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C O N T E N T S

	<u>WITNESSES</u>	<u>DIRECT</u>	<u>CROSS</u>	<u>REDIRECT</u>	<u>RECROSS</u>
1					
2					
3	Alfred Wroblewski				
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8	By Mr. Clark	--	4315	--	--
9	Lewis J. Perl				
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12	By Mr. Calvert	4335	--	4347	--
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E X H I B I T S

	<u>NUMBER</u>	<u>FOR IDENTIFICATION</u>	<u>IN EVIDENCE</u>
17			
18			
19	<u>PECo-Statements</u>		
20	✓ 21A and ✓ 21B (Wroblewski)	4296	4297
21	✓ 16A and ✓ 16B (Farling)	4305	4306
22	✓ 12A (Guth)	4317	4317
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1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25	<u>NUMBER</u>	<u>FOR IDENTIFICATION IN EVIDENCE</u>		
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	24 (IR-Staff-Lim-07)		4326	4327
	25 (IR-Staff-Lim-18)		4326	4327
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	27 (IR-Staff-Lim-23)		4326	4327
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P R O C E E D I N G S

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2 ADMINISTRATIVE LAW JUDGE JOSEPH MATUSCHAK: When
3 you are ready, Mr. MacGregor.

4 MR. MacGREGOR: Your Honor, the company has several
5 witnesses to present today. The first two are
6 Mr. Wroblewski and Mr. Farling to deal with the issues of
7 sinking fund depreciation and phase-in.

8 I would like to proceed with Mr. Wroblewski first,
9 and I would like to call him as a witness at this time.

10 JUDGE MATUSCHAK: Very well.

11 MR. MacGREGOR: Your Honor, may we go off the record
12 for a moment?

13 JUDGE MATUSCHAK: Yes.

14 (Discussion off the record.)

15 JUDGE MATUSCHAK: Proceed.

16 MR. MacGREGOR: Your Honor, the company would call as
17 its first witness today Mr. Alfred Wroblewski.
18 Mr. Wroblewski has been previously sworn.

19 JUDGE MATUSCHAK: Yes.

20 Whereupon,

21 ALFRED WROBLEWSKI

22 having previously been duly sworn, testified further as
23 follows:

24 MR. MacGREGOR: Your Honor, I have previously
25 distributed to the parties, to Your Honor, and to the

1 court reporter copies of two documents. The first is
2 entitled "Rebuttal Testimony of Alfred Wroblewski, Re: Sinking
3 Fund Depreciation." I would ask that it be marked for
4 identification as PECO Statement No. 21A.

5 The second document is entitled "Sur-surrebuttal
6 Testimony of Alfred Wroblewski, Re: Sinking Fund Depreciation.
7 I would ask that it be marked for identification as PECO
8 Statement No. 21B.

9 JUDGE MATUSCHAK: Very well.

10 (Whereupon, the documents were
11 marked as PECO Statements Nos.
12 21A and 21B for identification.)

13 DIRECT EXAMINATION

14 BY MR. MacGREGOR:

15 Q Mr. Wroblewski, do you have before you copies of
16 the two documents that have been marked for identification
17 as PECO Statement Nos. 21A and 21B?

18 A Yes, sir, I do.

19 Q Are these documents, in fact, copies of your
20 rebuttal and sur-surrebuttal testimony in this proceeding?

21 A Yes, they are.

22 Q Were these documents prepared either by you or
23 under your direct supervision?

24 A Yes, they were.

25 Q Mr. Wroblewski, if I were to ask you the questions
contained in these two documents again today, would your

1 answers be the same as those contained therein and would they
2 be true and correct to the best of your knowledge?

3 A. Yes, sir, they would.

4 MR. MacGREGOR: Your Honor, I would ask that the
5 two documents that have been marked for identification as
6 PECO Statements Nos. 21A and 21B be admitted as evidence in
7 this proceeding subject to any timely motions to strike or
8 other objections.

9 JUDGE MATUSCHAK: The motion is granted.

10 (Whereupon, the documents marked
11 as PECO Statements Nos. 21A
12 and 21B were received in
13 evidence.)

14 MR. MacGREGOR: Your Honor, Mr. Wroblewski is
15 available for cross-examination.

16 MR. DELANEY: Staff has no cross, Your Honor, of
17 this witness.

18 JUDGE MATUSCHAK: Consumer Advocate?

19 MR. POPOWSKY: We have no cross-examination for
20 Mr. Wroblewski.

21 JUDGE MATUSCHAK: Mr. Kleppinger?

22 MR. KLEPPINGER: I have a few questions, Your Honor.

23 CROSS-EXAMINATION

24 BY MR. KLEPPINGER:

25 Q. Good morning, Mr. Wroblewski.

A. Good morning, sir.

1 Q At page 5 of your sur-surrebuttal testimony,
2 Statement 21B, you make reference to depreciation rates of
3 PAIEUG members. Were those depreciation rates extracted
4 from the annual reports of those members?

5 A No, sir, they were not. They were taken from
6 a financial publication called "Value Line."

7 Q You discuss at lines 11 through 19 that PECO
8 competes for capital, labor and services in the same area
9 as these group members.

10 Would you agree with me that there is a different
11 degree of competition for the products produced by PAIEUG
12 members than what exists for the products produced by
13 Philadelphia Electric Company?

14 A Insofar as Philadelphia Electric Company produces
15 a product that is subject to regulation and under regulatory
16 conditions, whereas the other investor groups are not so
17 regulated, there would be a difference, yes.

18 Q In fact, there are no direct competitors for
19 the provision of the type of electric service provided by
20 Philadelphia Electric Company in Philadelphia Electric
21 Company's service territory; is that true?

22 A I would say generally that is true. However, we
23 do have some co-generators who are emerging and coming on
24 the scene, and they may produce somewhat of a different
25 atmosphere in the near future.

1 Q In your Statement 21A, your rebuttal testimony,
2 am I correct that you believe that the appropriate deprecia-
3 tion methodology for an investor-owned utility is straight-
4 line depreciation?

5 A Yes, sir, that's true.

6 Q Am I correct that you believe that to be the
7 case because it is compatible with FERC's definition of what
8 depreciation is?

9 A Yes, sir.

10 Q And that the FERC definition of depreciation is
11 as you state on page 5 of your testimony, "the loss in
12 service value not restored by current maintenance, incurred
13 in connection with the consumption or prospective retirement
14 of electric plant in the course of service from causes
15 which are known to be in current operation and against
16 which the utility is not protected by insurance;" that's
17 also correct?

18 A Yes, sir, that's correct.

19 Q Then Mr. Chernick made some observations in his
20 surrebuttal testimony about that definition at page 33, and
21 you respond to that, do you not?

22 A Could you give me a reference on that?

23 Q Sure. In your sur-surrebuttal testimony at
24 page 1, you respond to Mr. Chernick; is that correct?

25 A Yes, sir.

1 Q Only this time you cite another definition for
2 depreciation which is, "the cost of depreciable assets
3 consumed during the year, expressed in terms of the purchas-
4 ing power of the original investment."

5 Now, that is from a different source, is it not?

6 A Yes, sir. There are two distinctions. First of
7 all, it is a different source. Second of all, we are speak-
8 ing here of economic depreciation, which is an animal of
9 a different color.

10 Q In which case is the economic depreciation that
11 you are talking about, the Garfield and Lovejoy?

12 A Yes. That's in response to Mr. Chernick's
13 testimony in which he introduces the concept of economic
14 depreciation.

15 Q So you have no quarrel with Mr. Chernick's
16 comment as regarding your first definition that you adopted,
17 but your quarrel with his comment is as regards this
18 definition?

19 A There are two different definitions here first.
20 If I may clarify the situation, the first definition is
21 a definition of FERC and it defines the basic depreciation
22 concept.

23 The second definition defines economic depreciation
24 which has to do with changing of price levels, which is not
25 contemplated under the FERC definition.

1 other than straight-line depreciation?

2 A. The only case I know of regarding an investor-
3 owned utility engaged in steam production activities would
4 be Pennsylvania Power & Light. That was not a true sinking
5 fund. It was called a modified sinking fund.

6 It was also willingly proposed by PP&L and agreed
7 to by the Commission Staff.

8 Q. Am I correct that the thrust of your challenge
9 then against the sinking fund concept is that the majority
10 of utilities employ a different form of depreciation other
11 than sinking fund?

12 A. That is not my thrust as you put it. That is
13 the result of evaluation of all the systems, all agreeing
14 that sinking fund is not a proper system and straight-line
15 is. That's why they are using straight-line and that's
16 why FERC recognizes straight-line for many years.

17 That's why all our depreciation studies follow the
18 straight-line pattern where there is an age type relationship
19 to depreciation.

20 Q. But you said in answer to an earlier question
21 that some have used something other than straight-line. So
22 not all agree, but most agree; is that correct?

23 A. Yes. I cannot say that there are absolutely no
24 exceptions, but I think they are very minor. I don't know
25 of any major or other utility using -- an investor-owned

1 utility involved in steam production as opposed to hydro
2 that uses sinking fund.

3 MR. CLARK: I have no further questions, Your Honor.

4 JUDGE MATUSCHAK: Any further cross-examination of
5 this witness?

6 (No response.)

7 JUDGE MATUSCHAK: Any redirect?

8 MR. MacGREGOR: No redirect, Your Honor.

9 JUDGE MATUSCHAK: Thank you.

10 (Witness excused.)

11 MR. MacGREGOR: Your Honor, the company would call
12 as its next witness today Mr. David J. Farling, who has
13 also been previously sworn in this proceeding.

