerick for another two years might well have been reasonable, had it been based on a thorough evaluation of

economic consequences, not only to it but also to its ratepayers. The record, however, indicates that no such thorough evaluation was made.

As Trial Staff and OCA noted, PECO witness Paquette did not recall any analysis of the long-term economic costs to customers of this delay (Tr. 502). Although an exact determination of this increased cost could not be made, some sort of analysis should have been done. Similarly no analysis of alternatives to Limerick was made, neither did the company analyze its capacity requirements if load growth continued to decline.

In 1978 PECO did analyze the effect of its schedule extension on ratepayers and computed that a one-year postponement would reduce revenue requirements by $190 million for the first year, but would increase bills by $47 million per year the second year and each year thereafter for the life of the plant. Whether this was a good bargain for ratepayers is subject to discussion.

Although there can be no doubt that these postponements were caused in large part by financial factors, Mr. Paquette has offered another insight into management thinking when he testified (PECO Statement No. 9, pp. 10-13):

> In evaluating the 1976 postponement based on capacity and financial factors, it is also important to appreciate the context within which these decisions were being made. A public utility such as Philadelphia Electric has a duty to provide service and to build the facilities which are necessary to do so. Conversely, it has been historically recognized that no utility should build additional facilities which will not be useful within a least a reasonable time following their completion. Based on such an historic regulatory concept, it was clearly the view of the Company that Limerick should not be completed well in advance of the need for it. Accordingly, when our growth forecasts began to level off and it became apparent that we would not need Limerick's capacity in 1981 and 1983, it was entirely consistent with corporate and regulatory policy to slow down the construction of that plant in order to

avoid bringing it on line in advance of its need. This policy appeared to be confirmed when in the rate proceedings of 1975 and 1976 questions were raised by the Commonwealth of Pennsylvania concerning reserve margins and the possiblity that the Company then had "excess capacity" which should be eliminated from its rate base. Although the PUC rejected the Commonwealth's arguments in that case, it did indicate that the Company would be required to justify its installed capacity in the next rate case. In such an environment the Company concluded that the public interest did not warrant a speedy completion of Limerick. Indeed the questions concerning the Company's "excess capacity" indicated that there was certainly some risk that if the Company brought on the Limerick plant in 1981 and 1983, the Public Utility Commission might exclude it from rate base with very dire financial consequences to the Company.

Offsetting all of these factors dictating a delay in the Limerick construction schedule, there was, of course, recognition by the Company of the possibility that such a delay could result in a higher ultimate cost for the Limerick station. The amount of this increased cost could, of course, not be accurately determined on any of the postponement dates. However, there was little question that additional AFUDC would be accrued as a result of the postponement, and it was also clear that the maintenance of the construction staff for a longer period at the site would increase overhead costs.

Balancing these factors, it was clear that the cost to the customers would be greatly reduced in the short term from a postponement of Limerick since they would not have to pick up the carrying costs for the plant in 1981 and 1983 but would have these costs postponed for at least two years. In other words, the delay decision involved clear short-term benefits to customers offset by possible long-term burdens, although the exact amount of those long-term burdens could not be precisely determined at the time.

In evaluating this question, the Company was of the view that the Pennsylvania Commission's preference would be to have lower rates in the short term even though that might result in some increases long term. Our judgment in this respect was based on a review of Commission actions and orders at that time. For examples, the Commission had refused the Company's request in include some CWIP in rate base and to normalize additional deferred taxes. Each of these PUC actions produced lower rates in the short

term, but higher rates in the long term and delay of Limerick seemed to fit in with this concept.

Because of continuing high inflation and low earnings, we requested another increase of $119 million in August 1977. We requested that approximately $50 million be allowed as interim rate belief to permit recovery of the carrying charges on Salem #1 which went into service on July 1977. However, the PUC granted an interim increase of only $11.8 million in March 1978. The final order for this case was not issued until March 1979, 19 months after we filed, and it granted an additional $67 million increase retroactive to July 4, 1978.

In the decision of the ALJ in connection with this rate increase, theres was a recommendation that the Commission adjust rate base for "excess capacity". We viewed this as another "message" from the public sector directing us not to optimize the installed capacity of our generating facilities, but to minimize current costs and rates. The regulatory philosophy for constructing additional capacity and the preference of short-term cost savings over long-term cost increases discussed in connection with the 1976 delay were all present in causing the delay announcement which was made in 1978.

It appears therefore that PECO's decision to postpone construction was influenced in part by the fear of an excess capacity adjustment by the Commission in a subsequent rate case. Rather than run the risk of such a revenue loss, the company chose to delay construction while at the same time continuing to accrue AFUDC on this plant-costs that will eventually be borne by the ratepayers.

In the past this Commission has held that there should be some sharing of the risk associated with bringing large plants on line and the resultant excess capacity which typically results. See Pa. P.U.C. v. Pennsylvania Power Co., R-77110521; Pa. P.U.C. v. Philadelphia Electric Co., R-79060865. This risk should not be effectively placed entirely on the ratepayer by permitting a utility delay the commercial operation of

a plant until the optimal time, while still allowing the company to earn a return, albeit non-cash, on its investment during this interregnum.

In summary, it appears that the company's action in postponing Limerick in 1976 and 1978 was made without careful analysis of the impact of such delay on its ratepayers.

In addition, the record shows that a factor in these decisions was the potential impact of Limerick on the company's capacity and reserve margins[9/] and the adverse effect this would have on the company's rate allowances. Consumers should not be expected to pay for delay which results form a conscious management decision to protect its own interests without adequate weight being given to its ratepayers' interest.

Trial Staff, although arguing that some adjustment is warranted as a result of PECO's decisions to postpone Limerick in 1976 and 1978, recommends that no final decision on this subject be made by the Commission at this time for the following reasons:

(1) A prospective rate base adjustment is arguably not within the Commission's power when PECO has not yet claimed the plant in rate base.

(2) A prospective rate base or other adjustment such as a four year stoppage of AFDC would give the consumers no immediate benefits in terms of lower rates; such a decision at this time might well lead to a bond downrating or higher cost of debt or equity which would have a

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9/ If Limerick were in service in 1981, PECO would have a summer reserve margin of 66% (PECO Statement No. 9, p. 18).

short range negative impact both on PECO and its ratepayers. Trial Staff suggests that this issue should therefore be considered again and more fully at the time PECO seeks to include Limerick in rate base. (T.S.M.B. p. 11).

I agree with Trial Staff that any decision now would be advisory only. This Commission cannot bind the future Commission that must decide PECO's claim for rate base treatment of these plants when they become commercially operable. Furthermore, this proceeding is a fact-gathering one. For purposes here, it is sufficient to note that the decisions to postpone Limerick were, in part, the result of management's discretion as well as financial circumstances. In a subsequent proceeding consideration can be given to the extent to which these delays were caused by financial and other external constraints and the extent to which management's fear of Commission sanctions entered into these decisions. Such a proceeding would also be an appropriate forum to quantify the effects of these delays. Such a record does not exist at the present time.

MANAGEMENT OF THE LIMERICK CONSTRUCTION PROJECT

Having followed the progress of Limerick up to the present it might be appropriate to discuss the management of the project as detailed on this record.

As noted earlier Bechtel Power Corporation was selected as the architect/engineer and constructor for Limerick, and General Electric was selected to provide the steam generator. Following the selection of these companies, PECO assigned responsibility for planning, scheduling

APPENDIX C

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17120

Public Meeting held May 7, 1982

Commissioners Present:

Susan M. Shanaman, Chairman
Michael Johnson
James H. Cawley (opinion and statement attached)
Linda C. Taliaferro, concurring in part and dissenting in part (opinion attached)
Clifford L. Jones

Limerick Nuclear Generating Station Investigation — I-80100341

OPINION AND ORDER

BY THE COMMISSION:

Before us for disposition is the Initial Decision of Administrative Law Judge (ALJ) Joseph J. Klovekorn in the above-captioned proceeding, wherein the ALJ makes several findings regarding, inter alia, the construction of the Limerick Nuclear Generating Station. For the reasons stated below, we disagree with several of these findings and shall modify the ALJ's Initial Decision.

Prior to the discussion of the positions advocated by the parties and our disposition of the issues presented, we note that this fact finding investigation and this Opinion and Order is the result of countless hours of preparation on the part of the parties and of the ALJ. We commend the parties and the ALJ on their fine efforts in dealing with the complex issues raised.

In rendering a decision in this investigation, we are aware that our options are limited. Unlike a traditional ratemaking case, in this proceeding, we are not presented with any claim which would affect current rates or rates for the immediate future. Rather, we have undertaken this investigation to ascertain the appropriateness of the decisions underlying the construction of the Limerick Nuclear Generating Station and the need to continue construction at this time, given the potential for load growth in PECO's service territory, alternative means of meeting that load growth, and the financial ability of PECO to continue construction of this station. In performing our analysis, we are cognizant of the fact that many of the calculations and figures presented in the context of this proceeding are somewhat speculative. Although no one can perfectly see the future, we are convinced that those estimates represent more than educated guesswork on the part of the witnesses.

The OCA and Staff, while not disputing the fact that the preceding events have occurred, both point to 1974 as the turning point in Limerick's construction. The OCA argues that the company should have been aware then of the quagmire of direct construction cost escalations and in-service delays experienced by PECO at its other principal construction sites (OCA Main Brief, p. V-11). The Trial Staff argues that PECO should have either cancelled the units at this time or built the plant as quickly as possible. Staff criticizes the Company for choosing the worst possible path--not cancelling before the bulk of construction was begun, but not pressing forward in completing the plant in light of the optimistic economic forecasts for 1976-1978 (OCA Ex. 23, N.T. 1, 9).

C. The 1976 Extension

In 1976, to match growth in capacity additions with a lower spring 1976 load forecast, PECO further delayed construction and revised the in-service dates for the Limerick Units Nos. 1 & 2 from April '81/ April '82 to April '83/April '85 respectively.

According to Mr. Paquette, the decision to further delay construction was based upon a continued deterioration of PECO's return on common equity, the price of its stock, and a further reduction in its bond rating to A-. Additionally, the wave of conservation continued to reduce PECO's peak load.[15/] At this time, PECO revised its forecast growth rate from its pre-1974 level of 7% per year downward to 5%, a revision which effectively lowered PECO's estimated peak load by almost 1,000 megawatts. As a further delay of the Limerick units would lower its projected capacity by 1,055 megawatts in the years 1981 to 1984 inclusive, construction was delayed.

Mr. Paquette stressed that in evaluating the 1976 postponement, "it is important to appreciate the context within which these decisions were being made." (PECO Stmt. No. 9, p. 10). He noted that concern about bringing a unit on line prior to its being necessary, creating excess capacity, was brought to the fore in the company's 1975 and 1976 rate proceedings. Although any excess capacity adjustment was rejected in that proceeding, we required PECO to justify its installed capacity in its next proceeding. According to Mr. Paquette, in such an environment the company concluded that the public interest did not warrant a speedy completion of Limerick. It appears that the company felt that there was some risk that if the Limerick units were brought on line in 1981 and 1982, the Commission might deem the plants to be unnecessary for the service of its customers and exclude any costs from rate base and prohibit recovery of any expenses associated with the operation of the units with dire financial consequences to the Company (PECO Stmt. No. 9, p. 11).

15/ PECO's peak load was 5,530 megawatts, again below the 1973 record.

