STD-501; 12-67
(FORMERLY OA-501)

COMMONWEALTH OF PENNSYLVANIA

June 12, 1986

SUBJECT: Pa. PUC, et al. v. Philadelphia Electric Company - R-850152

TO: Interested Parties

FROM: Chairman Taliaferro

The following is an index to the issues to be polled in the second polling of the above-captioned rate case.

NO.	ISSUE	PAGE
36.	Capital Structure	1
37.	Rate of Return	1
	a. Long-Term Debt	1
	b. Preferred Stock	4
	c. Common Equity	5
38.	Cost of Service; Production and Transmission Plant	12
39.	Cost of Service; Classification of Distribution Costs	19
40.	Cost of Service; Weather Adjustment	24
41.	Tariff Revisions - SEPTA and Amtrak Rates	25
42.	Tariff Revisions - Time-of-Use Allocation of Energy Related Costs	27
43.	Class Revenue Allocation: Allocation of Increase Across-the-Board Excluding Fuel Costs	28
44.	Tariff Revisions: Rate HT	31
45.	Tariff Revisions: HT Demand Ratchet	34
46.	Tariff Revisions: Residential Rate Design "Essential Use" Blocks	36
47.	Phase-In Plans	41
48.	Guarantee of Limerick I Energy Savings	49
49.	Unreconciled Energy Costs	52
50.	Interim ECR Revisions	57
51.	Nuclear Performance Standard	59
52.	Projected Price of Oil	63

36. Capital Structure

The Company claimed its capital structure ratio consists of 50.9% long term debt, 10.7% preferred stock, and 38.4% common equity. This is the Company's projected capital structure at June 30, 1986. The Commission Trial Staff, the Office of Consumer Advocate and the General Services Administration accepted the Company's claimed capital structure for the development of an allowable rate of return.

Administrative Law Judge Recommendation

The Administrative Law Judge recommended the adoption of the Company's proposed capital structure.

37. Rate of Return

a. Long-Term Debt

Company Position

The Company has claimed a cost rate of 10.86% for long-term debt. The Company's claim reflects:

1. the actual issuance of $41 million of 10.5% pollution control revenue bonds in October 1985;

2. the actual issuance of $250 million of 11.75% and $150 million of 10-7/8% First Mortgage Bonds in November 1985;

3. the actual tender of $78.096 million of 17-5/8%, $76.131 million of 18-3/4%, and $62.621 million of 18% First Mortgage Bonds in December 1985 for redemption;

4. cancellation of plans to sell $100 million of first

and refunding mortgage bonds for November of 1985

the Company plans to sell $100 million of First Mortgage Bonds in May of 1986;

proposed issuance of debentures in the amounts of $100 million in February 1986, $225 million in April 1986, and $225 million in June 1986;

proposed repayment of $550 million of the Limerick Revolving Credit Line derived from the proceeds of the sales of new debentures in February, April and June 1986;

proposed call in July 1986 of $46.904 million of 17-5/8% First Mortgage Bonds, not redeemed as a result of the tender offer in December 1985.

With regard to the $550 million Limerick Revolving Credit Agreement, the Company notes that the agreement is set to expire in 1988 and would have to be refinanced at that time. The Company felt that it had an opportunity to refinance this agreement with lower long-term interest rates at this time in lieu of delaying the refinancing for two years.

The Company claims that refunding of the agreement is consistent with the general principle that long-lived assets should be financed with long-term debt. The Company, in its exceptions, noted that it has refunded $450 million of the $550 million credit agreement with long-term debt having the weighted composite effective yield of 11.12%. This reduces the Company's claim from 10.86% to 10.76%.

General Services Administration Position

The General Services Administration recommends the use of a 10.36% debt cost rate in lieu of the Company's claimed 10.86%. This lower rate should be employed because:

1. a forecasted T-Bill yield of 7.15% in lieu of the Company's claimed 7.29% would be more appropriate;

2. the complainant recommends the disallowance of the $550 million exchange of revolving credit for an equal amount of debentures. The complainant contends that the current interest rates may continue or even decline as a result of possible downward changes in inflation from oil cost declines, adequate supplies of labor and raw material, Federal Reserve monetary policy and the possibility of an improvement in the Company's debt rating before the required repayment of the credit line starting in 1988;

3. the current line of credit with an effective cost rate of 9.75% would be replaced under the Company's proposal with debentures costing 11.88%;

4. the complainant's proposal does not reflect the amortization of the premium associated with the redemption of First Mortgage Bonds with cost rates of 17.62%, 19.75%, and 18%, nor the associated adjustment to the principle amount of debt outstanding.