14 JUDGE MATUSCHAK: Very well.

15 Whereupon,

16 DAVID J. FARLING

17 having previously been duly sworn, testified further as
18 follows:

19 MR. MacGREGOR: Your Honor, I have previously
20 distributed to the parties, to the court reporter, and to
21 Your Honor copies of two documents.

22 The first is entitled "Rebuttal Testimony of
23 David J. Farling, Coopers & Lybrand, Re: Accounting Issues
24 Related to Phse-In Proposal." I would ask that that be
25 marked for identification purposes as PECO Statement No. 18A.

1 In addition, the second document is entitled "Sur-
2 surrebuttal Testimony of David J. Farling, Coopers & Lybrand
3 Re: Accounting Issues Related to Phase-In Proposal."

4 I would ask that it be marked for identification
5 purposes as PECO Statement No. 16B.

6 JUDGE MATUSCHAK: Very well.

7 (Whereupon, the documents were
8 marked as PECO Statements Nos
9 16A and 16B for identification

10 DIRECT EXAMINATION

11 BY MR. MacGREGOR:

12 Q Mr. Farling, do you have before you copies of
13 the two documents which have been marked for identification
14 as PECO Statements Nos. 16A and 16B?

15 A I do.

16 Q Are these documents, in fact, copies of your
17 rebuttal and sur-surrebuttal testimony in this proceeding?

18 A Yes, they are.

19 Q Were these documents prepared either by you or
20 under your direct supervision?

21 A They were.

22 Q Mr. Farling, if I were to ask you the same
23 questions contained in these two documents again today,
24 would your answers be the same as those contained therein
25 and would they be true and correct to the best of your
knowledge?

1 A. They would.

2 MR. MacGREGOR: Your Honor, I would ask that the
3 documents that have been marked for identification as
4 PECO Statements Nos. 16A and 16B be admitted as evidence
5 in this proceeding subject to any timely motion to strike
6 or other objections.

7 JUDGE MATUSCHAK: The motion is granted.

8 (Whereupon, the documents marked
9 as PECO Statements Nos. 16A
and 16B were received in
evidence.)

10 MR. MacGREGOR: Mr. Farling is available for cross-
11 examination.

12 JUDGE MATUSCHAK: Staff?

13 MR. DELANEY: Your Honor, the Staff doesn't have any
14 cross for this witness.

15 JUDGE MATUSCHAK: Very well.

16 Consumer Advocate?

17 MR. POPOWSKY: Thank you, Your Honor. I have a few
18 questions for Mr. Farling.

19 CROSS-EXAMINATION

20 BY MR. POPOWSKY:

21 Q. Good morning, Mr. Farling. My name is Irwin
22 Popowsky. I am with the Consumer Advocate's office.

23 A. Good morning.

24 Q. As an attachment or an appendix to your PECO
25

1 Statement 16A, your rebuttal testimony, you include the
2 Exposure Draft of a proposed amendment to FASB-71; is
3 that correct?

4 A. It is.

5 Q. Can you tell me how under the Exposure Draft
6 of FASB-71, how would an excess capacity adjustment be
7 treated for purposes of financial reporting purposes in
8 your understanding?

9 A. Are you referring to the Exposure Draft or the
10 existing 71?

11 Q. Let me start with the Exposure Draft.

12 A. The excess capacity adjustment would probably
13 have to be specifically stated for me to give you the
14 answer that might be appropriate for the circumstances.
15 There is a school of thought that would indicate that the
16 excess capacity adjustment if not applied to a specific
17 property but across the capacity of the utility may not
18 be included in the intent of the existing Exposure Draft.

19 Discussions that are going on now preparatory to
20 the public hearings that will take place for this Exposure
21 Draft may clarify that situation.

22 Q. So you're saying that whether or not a break-
23 down of the assets are required may depend on what asset
24 or group of assets is the subject of the excess capacity
25 adjustment?

1 A. That's right, as the assets could be a specific
 2 asset referring to the generation that has just been put into
 3 service as compared to the entire generation of the company
 4 of which a portion would be declared excess capacity.

5 Q. Under your understanding, if a portion of the
 6 company's, let's say, newest plant were declared to be
 7 excess capacity and the company were denied either a total
 8 return on that plant in that rate case or, for example,
 9 a return on the equity portion of its investment in that
 10 plant, what would be the financial reporting treatment of
 11 that under the Exposure Draft of FASB-71?

12 A. Well, you've asked two questions. The first
 13 question relates to whether a portion of the plant would not
 14 be recoverable in the form of excess capacity. We would
 15 have to determine if a permanent impairment has taken place.

16 If it is a temporary impairment, perhaps no write-
 17 down is required. If it is considered a permanent impair-
 18 ment, a write-down may be required under the Exposure Draft,
 19 not under existing 71, perhaps.

20 The second portion of your question dealing with
 21 excess capacity, perhaps my previous answer would apply to
 22 that portion.

23 Q. Would you agree then that there may be a difference
 24 if a Commission, for example, declares a plant to be excess
 25 capacity in a given case but leaves open the possibility

1 that a return may be permitted on that plant in some
2 future case, as opposed to a definitive ruling that a plant
3 may never be included in rates?

4 A. Your latter statement would differentiate from
5 the first two points that you have made, that the non-
6 inclusion in rates forever would be considered a permanent
7 impairment.

8 The first two examples -- of course, we'd have to
9 have the specific circumstances -- may not be considered a
10 permanent impairment.

11 Q. Do you know whether in fact for example in
12 Pennsylvania, the Public Utility Commission has for example
13 found excess capacity to exist for a given utility in one
14 case only to rule in a future case that that excess capacity
15 no longer exists, and the plant would then be fully included
16 in rates?

17 A. Under those circumstances, which would have to be
18 treated as specific circumstances, we would have to look
19 at the permanency and the recoverability of the costs
20 involved before we could determine the accounting.

21 Q. Do you know also whether in the past in
22 Pennsylvania, utilities which have been found to have excess
23 capacity on their own systems have been successful in selling
24 off that excess capacity for a term of years to other
25 utilities?

1 A. I really wouldn't be qualified to answer that
2 other than general reading. I am aware that sales have
3 taken place, but it wouldn't be appropriate for me to give
4 you a conclusive answer.

5 Q. And assuming that such a sale were to take place,
6 on the possibility that such a sale could occur, how would
7 that affect the financial reporting under the Exposure Draft
8 of FASB-71?

9 A. The sale that you refer to would be treated no
10 differently under the Exposure Draft than under existing 71,
11 which would be a sale. If there is no rate base consideration
12 of this, it would be below the line and would be accounted
13 as such.

14 MR. POPOWSKY: That's all the questions I have.
15 Thank you, Your Honor.

16 JUDGE MATUSCHAK: Do you have any cross-examination?

17 MR. KLEPPINGER: Yes, Your Honor.

18 CROSS-EXAMINATION

19 BY MR. KLEPPINGER:

20 Q. Good morning, Mr. Farling.

21 A. Good morning.

22 Q. Your Statement No. 16A indicates at page 6, line
23 3 that in your view the phase-in proposed by Mr. Falkenberg
24 may violate the proposed amendments to FASB-71. What is
25 your position on the Falkenberg phase-in proposal in regards

1 to the current FASB-71?

2 A. The depreciation method that Mr. Falkenberg
3 refers to is the sinking fund method of depreciation,
4 which generally is not considered acceptable as a method
5 of accounting under existing 71 or under proposed 71.

6 Q. Does the existing FASB-71 specifically reference
7 sinking fund depreciation methodologies, or does it just
8 generally define a normal allocation of depreciation costs?

9 A. 71 does not specifically mention sinking fund
10 depreciation. The reference in the Exposure Draft is
11 thought to be in a footnote to the Exposure Draft, which
12 indicates the normal method of allocation.

13 However, Generally Accepted Accounting Principles,
14 although not specifically citing sinking fund depreciation,
15 professionally, most persons would state that the method is
16 not an appropriate allocation of plant costs over time.

17 It is not a true matching of the cost of the plant
18 to the output of that plant.

19 Q. Your reference to the footnote, is that the same
20 reference you use at page 2 of your sur-surrebuttal statement
21 where you quote, "normal allocation of depreciation costs"?
22 Is that the only reference in your mind in the Exposure Draft
23 which would contemplate or which would lead you to the
24 conclusion that the sinking fund methodology is not a normal
25 allocation?

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A. It is the reference that you cite, but as I mentioned earlier, the use or non-use of the sinking fund method of depreciation is not predicated on this Exposure Draft of 71.

It's set in practice over time that the deferral of costs to the latter stages of the useful life of a plant is not the proper charge of such plant costs to the operations of a company.

Q. Does the term "modified sinking fund depreciation technique" arise in either the current FASB-71 or the Exposure Draft?

A. Not to my knowledge.

Q. In your view, under the current FASB-71, would a modified sinking fund depreciation methodology similar to that employed by PP&L comply with Generally Accepted Accounting Principles under current FASB-71?

A. It's difficult to answer you positively or negatively without knowing a specific plan. The plan, the modified sinking fund method would have to be judged on the extent of the deferral of those costs.

If under the present Exposure Draft, 10 years remains the maximum for a phase-in plan, a modified sinking fund method might be construed to be analogous to a phase-in plan which would set a 10-year limitation.

So, to that extent, the Exposure Draft may deal with

1 a modified sinking fund method.

2 The acceptability of the method would have to depend
3 on the judgment of the recoverability of those plant costs
4 that are deferred for a period longer than they would have
5 been deferred under the straight line method and the
6 assurance of recovery.