The OCA raises two major objections to PECO's 1976 decision to delay Limerick's construction schedule, arguing that the slippage evidences a corporate attitude to react to load growth by building more and more capacity instead of attempting to control such growth (OCA Main Brief, p. V-15) and criticizes the company for failing to analyze what capacity would be needed if load growth continued to deescalate. The OCA contends that it would have been appropriate for PECO to consider cancellation of one or both units at this time. The OCA sets the cost of this delay at $202 million of direct costs (OCA Ex. No. 20, IR-2, 1-3).

Trial Staff criticizes the delay, contending, through testimony of Witness Donald Muth, that PECO's financial condition was such that it would have been able to issue sufficient additional mortgage bonds in 1976-1978 to eliminate the need for the postponement (T.S. Stmt. DHM-2, pp. 2-3). In addition, Mr. Muth concludes that the Company could have financed the construction in a variety of ways in 1976, i.e. the issuance of a combination of common stock, short term debt, and long term debt, rather than delaying construction. In addressing PECO's argument that construction was delayed because of a reduction in load, Trial Staff opines that if this were the case, construction at Limerick would still be delayed, as load has not grown significantly in recent years. If however, financial considerations were foremost, Staff suggests that instead of postponing constructing in 1976 and 1978, PECO should have either cancelled in 1974 when PECO's financial position was bleakest, or it should have built the plant as quickly as possible.

In rebuttal, PECO maintains that Trial Staff's hypothetical financing program is not fiscally sound. If its suggested financing proposals were added to the amounts actually issued by the Company through the same period, PECO would have been left with an indenture coverage below 2.0 times in 1979, precluding further mortgage bond financing (PECO Stmt. 11D, p. 5). PECO claims that in the 1975 to 1979 period, it could have issued only a total of about $30 to $40 million in additional mortgage bonds while maintaining a 2.0 times mortgage ratio in 1979. Finally, PECO argues that the issuance of common stock as suggested by Staff would merely have diluted earnings to a level insufficent to cover PECO's dividend. (PECO Stmt. 11D, p. 5).

D. 1978 Extension

In May 1978, PECO announced a decision to reschedule Units I and II from 1983-85 to 1985-87 respectively. Although PECO witness Paquette testified that from 1978 to 1980 the Company authorized and spent monies to maintain the 1983-85 service dates, the record indicates that direct expenditures during that period were reduced from the budgeted amount of $529 million to $479 million (OCA Exh. 23, N.T. 1, 7). According to the witness, the 1978 delay was caused by the same factors as the 1976 delays, i.e. no load growth, inadequate rate relief increasing financial constraints, and a concern about a possible excess capacity adjustment.

PECO, however, maintained its options with regard to its construction timetable due to the fact that escalating oil costs made it appear that completion of Limerick at an early date might be advantageous to customers, even if the capacity was not required, since the fuel cost savings resulting from Limerick's operations would more than offset the carrying costs of the plant (PECO Stmt. No. 9, p. 14).

Unlike the 1976 delay (N.T. 502), PECO performed an analysis to determine the level of short-term savings vs. long-term costs attributable to deferring completion of the plant.

The OCA points out, in response, that PECO's concern over an excess capacity adjustment should not have entered into PECO's planning picture, in that ALJ Matuschak's decision in R.I.D. 438 recommending an excess capacity adjustment, came months after the decision to delay was announced. OCA also claims that PECO failed to adequately analyze the economic and financial implications of the delay and the possible cancellation of at least one unit (OCA Brief p. V-24-26).

Trial Staff takes the same position with regard to this delay as the 1976 delay.

E. Discussion

We note at the outset of our discussion, that to adopt any proposed adjustments or calculations presented to us, at this time, would be inappropriate. The record presented is inadequate to accurately guage the costs of delay. Nor is the issue ripe for decision. Only when the plants are complete and the attendant cost claimed will the costs of delay be susceptible to accurate assessment. Accordingly, we shall not attempt to quantify the costs of the various delays at this time.

In order to judge the reasonableness of the actions taken by PECO's management in delaying the construction of the Limerick plants, we must initially establish a standard by which we can measure PECO's actions.

PECO would have us apply a standard of management imprudence arguing that so long as there exists a rational basis for the rendering of any of its decisions, those decisions may not be criticized. We are guided by Coplay Cement Manufacturing Company v. Public Service Commission, 271 Pa. 58, 114 A. 649 (1921) wherein the Pennsylvania Supreme Court stated:

> It was not intended by the legislature that the Commission should be a board of managers to conduct and control the affairs of public service companies, but it was meant that where certain of their powers and obligations had intimate relation to the public through fairness, accommodation or convenience, the commission should have an inquisitorial and corrective authority

> to regulate and control the utility in the field specifically brought within the commission's jurisdiction.

While it is not our duty to become PECO's Board of Directors, it is our duty to ascertain what the conduct of a prudent management would have been under a given set of circumstances and utilize that standard to determine whether actions taken by a particular utility, resulting in costs to be borne by ratepayers, are reasonable. Pennsylvania Power and Light Company v. Public Service Commission, 128 Pa. Superior Ct. 195, 216-217 (1937). Our process may be analogized to that of a court of law when it applies a reasonable man standard to proceedings before it. We find the opinion of the New York Public Service Commission is appropriate to utilize in determining whether management practices were reasonable. In Consolidated Edison Company of New York, Case 27123, Opinion 79-1 (January 16, 1979), the New York Public Service Commission stated:

> ...the company's conduct should be judged by asking whether the conduct was reasonable at the time, under all the circumstances, considering that the company had to solve its problems prospectively rather than in reliance on hindsight. In effect, our responsibility is to determine how reasonable people would have performed the tasks that confronted the company.

See also, Case 27565, Niagara Mohawk Power Corp. (Opinion 80-25 issued June 24, 1980), Case 27869, Consolidated Edison Company of New York, Inc. (Opinion 82-2, issued January 21, 1982). Thus, a standard of "reasonable care" rather than a "rational basis", as suggested by PECO, appears appropriate. Perhaps the ALJ summed up this approach best when he stated that "PECO's conduct in delaying construction shall be judged on the basis of how reasonable people would have responded to the events of 1974-1978 and whether PECO's response was satisfactory in light of all those conditions and circumstances". By utilizing such a standard we are attempting to balance the right of the ratepayers to be treated fairly and the inherent right of PECO to manage its own affairs.

With this standard in mind, the ALJ concluded that PECO's 1974 delay was reasonable and that the 1976 and 1978 delays may have been unreasonable. As previously noted, the ALJ did not find it appropriate to recommend any specific action regarding the 1976 and 1978 delays be taken at this time. However, he did conclude that the risk of large units should be shared by stockholders (R.D. at 54). He states: "Consumers should not be expected to pay for delay which results from a conscious management decision to protect its own interests without adequate weight being given to its ratepayers interests. To these findings PECO, the OCA, and the Keystone Alliance except.

In its exceptions, the OCA argues that if, in a future rate proceeding, the Commission determines that an adjustment is appropriate, "then in all fairness to ratepayers the effect on stockholders should be

assessed and compared to the approximate $200-300 million loss spread over ten years that would result from stockholders' absorption of one-half of the after-tax sunk cost of Limerick Unit No. 2."

Keystone Alliance excepts to that portion of the Initial Decision wherein the ALJ found PECO's pre-1974 actions to be prudent, arguing that PECO was committed to nuclear power plant construction rather than viewing nuclear generation with prudence. They also argue, that the ALJ erred in not finding that construction should have been halted in 1974.

PECO, in its exceptions, initially lends its support to the ALJ's conclusion that we lack authority to order prospective rate base adjustments and that such an adjustment, if adopted at this time, would interfere with PECO's ability to finance plant completion on the least cost Forecast 5 Schedule and would increase financial costs. However, PECO excepts to the ALJ's criticisms of its 1976 and 1978 scheduling decisions. Briefly, PECO argues that we should reject the ALJ's conclusions:

> because (1) the Initial Decision has erroneously summarized PECO's evidence as to the reasons for its scheduling decisions, (2) has failed entirely to discuss or describe a material and substantial part of PECO's evidence in support of those decisions and (3) has erroneously accepted unproven and erroneous cost-benefit assumptions presented by Trial Staff.

Initially, we disagree with Keystone's assertions that the 1974 construction extension decision was not prudently undertaken. As noted previously, at the time the construction permit was issued, PECO had no firm indication that demand would be reduced substantially. It is readily apparent that the decrease in demand was due primarily to the increased price of oil and rapid inflation, which in turn resulted in ever increasing rates. As there was no indication that this demand decrease would continue, we cannot conclude, as did Keystone, that construction should have been halted at this point in time. If anything, we would have concluded, as did Trial Staff, that in light of subsequent developments, the Limerick construction schedule should have been advanced. However, placing ourselves in the position of PECO's management with the facts and trends available to it at that time, we cannot conclude that management was imprudent and unreasonable in its decision in 1974 to delay construction.

With regard to the OCA's exception, we reiterate our position that as no claim has been made for inclusion or exclusion of costs associated with Limerick, we deem it inappropriate to allocate those costs. The issue of any allocation or sharing of costs is properly reserved for a future rate proceeding.

Turning to the 1976 and 1978 extensions, we note that at the time of these decisions, PECO had two and four years of additional information indicating that the decline in demand was continuing, and,

despite increases in rates approved by us, further deterioration of PECO's financial condition had occurred.

The ALJ has found that the 1976 postponement was "made without careful analysis of the impact of such delay on ratepayers" and that "[c]onsumers should not be expected to pay for delay which results [from] a conscious management decision to protect its own interests without adequate weight being given to its ratepayers' interest." To the ALJ's finding of imprudence PECO has excepted, arguing that the Initial Decision fails to provide an assessment of the relative economic benefits and detriments to ratepayers and shareholders of earlier versus later plant completion, in addition to disregarding the evidence of PECO's precarious financial condition during the 1974-80 period and evidence that the reduced load growth permitted delaying completion of Limerick without threatening service reliability.

It appears, from the record before us, that PECO's 1976 and 1978 construction delays were caused by PECO's financial difficulties, which in turn were caused by its ambitious construction program and its ever decreasing load growth; conditions similar to those causing the 1974 delay. While it is true that PECO's financial condition deteriorated from its 1974 levels, we are of the opinion that, at the least, PECO's ambitious construction plans exacerbated its financial difficulties. We are convinced that PECO's financial difficulties, proffered as a reason for delaying construction, would have been less acute if construction at Limerick had been terminated.

PECO now argues that one of the prime considerations in delaying construction was a continued reduction in PECO's load growth. Although PECO's spring 1976 load forecast projected a lower load growth than earlier anticipated, it appears that even this projection was overly optimistic. We note that in PECO's 1977-78 rate proceeding, PECO reduced its forecasted growth rate from 5% to 3%. Pennsylvania Public Utility Commission v. Philadelphia Electric Company, R.I.D. 438 (February 5, 1979). Apparently, this 1978 reduction was an acknowledgement that the trend evidenced in 1974 was continuing. Despite this now obvious trend, PECO delayed construction in the hope that load would improve.

PECO's final argument, that the relative economic benefits and detriments to ratepayers and shareholders of earlier versus later plant completion favored delay, is unpersuasive. We find this argument curious in light of the fact that PECO stresses that, because load growth has declined, the Limerick Units' main purpose is to replace oil fired generating capacity. If Limerick can be economically justified when compared to a combination of alternative sources of power and the retirement of oil fired plants, which by now have been extensively depreciated, the relative benefit to current ratepayers would have been greater if the oil capacity, and their associated costs, had been retired earlier by way of compressing rather than expanding the construction schedule. Further, as the nation as a whole experienced a period of double digit inflation and rising interest rates, delaying the necessary financing did and will continue to increase the ultimate costs of the plant financing.