Administrative Law Judge Recommendation

The Administrative Law Judge recommends the use of a long-term debt cost rate of 10.62%. The Judge found that the General

Services Administration position relative to the refinancing of the $550 million revolving line of credit was reasonable. He, therefore, adjusted the Company's claimed debt cost by 24 basis points.

If the Company were to be in a cash crisis in 1988 or if General Services Administration's predictions and speculations about possible cost rates were wrong, we would have missed an opportunity to lock in a fixed long-term debt cost rate at this point in time. These credit agreements must be refinanced at some point in time, in any event. Furthermore, refinancing at this point in time may effectively allow the Company to renegotiate another line of credit in order to go forward and complete the building of the Limerick II station.

Preferred Stock Costs

Company Position

The Company has claimed a preferred stock cost rate of 10.5% projected as of June 30, 1986. The Company notes that the Office of Consumer Advocate and the Commission Trial Staff have accepted this cost rate.

General Services Administration Position

The General Services Administration recommends the use of a 10.41% cost rate for preferred stock. The Complainants' claim is based on the opinion that the Company's estimate is inflated. GSA notes that the preferred stock issuance costs by BBB rated companies in December 1985 was 9.5%.

Administrative Law Judge Recommendation

The Administrative Law Judge recommended the adoption of the Company's claimed 10.5% cost rate. The Judge accepted the Company's claim that its preferred stock is subject to higher costs due to its greater investment risk than the average BBB rated utility.

Common Equity

Company Position

The Company has claimed a 15.9% equity cost be employed in developing the overall allowable rate of return. This recommendation relied primarily on discounted cash flow (DCF) and risk spread analysis. Specifically, the Company gave equal weight to a 15.6% DCF calculation and a 16.25% risk spread analysis to develop the overall recommendation of a 15.9% allowance.

The Company's DCF calculations contained a claimed dividend yield of 13.2%, which was based upon the spot yield at January 27, 1986 and the yields for the 52-week period ended December 31, 1985. Included in these dividend yield calculations were adjustments to reflect growth expectations in the "next period". The Company assumed a one-year dividend growth rate of 2.4% and included it in two of four dividend yield computations. This thus gave one-half weight to this investor expectation of future growth. The Company argues that the Commission has accepted this proposed dividend yield determination in several recent rate decisions.

The growth rate component of the Company's DCF analysis was 1.7%. This was determined based on a study of the Company's historic dividend growth rates for the five years ended 1984 and the Value Line and Merrill Lynch forecasted earnings and dividend growth rate projections. The Company's 1.7% growth rate gave 2/3 weight to the forecast data.

The Company contends that during the course of this rate proceeding, several events occurred which affected the price of the Company's stock and ratepayers' expectations about future earnings growth. Specifically, the Company notes that its stock price rose significantly, which depressed the dividend yield. The Company believes that the increase in the price of its stock was caused by an increase in the investors' expectations of its future earnings growth. These changes in investor growth expectations resulted in the Company revising its DCF growth analysis upward to 2.4%. The Company noted that its study of a four-company barometer group indicated that they had a growth rate of 2.9%. In view of the increase in the perceived stockholders' expectations of future growth, the Company proposed that an equal weighting be given to the Merrill Lynch expectation of growth (1.8%), the Value Line projection (2.0%) and the 3.5% historical dividend growth rate experienced by the Company. The average of these figures would result in a 2.4% growth rate in dividends.

The combination of the 2.4% growth rate and the updated dividend yield of 13.2% produces a DCF calculated equity cost rate of 15.6%.

The Company employed a bare-rent/risk-spread approach to calculate a required common equity cost rate of 16.25%. The cost of equity is separated into three parts:

1. the bare-rent (or risk-free rate);
2. investor long-term inflation expectations; and
3. the risk premium required for an investment in common equity capital.

The Company contends that its overall equity cost rate claim of 15.9% is reasonable in light of recent Commission equity allowances for other utilities with less investment risk than the Company. The Company also argues that its allowed rate of return is unlikely to be achieved due to attrition and regulatory lag. Also, the Company points out that under its phase-in plan, cash earnings will be significantly less in the first two years rates are in effect in any event, even if the full rate increase was granted.