7 The significance of that deferral may require
8 discussion with the Securities and Exchange Commission,
9 because of the significance of this plant and the
10 significance of the change from present practice by adopting
11 such a method.

12 Q. When you talk about the ability to recover those
13 deferred costs, does the analyst look at not only the
14 ability but the quantity of those costs?

15 A. I can't speak for an analyst as to how he or she
16 practices their profession. But certainly the judgment has
17 to relate to the amount and the time period involved.

18 Q. Have you had the opportunity to review Mr.
19 Wroblewski's Schedule 3 appended to his sur-surrebuttal
20 testimony?

21 A. I have not.

22 (Document shown to the witness by Counsel MacGregor.)

23 A. I have it in front of me.

24 Q. From the caption on this schedule, is it your
25 understanding that this represents the depreciation accruals

1 and reserves for Limerick 1 and 100 percent of common
2 utilizing the PP&L/PUC modified sinking fund method?

3 A. That appears to be the caption.

4 Q. Now, this is a specific example for a specific
5 plant. Can you tell me if this would comply with the
6 current FASB-71?

7 A. Well, looking at this quickly, I perhaps can't
8 analyze all the numbers and give you a complete answer, but
9 a quick review would indicate that the period of time is not
10 10 years, which is the maximum under the Exposure Draft, as
11 I cited earlier, but 17, which means that existing rules
12 would accept that as acceptable, perhaps, as they obviously
13 were done in this case; proposed rules would not.

14 Q. What happens in the situation where a Commission
15 has already approved a depreciation methodology such as this
16 based on a current FASB-71, and let's assume then that the
17 Exposure Draft is adopted.

18 Where does that leave PP&L, which already has utilized
19 this and the Commission has approved it?

20 A. The Exposure Draft in its present form would
21 indicate that retroactivity would have to take place.
22 Grandfathering will not be acceptable. That would require
23 reconsideration of this transaction. The Exposure Draft,
24 still be considered for discussion, would have to debate
25 whether that is appropriate or whether grandfathering would

1 be appropriate.

2 At this juncture, the Exposure Draft, I do believe,
3 would require reconsideration of this transaction.

4 Q Thank you.

5 MR. KLEPPINGER: I have no further questions.

6 JUDGE MATUSCHAK: Mr. Selkowitz?

7 MR. SELKOWITZ: I have no questions.

8 JUDGE MATUSCHAK: Mr. Clark?

9 CROSS-EXAMINATION

10 BY MR. CLARK:

11 Q Mr. Farling, my name is Robert Clark. I am with
12 the Governor's Energy Council.

13 A Good morning.

14 Q I just have one question to follow up on what
15 Mr. Kleppinger was speaking of. Your reference to the
16 footnote in the FASB-71 draft discussing normal allocation
17 is the Footnote 1 on page 1 of that Exposure Draft, is
18 that correct?

19 A It is.

20 Q Thank you very much.

21 MR. CLARK: No further questions, Your Honor.

22 JUDGE MATUSCHAK: Any other cross-examination of
23 this witness?

24 (No response.)

25 JUDGE MATUSCHAK: Any redirect?

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MR. MacGREGOR: Could I have a short break, Your Honor?

JUDGE MATUSCHAK: Very well.
(Recess.)

MR. MacGREGOR: Your Honor, I have no redirect.

JUDGE MATUSCHAK: Very well.
(Witness excused.)

MR. MacGREGOR: Your Honor, if I could be excused, Mr. Calvert will be conducting the hearing for the rest of the day.

JUDGE MATUSCHAK: Very well.

MR. POPOWSKY: Off the record for a moment?

JUDGE MATUSCHAK: Off the record.

(Discussion off the record.)

JUDGE MATUSCHAK: Back on the record.

MR. CALVERT: Your Honor, I am ready to proceed.

We have to move into the evidence at some point -- and suppose we can do it at the end when Mr. Popowsky wants to move his witnesses in -- the testimony of two witnesses, Lewis Guth and William Hoch. There was no cross-examination for them from the other side.

So, I would like to put them aside for the time being.

MR. POPOWSKY: Why don't you just do it now?

MR. CALVERT: Do it now? All right, fine.

1 proceeding and identified as PECO Statement No. 13A for the
2 rebuttal testimony and as PECO Statement No. 13B for his
3 sur-surrebuttal testimony; and that the exhibits attached
4 to those testimonies, which are Exhibits WCH-1 through WCH-6,
5 be admitted as part of the record and marked as indicated.

6 JUDGE MATUSCHAK: So stipulated by counsel?

7 MR. POPOWSKY: Yes.

8 MR. SELKOWITZ: Yes.

9 JUDGE MATUSCHAK: The motion is granted.

10 (Whereupon, the documents were
11 marked PECO Statements Nos.
12 13A and 13B and PECO Exhibits
13 WCH-1 through WCH-6 for iden-
14 tification and received in
15 evidence.)

16 MR. CALVERT: At this time, we would call Dr. Perl to
17 come up, please.

18 MR. SELKOWITZ: If Your Honor please, Mr. Widoff is
19 en route to the hearing room, but I believe we have cross-
20 examination for Mr. Perl. He was delayed for a few minutes,
21 but he is on his way. He should be here within a moment or
22 two. Would it be appropriate to just take a five-minute
23 recess so that we don't miss any of the initial cross and
24 have to repeat anything?

25 JUDGE MATUSCHAK: We could either do that, or if you
have another witness --

MR. CALVERT: I have another witness. Mr. Rush is

1 here.

2 MR. SELKOWITZ: Same problem.

3 JUDGE MATUSCHAK: The same thing applies with Mr. Rush?

4 MR. POPOWSKY: I can move in the OCA's testimony.

5 JUDGE MATUSCHAK: Very well.

6 MR. POPOWSKY: Your Honor, I would like to have at
7 this time identified as OCA Statement No. 5A the surrebuttal
8 testimony of Peter J. Lanzalotta, and with the understanding
9 of the parties that there is no cross-examination for Mr.
10 Lanzalotta who was previously sworn and cross-examined, I
11 would like to move into evidence OCA Statement No. 5A.

12 JUDGE MATUSCHAK: So stipulated?

13 MR. CALVERT: Yes, Your Honor.

14 JUDGE MATUSCHAK: Very well. OCA Statement No. 5A is
15 admitted into evidence.

16 (Whereupon, the document was
17 marked OCA Statement No. 5A
18 for identification and
received in evidence.)

19 MR. POPOWSKY: Thank you. I would also like to have
20 identified at this time OCA Statement No. 6A, the surrebuttal
21 testimony of Charles Komanoff, along with Exhibit CK-11.
22 Could I have those identified at this time, Your Honor?

23 JUDGE MATUSCHAK: They will be so identified.

24 (Whereupon, the documents were
25 marked OCA Statement No. 6A
and OCA Exhibit CK-11 for
identification.)

1 MR. POPOWSKY: And with the understanding of the
2 parties that there will be no cross-examination of Mr.
3 Komanoff, and that he was previously sworn, I would like to
4 move into evidence OCA Statement No. 6A with attached
5 Exhibit CK-11 at this time.

6 JUDGE MATUSCHAK: So stipulated?

7 MR. CALVERT: Yes, Your Honor.

8 JUDGE MATUSCHAK: The motion is granted.

9 (Whereupon, the documents
10 marked OCA Statement No. 6A
11 and OCA Exhibit CK-11 were
12 received in evidence.)

13 MR. POPOWSKY: And finally I would like to have
14 identified at this time OCA Statement No. 7A, which is the
15 surrebuttal testimony of Mr. Thomas E. Knudsen. This
16 testimony simply represents our OCA revised final schedules,
17 Revised Schedules TEK-1 through TEK-14, and an introductory
18 statement simply introducing those revised schedules.

19 It is my understanding that there is no cross-
20 examination for Mr. Knudsen. I would like to have his
21 statement identified as OCA Statement No. 7A.

22 JUDGE MATUSCHAK: So stipulated; the motion is
23 granted.

24 (Whereupon, the document was
25 marked OCA Statement No. 7A
for identification.)

MR. POPOWSKY: And I would like to move into evidence

1 at this time OCA Statement No. 7A, with Revised Schedules
2 TEK-1 through TEK-14.

3 JUDGE MATUSCHAK: The motion is granted.

4 (Whereupon, the document marked
5 OCA Statement No. 7A was
6 received in evidence.)

7 MR. POPOWSKY: Thank you, Your Honor. I will
8 present two copies to the court reporter.

9 JUDGE MATUSCHAK: We will take a short recess.

10 (Recess.)
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1 JUDGE MATUSCHAK: When you're ready.

2 MR. CALVERT: Yes, Your Honor.

3 Your Honor, Dr. Lewis J. Perl is our next witness.
4 He has previously been sworn for his direct examination.
5 Whereupon,

6 LEWIS J. PERL

7 having previously been duly sworn, testified further as
8 follows:

9 DIRECT EXAMINATION

10 BY MR. CALVERT:

11 Q Dr. Perl, can you please state your full name
12 for the record?

13 A. My name is Lewis J. Perl.

14 Q. Would you please give us your business position
15 and business address?

16 A. I am Senior Vice-President of National Economic
17 Research Associates, which is located at 123 Main Street
18 in White Plains.

19 Q. Dr. Perl, do you have before you a document of
20 some 21 pages entitled "Rebuttal Testimony of Dr. Lewis J.
21 Perl," PECO Statement 11A, and a document of some eight
22 pages entitled "Sur-surrebuttal Testimony of Dr. Lewis J.
23 Perl," PECO Statement No. 11B?