Considering the foregoing, we are of the opinion that PECO management did not exercise judgment sufficient to meet our reasonable man standard in delaying construction at Limerick in 1976 and 1978. Having so found, we are requested by Staff and the OCA to quantify the cost of the delay to ratepayers. We are of the opinion that to do so at this time is inappropriate. We have not been presented, in this proceeding, with a claim for recovery of any of the costs associated with the construction of the plants. Consequently, we can make no adjustment to any claim. Further, should PECO sell all or part of the Limerick plant or its capacity to other utilities, the deduction of all or part of the costs of delay from PECO's claim, if any, would be materially affected. We therefore find it unnecessary to quantify, at this time and in this proceeding, the costs associated with the 1976 and 1978 delays.

III. Management Oversight of the Project

Following the selection of Bechtel Power Corporation as the architect/engineer and contractor for Limerick, and General Electric to provide the steam generator, PECO management assigned responsibility for planning, scheduling and cost control to its Engineering and Research (E & R) Department.

The management of this department holds weekly meetings with the heads of the six divisions comprising the department. Individual divisions have bi-weekly meetings to review Limerick activities. A departmental report is prepared and sent monthly to PECO's Chairman of the Board. The Vice President of PECO's E & R Department reports significant events to top management at weekly and bi-weekly meetings. In addition, a major project coordination meeting is held monthly, usually at the construction site and is attended by PECO and Bechtel personnel. Additional periodic meetings are held between General Electric, Bechtel and PECO management groups to review the overall project status (PECO Statement No. 1B, p. 2).

As noted above, PECO's E & R department is composed of 6 divisions. As described by PECO, the overall coordination and administration of the project rests in the Mechanical Engineering Division, and the designated Project Manager, Richard A. Mulford, is located in that division. This division also follows the mechanical design aspects of the plant, reviews and interacts with the piping and instrument system diagrams and plant layouts prepared by Bechtel, reviews and approves equipment specifications and drawings, and reviews bidders lists and equipment purchase recommendations. The division also performs a similar monitoring function for General Electric, the vendor of the nuclear steam supply system. Following the start of construction, a PECO Resident Project Manager was assigned to Bechtel in San Francisco; there are now three PECO employees situated there.

The Electrical Engineering Division follows the electrical aspects of the plant's design. Personnel in this division perform functions parallel to their counterparts in the Mechanical Engineering Division, working through an electrical project Engineer who coordinates his activities and reports through Mr. Mulford.

SUPREME COURT OF PENNSYLVANIA
EASTERN DISTRICT

YLVANIA PUBLIC UTILITY SSION, Appellant, v. DELPHIA ELECTRIC COMPANY, Appellee, and E OF CONSUMER ADVOCATE, Intervenor.	No. 23 E.D. Appeal Docket 1983
R W. COHEN, CONSUMER ATE, Appellant, v. DELPHIA ELECTRIC COMPANY ENNSYLVANIA PUBLIC TY COMMISSION, Appellees.	No. 24 E.D. Appeal Docket 1983

BRIEF FOR APPELLEE, PHILADELPHIA ELECTRIC COMPANY

Consolidated Appeals from the Order of the Commonwealth Court of Pennsylvania at No. 2365 Commonwealth Docket 1982, entered December 15, 1982, which reversed an Order of the Pennsylvania Public Utility Commission at I-80100341, entered August 27, 1982.

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: April 18, 1983

does not imply authority to interfere with the construction of utility plant. Accordingly, the PUC is granted no authority to refuse registration of security certificates or to condition the use of proceeds from the sale of registered securities as a means of regulating utility plant construction.

D. THE PUC'S ADVISORY CRITICISM OF PECO'S 1976 AND 1978 LIMERICK DEFERRAL DECISIONS AND ITS DIRECTIVE THAT PECO FILE A CONSERVATION PROGRAM DO NOT PRESENT A REVIEWABLE ISSUE, BUT IF REVIEWED MUST BE REVERSED.

The August 27 Order states, as respects PECO decisions to defer completion of Limerick in 1976 and 1978, that: "PECO management did not exercise judgment sufficient to meet our reasonable man standard in delaying construction at Limerick . . . ." (R. 293a). The PUC, however, found it inappropriate to determine the extent to which such unreasonable management decision-making had affected, if at all, the reasonable costs of the Station:

> We note at the outset of our discussion, that to adopt any proposed adjustments or calculations presented to us, at this time, would be inappropriate. The record presented is inadequate to guage [sic] the costs of delay. Nor is the issue ripe for decision. Only when the plants are complete and the attendant cost claimed will the costs of delay be susceptible to accurate assessment. (R.289a) (emphasis added).

Similarly, the PUC directs that PECO should file with the PUC a "conservation program".

The Commonwealth Court found it unnecessary to review

these determinations in the proceeding below. It is PECO's position that this Honorable Court should likewise decline to review these determinations, because the PUC's statements and directive do not constitute a final adjudication and have no res judicata effect. PECO does request that this Court, unlike the Commonwealth Court, expressly hold in its Order that each of these determinations is at present not reviewable and without res judicata effect. An explicit statement to this effect is essential to avoid future pointless controversy over the meaning of these statements and directive and to reduce the financial uncertainty imposed by them upon PECO, which uncertainty increases capital attraction costs to the injury of both PECO and its ratepayers.

If this Court should conclude that these determinations are final adjudications or that they have res judicata effect, then such determinations must be reversed.

1. The Advisory Criticism Of PECO's 1976 And 1978 Limerick Deferral Decisions.

As noted above, while criticizing aspects of PECO's 1976 and 1978 decisions, the PUC held that the propriety of such decisions was not "ripe for decision" at this time.33/ Further,

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33/ The PUC further stated, in rejecting an OCA request that an imprudence finding be issued, that:

> With regard to the OCA's exception, we reiterate our position that as no claim has been made for inclusion or exclusion of costs associated with Limerick, we deem it inappropriate to allocate

(continued)

the PUC recognized that PECO's deferral decisions were "undertaken largely for financial reasons" and it stated: "We deem PECO's currently scheduled in-service date for Unit 1 of 1985 to be appropriate." (R.297a & 301a). The PUC on Brief further asserts that its determination is identical to that of the ALJ.34/ As expressed by the ALJ, this joint conclusion is as follows:

> This Commission cannot bind the future Commission that must decide PECO's claim for rate base treatment of these plants when they become commercially operable. Furthermore, this proceeding is a fact gathering one. For purposes here, it is sufficient to note that the decisions to postpone Limerick were, in part the result of management's discretion as well as financial circumstances. In a subsequent proceeding consideration can be given to the extent to which these delays were caused by financial and other external factors and the extent to which management's fear of Commission sanctions entered into these decisions. Such a proceeding would also be an appropriate forum to quantify the effects of these delays. Such a record does not exist at

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those costs. The issue of any allocation or sharing of costs is properly reserved for a future rate proceeding. (R291a).

34/ PUC Brief, p. 76. As the PUC has further stated on Brief (pp. 11-12):

> The Commission further agreed with the ALJ that this proceeding was not appropriate for resolving the total amount of the increases in the construction costs brought on by the delays or for determining whether or not PECO could later recover those increases. . . . The Commission also reserved judgment on PECO's right to recover the costs of delay-induced increases until PECO actually seeks reimbursement in a subsequent proceeding.

the present time. (R.65a).

This Honorable Court has consistently held that a controversy is ripe for review only when it is the subject of "a final judgment or something in the nature of a final judgment." Commonwealth v. Ruth, 104 Pa. 294, 297 (1883); Marshall Estate, 403 Pa. 348, 168 A.2d 745 (1961). A final order is an order which ends litigation or disposes of a controversy. Pennsylvania Turnpike Commission v. Atlantic Richfield Co., 482 Pa. 615, 394 A.2d 491 (1978); City of Philadelphia v. Belmont Fund, Inc., 56 Pa. Cmwlth. 185, 424 A.2d 631 (1981). Where, however, there remain factual issues to be resolved, where the order specifically indicates that litigation of the controvery is not at an end or where the order does not dispose of the entire controversy, a final order has not been entered and it is not reviewable. Nothing must be left to conjecture, surmise or additional inquisition as to the administrative resolution of the controversy, if it is to be considered ripe for appellate review. Conway v. 20th Century Fox, 491 Pa. 189, 420 A.2d 405, 409 (1980); Pennsylvania Labor Relations Bd. v. Puritan Cleaners, 376 Pa. 617, 103 A.2d 904 (1954). This Court, in determining what constitutes the final and reviewable resolution of a controversy, looks "beyond the technical effect of the adjudication to its practical ramifications." T.C.R. Realty, Inc. v. Cox, 472 Pa. 331, 337, 372 A.2d 721, 724 (1977).

Clearly, the PUC's criticisms of PECO's 1976 and 1978

deferral decisions are not presently reviewable. The PUC has neither determined whether PECO should be penalized for its actions nor what the form or magnitude of any such penalty should be. Rather, it has explicitly held that the controversy is not ripe for its decision, much less that of this Court. The PUC has thus not rendered a final judgment as to any legally cognizable matter.

Moreover, if this controversy is not presently ripe for appellate review, then there can be no res judicata effect. Lawlor v. National Screen Service Corp., 349 U.S. 322 (1955); Bearoff v. Bearoff Brothers, Inc., 458 Pa. 494, 327 A.2d 72 (1974); Gallery v. Municipal Authority of Blythe Township, 432 Pa. 307, 243 A.2d 385 (1968). For the reasons stated above, PECO requests that the Court expressly hold that the PUC's criticism of PECO's 1976 and 1978 deferral decisions is not a final adjudication and has no res judicata effect.

If, however, this Court concludes that the PUC's criticisms of PECO's 1976 and 1978 deferral decisions constitute a final adjudication of a legally cognizable controversy, binding on future Commissions and properly subject to appellate review, then those criticisms must be reversed for the following three reasons. First, the PUC admits that PECO's deferral decisions were "undertaken largely for financial reasons" and has itself proposed a similar deferral of Limerick 2 purportedly for financial reasons. Where the PUC admits that PECO's actions were

taken for the same reasons as its own action, PECO's actions cannot properly be subject to Commission criticism. Second, the PUC has offered no sensible explanation as to what it is that PECO did wrong or what other course of action should have been taken to exercise "reasonable management judgment". Rather, the PUC alternately reasons that PECO should have cancelled or accelerated Limerick construction. Obviously, PECO could not have chosen to concurrently pursue each of these diametrically opposed courses. Moreover, there is no evidence of any kind that cancellation was a proper course in 1976 or 1978.

Third, the Commission failed to apply its own articulated "reasonable man" standard in assessing the evidence. The PUC completely ignores the evidence presented by PECO that in 1976 and 1978 virtually all other utilities were eschewing the PUC's proposed cancellation/acceleration option in favor of the course followed by PECO. Clearly, this near unanimous industry action establishes the standard of what a reasonable man would do under the circumstances existing in 1976 and 1978.