Trial Staff Position

Trial Staff recommends the allowance of a 14.25% return on common equity. The Staff's analysis indicated that a range of allowable returns on common equity would be 14.0% to 15.0%. Staff believes that its recommended return allowance is a reasonable one, balancing both the interests of the Company's shareholders and ratepayers and, therefore, should be adopted.

In view of the downward trend in dividend yields, Staff used an average of spot and six-month dividend yields to calculate its Discounted Cash Flow equity cost rate allowance. The Staff's growth factor rates were taken from the Value Line in-

investment survey, Solomon Brothers Electric Utility Monthly and Merrill Lynch's Quantative Analysis. Estimates of the earnings growth rate for the Company ranged from negative 2.3% to 2%. The Staff employed a range of 1% to 2% for its estimation of dividend growth rates.

The Staff study of the discounted cash flow indicated that a return of 13.7% to 14.7% would be applicable to the Company. The Staff also studied a barometer group of electric utilities and this study indicated that an allowable return of 12.4% to 13.9% would be allowable. The Staff also employed a risk spread methodology in order to estimate an allowable common equity return. The Staff's risk spread analysis compares the yield to maturity of a company's seasoned first mortgage debt to that of another company. The spread between the debt is then added to a barometer group's DCF results to arrive at an indicated rate of return on common equity. The Staff's analysis indicated that a risk spread calculation would result in an allowable equity return range of 12.3% to 13.8%.

Office of Consumer Advocate Position

The Advocate recommends the allowance of a 14.0% return on common equity. The Advocate believes that the Company faces capital market conditions which are far more favorable than they have been in a number of years. In light of these conditions, the Advocate submits that the Company's fair rate of return should be no higher than 14%. The Advocate notes that dividend yields and essentially all money indicators are much lower now than a few years ago.

The Advocate performed a discounted cash flow analysis using PECO-specific data as the basis for the 14% recommended return. Based on the spot price as of February 6, 1986, this analysis indicated an allowable return of 12%, plus financing costs. The Advocate's 12% allowable return is a result of a dividend yield of 11.21% and a growth rate range of .2% to 1.2%.

The Advocate's original analysis showed that, under conditions less favorable than present, the Company's cost of equity was no higher than 14.75%. This original calculation was also supported by a DCF analysis performed on PECO-specific data and analysis examined data as of December 31, 1984 and data as of November 30, 1985. Equal weight was given to analysis to develop a market-derived cost of equity for PECO of 14.31%. To this was added 40 basis points to estimate the possible financing costs. The Advocate's 14.75% original recommendation was derived through the use of dividend yields of 13.97% as of November 30, 1985 and 14.78% as of December 31, 1984. The Advocate also employed investor-expected growth of between -.7% and .53%. This analysis resulted in a market-derived cost of equity for the Company within the range of 13.46% to 15.11%.

The Advocate believes that the Company's cost of equity included 75 basis points of risk associated with the construction of Limerick Unit II which should not be collected from ratepayers. The Advocate argues that the Commission's findings in its Limerick II investigation at I-840381 supports the exclusion from the Company's present rate of return of all additional risks associated with the construction of Limerick II. The Advocate

notes that the Commission ruled "we concluded that at a minimum PECO has not carried its burden of proof, which is to demonstrate by a preponderance of the evidence that the unconditioned completion of Limerick Unit II is in the public interest." "(PECO) should be willing to accept various of the risks which are inherent in continuing construction of Limerick Unit II, and not seek to absolve itself of certain risks and, thereby, to place them on the ratepayers." The Advocate notes that the Company in that investigation claimed that a construction cost containment program would increase the investors' perceived risk in the Company's securities and would increase the Company's cost of capital. The Advocate suggests that the Company may adjust its AFUDC rate in order to reflect the higher cost of equity resulting from the Limerick II investment.

General Services Administration Position

The GSA contends that the Company's cost of common equity is no greater than 14.56%. This recommendation is the mid-point of a potential range of allowable common equity of 13.72% to 15.41%. This range was based upon 1) a review of recent macroeconomic conditions including expectations for, and recent trends in the rate of inflation, current federal reserve policy on monetary growth, and loan demand; 2) a current market analysis of utility stocks in general and PECO's stocks specifically; and 3) an analysis of perspective cost of capital trends. The GSA recommended equity allowance is a direct result of its discounted cash flow analysis which was checked by a study of comparable risk securities and risk premiums between stocks and bonds.