24 A. Yes, sir, I do.

25 Q. Are these documents your rebuttal and

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sur-surrebuttal testimony in this proceeding?

A. Yes.

Q. Were they prepared by you or under your direction?

A. Yes, they were.

Q. Are there any corrections which you wish to make to either of those testimonies?

A. Yes. With respect to my rebuttal testimony, if I can find the right page --

Q. I think it is page 19.

A. Thank you. Yes. At page 19 of my testimony, line 15, the number "3" should be "4," so that it should read "requirements by the \$4 million present value figure that I have calculated above."

Q. Is that the only correction?

A. Yes, sir.

Q. If I were to ask you the questions set forth in your rebuttal and your sur-surrebuttal testimonies, would your answers be as they appear therein, subject to the correction that you just made, and would those answers be true and correct at this time?

A. Yes, sir, they would.

Q. As part of your rebuttal and your sur-surrebuttal testimonies, did you submit certain exhibits?

A. I did.

1 Q Are those the exhibits that are identified as
2 Schedules 21 through 24, I believe, of your rebuttal
3 testimony?

4 A Yes, sir.

5 Q Were those exhibits prepared by you or under
6 your direction?

7 A They were.

8 MR. CALVERT: Your Honor, at this time I move that
9 the rebuttal and sur-surrebuttal testimonies of Dr. Perl,
10 as corrected, be admitted as part of the record of this
11 proceeding and be identified as PECO Statements Nos. 11A
12 and 11B, respectively, and that the exhibits be admitted
13 as part of the record and identified as Schedules 21
14 through 24, respectively, subject to timely motions to
15 strike.

16 JUDGE MATUSCHAK: The motion is granted.

17 (Whereupon, the documents were
18 marked as PECO Statements Nos. 11A
19 and 11B, and PECO Exhibits Nos. 21
through 24, for identification,
and were received in evidence.)

20 MR. CALVERT: Your Honor, Dr. Perl is available for
21 cross-examination.

22 CROSS-EXAMINATION

23 BY MR. DELANEY:

24 Q Good morning, Dr. Perl. My name is Dan Delaney.
25 I represent the Trial Staff.

1 A. Good morning, Mr. Delaney.

2 MR. DELANEY: Your Honor, before I begin Dr. Perl's
3 cross-examination, the little bit that I have for him, I
4 would note that when he was here in December, he sponsored
5 an addendum to his testimony, which we deferred cross-
6 examination on at that point.

7 In the meantime, we did discovery on Dr. Perl. He
8 came back with responses, which we subsequently agreed we
9 would move in later in lieu of having him reappear to be
10 cross-examined over his addendum.

11 I have now copies of those interrogatory responses --
12 I don't think the company has an objection to this -- that
13 we would like to move into the record.

14 I would like to identify them initially, and I will
15 go through the numbers, our exhibit numbers.

16 JUDGE MATUSCHAK: Very well.

17 MR. DELANEY: We would like to have marked for iden-
18 tification as Staff Exhibit 24 the response to
19 IR-Staff-Limerick-07.

20 As Staff Exhibit No. 25, we would like to have
21 marked for identification IR-Staff-Limerick-18.

22 As Staff Exhibit 26, we would like to have marked
23 IR-Staff-Limerick-20.

24 As Staff Exhibit 27, we would like to have marked
25 the response to IR-Staff-Limerick-23.

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1 As Staff Exhibit 28, we would like to have the
2 response marked to IR-OCA-23-4.

3 As Staff Exhibit 29, we would like to have marked
4 the response to IR-OCA-23-5.

5 As Staff Exhibit 30, we would like to have marked
6 the response to IR-OCA-23-11.

7 As Staff Exhibit 31, we would like to have marked
8 IR-OCA-16-2.

9 As Staff Exhibit 32, we would like to have marked
10 the response to IR-OCA-16-7.

11 As Staff Exhibit 33, we would like to have marked
12 the response to IR-OCA-2-8.

13 As Staff Exhibit 34, we would like to have marked
14 the response to IR-OCA-23-3.

15 As Staff Exhibit 35, we would like to have marked
16 the response to IR-OCA-23-8.

17 And, finally, as Staff Exhibit No. 36, we would like
18 to have marked the response to IR-OCA-2-10.

19 JUDGE MATUSCHAK: Very well.

20 (Whereupon, the documents were
21 marked as Staff Exhibits Nos. 24
22 through 36 for identification.)

23 MR. DELANEY: I would note that Mr. Calvert has in-
24 formed me that at the hearing of January 6 at which
25 Dr. Perl was scheduled to testify but did not testify at, a
statement was put into the record concerning his responses

1 to IR-OCA-23-4 and IR-OCA-23-5, which I have just asked to
2 have marked as Staff Exhibits 28 and 29.

3 If the company feels the need to reintroduce that
4 statement, which I believe is already in the record, Staff
5 would have no objection to that.

6 MR. CALVERT: Your Honor, we're checking to see
7 whether or not in fact it was introduced. I believe it
8 was. If it were not introduced earlier, we will introduce
9 it in connection with Dr. Perl's testimony.

10 JUDGE MATUSCHAK: Very well.

11 MR. DELANEY: Your Honor, at this point then I would
12 like to move all of those exhibits into evidence.

13 JUDGE MATUSCHAK: Are there any objections?

14 MR. CALVERT: No objection, Your Honor.

15 JUDGE MATUSCHAK: The exhibits are received into
16 evidence.

17 (Whereupon, the documents marked as
18 Staff Exhibits Nos. 24 through 36
were received in evidence.)

19 BY MR. DELANEY:

20 Q I only have two short questions for you, Dr. Perl.
21 I would note that at several points in your rebuttal and
22 surrebuttal testimony you make a statement, which you
23 initially introduce on page 1 of your rebuttal, lines 21
24 through 23. You state, "In my view, the only appropriate
25 basis for disallowance of Limerick's investment is

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imprudence."

Do you see that?

A. Yes, I do.

Q. I would direct you to page 19 of your rebuttal testimony, lines 27 to 35.

A. Yes, sir.

Q. Am I correct there, in interpreting the language of those lines, that your own analysis suggests that the decisions to delay were prudent and there should be no disallowance? Is that the meaning of what you are indicating there?

A. Yes, sir.

Q. I also direct your attention, in your surrebuttal testimony, to page 4, lines 11 through 19; would I be correct in interpreting those lines there also, in your opinion, that the '76 and '78 delays were economic? And I would assume that that means that they were, therefore, prudent in your view?

A. I think in the context of surrebuttal testimony, no comment is being made one way or the other as to whether they were economic, although I believe at the time they were. It is simply being used in this context as an example of how the calculation is appropriately to be done, and the purpose of the discussion here is to indicate why I don't regard the calculation, as I have done it, as

1 speculative, as suggested by Mr. Chernick.

2 Q. And the response that you just gave me was
3 directed to page 4 of your surrebuttal testimony?

4 A. Yes.

5 Q. But the statement that you made on page 19 of
6 your rebuttal, would I be correct in interpreting that to
7 mean that in your view the '76 and '78 delays were
8 reasonable and, therefore, prudent?

9 A. Yes.

10 MR. DELANEY: That's all the questions I have,
11 Your Honor.

12 I think, at least to the statements on page 19 of
13 Dr. Perl's rebuttal testimony, which is Statement No. 11A,
14 I believe his prior answer indicated that the lines 27 to
15 35, in my view, are responsive to your motion in limine --
16 your ruling on the motion in limine concerning the reason-
17 ableness of the delay decisions. I would ask that those
18 lines be stricken.

19 JUDGE MATUSCHAK: We have issued another order
20 dated, I believe, yesterday, in which we indicated that we
21 were making a blanket ruling on it, and we were not going
22 to look from word to word, phrase to phrase, because since
23 you have filed your motion there have been other references
24 to the same material. We made a general ruling with an
25 indication of what was stricken and what was not stricken,

1 and it would cover this.

2 MR. DELANEY: Okay, Your Honor. I just wanted to be
3 consistent. I have not seen your ruling that you issued
4 yesterday, but I believe those parts of Dr. Perl's testi-
5 mony are included within the motion, and I just do it to
6 preserve the record.

7 That's all the questions I have, Your Honor.

8 Thank you, Dr. Perl.

9 MR. CALVERT: Your Honor, if I could just respond
10 to that for a moment. I haven't seen it either, Your
11 Honor's most recent ruling, but I would just point out that
12 though on page 19 of Dr. Perl's rebuttal testimony line 27
13 does refer to the prudence of the decision to delay, the
14 next line that begins on line 29 starts talking about the
15 implausibility of finishing the unit in the time frame that
16 Mr. O'Brien has testified about.

17 So I won't argue at this point about whether or not
18 the sentence that begins on line 27 refers to imprudence,
19 but certainly the sentence that begins on line 29 does not.

20 JUDGE MATUSCHAK: We think that where there is some
21 ambiguity or some difference of opinion, you can address
22 that in your briefs. We don't have the time to discuss
23 each phrase, each word and each sentence in this proceeding
24 and maintain the time constraints we have.

25 If there are matters, as we indicated in our order,

1 that should be received today which are matters which
2 relate solely to the prudency question, of course, that
3 testimony is out. There may be some testimony related to
4 the prudency and also delays and some other matters; that
5 testimony, of course, will not be stricken, but with the
6 understanding that it will all be considered on the modi-
7 fication matter and not on the prudency matter.