Finally, the PUC and OCA argue (PUC Brief, pp. 77-86; OCA Brief, pp. 80-83) on Brief to this Court various selections from their testimony before the PUC in an effort to demonstrate that the PUC's conclusion is supported by substantial evidence. There are two reasons why their argument should be rejected. First, neither the PUC nor the ALJ accepted the testimony which

these parties currently advance as review of the Orders below demonstrates. In fact, as the PUC concluded that the deferral decisions were made largely for financial reasons, the bulk of this testimony, which argued that PECO should and could have built the plant more rapidly, was clearly rejected (R. 292a). Finally, much of the statistical and other data advanced by the PUC and OCA simply does not support the proposition for which it is asserted. This is apparent simply from comparison of the data to the asserted proposition.

2. The PUC's Directive That PECO File A Conservation Program.

In its August 27 Order, the PUC directs PECO to "submit an initial conservation program plan". (R. 305a). PECO initially interpreted this conservation directive to mandate the implementation of costly conservation and alternative energy source programs as a supply option to replace Limerick. It therefore opposed this unprecedented directive as beyond the PUC's authority and unsupported by the evidence.

The Commonwealth Court found it unnecessary to reach the conservation issue, and PECO submits that this Court should follow the same course. There is no present controversy or ripe issue respecting conservation before the Court at this time. As noted by the PUC in its Brief (p. 72):

> [T]he Commission's order appropriately leaves to the Company the initial design of the conservation plan. . . . There is simply no basis at this point

for the Company's arguments that its conservation plan will be unduly expensive or unsuccessful since that plan does not yet exist.

. . . [T]he Commission order in this matter only requires the company to file a conservation plan within 120 days. The Company is free to seek whatever guidance or time extension from the Commission it would deem necessary to meet this requirement.35/

PECO is presently preparing a conservation program and does not object to filing it in accordance with the Commission's wishes. As it is free to file any program which it views as appropriate and is further free to pursue any objections it may have to the Commission's treatment of that program, the PUC's directive is clearly not a final adjudication or ripe for review under the standards set forth above. To avoid uncertainty as to the PUC's intent in this matter, PECO requests that this Court explicitly state this conclusion in its Opinion.

35/ See OCA Brief, p. 64.

IN THE
SUPREME COURT OF PENNSYLVANIA
EASTERN DISTRICT

PENNSYLVANIA PUBLIC UTILITY COMMISSION, Appellant	:	
v.	:	No. 23 E.D. Appeal Docket 1983
PHILADELPHIA ELECTRIC COMPANY, Appellee and OFFICE OF CONSUMER ADVOCATE, Intervenor	:	
WALTER W. COHEN, CONSUMER ADVOCATE, Appellant	:	
v.	:	No. 24 E.D. Appeal Docket 1983
PHILADELPHIA ELECTRIC COMPANY AND PENNSYLVANIA PUBLIC UTILITY COMMISSION, Appellees	:	

BRIEF FOR APPELLANT, PENNSYLVANIA PUBLIC UTILITY COMMISSION

Consolidated Appeals from the Order of the Commonwealth Court of Pennsylvania at No. 2365 Commonwealth Docket 1982, entered December 15, 1982, which reversed an Order of the Pennsylvania Public Utility Commission at I-80100341, entered August 27, 1982.

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STATEMENT OF THE CASE

A. Procedural History

In August 1980, the Office of Consumer Advocate filed a petition with the Pennsylvania Public Utility Commission (Commission) seeking to initiate a Commission investigation into the reasonableness of the construction of the Limerick Nuclear Generating Station (Limerick) by the Philadelphia Electric Company (PECO or Company). After an answer had been filed by the Company, the Commission adopted an order in October 1980, initiating an investigation into specified issues concerning Limerick's cost and construction at Commission docket I-80100341 (R. 2a). Additional issues concerning the need for and the economy of the Limerick plant were made part of the Investigation by the Commission in a subsequent amending order (R. 4a).

Thirty-eight days of evidentiary hearings and three non-evidentiary hearings were held in the period from March through November of 1981. The record in this matter consists of over 4,000 pages of testimony taken from over 30 witnesses. After the filing of briefs and reply briefs by the active participants in the proceeding, the presiding Administrative Law Judge issued an initial decision on March 26, 1982 (R. 6a). Exceptions to that decision were filed by all of the parties. These exceptions were resolved by the Commission in an order adopted May 7, 1982 and entered August 27, 1982 (R. 277a).

The Commission's conclusions are stated on page 4 of the August 27 order and provide in part as follows:

1. That based upon all of the facts presented in the proceedings before us, particularly the Commission's inability and unwillingness to provide the necessary revenues to complete both units at the Limerick Nuclear Generating Station as proposed, the completion of Limerick II by 1987 is not financially feasible. In order to ensure the continued maintenance of reliable and safe service to the public, this Commission finds that either the cancellation or suspension of construction at Limerick Unit II would be in the public interest.

2. That should the Company choose to cancel Limerick Unit II then the future treatment of any sunk costs associated therewith shall be determined at such time as the Company specifically requests recovery of such costs.

3. That should Philadelphia Electric Company choose not to suspend construction of Limerick II, then the Commission, pending completion of Unit I: (a) shall not approve any new securities issuances, the proceeds of which will be used, in whole or in part, for construction at Unit II, and (b) shall deny recovery of AFUDC (Allowance for Funds Used During Construction) on any additional investment in Unit II at such time as recovery is sought.

4. That Philadelphia Electric Company shall inform this Commission of its decision regarding the implementation of paragraph 1 above within 120 days of the entry of the final Opinion and Order in this proceeding.

5. That it would be in the public interest for the Company to pursue an aggressive conservation program designed to substantially offset the cancellation or suspension of Limerick II.

(R. 280a)

On September 23, 1982, the Company initiated the instant proceeding by filing a petition for review with Commonwealth Court of the Commission's August 27 order. On that date also, the Company sought a stay pending appeal from the Commission. The Commission denied the stay in an order adopted October 15, 1982 (R. 321a). On that date the Company filed an application with the Commonwealth Court for a stay or supersedes pending appeal pursuant to Appellate Rule 1781. On October 21, 1982, the Commission filed an answer in opposition to that application. A hearing was held before the Honorable James C. Crumlish, President Judge of the Court below on October 25, 1982. On October 26, Judge Crumlish filed a memorandum opinion and order granting the stay.

On October 27, 1982, the Commission and the Consumer Advocate filed appeals of Judge Crumlish's stay determination to the Pennsylvania Supreme Court. On November 8, this Court entered the following per curiam order:

> AND NOW, this 8th day of November, 1982, it being clear from the opinion accompanying the order of the Pennsylvania Public Utility Commission dated October 15, 1982, denying a stay of its order of August 27, 1982, that the order of August 27 does not prohibit construction at Limerick Unit 2, the stay entered by the Commonwealth Court on October 26, 1982, is vacated, the order entered by the Commission on October 15, 1982, denying a stay is reinstated, and the matter is remanded for expedited consideration.

Argument on the merits was made to the Commonwealth Court sitting en banc on December 14, 1982. On December 15, 1982 the Court issued a per curiam order

reversing the August 27 Commission Order and noting that an opinion would be filed at a later time. Two Petitions for Allowance of Appeal were filed in response to the per curiam order (which is set forth at length in the section of this brief entitled "Opinions and Orders Below"). The Commission filed its Petition for Allowance of Appeal on January 13, 1983. The petition was granted on March 2, 1983 by this Honorable Court. On February 28, 1983 the Commission filed its Application for Stay. Approximately one week later it forwarded its Memorandum of Law in support thereof. The application was granted by this Court on March 11, 1983.

This brief is submitted by the Commission in support of its appeal. Argument has been scheduled on the April 1983 argument list.

B. The Commission's Order.

The Commission's order in this case resulted from an investigation into PECO's decision to initiate construction of the Limerick Nuclear Generating Station (Limerick) and into its subsequent decisions to implement delays in that construction. The investigation focused inter alia on what alternatives PECO considered at the time it decided to build the plant, on the cost and reasonableness of construction delays which occurred, on the availability of other sources of energy which could replace Limerick at a lower cost to consumers and on the effects on PECO's ability to provide

safe and reliable service if construction of Units 1 and 2 at Limerick continued. (R. 2a, 278a, 279a).

In the late 1960's, PECO determined that, in order to meet projected increases in demand for electricity, it could most economically increase its generating capacity by constructing a nuclear power plant. (R. 281a, 282a). A site was chosen at Limerick which was approved by the Nuclear Regulatory Commission. (R. 282a). In 1969, PECO awarded the construction contract to Bechtel Corporation and construction commenced during the summer of 1974. (R. 283a, 285a). In October of that year, however, PECO announced that a two-year delay in the construction schedule would be implemented due to a deterioration in PECO's financial condition in the late 1960's and early 1970's. (R. 285a). The return which PECO paid to its shareholders had substantially decreased, its stock prices had dropped sharply and its credit rating had twice been lowered by Standard and Poor's. (R. 285a). The dramatic increases in oil prices in 1973 and a resulting reduction in electric consumption due to consumer conservation compounded those problems. (R. 286a). PECO decided to cut back on its immediate construction expenditures, and it therefore reduced its spending at Limerick. (R. 286a).

Two-year delays were also effected in 1976 and again in 1978. They were premised on considerations similar to those relied upon in 1974: continuing declines in both PECO's return to its shareholders and in its stock prices,

further downgrading of its credit rating and a lack of growth in electric demand. (R. 287a, 288a). In addition, PECO anticipated that if Limerick were completed on schedule, the Commission might view the plant as unnecessary for the service of customers in light of the continuing decline in power demand. It felt that the Commission might then exclude costs of constructing Limerick from consideration for rate-making purposes and thereby preclude PECO from recovering those expenses. (R. 287a).

The presiding Administrative Law Judge (ALJ) issued an initial decision and the Commission adopted the ALJ's recommendations in part and modified them in part. The ALJ concluded that PECO's decision to initiate construction of a nuclear power plant was not an abuse of its managerial discretion. (R. 40a) He found that the construction delay which was effected in 1974 was reasonable, but that those implemented in 1976 and 1978 were not. (R. 60a, 64a, 65a). The ALJ refused to quantify the cost increases resulting from those delays, and he also refused to determine whether PECO could recover those increases at a later date. (R. 64a, 65a). Finally, the ALJ held that at the present time, a nuclear generating plant presents a source of power which is more economical than any other alternative and that, in order to preserve those economic advantages, PECO should complete construction of both Units 1 and 2 as soon as possible. (R. 248a, 250a). (Unfortunately, as will be noted in section I-C, infra., some of the variables upon which this conclusion is based have already changed.)

The Commission's order first agreed with the ALJ that PECO's original decision to construct a nuclear generating plant at Limerick was reasonable and was a valid exercise of its managerial discretion. (R. 285a). The Commission found that at the time that the decision to build Limerick was made, PECO's financial condition was not as precarious as it would later become. (R. 284a). Furthermore, in the late 1960's many utilities were projecting that the demand for electricity which had consistently increased through the 1960's would continue to do so. (R. 283a). PECO concluded that a nuclear plant was the most economical method to provide the additional generating capacity which it reasonably expected it would need. In light of these factors, the Commission held that PECO had acted reasonably by initiating construction of Limerick.

The Commission then reviewed PECO's decisions implementing the construction delays to determine whether a reasonable person would have acted similarly under the circumstances faced by PECO. (R. 289a, 290a). The Commission held, as had the ALJ, that the 1974 delay was reasonable but that the delays in 1976 and 1978 were not. The Commission recognized that in 1974, PECO, based on earlier trends and industry projections, could still have reasonably expected an increase in future power demands which would require additional generating capacity. (R. 291a). The Commission concluded that, despite PECO's declining financial condition, the 1974 delay in construction was not imprudent. (R. 291a).