GSA argues that the Company's dividend yield has remained at near 11.6% during the past several weeks and at times has fallen below 11%. These current yields compare to an average yield of 13.1% during the 16-week ending February 7, 1986. This 16-week yield formed the basis for GSA's 14.56% recommendation. GSA also disputes the Company's use of a five-year growth rate in its DCF analysis because the Company has only twice in the past twenty-five years had dividends and stock price growth rates greater than zero. GSA argues that the average of recent dividend growth of forecast for the Company published by seven major investment firms (Value Line, Prudential-Bache, Merrill-Lynch, Solomon Brothers, Duff and Phelps, EF Hutton and Dean Witter) is 1%. The average earnings growth rate forecast from these firms is only .4%.

Administrative Law Judge Position

The Administrative Law Judge recommends an allowance of 14.25% on common equity. The Judge gave equal rate to a risk spread finding of 14.41% and a discounted cash flow finding of 14.09%. The Judge felt that in view of the recent downward trend in dividend yields an adjustment to the Company's DCF method was necessary. The Judge's finding on the risk premium resulted a bond-yield of 11.34% plus a risk premium of 3.07%.

With regard to the incremental risk perceived by stockholders due to the Company's nuclear plant construction, the Judge noted that such a risk does exist and must be considered. However, in his recommendation he did not find a specific market-related cost of equity to be adjusted to reflect Limerick risk

costs. He questioned the level of the associated risk costs and the manner in which they should be considered. The Judge stated that the cost of common equity is what the investors expect it to be and does not lend itself to precise quantification. The Judge stated that furthermore if an adjustment of Limerick associated costs are accepted, there is nothing in the record to indicate that investors would not require greater compensation for the resulting regulatory risk than they currently due for nuclear risk. The simple fact is that investors, as indicated by the Company's market-book value ratio in the last five years, view the Company's earnings as unsatisfactory.

3.8.1 Cost of Service: Production and Transmission Plant

F - OCA T - ALJ S - U. of Pa

Company Position

The Company states that a cost of service study consists of three basic parts: functionalization, classification and allocation. Costs are first functionalized based upon the function for which they are incurred, that is, production, transmission or distribution of electricity. Each function is then classified as customer-related, demand-related, energy-related or some combination of the three. Customer-related costs are those which vary by number of customers; demand-related costs vary with the level of KWH demand; and energy-related costs vary with the level of KWH usage. Once costs are so classified, they are allocated to the various customer classes based upon the number of customer, demand or energy usage of that particular class.

The Company's cost of service study allocates production and transmission plant and their related expenses as demand-re-

lated costs. These are allocated on the basis of the class contribution to the Company's Summer Coincident System Peak. The system peak employed by the Company is the average of the monthly peaks for the four summer months of June, July, August and September. The Company notes that its allocation methodology is identical to that which has been approved by the Commission in the Company's last seven rate proceedings. The Company opposes the energy-related allocation of production and transmission facilities proposed by several complainants. The Company notes that since 1958, it has been a strong summer peaking company. The Company argues that its present production was planned and sized to meet this summer system peak, and meeting this peak is the primary factor in determining maintenance schedules and plant retirements. Accordingly, all production plant costs are incurred both to meet capacity and economical operational goals, the specific impetus for both historic and current capacity decisions have been related to the need for additional KW of capacity.

The Company argues that production costs are fixed costs that do not vary with the level of class energy usage. Rather, these costs are a function of the capacity required to meet the Company's system peak demand and should be allocated on a demand basis. The Company's costs of service study and the rates derived from this cost allocation method provide a proper price signal to encourage customers to reduce their summer demands. The impact of the energy allocation proposed by the opposing

parties on the cost assignment to those rates with off-peak loads would be significant. Opposing parties argue that the Company's allocation of production and transmission plant on a demand basis ignores the fact that the baseload plant is installed both to meet peak demand and to produce energy savings. This argument is an error according to the Company because it focuses on only one part of the Company's cost of service study. The Company's study fully reflects energy savings produced by baseload plant and allocates those savings to customer classes on the basis of energy usage. The energy cost allocation methods proposed by the complainants would have little impact on the rate increase allocated to major customer classes. The primary impact is to allocate a greater rate increase to off-peak rate classes and off-peak users within the commercial and industrial classes. This the Company argues is clearly inappropriate and should not be adopted.