8 MR. CALVERT: Thank you, Your Honor.

9 JUDGE MATUSCHAK: We don't think, with the time
10 constraints we have and the fact that since you filed your
11 motion, Mr. Delaney, there have been other references to
12 the same subject matter, and we could go on forever trying
13 to pick out those items, so we have made a general ruling
14 on it; and where there is some difference of opinion, you
15 can address it in your briefs.

16 MR. DELANEY: I understand, Your Honor. Thank you.

17 JUDGE MATUSCHAK: I think that is the only practical
18 and pragmatic way we can deal with it. Otherwise, we will
19 be forever in trying to separate the wheat from the chaff,
20 so to speak, in this case.

21 MR. DELANEY: I understand, Your Honor.

22 JUDGE MATUSCHAK: Consumer Advocate?

23 MR. POPOWSKY: We have no questions, Your Honor.

24 JUDGE MATUSCHAK: Mr. Kleppinger?

25 MR. KLEPPINGER: Yes, Your Honor.

CROSS-EXAMINATION

1
2 BY MR. KLEPPINGER:

3 Q Just one question, Dr. Perl. Would you agree
4 with me that when conducting regression analyses, if the
5 analyst comes across a variable which is a significant
6 variable, if one is to remove that variable, it should be
7 replaced with another variable which has comparable
8 significance?

9 A No, I would not agree with that.

10 Q If you remove a variable which is deemed signifi-
11 cant, doesn't that have the effect of tilting the accuracy
12 of the regression if you do not replace that variable with
13 something of comparable significance?

14 A It has the effect of giving you a different
15 result, but, as I tried to suggest in my testimony, in inter-
16 preting regressions, the statistical significance of indi-
17 vidual variables is just one criteria. The sensibleness
18 of the regression, the sensibleness of the result is
19 another criteria. I think you can't do these things with-
20 out employing judgment.

21 The particular regression that I believe we are
22 alluding to here, in which Mr. Falkenberg put in both a
23 time and a time squared variable to reflect an historic
24 time frame, I certainly wouldn't argue that the time
25 squared is not significant; I think it is significant,

1 and it is true that over the historic period that he looks
2 at the trend was accelerating.

3 I think to use that, as he does, to suggest that as
4 a consequence the trend in capital costs would continue to
5 accelerate for roughly another ten years, doesn't make
6 any sense to me.

7 I think good sense would imply that that is not a
8 good way to represent the trend in terms of extrapolating
9 it.

10 Q So when you performed your surrebuttal analysis,
11 you removed that variable; is that correct?

12 A Yes.

13 Q What variable did you put in its place, if any?

14 A Time.

15 Q Just time.

16 MR. KLEPPINGER: Thank you.

17 I have no further questions, Your Honor.

18 JUDGE MATUSCHAK: Mr. Widoff?

19 MR. WIDOFF: I have no questions, Your Honor.

20 JUDGE MATUSCHAK: Mr. Clark?

21 MR. CLARK: No questions.

22 JUDGE MATUSCHAK: Redirect?

23 MR. CALVERT: Your Honor, if we could have just a
24 moment.

25 (Pause.)

1 MR. CALVERT: Your Honor, we have no redirect.

2 JUDGE MATUSCHAK: Very well. The witness is
3 excused.

4 MR. CALVERT: Your Honor, just to clarify one
5 point; Dr. Perl did submit an addendum to his direct
6 testimony, and that is the addendum that Mr. Delaney re-
7 ferred to.

8 I am told by one of my group that reviewed the
9 record that it is not crystal clear that the addendum was
10 moved into evidence.

11 JUDGE MATUSCHAK: Do you want to do that now?

12 MR. CALVERT: Yes. I think maybe to make it crystal
13 clear, we should.

14 **REDIRECT EXAMINATION**

15 BY MR. CALVERT:

16 Q. Dr. Perl, you submitted as really a correction to
17 your initial testimony, your direct testimony, which is
18 PECO Statement No. 11, an addendum; is that correct?

19 A. Yes, sir, it is.

20 Q. That addendum was prepared by you or under your
21 direction?

22 A. It was.

23 Q. And, in fact, it has been submitted to all the
24 parties in this proceeding?

25 A. Yes, it has been.

1 MR. CALVERT: Your Honor, at this time I would move
2 that that addendum be admitted into the record, to the
3 extent it hasn't already been admitted, as part of Dr. Perl's
4 testimony.

5 JUDGE MATUSCHAK: Any objections?

6 MR. DELANEY: No objection.

7 JUDGE MATUSCHAK: Hearing no objections, the motion
8 is granted.

9 (Whereupon, the document marked as
10 an addendum to PECO Statement No.
11 11 was received in evidence.)

12 JUDGE MATUSCHAK: The witness is excused.

13 (Witness excused.)

14 MR. CALVERT: Your Honor, we would now call Mr. Rush.
15 Your Honor, Mr. Rush has previously been sworn and has pre-
16 viously been cross-examined.

17 Whereupon,

18 CARY H. RUSH

19 having previously been duly sworn, testified further as
20 follows:

21 DIRECT EXAMINATION

22 BY MR. CALVERT:

23 Q. Mr. Rush, can you please state your full name
24 for the record?

25 A. My name is Cary H. Rush.

Q. Would you give us your business position and

1 business address, please?

2 A. Chief Engineer, Research and Planning, Philadel-
3 phia Electric Company, 2301 Market Street, Philadelphia.

4 Q. Mr. Rush, do you have before you a document of
5 some 17 pages entitled "Rebuttal Testimony of Cary H. Rush,"
6 PECO Statement No. 14A?

7 A. Yes, I do.

8 Q. Do you have a document before you of some eight
9 pages entitled "Sur-surrebuttal Testimony of Cary H. Rush,"
10 PECO Statement No. 14B?

11 A. Yes, I do.

12 Q. Are these documents your rebuttal and sur-
13 surrebuttal testimonies in this proceeding?

14 A. Yes, they are.

15 Q. Were they prepared by you or under your direction?

16 A. Yes, they were.

17 Q. Are there any corrections that you wish to make
18 to either of your testimonies at this time?

19 A. Yes. There are three minor typographical
20 changes. In the rebuttal testimony, page 13, line 23, the
21 partial sentence, "arbitrarily adjusted it upward to 6139
22 NW," that should be "MW," for megawatts.

23 JUDGE MATUSCHAK: What page is that again?

24 THE WITNESS: Page 13, Your Honor, line 23, of my
25 rebuttal testimony. It is the second line of the second

1 answer on that page.

2 JUDGE MATUSCHAK: What should that be?

3 THE WITNESS: That should be "MW" instead of "NW;"
4 "6139 M," as in megawatts, instead of "N," as it reads
5 right now.

6 JUDGE MATUSCHAK: Very well.

7 THE WITNESS: In the sur-surrebuttal testimony on
8 page 5, again line 23 --this is in the fourth line of the
9 second answer -- the word "objective" should be "objection."

10 The final change is on page 9. Page 9 is Exhibit
11 CHR-2. The total of "Average Capacity Outaged" on that
12 page reads "8037.7;" that should be "8034.7."

13 Those are the only changes.

14 BY MR. CALVERT:

15 Q. Mr. Rush, if I were to ask you the questions
16 set forth in your rebuttal and sur-surrebuttal testimonies,
17 would your answers be as they appear therein, subject to
18 the corrections that you have just listed, and would those
19 answers be true and correct at this time?

20 A. Yes, they would.

21 Q. As part of your rebuttal and sur-surrebuttal
22 testimony, did you submit any exhibits?

23 A. Yes, I did.

24 Q. Are those Exhibits CHR-1, CHR-2 and CHR-3(a),
25 (b) and (c)?

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A. That's correct.

Q. And those are in your sur-surrebuttal testimony?

A. That's correct.

Q. Were those exhibits prepared by you or under your direction?

A. Yes, they were.

MR. CALVERT: Your Honor, at this time I move that the rebuttal and sur-surrebuttal testimonies of Mr. Rush, as corrected, be admitted as part of the record of this proceeding identified as PECO Statements Nos. 14A and 14B, and that the exhibits be admitted as part of the record and identified as Exhibits CHR-1, 2 and 3(a), (b) and (c), subject to timely motions to strike.

JUDGE MATUSCHAK: The motion is granted.

(Whereupon, the documents were marked as PECO Statements Nos. 14A and 14 B, and PECO Exhibits Nos. CHR-1, CHR-2 and CHR-3(a), (b) and (c) for identification, and were received in evidence.)

MR. CALVERT: Your Honor, Mr. Rush is available for cross-examination.

CROSS-EXAMINATION

BY MR. DELANEY:

Q. Good morning, Mr. Rush. My name is Dan Delaney. I have some questions for you on your testimony.

A. Good morning.

1 Q In the rebuttal testimony, could you turn to
2 page 11, please?

3 A Yes.

4 Q On that page you are discussing the Staff's
5 proposed forced outage rate adjustment beginning on line 11.
6 Could you indicate, Mr. Rush, is the reporting of
7 forced outages governed by PJM agreements?

8 A Yes.

9 Q Would it be correct that the 3.21 percent figure
10 represents the factor PJM uses to adjust PECO's required
11 reserve margin to the forced outages experienced by PECO
12 in comparison to the other PJM companies?

13 A The forced outage rate that is reported to PJM
14 is certainly one of the factors that was in the adjustment
15 of the reserve, yes.

16 Q And specifically the 3.21 percent figure; does
17 that represent the factor that PJM uses because of the
18 PECO forced outage rate?

19 A The 3.21 percent, again, is a number that is a
20 three-year historic running average that was calculated in
21 '83. It is the correct number for the calculation made in
22 '84. In other words, this number is updated every year.