As for 1976 and 1978, however, the Commission found that delaying construction was not reasonable. Financial pressures on the company were increasing. Experience had shown that power demands would not significantly increase in the near future and that additional production capacity would not be needed. (R. 292a). The Limerick plant therefore was not necessary to meet future growth. PECO had argued that Limerick would replace more expensive fossil fuel plants. The older plants could be removed from service and the facilities at Limerick could then be considered in PECO's rate base. (R. 292a). The Commission Order noted that delaying construction had increased the ultimate costs of completion thereby defeating the economic advantages which Limerick enjoyed over other sources of power. (R. 292a). The Commission held that PECO's decisions to delay construction in 1976 and 1978 were unreasonable under the circumstances then existing. (R. 293a).

The Commission further agreed with the ALJ that this proceeding was not appropriate for resolving the total amount of the increases in the construction costs brought on by the delays or for determining whether or not PECO could later recover those increases. (R. 289a, 293a). The Commission held that the present record was inadequate to compute the additional costs attributable to the delays. Any attempt to quantify the amount at this time would be unduly speculative. The Commission also reserved judgment on PECO's right to

recover the costs of delay-induced increases until PECO actually seeks reimbursement in a subsequent proceeding. (R. 296a, 297a).

The Commission also concurred with the ALJ's conclusion that Limerick would produce economic benefits greater than any other proposed alternative. The Commission found that based on reasonable assumptions as to the final costs of Limerick, at what capacity it would operate and the likelihood of a growth in demand, operational savings over other sources of power could be expected. (R. 296a). (The cost of completion of Limerick is already rising to the upper limits of the Commission's assumptions. See section I-C, infra.)

The Commission, however, did not adopt the ALJ's recommendation that PECO complete construction of both Units 1 and 2 at Limerick as soon as possible. The Commission noted that completion of construction of both units would be seriously hampered by PECO's current financial condition. (R. 297a). The company's 1982 mortgage debt issue sold for 18.2%. (R. 297a). The new financing which would be necessary to go forward with construction of both units would also be at a high rate and consequently at great risk to investors. (R. 297a). This would cause a further reduction in PECO's already low credit rating and limit the number of possible investors. (R. 297a). In addition, such a reduction would affect the price of PECO's stock which in 1981 had sold for only 65% of the book value. (R. 298a). The company had

been authorized to pay a return to shareholders of 15.5% in 1981 but it actually had paid just 12%. (R. 298a). A further drop in the book value would have precluded PECO from issuing additional shares for fear of prohibitively diluting the value of existing shares. (R. 298a).

Furthermore the Commission found that PECO's financial problems stemmed in large measure from its extensive construction projects and that those problems would become even more serious if the projects continued unabated. (R. 298a). From 1975 to 1980, the percentage of cash that PECO used to meet construction costs fell from 26% to 5.2%. (R. 298a). Moreover, PECO had budgeted additional construction expenditures of $876 million and $870 million for 1982 and 1983. (R. 298a).

The Commission recognized that in its most recent rate case, PECO was denied rate relief which PECO had contended was necessary to maintain its construction programs. In Pennsylvania Public Utility Commission v. Philadelphia Electric Company, R-811626 (May 21, 1982), the Commission, in accordance with well settled law, refused to permit PECO to include the cost of Construction Work in Progress (CWIP) for Limerick in the determination of its rates. (R. 298a, 299a).

The Commission concluded that continued simultaneous construction of both Units 1 and 2 at Limerick would so adversely affect PECO's financial condition as to threaten its ability to provide safe and reliable service. (R. 301a). The Commission balanced the economic benefits of a nuclear

generating plant against the financial problems resulting from building both units simultaneously. (R. 301a). It concluded that construction of Units 1 and 2 concurrently would not be in the public interest. (R. 299a, 301a). The Commission ordered that it would not approve the issuance of any new securities to be used to finance continued construction of Unit 2 pending completion of Unit 1. (R. 301a). It also refused to permit recovery of Allowance for Funds Used During Construction (AFUDC) for any further investments in Unit 2 at this time. (R. 301a).

PECO filed a petition with the Commission on September 23, 1982 seeking a stay of its order. In its opinion of October 15, 1982 denying the stay, the Commission made clear that its prior order did not require PECO to cease construction of Unit 2. (R. 321a, 323a). The Commission noted that it had merely refused to approve the issuance of new securities to fund construction of that unit pending completion of Unit 1. (R. 323a). Moreover, the restriction on such securities is effective only until Unit 1 is completed. (R. 323a).

C. Related Rate Cases

The Limerick Investigation, which is the subject of these proceedings, began in August of 1980. Twenty-four months later the Commission entered its final order on August 27, 1982. The Limerick Investigation was not the only PECO case pending before the Commission during this

IV. THERE IS SUFFICIENT RECORD EVIDENCE TO SUPPORT THE COMMISSION'S FINDINGS THAT THE 1976 AND 1978 COMPANY DECISIONS TO DELAY LIMERICK CONSTRUCTION WERE UNREASONABLE.

Before presenting its position on this issue the Commission believes that it would be useful to identify those common areas of agreement which exist between the parties in this case. In its brief in the Commonwealth Court PECO specified its agreement that the Commission should evaluate management's conduct according to the "reasonable man" standard. That standard was set forth in the Commission's August 27 Order as follows:

> We find the opinion of the New York Public Service Commission is appropriate to utilize in determining whether management practices were reasonable. In Consolidated Edison Company of New York, Case 27123, Opinion 79-1 (January 16, 1979), the New York Public Service Commission stated:
>
> > ". . .the company's conduct should be judged by asking whether the conduct was reasonable at the time, under all the circumstances, considering that the company had to solve its problems prospectively rather than in reliance on hindsight. In effect, our responsibility is to determine how reasonable people would have performed the tasks that confronted the company."
>
> See also, Case 27565, Niagara Mohawk Power Corp. (Opinion 80-25 issued June 24, 1980), Case 27869, Consolidated Edison Company of New York, Inc. (Opinion 82-2, issued January 21, 1982). (R. 290a).

It is also obvious from PECO's description of the issue in its brief below that the Commission has found that PECO's 1976 and 1978 deferral decisions for Limerick failed to reflect reasonable management judgement.3/

Given these two areas of agreement, the Commission submits that the scope of this Honorable Court's review is limited to deciding whether or not there was sufficient evidence to support the Commission's finding. Administrative Agency Law, Act of April 28, 1978, P.L. 202, as amended, 2 Pa. C.S. §704. Contrary to PECO's assertions, the question is not whether or not PECO presented evidence to show that it acted rationally; nor is the question what would have been reasonable under the circumstances.

3/ The initial issue addressed by the Commission in its August 27 Order is PECO's alleged imprudence in adjusting the Limerick project's scheduled completion dates in 1974, 1976 and 1978 (August 27 Order, pp. 5-17). In adjudicating these allegations, the Commission purports to develop a "reasonable man" standard by which to judge PECO's actions (August 27 Order, p. 14).

* * *

As noted above, the PUC purports to employ a "reasonable man" standard as the basis of its evidentiary analysis. PECO agrees that the standard is appropriate, but would call the Court's attention to its specific terms. As noted by the PUC: "the Company's conduct should be judged by asking whether the conduct was reasonable at the time, under all the circumstances, considering the Company had to solve its problems prospectively rather than in reliance on hindsight." PECO Commonwealth Court Brief pp. 54-56. (Emphasis in the original).

With this in mind the Commission urges the Court to read that section of the August 27 Order which evaluated those deferral decisions. (R. 283a-293a). Note also that Paragraph 6 of the August 27 Order specifically incorporated the Administrative Law Judge's initial decision where it was not inconsistent with the Commission Order. (R. 305a). The Administrative Law Judge's initial decision is also set forth in the record, and one section was devoted to the 1976 and 1978 deferral decisions. (R. 45a-64a). The Commission submits that a fair reading of August 27 Order and the Administrative Law Judge's initial decision on this issue should lead the court to the conclusion that there were no inconsistencies. The Commission said:

> Considering the foregoing, we are of the opinion that PECO management did not exercise judgment sufficient to meet our reasonable man standard in delaying construction at Limerick in 1976 and 1978. (R. 293a).

Similarly the Administrative Law Judge said:

> In summary, it appears that the company's action in postponing Limerick in 1976 and 1978 was made without careful analysis of the impact of such delay on its ratepayers.
>
> In addition, the record shows that a factor in these decisions was the potential impact of Limerick on the company's capacity and reserve margins and the adverse effect this would have on the company's rate allowances. Consumers should not be expected to pay for delay which results from a conscious management decision to protect its own interests without adequate weight being given to its ratepayers' interest.

(R. 64a). (Footnote omitted).

As part of his conclusion he also stated:

> In addition PECO should also be placed on notice that the Commission will make future rate base allowances on only those capital expenditures that have been prudently incurred. (R. 256a).

Those portions of the initial decision, including the quoted material above, should be viewed as part of the August 27 Order.

The major witness presented by PECO to explain the basis for its decisions to delay the construction of Limerick in 1976 and 1978 was Mr. Paquette. During his direct examination Mr. Paquette testified that he was the Vice President in charge of the financial department of the Philadelphia Electric Co. (R. 333a-334a). The purpose of his testimony was to explain the delay decisions which the company made in 1974, 1976, and 1978. (R. 335a). He identified PECO's deteriorating financial condition as it related to a large construction program in 1974. (R. 335a-336a).

In 1976 the company decided to delay the completion of Unit 1 from April 1981 to April 1982 and to delay the completion of Unit 2 from April 1982 to April 1985. Mr. Paquette said that the company's primary reason was to bring the units on line at a time when the company's projected growth showed a need for the units. Thus, the delay was caused by PECO's awareness that the demand for electrical energy was not growing as rapidly as they had originally projected. He also explained that the company was experiencing financial difficulties generating sufficient cash to continue the

construction program. Finally, management believed that the Commission had a preference for allowing the consumer to experience lower short term energy costs which would be followed by higher long term rates when the units were added to the rate base at a higher cost at a later time. (R. 336a-339a).

In May 1978 the company again determined that it was necessary to delay the completion dates for the Limerick project. Unit 1 was rescheduled from April 1982 to 1985 and Unit 2 was rescheduled from April 1985 to 1987. Again the decision was premised on the company's desire to match the completion date with lower load growth expectation and the problems of financing such a large capital project. In addition Mr. Paquette indicated that there was some concern that the company might be penalized for having "excess capacity" (an unreasonably large generating capacity compared to the demand evidenced from the consumers). Management realized that the delay would mean a further cost escalation in terms of the completed project. However, they were also aware that AFUDC would continue to accumulate during the length of the construction project. There would be a further short term benefit to the ratepayers because their energy costs would remain relatively low until the units were completed. The company performed some analysis of the short and long term benefits of their decision. Finally, they also considered the prediction of low future inflation

rates which were forecasted at the time. (R. 337a-342a, 345a-346a). Mr. Paquette's testimony included the identification of certain Tables which were attached to his written testimony. (R. 347a-349a).