Trial Staff Position

Although Staff recognizes that there may be certain flaws in the Company's implementation of a cost of service analysis, it does not believe that they are significant enough to preclude the use of the Company's cost of service methodology in this proceeding. Staff therefore, recommends that the Company's four coincident peak cost of service study be accepted as an appropriate guide to be used in allocating any rate increase granted in this proceeding.

Office of Consumer Advocate Position

The Advocate contends that the Company's cost of service study improperly classifies investment in power production faci-

lities as being solely related to meeting coincident peak demand. The Advocate believes that the Company's cost of service study ignores the fact that a baseload power plant is designed to meet not only coincident peak loads, but also to generate energy throughout the year. The Advocate argues that Limerick Unit I represents a prime example of a company generating station built for energy production as compared to solely meeting peak demands. The Advocate contends that a peak and average cost of service study would more appropriately reflect the cause of the incursion of capital costs. The peak portion of the peak and average recognizes the amount of capacity required while the average portion of the method gives weight to the Company's decisions regarding the types of capacity required. Neither an all-energy (average demand) allocation nor an all-demand (coincidental peak) allocation of the Company's production plant related costs is acceptable because neither, by itself, captures both essential elements of the capacity planning process.

United States Steel Corporation

US Steel recommends that the Commission should not use the Company's four coincidental peak study to determine class revenue allocation and rate design. US Steel says that the study fails to recognize the effect of the cooler than normal weather during the summer of 1984 on the Company's temperature-sensitive load. The study also fails to distinguish between firm and curtailable service within the HT class and this results in a mis-match between costing and pricing for such service, with an understatement of the HT class rate of return.

Position of Action Alliance of Senior Citizens, Association of Community Organizations for Reform Now, Consumers Education and Protective Association, Philadelphia Citizens in Action, and Mr. Bradshaw

The Complainants recommend the Commission reject the Company's use of the average of four summer-month coincident peaks to allocate production plant. Instead, the Complainants argue, that the allocation of production plant be done on a basis that recognizes both peak and energy usage. The Complainants argue that the Company's use of four-coincident hours of use to allocate production plant is mistaken in that the level of investmen in production facilities depends upon the level of coincident peak and overall energy use. The four coincident peak allocatio ignores overall energy use, when Limerick 1 provides mainly base load which will provide services and benefits throughout the year. The design and level of investment associated with any nuclear plant is not compatible with providing only peak service therefore the Company's use of the four coincident peak allocation method is inappropriate.

City of Philadelphia Positions

The City believes that production and transmission plant costs should be allocated on a coincidental peak demand basis which is consistent with the way these costs are incurred. The City argues that classification and production of transmission plant should reflect cost-based methods as opposed to cost-benefit schemes. The City believes that on an equitable basis it would be unfair to shift costs to an off-peak customer. This is

because an off-peak customer imposes the least costs on the system and creates the greatest benefit for the customers.

Position of the National Railroad Passenger Corporation and the Southeastern Pennsylvania Transportation Authority

The Complainants note that the four peak cost allocation methodology used in the Company's cost of service studies have been adopted by the Commission in the last seven rate proceedings. The Complainants contend that the energy-weighted alternatives offered by opposing parties contained a number of deficiencies. These approaches are based upon an incomplete analysis of electric power costs. They allocate capacity costs incurred for energy savings on the basis of energy use. The intervenors propose no corresponding allocation of the savings that result from investments in such capacity. These energy-weighted demand methodologies unfairly and improperly shift capital costs to high-load factor and off-peak users.

Position of the Philadelphia Industrial Energy Users Group

The Complainants argue that unless the Commission adopts the rate design for rate HT as proposed by Complainant, the four coincident peak cost of service study methodology is no longer applicable or consistent with the design of rate HT. The Company employs the use of Bary curve analysis in order to design rate HT. The cost-revenue curves demonstrate that the revenue for rate HT is always above the cost. However, the Company's cost of service study contradicts these results by showing a rate of return for rate HT below the system average. These contradictory results are entirely attributable to the mis-match of a coinci-

dent peak cost of service allocation methodology with Bary curve analysis which is dependent on a non-coincident allocation method.