23 Q Would I be correct that that is the figure re-
24 quired by the PJM agreements or calculated pursuant to the
25 PJM agreements?

1 A. That is the number that is calculated pursuant
2 to PJM agreement in 1984.

3 Q. On page 12, Mr. Rush, lines 7 and 8, you dis-
4 cuss outages found to be prudent in the Commission's ECR-8
5 order.

6 Did the Commission not also find several outages
7 that the company experienced to be imprudent and disallow
8 \$7 million of purchased power costs in that order?

9 A. That is my understanding; yes.

10 Q. And they would be primarily the Salem 1 outages,
11 if you know?

12 A. They would be Salem 1, of course, as I address
13 them here, and that was not part of the PE system at that
14 time.

15 Q. I think your reference in your testimony is to
16 Salem 2.

17 A. Salem 2; excuse me. Salem 1; that's right.

18 Q. My prior question as to Salem 1, it was a part
19 of the company's rate base at that time; is that correct?

20 A. You are correct.

21 MR. DELANEY: That's all the questions I have,
22 Your Honor.

23 Thank you, Mr. Rush.

24 JUDGE MATUSCHAK: Consumer Advocate?

25 MR. POPOWSKY: Yes, Your Honor.

CROSS-EXAMINATION

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BY MR. POPOWSKY:

Q I just have a question, Mr. Rush, about your chart on page 6 of your rebuttal testimony, Statement 14A.

A Yes.

Q You show that chart to indicate the number of retirements that Philadelphia Electric Company anticipates during the years 2000 to 2011; is that correct?

A That's correct; yes.

Q For Peach Bottom 2 and 3 and for Salem 1 and 2, the year of retirement for all four of those units is 2008; is that correct?

A That's correct.

Q Am I correct, for example, that in the year 2008, Salem 2 will have been in service for 27 years?

A That's correct. These retirements, as I note on the right, are based on the end of NRC License.

Q So, in fact, if we look at the oldest unit, which I take it is Peach Bottom 2, versus the newest unit, which is Salem 2, the age of those units, that is, in terms of commercial operation, the years of commercial operation would range from 27 to 34 years as of that date?

A From commercial operation, that is correct; yes.

Q Would the company at that time, assuming the plants are still operating and still functioning, is it

1 conceivable that the company would seek an extension of
2 the NRC License at that time?

3 A. I would think, depending upon the condition of
4 the plant, and based on our experience to date, certainly,
5 it would be an alternative we would pursue. I don't know
6 why we wouldn't.

7 MR. POPOWSKY: That's all the questions I have.
8 Thank you, Your Honor.

9 JUDGE MATUSCHAK: Any other cross-examination of
10 this witness?

11 MR. WIDOFF: Yes, Your Honor.

12 CROSS-EXAMINATION

13 BY MR. WIDOFF:

14 Q. Just staying, Mr. Rush, with page 6 of your
15 rebuttal testimony to which the Consumer Advocate has just
16 referred, is it correct that your chart indicates that you
17 are planning a 50-year life for Eddystone 1 and 2?

18 A. That's right.

19 Q. And also for Cromby 1?

20 A. Yes.

21 Q. And you are projecting a 40-year life for cer-
22 tain miscellaneous combustion turbines; is that correct?

23 A. That's correct. These are the dispersed turbines.

24 Q. Now, I would like to refer you, if I may, to
25 your sur-surrebuttal testimony, and specifically to page 3.

1 In the middle of that page you indicate that "Mr. Chernick
2 fails to cite any major steam electric generating units in
3 the United States which have operated significantly in
4 excess of 50 years;" is that correct?

5 A. That's correct.

6 Q. You then go on to note, as we have just stated,
7 that PECO itself is projecting a 50-year life for certain
8 of its units; is that correct?

9 A. Yes; we are planning to get the experience of a
10 50-year life for units.

11 Q. Now, in order for the unit to have, as of 1986,
12 -- this is March of 1986; in order to cite a unit that
13 would have a life in excess of 50 years, when would that
14 unit have had to have been built?

15 A. If I can rephrase your question, you're asking,
16 as we sit here today, what would I consider a unit signifi-
17 cantly in excess of 50 years of operation?

18 Q. Yes.

19 A. I would probably say something at least 60
20 right now, which would be 1926, thereabouts.

21 Q. What would the heat rates be for a unit of that
22 vintage?

23 A. I would expect they would be in the -- probably
24 about the 10,000 Btu per kilowatt-hour heat range.

25 Q. How would that compare to a plant like Eddystone

1 and 2 and Cromby?

1
2 A. Probably not too differently, because those
3 three units have been retrofitted with sulfur removal
4 systems. Originally, they had heat rates around 9,000 --

5 JUDGE MATUSCHAK: Keep your voice up, Mr. Rush.

6 THE WITNESS: Those three units originally were
7 around 9,000 as far as heat rates would go. I believe
8 with the addition of the sulfur removal systems, they are
9 probably in the 9,500 to 10,000 range now.

10 BY MR. WIDOFF:

11 Q. Isn't it a fact, Mr. Rush, that plants built
12 prior to, let's say, 1935, would have had a heat rate in
13 general of significantly higher than 10,000 Btu?

14 A. That is possible; yes.

15 Q. Now I would like to direct your attention to
16 page 4 of your sur-surrebuttal, and specifically to your
17 answer beginning on line 27. Am I correct that you there
18 do acknowledge a connection between the addition of Salem
19 2 and the retirement of Richmond Unit 9?

20 A. Yes.

21 Q. Now I would like to refer you to page 5 of your
22 sur-surrebuttal. At the bottom of that page you indicate
23 that Mr. Chernick has given vague descriptions of his pro-
24 cedure in statements such as "I scaled up the NEPOOL size
25 parameter [m-factor] to reflect PJM's larger system."

1 Then you go on to state that with regard to the value of
2 "m," you indicate that "he has offered no detailed procedure
3 in support of his procedure. Nor has he provided any
4 theoretical support for his procedure."

5 Is that an accurate summary of your testimony at
6 that point?

7 A. That is reasonably accurate.

8 Q. Did you or anybody on behalf of the company
9 at any point in this proceeding, either through cross-
10 examination or through discovery, ask Mr. Chernick for
11 additional detail in support of those calculations?

12 MR. CALVERT: Your Honor, if I might, I object to
13 the breadth of the question because he is asking whether
14 or not anybody else on behalf of the company may have done
15 something. I assume he means including counsel.

16 JUDGE MATUSCHAK: Confine your question.

17 BY MR. WIDOFF:

18 Q. Let me rephrase the question. Did you or, to
19 your knowledge, did the company request any detail or
20 backup with regard to these calculations?

21 A. I am aware that we have, to the best of my
22 knowledge, Mr. Chernick's work papers. For example, I
23 think we have his spread sheets.

24 Q. Did you examine those work papers?

25 A. Yes.

1 Q On the basis of those work papers, did you ask
2 for additional backup or explanation with regard to those
3 calculations?

4 A No.

5 Q Now, I would like to refer you to your Exhibits
6 CHR-3(b) and 3(c). Am I correct there that you have made,
7 at least with regard to 3(c), you have made certain changes
8 to Mr. Chernick's calculation of the m-factor?

9 A That's right.

10 Q Am I correct that even as with regards to 3(c),
11 that if we compare the ELCC numbers for the new combustion
12 turbines, that even with the adjustment you have made, that
13 those new combustion turbines show a greater reliability
14 calculation than for Limerick 1?

15 A Those particular units by themselves might; yes.

16 Q Is that also correct with regard to CHR-3(b)?

17 A Yes.

18 MR. WIDOFF: Your Honor, I have no further questions.

19 JUDGE MATUSCHAK: Mr. Kleppinger.

20 MR. KLEPPINGER: No questions, Your Honor.

21 JUDGE MATUSCHAK: Any other cross-examination?

22 (No response.)

23 JUDGE MATUSCHAK: Redirect?

24 MR. CALVERT: Your Honor, could we have just a
25 moment with the witness?

JUDGE MATUSCHAK: Yes.

(Pause.)

MR. CALVERT: Your Honor, I have just a few questions

JUDGE MATUSCHAK: Very well.

REDIRECT EXAMINATION

BY MR. CALVERT:

Q Mr. Rush, Mr. Widoff referenced a couple of questions with respect to your rebuttal testimony at page 6, and specifically the table that appears there.

A Yes, sir.

Q Do you have it?

A Yes, sir.

Q And I believe he asked you a question about miscellaneous combustion turbines and the fact that there was a projected 40-year life for those?

A That is correct.

Q Would you explain why there is a projected 40-year life for those particular combustion turbines?

A Yes. I think, as I referenced somewhere else, the distinction we have made in combustion turbines is those that are concentrated in one area and were put in in a stop-gap capacity versus combustion turbines that were installed for specific load relief at substations, and, more importantly, after our experience and the New York Power Pool's experience on blackouts, we installed

1 combustion turbines for safe shutdown at generating stations.
2 The 335 megawatts of combustion turbines have been assumed to
3 have a normal life extension to go along with the life
4 extensions of the coal-fired units.

5 For example, there are gas turbines at Eddystone
6 for safe shutdown and throughout the system for load
7 relief, so they fall into a distinctly different category
8 than those put in for quick start capacity for safe
9 shutdown and dispersed load relief.

10 Q If you will now turn to your sur-surrebuttal
11 testimony, and specifically Exhibit CHR-3(b) and CHR-3(c),
12 with respect to 3(b) you will recall that Mr. Widoff
13 asked you a question about the reliability value for the
14 new CTs?