During cross-examination, Mr. Paquette had no memory of any effort by company management to analyze the effects of their 1976 delay decision beyond the criteria noted in his direct testimony. (R. 361a-362a). He also indicated that the company had not recognized a new trend in consumer demand or load growth. (R. 363a). Management gave no consideration to other alternatives such as: conservation, cancellation of one or both units, and/or procurement of energy from other sources. (R. 363a-364a). The company was still trying to finance the project all by itself and did not seek to enter into any kind of partnership (as it previously had with other projects) to finance the project until a period between 1976 and 1978. (R.357a, 363a-364a). With respect to the company decision in 1978, Mr. Paquette contradicted himself by subsequently specifying that financial problems were not the real cause for the management decision to delay the Limerick completion date. (R. 359a-360a).

As was noted in the initial decision of the Administrative Law Judge, two parties disputed the reasonableness of PECO's actions. Both the Commission Trial Staff and the Office of Consumer Advocate introduced evidence to supplement the record and to suggest the unreasonableness of PECO management's decisions. (R. 45a-56a). Dr. Birx,

currently Director of the Commission Bureau of Rates, testified that Limerick was a risky project from its inception because there was an inadequate supply of water to the site. Thus, PECO may not be able to use the site at full capacity. He also testified that PECO had failed to note the decline in their load growth, which was apparent in 1976. (R. 384a-386a). Thus, PECO had been too optimistic about the growth of future demand. Dr. Richard E. Nellis, another Trial Staff witness, estimated the cost of the 1976 delay decision to be approximately 506 million dollars. (R. 392a-393a, 395a). Mr. Muth, another Trial Staff witness, testified that PECO failed to consider alternate sources of financial support within their own company. (R. 429a-433a, 440a). Finally, with respect to the 1976 decision, the Trial Staff noted copies of press releases from PECO announcing the 1976 decision and attributing the delay to financial problems. (R. 424a-425a).

The Office of Consumer Advocate also criticized the 1976 delay decision by PECO management. The Consumer Advocate covered many of the same points in its evidentiary presentation that had been covered by the Trial Staff. In addition the Advocate produced evidence procured from PECO showing that no cost estimate or analysis of the 1976 delay decision was made by management. (R. 457a). PECO management also did not make any cost estimate or analysis of other construction projects in progress in 1976. (R. 378a-380a).

The Commission respectfully submits that the above noted material including Mr. Paquette's testimony, is sufficient to show that PECO management made the 1976 delay decision with little or no consideration for the future financial impact or the effects on its ratepayers. The Commission urges the Court to examine the following chart which was attached to the Direct Testimony of Mr. Paquette and marked Table A. (R. 351a). Even the most cursory of inspections reveals a trend of declining financial health starting in 1965 and continuing through 1976.4/ Since there was evidence to show (1) PECO's failure to recognize this trend and the trend in declining demand for electrical energy, and (2) its failure to make any study of a situation which resulted in a 506 million dollar cost escalation, and (3) its failure to utilize other funding measures (other than bond issuance), the Commission's Finding that PECO's 1976 management decision to delay the completion dates for Limerick were unreasonable is legally supportable.

The Trial Staff was also critical of the 1978 delay decision. Dr. Nellis introduced evidence that this delay resulted in a 597 million dollar cost escalation. (R. 392a-393a, 395a). Dr. Birx introduced evidence, taken from PECO responses to interrogatories that PECO management recognized a financial problem would hinder the construction

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4/ Nor does the chart indicate that PECO's financial health seems to be much improved through 1978.

Philadelphia Electric Company Financial Results

1965 - 1980

	1965	1966	1967	1968	1969	1970	1971	1972
Earnings per Share	$ 1.92	2.08	$ 2.13	$ 2.13	$ 1.97	$ 1.84	$ 2.10	$ 2.08
Return on Common Equity	12.3%	12.7%	12.2%	11.9%	10.3%	9.4%	10.8%	10.3%
SEC Coverage Ratio								
incl. AFUDC	5.1	5.1	4.4	3.6	3.2	2.6	2.9	2.8
Mortgage Coverage Ratio	5.8	5.3	4.5	3.8	3.5	2.3	2.4	2.5
Stock Price at Year End	$36.88	31.63	$29.63	$31.13	$24.00	$22.50	$23.88	$22.75

	1973	1974	1975	1976	1977	1978	1979	1980
Earnings per Share	$ 1.99	$ 1.81	$ 1.86	$ 1.91	$ 1.87	$ 1.87	$ 1.86	$ 2.00
Return on Common Equity	9.8%	8.9%	9.4%	9.9%	9.6%	9.7%	9.8%	10.6%
SEC Coverage Ratio								
incl. AFUDC	2.7	2.3	2.4	2.5	2.4	2.4	2.1	2.1
Mortgage Coverage Ratio	2.4	2.1	2.5	2.5	2.3	2.4	2.1	2.3
Stock Price at Year End	$18.00	$10.88	$15.00	$17.88	$19.88	$15.50	$13.75	$12.50

TABLE A

project and that demand growth was lagging (Unfortunately, PECO was still overestimating its future demand needs). (R. 390a). Mr. Muth again testified that the company failed to consider alternative financial plans which would have been available within the company. (R. 433a-434a, 440a). At a later time another PECO witness acknowledged that management had not sought any other form of internal financing beyond the sale of bonds. (R. 454a-455a).

The Office of Consumer Advocate was also critical of the 1978 delay decision. Contrary to some PECO testimony, the Consumer Advocate noted that PECO actually reduced its construction expenditures from its projected cost in 1978: in 1978 it projected 529 million dollars in construction costs, but spent only 479 million dollars. (R. 464a). Dr. Rosen, a witness for Consumer Advocate, criticized the analysis made by PECO in 1978 as inadequate. (R. 414a-422a). In addition the Consumer Advocate noted that any concern the company had about "excess capacity" was not related to the Recommended Decision of the Administrative Law Judge in a concurrent rate case. Pennsylvania Public Utility Commission v. Philadelphia Electric Company, R.I.D. 438, 52 PA PUC 772, 785, 31 PUR 4th 15, 27 (Order adopted December 28, 1978, and entered February 5, 1979). Since the rate case decision was made in December 1978, the company decision in May 1978 could not have been influenced by the Administrative Law Judge's comments.

Finally there was evidence which showed that PECO made no attempt to compare the cost savings of early completion

of Limerick in order to utilize theoretically "low cost" nuclear fuel to replace oil fired generators (which were experiencing rapidly rising oil prices at that time).5/ Analyses of these comparative cost savings were not made by PECO until shortly before its witnesses testified in the instant proceeding. (R. 328a-329a). Further, planners for PECO admitted that they were oriented toward analyzing their electrical supply problem by comparison of peak demand to generating capacity. (R. 330a-331a). Conservation was not considered.

In view of the evidence (1) that PECO's analysis of the financial impact of its 1978 decision was inadequate, (2) that it failed to explore alternate financing plans, (3) that it failed to recognize the decline in its load growth patterns, (4) that it was not financially stable, (5) that the significant warning for "excess capacity" problems came after the date of their decision to delay, and (6) that PECO actually reduced its construction expenditures from its projected costs thereafter, the Commission respectfully submits that its Findings that the PECO management acted unreasonably in its decision to delay construction of the Limerick project (at the ultimate cost of 597 million dollars) in 1978 is legally justifiable.

5/ Given the current world oil over supply and declining oil prices, this theoretical cost savings could disappear.

PECO's arguments that the Commission failed to consider all of the factors demonstrated by its evidence is of no avail in this situation. What PECO fails to acknowledge and must admit is the fact that the Commission, as the trier of fact, is free to evaluate the evidence presented and the credibility of the witnesses in any manner consistent with its findings. Carr v. State Board of Pharmacy, 48 Pa. Commonwealth Ct. 330, 334, 409 A.2d 941, 944 (1980) and Johnstown-Pittsburgh Express v. Public Utility Commission, 5 Pa. Commonwealth Ct. 521, 291 A.2d 545 (1972).

The Commission is not simply limited to the evidence presented by PECO. It can and has in this case utilized hard evidence supplied by PECO and other parties to reach its conclusion that management acted unreasonably. Metropolitan Edison Co. v. Pennsylvania Public Utility Commission, 62 Pa. Commonwealth Ct. 460, 468, 437 A.2d 76, 81 (1981). The Commission urges this Court to review the extensive record in this matter and to affirm its finding of unreasonable management action.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon all parties of record in this proceeding in accordance with the requirements of 52 Pa. Code §1.54.

Dated this 5th day of December, 1985.

Jack E. Jerrett

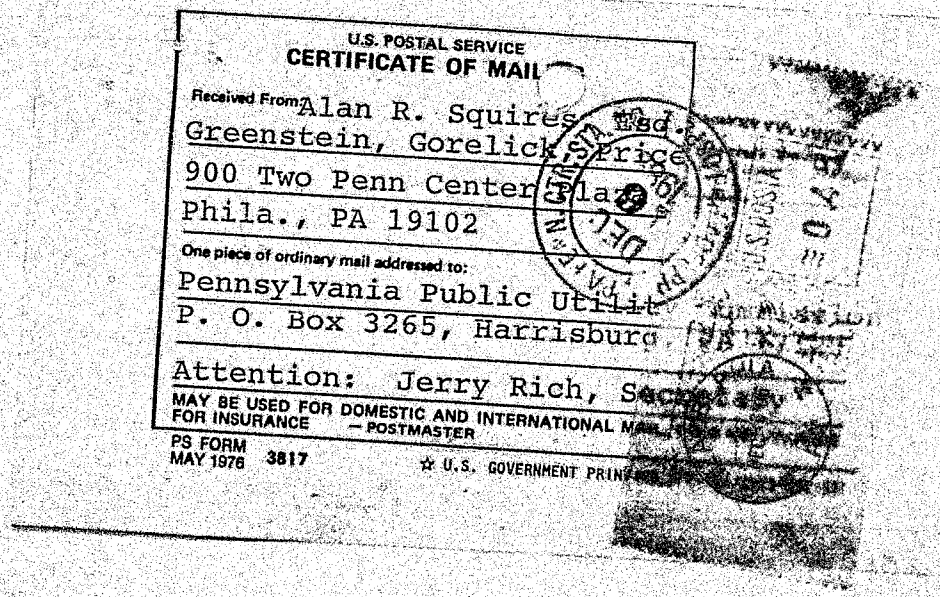
JACK E. JERRETT

Counsel for Philadelphia
Electric Company

OF COUNSEL:

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U.S. POSTAL SERVICE
CERTIFICATE OF MAIL

Received From: Alan R. Squires, Esq.
Greenstein, Gorelick, Price
900 Two Penn Center Plaza
Phila., PA 19102

One piece of ordinary mail addressed to:
Pennsylvania Public Utilit
P. O. Box 3265, Harrisburg, PA
Attention: Jerry Rich, Secretary

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December 6, 1985

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DEC- 6 1985

SECRETARY'S OFFICE
Public Utility Commission

Pennsylvania Public Utility Commission
P. O. Box 3265
Harrisburg, Pennsylvania 17120

Attention: Jerry Rich, Secretary

Re: Pennsylvania Public Utility Commission et al. v.
Philadelphia Electric Company
PUC Docket No. R-850152

Dear Mr. Rich:

Pursuant to the Ruling of the Administrative Law Judge at the Prehearing Conference on Tuesday, December 3, 1985, enclosed herein are an original and two copies of the Prehearing Memorandum of the Pennsylvania Business Utility Users Group for filing with the Commission pursuant to the Certificate of Mailing, PS Form 3817. Copies of same have been served upon all parties of record in accordance with the Certificate of Service.

Kindly acknowledge receipt of the enclosures by signing the copy of this letter and returning it to the attention of the undersigned in the envelope provided.