Position of Utilities User's Committees-University of Pennsylvania

The costs of Limerick capacity must be allocated in a manner which gives greatest weight to energy usage by customer class. The Company may build capacity to meet peak needs but the decision regarding the type of capacity and therefore, its costs, is a different matter. Limerick was not built for system liability reasons but was built to generate energy savings. The Complainants argue that the costs of Limerick are primarily energy related and must be allocated on an energy basis. The Complainants recommend that a fair split of the energy-demand costs for rate design purposes would allocate about 90% of Limerick to energy and 10% to demand. The Complainants also suggest that any reduction in the Company's ovenall rate relief for Limerick be deducted from the energy portion of the allocation, with the demand charge remaining essentially constant. The Complainants cites several prior cases in Pennsylvania and other jurisdictions which stand for the principle that when costs which were incurred for reasons of energy savings are to be allocated, they must be allocated on the energy basis.

Pennsylvania Business Utility Users Group Position

The Complainant submits that the coincident peak methodology used by the Company to determine customer class cost responsibility does not take into consideration all of the relevant

factors which caused the Company to build Limerick, nor does it reflect the profound changes in system operation and costs resulting from the addition of Limerick. The Company ignores the fact that the power plant is designed not only to meet coincident peak loads during the four summer months, but also to generate energy throughout the balance of the year.

Administrative Law Judge Recommendation

The ALJ recommends the adoption of the Company's four-month coincidental peak allocation methodology. The Judge noted that the Commission has repeatedly approved the Company's method for allocation of production and transmission plant expenses.

The Judge concluded that the alternatives proposed should be rejected because:

1. they ignore the way utility systems are actually planned and operated;
2. they ignore the manner in which utility costs are actually incurred;
3. they ignore the distinction between on-peak and off-peak energy costs; and
4. they arbitrarily reassign costs from demand (KW) to energy (KWH) related categories.

39. Cost of Service; Classification of Distribution Costs

Company Position

It is widely recognized that distribution costs vary with the number of customers and the KW demand of those customers. The Company allocates a portion of distribution costs on a customer basis and a portion on a demand basis. The cost of the mini-

mum distribution system is allocated on a cost per customer basis, the remaining distribution costs are allocated on a demand basis. The Company has employed this method in many prior rate proceedings and it has been consistently approved by the Commission. The reasonableness of the Company's method was exhaustively litigated in the Company's two most recent electric rate proceedings and was approved by the Judge and the Commission in each instance. The methodology employed by the Company is that described in the Electric Utility Cost Allocation Manual published by the National Association of Regulatory Utility Commissioners.

The Company opposes the zero intercept method proposed by the Office of Consumer Advocate. The Advocate's proposed methodology would allocate the labor portion of distribution costs on the basis of the number of customers while the materials portion would be allocated on a demand basis. The Company believes that this proposal is without merit because it is clear that even a theoretically minimum sized distribution system would include a materials component since a utility obviously cannot provide service solely with labor. Some portion of the materials component of the distribution costs must be allocated on a customer basis.

The Company also opposes the allocation method recommended by the Consumers Education and Protective Association (CEPA). The CEPA proposes that all costs in accounts 360 to 368 should be classified as 100% demand related. The Company contends that this is unreasonable because these accounts include poles, wire, line transformers and other items which clearly vary by the number of customers served.

Office of Consumer Advocate Position

The Advocate contends that the Company's method for classification of distribution system costs is outdated and should be replaced. The Advocate argues that the method employed by the Company substantially overstates the customer component of the distribution system. The Company employs the predominant minimum size methodology. This method determines the predominant minimum size facility in a particular distribution plant account and uses the average installed cost of that facility as the basis for calculating the customer component. The cost above the costs of predominant sized facilities are classified as demand related. The error in the Company's predominant minimum size approach is that the facilities it identifies as customer-related can carry significant demands. The Advocate notes that the Company has also stated that the "predominant" minimum size equipment for its system may change over time as the demands on the system increase.