15 A Yes.

16 Q Am I correct that at least part of the way that
17 value is determined is based on a forced outage rate
18 assigned to those units?

19 A That is correct. Even the Garber approxima-
20 tion method leans entirely on the forced outage rate on
21 the capacity unit.

22 Q Which is what is reflected in 3(b) and 3(c)?

23 A The forced outage rates are reflected there.

24 Q That is the Garber approach?

25 A Right.

1 Q Now looking at new CTs' forced outage rate
2 of eight percent, where does that figure come from, if
3 you know?

4 A I believe these numbers were based on hypo-
5 thetical FERC data for what newly installed combustion
6 turbines would have as a forced outage rate.

7 Q What has been PECO's experience with respect
8 to forced outage rates for CTs?

9 MR. WIDOFF: I a going to object, Your Honor.

10 THE WITNESS: Peco's experience has shown that --

11 MR. CALVERT: Just a moment, Mr. Rush. There is
12 an objection.

13 MR. WIDOFF: The questions on cross-examination were
14 relating to the new CTs and the witness' own numbers and
15 projections. The question of what the existing CTs'
16 forced outage rates would be is comparing apples and
17 oranges, Your Honor, because I never asked about the
18 existing CTs, and with the existing CTs we may be comparing
19 units that could be of a different vintage, different age
20 groups; and to get into that question it seems to me is
21 entirely unconnected with the cross-examination. It has
22 nothing to do with the witness' testimony --

23 JUDGE MATUSCHAK: The objection is sustained.

24 MR. CALVERT: Your Honor, if I might make an offer
25 of proof on that. What Mr. Widoff was asking about was

1 the reliability value of the new CTs, and, as this witness
2 has testified, that reliability value is made up of certain
3 elements which are set forth in his exhibits.

4 What this witness will testify is that the forced
5 outage rate assigned to the new CTs, based on FERC data
6 -- or a FERC estimate, is much different than a forced
7 outage rate that in fact PECO experiences for units such
8 as this. And, therefore, the testimony will be that the
9 liability figure that is greater than 1, as referenced
10 by Mr. Widoff, in fact would come out to some figure less
11 than 1, showing that Limerick indeed would be more
12 reliable, depending on the forced outage rate that was
13 used.

14 It seems to me that is fair ground for redirect,
15 based on the questions that Mr. Widoff asked.

16 MR. WIDOFF: Your Honor, I think the counsel has
17 just further emphasized the point that I made in my
18 objection. He wants to make an argument based upon the
19 numbers that are already in his exhibit, and wants to
20 extrapolate based on some older CT units as compared to
21 what he has already got in the record as the basis for
22 the eight percent figure.

23 He is perfectly free to make that argument in his
24 brief, but to put this in as relevant or proper testimony
25 based on cross-examination, Your Honor, I would reiterate

1 my objection.

2 JUDGE MATUSCHAK: The objection is sustained.

3 BY MR. CALVERT:

4 Q Mr. Rush, looking again at the new CTs, and
5 realizing that in your Exhibit 3(b) it has an eight per-
6 cent forced outage rate, assuming hypothetically that
7 that forced outage rate was some number larger than
8 eight percent, and in fact for the purposes of my hypo-
9 theoretical let's assume that it was 28 percent, how would
10 that affect the reliability number which is derived for
11 those new CTs?

12 MR. WIDOFF: Objection, Your Honor. Counsel is
13 simply trying to ask the same question in a different form.

14 JUDGE MATUSCHAK: Yes. Sustained.

15 MR. CALVERT: No further questions, Your Honor.

16 JUDGE MATUSCHAK: Thank you.

17 (Witness excused.)

18 MR. CALVERT: Your Honor, our next witness is
19 Mr. English.

20 Your Honor, this witness has not been sworn.

21 Whereupon,

22 PAUL X. ENGLISH

23 having been duly sworn, testified as follows:
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DIRECT EXAMINATION

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BY MR. CALVERT:

Q Mr. English, could you please state our full name for the record?

A Paul X. English.

Q Could you give us your business position and business address please?

A I'm Manager of the Fuel Procurement Department of Philadelphia Electric Company, 2201 Market Street, Philadelphia, Pennsylvania.

Q Mr. English, do you have before you a document of some 11 pages entitled "Rebuttal Testimony of Paul X. English," PECO Statement Number 32?

A Yes, I do.

Q Is this your rebuttal testimony in this proceeding?

A It is.

Q Was it prepared by you or under your direction?

A Yes.

Q Are there any corrections which you wish to make to your rebuttal testimony at this time?

A I have two corrections. One page 2, line 35, it names Dr. William J. Hogan. That should be Dr. William W. Hogan.

And on page 9 at line 23, PECO Statement Number

1 15B should be 15A.

2 Those are all the corrections.

3 Q If I were to ask you the questions set forth
4 in your rebuttal testimony would your answers be as they
5 appear therein, subject to the corrections you have listed,
6 and would those answers be true and correct at this time?

7 A They would be.

8 Q As part of your rebuttal testimony did you sub-
9 mit any exhibits?

10 A Yes, I did. I have three.

11 Q Are those exhibits identified as PXE-1, 2 and
12 3?

13 A Yes, they are.

14 Q And were those exhibits prepared or compiled
15 by you or under your direction?

16 A Yes, they were.

17 MR. CALVERT: Your Honor, at this time I would move
18 that the rebuttal testimony of Mr. English as corrected
19 be admitted as part of the record in this proceeding,
20 identified as PECO Statement Number 32, and that the
21 exhibits be admitted as part of the record as identified
22 as Exhibits PXE-1, 2 and 3, subject to any timely motions
23 to strike.

24 JUDGE MATUSCHAK: The motion is granted.
25

(Whereupon, the documents were marked as PECO Statement No. 32 and PECO Exhibits Nos. PXE-1, 2 and 3 for identification and were received in evidence.)

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MR. CALVERT: Mr. English is available for cross-examination.

JUDGE MATUSCHAK: Trial Staff?

MR. DELANEY: Staff has no questions for this witness.

JUDGE MATUSCHAK: Consumer Advocate?

CROSS-EXAMINATION

BY MR. POPOWSKY:

Q I have just a few questions, Mr. English. My name is Irwin Popowsky. I'm with the Consumer Advocate's office.

A Good morning.

Q Mr. English, could you just very briefly and generally describe what is meant by the terms, crude oil, distilled oil, and residual oil?

A Crude oil is the oil as it comes out of the ground. It is the base product.

Distillate oil is the higher -- some people would say higher quality oil; that includes No. 2 oil such as home heating oil and diesel fuel, and items such as that.

Residual oil is as the name implies; it is the residue left when the naptha, gasoline and distillate oils

1 have been extracted from the barrel of crude by the
2 refining process.

3 Q Am I correct then that among the three the most
4 expensive of those three kinds of oil would be distillate
5 oil; is that correct?

6 A Generally speaking, that is true.

7 JUDGE MATUSCHAK: What number is that, Mr. English?

8 THE WITNESS: What number oil is that?

9 JUDGE MATUSCHAK: Distillate.

10 THE WITNESS: Distillate oil would be a kerosene
11 or No. 2 oil in most cases.

12 But if I can interject one thing, as price moves
13 back and forth, if you will notice when you buy a
14 distillate oil for your automobile if you are burning
15 diesel it is more expensive than gasoline at the moment;
16 so there are some strange things that take place.

17 JUDGE MATUSCHAK: Thank you.

18 BY MR. POPOWSKY:

19 Q With respect to the price relationship between
20 crude oil and residual oil, as you indicated, residual
21 oil, as the term implies, is what is left at the bottom
22 of the barrel after the gasoline and distillate oil have
23 been distilled.

24 How does the price of residual oil generally com-
25 pare with the price of crude oil?

1 A It is usually a little more expensive as it
2 follows down, and then it lags going up as prices increase.
3 Residual oil has a high Btu content.

4 Q So you say sometimes it is a little more
5 expensive and sometimes it is a little less expensive
6 than the crude oil, itself; is that correct?

7 A That's true.

8 Q At page 9 of your testimony you indicate at
9 lines 37 to 39 that -- this is in Statement 32 at page
10 9 at lines 37 to 39; you indicate that, "Since the early
11 1980s it is true that markets have been soft and we have
12 seen a recent drop in the price of crude oil."

13 How would you describe the drop which occurred in
14 the price of crude oil over the last few months?

15 A Do you mean versus resid?

16 Q I'm sorry; I'm saying generally, just talking
17 about the price of crude oil. What has happened to the
18 price of crude oil, for example, since January 1, 1986?

19 A Well, it's dropped an unprecedented amount in
20 the last ten years.

21 Q And just roughly, to the nearest dollar per
22 barrel, approximately how much has the price of crude oil
23 dropped since January 1, 1986?

24 A Well, it is difficult -- I'm not trying to be
25 evasive, but it is difficult to respond because marketplaces

1 come into play. If you look at the newspaper it will say
 2 that it is down to the \$10 to \$12 range, but that's an
 3 incremental amount probably on the Rotterdam market. I
 4 don't buy crude; I buy residual oil, and the least that
 5 I've seen there for us has been around \$17.

6 Q If I could just get back, you said that if you
 7 look at the newspaper; for example in this morning's
 8 "Wall Street Journal," we find spot crude oil prices in
 9 the \$10 to \$12 range.

10 A That's right.

11 Q Is that correct?

12 A I don't know about this morning. I haven't
 13 read this morning's, but last week's, yes. There's a
 14 slight upkick over the last three days; it was up around
 15 \$13 I think yesterday.