Very truly yours,

Alan R. Squires

ALAN R. SQUIRES

ARS:dmh
Enclosures

cc: Robert A. DiFilippo, Esquire
Snavely, King & Associates, Inc.

DOCUMENT
FOLDER

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SECRETARY'S OFFICE
Public Utility Commission

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION, ET AL.	:	PUC DOCKET
	:	
	:	NO. R-850152
V.		
PHILADELPHIA ELECTRIC COMPANY		

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PREHEARING MEMORANDUM OF
PENNSYLVANIA BUSINESS UTILITY USERS GROUP

Complainants, Sears, Roebuck and Co., John Wanamaker, Philadelphia, J. C. Penney Company, Inc., Gimbel Brothers, Inc., Marshalls Inc., and Pennsylvania Business Utility Users Group, respectfully submit this Prehearing Memorandum pursuant to the Ruling of the Administrative Law Judge on Tuesday, December 3, 1985.

The Complainants will seek to address several major issues in this rate proceeding to the extent that they can presently be identified. Should other issues arise during the course of the proceeding or as a result of the discovery which is being conducted by the parties, Complainants reserve the right to address these additional issues as well as to seek compromises on any previously stated position.

I. The major issues to be investigated are:

A. Rate structure and rate design.

1. Complainants will examine the structure of

the proposed rates to determine whether the Company has designed the rates and allocated the rate increase in a fair and equitable matter.

B. Complainants intend to inquire into excess capacity and excess costs of capacity upon which the Company's rates are designed to determine whether the Company's rate request is premised upon excess installed capacity.

C. Cost of service.

1. Complainants will inquire into the Company's cost of service study to see if it was performed in a reliable manner.

D. Phase-in.

1. Complainants intend to inquire into whether the Company's proposed three year phase-in is a reasonable and appropriate method of allocating the costs of the Limerick Project.

E. Allocation.

1. Complainants will inquire into the allocation of the requested revenue requirement to determine whether the high tension, primary and secondary distribution costs are reasonable and appropriate.

II. Witnesses.

A. Complainants intend to present witnesses to substantiate their positions with regard to the above issues, as follows:

1. Representatives of the Complainants.

2. Snavely, King & Associates, Inc.

B. As a result of the uncertainty surrounding the issues outlined above, and due to the fact that we are presently in the initial stages of discovery and review of the Company's rate filing, it is impossible to provide more specific information. However, Complainants reserve the right to call additional witnesses as required.

Respectfully submitted,

Alan R. Squires

ALAN R. SQUIRES, ESQUIRE
GREENSTEIN, GORELICK, PRICE,
SILVERMAN & LAVESON

Attorneys for Complainants

DATED: December 6, 1985

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon the following parties and in the manner indicated below.

Service by First Class Mail Addressed as Follows:

Honorable Joseph P. Matuschak
Administrative Law Judge
Pennsylvania Public Utility Commission
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Pittsburgh, PA 15222

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Veronica Smith, Esquire
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CERTIFICATE OF SERVICE
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(For Occidential Chemical Corporation)

CERTIFICATE OF SERVICE
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Alan R. Squires

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GREENSTEIN, GORELICK, PRICE,
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Attorneys for Complainants

DATED: December 6, 1985

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G. THOMAS MILLER
DONALD R. WAISEL
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J. THOMAS MENAKER
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ROBERT M. CHERRY

DAVID B. DISNEY
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DELANO M. LANTZ
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OF COUNSEL
GILBERT NURICK
SAMUEL A. SCHRECKENGAUST, JR.
JEFFERSON C. BARNHART

December 9, 1985

Re: Pennsylvania Public Utility Commission, et al.,
v. Philadelphia Electric Company
Docket No. R-850152

RECEIVED
DEC 9 1985
SECRETARY'S OFFICE
Public Utility Commission

William E. Zeiter, Esquire
Morgan, Lewis & Bockius
2000 One Logan Square
Philadelphia, PA 19103

Dear Bill:

Enclosed please find Set No. 2 of the Philadelphia Area Industrial Energy Users Group, Item Nos. 53 through 66. As PECo completes its responses to these data requests, please forward copies to the undersigned and to:

Randall J. Falkenberg
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Suite A-1220
1150 Hammond Drive
Atlanta, GA 30328

Jeffry Pollock
Drazen-Brubaker & Associates, Inc.
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St. Louis, MO 63141-0110

We appreciate your prompt attention to these matters.

Very truly yours,

McNEES, WALLACE & NURICK

DOCUMENT FOLDER

By David M. Kleppinger
David M. Kleppinger

DMK/jf
Enclosures
HAND DELIVERED

cc: All Parties of Record (w/encl.)

CERTIFICATE OF SERVICE

Pennsylvania Public Utility Commission, et al., :
v. : Docket No. R-850152
Philadelphia Electric Company :

I hereby certify that I have served a copy of the foregoing document on all known parties of record to this proceeding, all by first class mail (unless otherwise indicated) properly addressed as follows:

Administrative Law Judge
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Occidental Chemical Corporation
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General Services Administration
Attn: Michael J. Ettner, Esquire
Office of General Counsel
Washington, DC 20405

David M. Kleppinger

David M. Kleppinger

Dated this 9th day of DECEMBER, 1985,

at Harrisburg, PA

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SECRETARY'S OFFICE
Public Utility Commission

PHILADELPHIA ELECTRIC COMPANY

Pennsylvania PUC Docket No. R-850152

Data Requests of Philadelphia Area
Industrial Energy Users Group Addressed to
Philadelphia Electric Company
Set No. 2

Item No.	Description
53.	Please provide all memos, writings, advisory letters, etc. during 1984-1985 from Coopers & Lybrand to PECo on the subject of nuclear plant phase-in and on FASB Rule 71.
54.	Please provide a copy of the current proposed modification to FASB Rule 71.
55.	Please provide a copy of the current FASB Rule 71.
56.	Please provide a copy of the contract referenced to on line 9, page 18 of PECo Statement No. 15.
57.	Please provide Mr. Farling's definition of present value. Specify his choice of proper discount rate.
58.	Please provide a copy of data responses provided to all other parties in this proceeding.
59.	Please provide all workpapers supporting the "Review of PECo's Limerick Cost-Benefit Studies over the 1975 to 1980 Period" referred to on page 78 of PECo's Statement No. 15.
60.	Please provide all workpapers supporting Exhibits WHH-12, WHH-13 and WHH-14 in PECo's Statement No. 15.
61.	Please provide the following data: (a) Direct cost investment in Limerick Unit No. I excluding common plant. (b) Direct cost investment of Limerick common plant. (c) AFUDC associated with Limerick Unit No. I (excluding common plant). (d) AFUDC associated with Limerick common plant.

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Item No.	Description (con't)

62. Please provide all workpapers supporting the conclusion on page 56 of PECo Statement No. 15 that "the expected net present value of Limerick Unit No. I is a positive $2.0 to $2.8 billion.

63. Please provide a copy of each of PECo's annual reports form 1980 to 1984.

64. Please provide a summary of the completion date and total cost per KW of Limerick Unit Nos. I and II and common plant, as estimated each year from 1966 to 1985. Provide the information in the following format:

Year of Estimate	Limerick I $/KW	Completion Date	Limerick II $/KW	Completion Date	Common Plant $/KW
1966	'	'	'	'	'
1967	'	'	'	'	'

65. Is it correct to infer from the testimony on page 56 of PECo Statement No. 15 that PECo would consider it prudent to buy today the Limerick Unit No. I nuclear plant from an outside party in the hypothetical event that someone else had built it?

66. Are PECo's bonds considered "Investment Grade". If not, for how long have the Company's bonds been below "investment grade". Please explain PECo's concept of the meaning of the phrase "investment grade".

ORIGINAL

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COUNSELORS AT LAW
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STUART W. FRASER
DIAL DIRECT (215) 963-5301

December 12, 1985

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SECRETARY'S OFFICE
Public Utility Commission

Jerry Rich, Secretary
Pennsylvania Public Utility
Commission
P. O. Box 3265
Harrisburg, PA 17120

Re: Pennsylvania Public Utility Commission
v.
Philadelphia Electric Company, Docket
No. R-850152

Dear Secretary Rich:

Enclosed please find the original and two (2) copies of the Answer of Philadelphia Electric Company to Occidental Chemical Corporation's Petition to Intervene in the above-referenced proceeding.

As the enclosed certificate of service indicates, a copy of the Company's Answer has been served on all parties of record.

Sincerely,

Stuart W. Fraser

Stuart W. Fraser
Counsel for Philadelphia
Electric Company

DOCUMENT
FOLDER

/paa
Encl.
cc: The Honorable Joseph P. Matuschak
All Parties

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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SECRETARY'S OFFICE
Public Utility Commissio

PENNSYLVANIA PUBLIC UTILITY COMMISSION :

v. : Docket No. R-850152

PHILADELPHIA ELECTRIC COMPANY :

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ANSWER OF PHILADELPHIA ELECTRIC COMPANY TO THE PETITION TO INTERVENE OF OCCIDENTAL CHEMICAL CORPORATION

NOW COMES Philadelphia Electric Company ("PECO" or the "Company"), by its attorneys, and files herewith its Answer to the Petition to Intervene of the Occidental Chemical Corporation ("OCC") in the above-captioned proceeding. In support thereof, the Company respectfully represents the following:

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1. Admitted.

2. Admitted in part, denied in part. The Company admits that OCC is the owner of a plastics plant in Pottstown, PA which purchases its full electrical requirements from PECO. The Company is without knowledge or information sufficient to form a belief as to the truth of the assertion that OCC is actively considering the installation of a cogeneration facility at the Pottstown plant, which assertion is therefore denied.

3. Admitted in part, denied in part. The Company admits that the issues in this case may affect OCC's interest as

a PECO ratepayer, but denies that the issues in this case will directly affect OCC's interests as a prospective cogenerator of electricity. OCC's reference to and discussion of federal statutes and regulations are conclusions of law to which no responsive pleading is required. However, the Company denies that it has not filed a tariff for backup, maintenance, supplemental, and interruptible service. On the contrary, the Company's Auxiliary Service Rider provides for such service, fully complies with any applicable federal and state statute and regulations, and has been approved by the Commission.

The Company further denies that OCC may address PECO's avoided cost for purposes of determining a price for the purchase of cogenerated electricity in this proceeding for the following reasons:

a. The question of avoided costs relates to the rate the Company must pay for wholesale purchases of electricity from cogeneration facilities, and is not an appropriate issue for discussion or resolution in the instant base rate proceeding which is solely concerned with the justness and reasonableness of the Company's retail rates for electric service to its customers. Issues related to the rate PECO pays for cogenerated electricity are more properly the subject of a separate proceeding, and the consolidation of such issues with the rate issues in this case will further complicate an already complex proceeding and would not be in the public interest.

b. The Commission has promulgated regulations at 52 Pa. Code §57.31 et seq. which implement Section 210 of the Public Utility Regulatory Policies Act of 1978, 16 U.S.C. §2601 et seq. These regulations at 52 Pa. Code §57.39 contemplate that issues relating to cogeneration sales and purchases be the subject of a negotiation process between the cogeneration facility and the utility, and either party may request the assistance of the Commission Staff in resolving problems and disputes which may arise. The interjection of the avoided cost issue into the instant proceeding would circumvent the purpose of the Commission cogeneration regulations which is, inter alia, to detail "the processes by which the Commission will attempt to resolve disputes between utilities and qualifying facilities." 52 Pa. Code §57.32(a). Resolution of the avoided cost issue would conflict with both the procedures and substance of the Commission and FERC regulations respecting cogeneration facilities.

c. OCC does not allege that it has constructed or has firmly committed to construct a cogeneration facility at its Pottstown plant. Thus, the avoided cost issue is purely hypothetical and speculative as to OCC and is, in any event, an inappropriate issue to be raised by an intervenor to a proceeding. See Warrington Village Associates et al. v. Warrington Water Company, 50 Pa. P.U.C. 405, 407 (1976).

d. The questions relating to the proper rates for cogeneration are currently on appeal before the Commonwealth Court (No. 87 1983) and are the subject of ongoing discussion and negotiations among a number of utilities and the Commission. OCC should not be permitted to circumvent this generic, statewide process by interjecting cogeneration issues into this proceeding.

The Company, therefore, respectfully requests the Commission to rule that OCC may not interject the avoided cost issue into this proceeding. At a minimum, PECO reserves the right to object or move to strike any cross-examination, testimony, or briefs on this issue.

4. Admitted in part, denied in part. The Company takes no position as to whether OCC's interest in this proceeding cannot adequately be represented by any other party. The Company admits that OCC has an interest in this proceeding as a consumer of utility services provided by the Company but denies that the avoided cost issue raised in OCC's Petition is a proper one for resolution in this case. The Company does not waive its right to challenge OCC's participation in future proceedings before the Commission or upon appeal, or to contest the relevance or propriety of other issues sought to be interjected into this proceeding by OCC.

WHEREFORE, Philadelphia Electric Company, for the foregoing reasons, respectfully requests that OCC not be permitted to raise the avoided cost issue in this proceeding.

Respectfully submitted,

Walter R. Hall, II
David B. MacGregor
Stuart W. Fraser
Counsel for Philadelphia Electric Company

OF COUNSEL:

Edward G. Bauer, Jr., Esq.
Vice President & General Counsel
Philadelphia Electric Company
2301 Market Street
Philadelphia, PA 19101

MORGAN, LEWIS & BOCKIUS

DATED: December 12, 1985

CERTIFICATE OF SERVICE

I hereby certify that I have on this day served a true copy of the foregoing Answer upon the following parties in the proceeding at Docket No. R-850152 in accordance with 52 Pa. Code §5.66.

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DATED: December 12, 1985

PECo Statement No. 19

PA 12-18-85
R-850152
Alb

Pennsylvania Public Utility Commission

v.

Philadelphia Electric Company

Docket No. R-850152

RECEIVED
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SECRETARY'S OFFICE
Public Utility Commission

Direct Testimony

of

Albert J. Solecki

DOCKETED
DEC 27 1985

Explanation of the Budget Process

and Inflation Rate Assumptions

September 1985

Q. Please state your name and address for the record?

A. Albert J. Solecki, 2301 Market Street, Philadelphia, PA 19101.

Q. By whom are you employed and in what capacity?

A. I am Manager of the Budget and Control Division of Philadelphia Electric Company.

Q. What is your educational background?

A. I was graduated from LaSalle College in 1964 with a Bachelor of Science Degree in Accounting and in 1967 I received a Master of Business Administration from Drexel University. I also attended the Pennsylvania State University Executive Management Program from which I received a diploma.

Q. Please describe your employment experience with Philadelphia Electric Company?

A. I joined Philadelphia Electric Company in the Customers Accounts Division of the Finance and Accounting Department in 1958. In 1960, I joined the newly formed Electronic Computer Division as a Programmer working in the areas of computer system analysis and programming. In 1965, this division merged with the Systems Division. From 1965 to 1970 I held non-supervisory positions in the Systems Division in the areas previously mentioned. In 1971, I was appointed General Supervisor of the Systems Division; in 1972, I was named Assistant Manager, Systems Division. In 1973, I was appointed Assistant Manager of the Financial Division and in 1977, I was named Manager of that Division having responsibility for the development and execution of long term financing plans, including regulatory

filings, investor relations and economic analyses. In May 1978, I was appointed Manager of Taxes Division, with responsibility for tax planning and research, collection and preparation of tax accounting data, preparation and filing of tax returns and settlement of tax returns and claims. In July 1980, I was appointed Manager of the Budget and Control Division.

Q. Have you been active in any professional organizations?

A. From 1971 to 1973, I was a member of the Methods and Computer Services Committee of the Edison Electric Institute. From 1973 to 1978, I was a member of the Statistical Committee of the Edison Electric Institute serving as Chairman of this Committee's Financial Ratios Group for 1977 and 1978. From 1978 to 1980, I was a member of the Tax Committee of the Edison Electric Institute. At present, I am Chairman of the Budgeting and Financial Forecasting Committee of the Edison Electric Institute. The Budgeting and Financial Forecasting Committee has responsibility for studying budgeting and financial forecasting in the utility industry; for the development of improved budgeting and financial forecasting techniques; for the development of effective tools for budgetary control and for encouraging the use of budgets and financial forecasts as aids in decision making.

Q. What are the responsibilities of the Budget and Control Division?

A. The Budget and Control Division is responsible for the coordination, preparation and analysis of the corporate operating budget and forecast; the analysis of financial performance and preparation of related internal and external reports; analyses and various other

activities related to the measurement and control of Company costs; and preparation and maintenance of corporate procedures and forms design and control.

Q. Please describe in greater detail your activities as Manager of Budget and Control.

A. I have overall responsibility for the coordination, preparation and analysis of the Company's operating budget and forecast. Under my direction, the necessary budget and forecast data is coordinated, processed, reviewed and presented to management for approval. I participate in budget and forecast reviews at all levels in the organization. In addition, my responsibilities include the development and implementation of budget and forecasting systems designed to aid in the analysis of budget and forecast data as well as the presentation of such data to management. Under my direction, analyses of actual results relative to budget are also performed and presented to management on a monthly basis. In the non-budget related areas, I have responsibility for corporate procedures, forms analysis and design, the performance of special studies as requested by management and the preparation of various external financial reports.

Q. Have you testified in any previous proceedings?

A. Yes. I have presented testimony before the Pennsylvania Commission as to tax matters in the proceeding at R-79030781 involving a gas rate increase request, at R-79040785 involving a steam rate increase request, and at R-79060865 and R-800611225 involving the Company's requests for electric rate increases. I have also presented

testimony before the Pennsylvania Commission as to the Company's accounting procedures and budget process in the proceedings at R-822291 and R-842590 involving the Company's requests for electric rate increases.

Q. What is the purpose of your testimony?

A. I will describe the Company's budget process and the inflation rate assumptions used in the preparation of the 1985-86 budget.

Q. Please explain the Company's budget process.

A. Each year a detailed 24 month budget is prepared as a tool for managing and conducting the operations of the Company. This budget is prepared on a "responsibility basis". That is, following the Company's organization chart, specific responsibility areas are defined and each area then budgets those items which fall within their responsibility.

The budgeting process begins with the development of objectives, initial personnel requirements and assumptions and guidelines such as service dates for new units, retirements of old units, and inflation factors. These assumptions and guidelines in the form of an instruction letter are sent to each of the approximately 165 responsibility areas. Each area reviews its historic expense levels and significant events which will alter those levels, known cost changes and guidelines set forth in the instruction letter and develops their segment of the budget. Inflation factors which were 5.25% for 1985 and 6.4% for 1986 are only used where specific known

cost changes are not available and the level of activity being budgeted is expected to remain essentially unchanged, except for inflation.

The completed responsibility budgets are reviewed by my staff in order to develop the overall Company budget. The budget is then presented to the Chairman of the Board and the President for their review and for submission to the Board of Directors for their final approval. The budget process is usually completed and approved in January.

Once established, the budget is very rarely changed. As the year progresses, actual results as compared with budget are monitored on a monthly basis and an informal projection of the remainder of the year, starting with the budget and adjusting for significant known changes, is made.

Q. Please explain in more detail the organization and mechanics of the budget process.

A. To facilitate communications with my staff and the overall budget processing and review functions, budget coordinators are established for each of the departments in the Company. A budget coordinator is an employee of the operating department and has primary responsibility for the coordination and review of budget information for the responsibility areas in his department.

The budget system is a state of the art, on-line computer system which utilizes video display terminals for budget submissions and

provides immediate feed-back to the individual submitting the budget, including variance messages as soon as the budget data for an account is submitted. In the case of a variance, an explanation for the variance must be provided before the budget data for the account being budgeted is processed. Printed budget data and variance reports may also be obtained via the video display terminals. In addition, my staff also analyzes the variance reports, discusses significant items with the budget coordinators and/or the operating staff who developed the estimates and revises the budget where appropriate or necessary. The budget is then discussed with the managements of the various departments prior to review by the Chairman of the Board and the President.

The budget process is recognized throughout the Company as a critically important function. The expenditure of time and effort in preparing and reviewing it initially is significant; the review and analysis to which it is subjected is careful and extensive and requires the cooperation of all of the departments in the Company. Our experience has been that the budget process is effective; the revenues and expenses included in the 1984 budget are not significantly different from actual experience.

Q. Please explain the derivation of the inflation factors used for the 1985-86 budget.

A. Arriving at the inflation factors for budget purposes is not a pure mathematical computation, but rather encompasses reviews of several

sources of forecast data and our best judgement as to the application of this data to the Company. In arriving at the inflation factors, the Company's Economist's Office uses information from Data Resources, Inc., the Fidelity Bank Econometric Model, the Conference Board, Mellon Bank, Citibank, Chemical Bank, First Pennsylvania Bank, E. F. Hutton, Paine Webber, Morgan Stanley, Morgan Guaranty Trust, and extensive financial forecast information prepared by Merrill Lynch and others.

Utilizing the information indicated above, inflation factors to be used in the budget preparation only in the absence of known cost changes were developed. These factors, 5.25% for 1985 and 6.4% for 1986 were developed in November 1984 in conjunction with our consultants, Putnam Hayes & Bartlett and National Economic Research Associates. These inflation rates are supported by Data Resources, Inc. Report: "U.S. Long Term Reivew: The Outlook to 1995", Summer 1984. The 1985 GNP deflator of 5% is approximately at the midpoint between the optimistic and pessimistic estimates of the G.N.P. deflator by D.R.I. in that document. The 6.0% GNP deflator for 1986 and beyond is close to the center of the D.R.I. rates in that document.

The inflation rates utilized for budget purposes are a composite of the GNP deflator estimates and wage rate estimates as indicated in the following table.

	1985	1986	1987 & beyond
GNP	5.0%	6.0%	6.0%
Wages	5.5%	6.8%	7.3%
PECO Rates	5.25%	6.4%	6.65%

The wage rate estimates are based on the assumptions that such increases are (a) related to the general inflation rate in the economy but with a lag of about one year, (b) higher than the general inflation rate when the inflation rate is low to moderate, and (c) equal to or lower than the general inflation rate when that inflation rate is high.

Q. Does this conclude your testimony?

A. Yes.

HEARING REPORT

DOCKET NO. R-850152

CASE NAME PUC, et al. vs. Philadelphia Electric Company

HEARING LOCATION Harrisburg, PA.

HEARING DATE Dec. 10, 11, 12 & 13, 1985

ALJ Matuschak

CHECK THOSE BLOCKS WHICH APPLY:

- [x] Hearing concluded
- [ ] Record closed
- [ ] Briefs to be filed
- [x] Further hearing
- Estimated add'l days
- [ ] BENCH DECISION

REMARKS:

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