16 Q And residual oil prices have also gone down
 17 during this period; is that correct?

18 A That's right, but they are not following
 19 directly. They are coming down and they are still somewhat
 20 apart.

21 Q And the lowest price that PECO has paid then
 22 is about \$17 a barrel?

23 A That's true.

24 Q And when did PECO pay that?

25 A That was last week.

1 Q And residual oil is what PECO primarily would
2 use; is that correct?

3 A Yes, we burn No. 2 oil for combustion turbines
4 and that sort of thing, but our primary fuel is -- our
5 oil fuel would be residual fuel.

6 Q And what is PECO projecting for the rest of
7 this year for the price for residual oil; what is your
8 current prediction for the price of residual oil for the
9 rest of 1986?

10 A Well, we are -- for '86 I see a slight upkick,
11 but certainly nothing phenomenal. But we have not made
12 a formal projection because the market is in such
13 disarray. Neither we nor our consulting people are mak-
14 ing predictions right at the moment, such as DRI.

15 Q When you say a slight upkick but not something
16 phenomenal, do I take it you mean something on the order
17 of up to perhaps \$20 a barrel, but not \$30?

18 A Yes. It may be lower.

19 Q It may be lower?

20 A It may be in the \$17 to \$20 range; it would
21 be fairly flat.

22 Q And what is your present projection, if you
23 have one, for the year 1987; that is next year, for the
24 price of residual oil?

25 A I think you will see an increase. I don't

1 have a specific forecast other than the one we had before,
2 but I think you will see an increase that will move up
3 into the \$20s.

4 Q Into the \$20s; into the late \$20s, is that
5 your best estimate?

6 A Probably, but it is strictly a very difficult
7 thing to forecast. I mean we are talking about times
8 months away, and there are so many things going on.

9 Q But that would be your best estimate at this
10 time?

11 A No, because I think I should sit down and
12 really do an analysis of it, but even to do an analysis
13 is very difficult right now. I don't think we should make
14 forecasts. I mentioned the people who are professional
15 forecasters are not making forecasts right now. DRI is
16 not making a forecast right now.

17 Q That was my next question. The company does
18 subscribe to the DRI forecasting service; is that correct?

19 A That's correct.

20 Q And DRI is the only forecaster that Philadelphia
21 Electric subscribes to; is that correct?

22 A That is correct.

23 Q And you have been subscribing to DRI since 1983;
24 is that correct?

25 A That's correct.

1 Q Do you have the most recent DRI forecast; did
2 DRI provide you with a forecasting as of February 1986?

3 A No, they did not.

4 Q The most recent forecast you have then would
5 be the November 1985 forecast?

6 A The November; that is correct.

7 Q With respect to coal prices, do you know if
8 Philadelphia Electric Company has in the past year, for
9 example, reduced its near-term forecast for the cost of
10 coal; for example, the 1986 cost of coal that you are
11 currently projecting, do you know if that is lower than
12 what you had projected a year ago for 1986?

13 A I think it is slightly lower, but nothing
14 material.

15 MR. POPOWSKY: That's all the questions I have.
16 Thank you, Your Honor.

17 Thank you, Mr. English.

18 JUDGE MATUSCHAK: Mr. Kleppinger?

19 MR. KLEPPINGER: No questions, Your Honor.

20 JUDGE MATUSCHAK: Mr. Widoff?

21 MR. WIDOFF: No questions.

22 JUDGE MATUSCHAK: Is there any redirect?

23 MR. CALVERT: Your Honor, just one moment.

24 (Pause.)

25 MR. CALVERT: Your Honor, I have just one or two

1 brief questions.

2 REDIRECT EXAMINATION

3 BY MR. CALVERT:

4 Q Mr. English, in responding to some questions
5 from Mr. Popowsky you made the statement that you did not
6 think it was appropriate to make a forecast at this time.
7 Would you please explain what you meant by that?

8 A I meant a near-term forecast for the next
9 few months. I think the forecast that we have, the
10 previous forecast, would be valid probably coming up into
11 the late '80s and on out.

12 If this thing follows the normal procedure we will
13 see an upkick that will be significant as the world market,
14 perhaps with OPEC emphasizing the fact they have made their
15 point and they have driven the price down and are
16 flooding it, and they will have more control over the
17 marketplace. So what I think we will see happen is more
18 control will come back into the world market which will
19 bring us back to about where we were by the late '80s.
20 It could be '87; it would certainly be '88, I would think,
21 the '88-'89 period.

22 So I think that the forecasts that we had before
23 will be very valid and will come back on line in the
24 '88-'89 period, and maybe even in late '87.

25 But right now we are mushing along somewhat while

1 these things sort out.

2 MR. CALVERT: That's all I have, Your Honor.

3 JUDGE MATUSCHAK: Is there anything further question-
4 ing for this witness?

5 (No response.)

6 JUDGE MATUSCHAK: Thank you.

7 (Witness excused.)

8 MR. CALVERT: Your Honor, that's all we have for
9 today. I think that concludes all the witnesses we had
10 scheduled.

11 MR. WIDOFF: Your Honor, before we break I would
12 like at this time to have marked for identification and
13 admission into evidence the surrebuttal testimony of
14 Paul Chernick, which we would like to have marked as
15 UUC/UP Statement Number 1A. The company and all of the
16 parties to this proceeding have indicated to us that they
17 waive Mr. Chernick's presence at the hearings, and,
18 therefore, it will not be necessary to actually produce
19 him.

20 He has been sworn in this proceeding, and, there-
21 fore, based on that understanding, we would like at this
22 time to move for the admission of UCC/UP Statement Number
23 1A into evidence.

24 MR. CALVERT: No objection, Your Honor.

25 JUDGE MATUSCHAK: Is there any objection by other

1 counsel?

2 (No response.)

3 JUDGE MATUSCHAK: The motion is granted.

4 (Whereupon, the document was
5 marked as UUC/UP Statement No.
6 1A for identification and was
7 received in evidence.)

8 JUDGE MATUSCHAK: Is there anything further?

9 MR. CALVERT: Your Honor, just in terms of
10 scheduling, first of all, are we starting at 9:00
11 tomorrow or 9:30?

12 JUDGE MATUSCHAK: We will start at 9:30.

13 MR. CALVERT: Mr. MacGregor asked that I make a
14 request, and that is that tomorrow we have sort of two
15 sets of witnesses; one as Limerick-related issues
16 witnesses, and some phase-in witnesses, as well as some
17 witnesses on the 80/20 ECR question.

18 Mr. MacGregor apparently has spoken with Ms.
19 Chestnut and Mr. Clark -- and I don't know if he has
20 talked with others -- but he would like the 80/20
21 witnesses, which he thinks will take an hour and a half,
22 to go on right after lunch.

23 We would begin with Limerick and phase-in witnesses
24 first, after lunch take about an hour and half to do the
25 80/20 witnesses, and then complete whatever is necessary
with the other witnesses after that.

1 JUDGE MATUSCHAK: Do other counsel have any comments?

2 MR. DELANEY: I have no objection, Your Honor.

3 I wonder if Mr. Calvert could list the company
4 witnesses for tomorrow.

5 MR. CALVERT: Yes. For the company tomorrow will
6 be Hieronymus, Hogan, Schink, Clemente and, as I under-
7 stand it, Dr. Schinnar and Feldman will also be here to
8 be cross-examined as well on their testimony. We will
9 be cross-examining them.

10 I understand that the 80/20 witnesses are Messrs.
11 Hill, Carroll, Hosler and Rosenthal, again respresenting
12 the different parties.

13 JUDGE MATUSCHAK: Dr. Wilson is also scheduled
14 for tomorrow.

15 MR. CALVERT: That's not on my list.

16 MR. DELANEY: I just have a clarifying question.
17 I understand Mr. Hill is also sponsoring Limerick revenue
18 requirements testimony, and he will address that on
19 Thursday?

20 MR CALVERT: Yes.

21 MR. DELANEY: So he will appear both tomorrow and
22 on Thursday?

23 MR. CALVERT: I think that is correct. I could
24 get a clarification on that if you would like. I note
25 on my list it says he may be done on the 12th. I think

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the idea was that tomorrow may be a longer day than Thursday; I think that they were thinking that Hill could then do his revenue requirements testimony on Thursday simply because we will have more time.

MR. DELANEY: I think that we would prefer to have Mr. Hill present his Limerick revenue requirements testimony on Thursday.

MR. CALVERT: Let's just agree that he will do that because I'm sure he will be here both days.

JUDGE MATUSCHAK: Wednesday and Thursday?

MR. CALVERT: Mr. Hill, Your Honor, will be testifying about the Limerick revenue requirements, and that portion of his testimony will be on Thursday as opposed to the 80/20 testimony which he will give tomorrow.

JUDGE MATUSCHAK: Very well.

MR. DELANEY: That's fine.

JUDGE MATUSCHAK: Do I understand that we have completed the testimony that has been scheduled for today?

MR. CALVERT: Yes, Your Honor.

MR. DELANEY: That's correct, Your Honor.

JUDGE MATUSCHAK: Very well. We will adjourn at this time until tomorrow morning at 9:30.

(Whereupon, at 11:30 a.m. the hearing was adjourned, to be reconvened at 9:30 a.m. on Wednesday, March 12, 1986 in Harrisburg, Pennsylvania.)

C E R T I F I C A T E

I hereby certify, as the stenographic reporter, that the foregoing proceedings were reported stenographically by me, and thereafter reduced to typewriting by me or under my direction; and that this transcript is a true and accurate record to the best of my ability.

COMMONWEALTH REPORTING COMPANY, INC

By: Judith A. Toberman
Judith A. Toberman

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