The Advocate suggests a two-fold solution to the problem of customer allocation of the distribution plants. The Advocate first would reduce the level of the demand investment included in the Company's customer component calculations. This would be accomplished by eliminating from the Company's demand allocators for secondary lines, transformers and services, amounts of demand equal to the maximum requirement of the smallest sized residential customers. Second, the Advocate recalculated the customer component of the primary distribution system based upon the costs of the smaller secondary system. The results of these two changes helped to reduce, though not eliminate, the infirmities in the company's predominant minimum sized methodology. 10

The Advocate further recommends that the Commission order the Company to undertake a study similar to the one required of the Pennsylvania Power & Light Company in its rate case docket at R-822169. In that case, the Commission ordered PP&L to reexamine its methods for determining customer class responsibilities for distribution costs. In its subsequent rate case, PP&L presented a Modified Zero Intercept Method in place of its minimum system measure. In so doing, it joined both Duquesne Light and Pennsylvania Power Company in the use of the Modified Zero Intercept Method.

City of Philadelphia Position

The City contends that the predominant minimum system method employed by the Company results in an improper and unfair classification of distribution plant costs. The City contends that the Company has included in its minimum system facilities which exceed the minimum demands of a customer. The City argues that the customer-related costs are those costs associated with the minimum-size distribution plant facilities necessary to bring electricity into the home of someone with only a small electrical device. The City argues that the Company's allocation method works to its disadvantage in that each individual street light is counted as a separate customer. By overstating the customer costs associated with distribution plant costs, the Company's class cost of service study understates the street lighting rates actual rate of return. The City recommends that the Commission order the Company to employ the minimum system method in the next

rate case.

Action Alliance of Senior Citizens, the Association of Community Organizations for Reform Now, Consumers Education and Protective Association, Citizens in Action and Mr. Bradshaw Positions

The Complainants contend that the Company has misallocated distribution costs which are customer-related. The complainants contend that the Company relies on subjective judgment when determining the size and the cost of the predominant equipment and the amount of equipment which has a greater size than the predominant equipment. Small changes in judgment would produce very different allocations. The Company has no independent, objective data to support those vital conclusions from which large cost responsibility allocations are made. The Complainants argue that the Company classifies equipment capable of serving average or below average loads as customer-related. The Complainants recommend that until the Company does a more detailed analysis of the investment and service accounts, the distribution plant costs should be classified as 50% demand and 50% customer-related.

Administrative Law Judge Recommendation

The Administrative Law Judge recommends that adoption of the Company's methodology. The Judge found that the methodology presented by the City of Philadelphia is similar to that presented by it in the Company's last rate proceeding and was rejected by the Commission at that time. The Judge also noted that the Advocate's distribution cost methodology was likewise submitted in the Company's last rate proceeding and was likewise rejected.

F-AUS T-Pet S-AUS

Cost of Service: Weather Adjustment

Philadelphia Area Industrial Energy Users Group Position

A critical factor in the cost of service study analysis is the load factor of the individual customer classes. If both peak load data and 1984 sales data are weather adjusted, these load factors remain at the abnormal levels found in the Company's cost of service study. The complainants contend that the Company's reliance on 1984 sales data which reflects the abnormally cool weather in the summer of 1984 results in improper cost allocation among customer classes. The only appropriate method for adjusting for the abnormal weather is return the 1984 peak day data to normal weatherized levels. The complainants request the adoption of their cost of service study which they contend is consistent with the historic rate of return relationships in prior company cost of service studies.

Company Position

The Company contends that the complainant's adjustment is based upon a misconception of the Company's methodology, is incomplete, and is inconsistent with prior Commission precedent and cost of service presentations by the complainant's witnesses in prior Company rate proceedings. The Company argues that it did not develop the 1986 peak loads employed in its cost of service study directly from the 1984 peak load data. The 1986 peak loads were determined by applying the ratio of 1984 peak loads to the 1984 annual sales, to 1986 weather normal sales to develop 1986 peak load data. The Company argues that since it has the ratio

1984 peak to 1986 sales that is employed, any impact of weather is significantly reduced as it affects both the peak load and sales data. The Company further argues that its methodology of using actual historic ratios to develop the future test year class contribution to peak is identical to that employed by the Company and approved by the Commission in the Company's last seven rate proceedings.

Administrative Law Judge Recommendation

The Administrative Law Judge recommends the adoption of the Company's proposed methodology. The Judge notes that historically, this Commission has utilized cost of service studies only as guides to test the reasonableness of proposed revenue allocations. He believed that the methodologies advanced by those opposing the Company's cost of service are motivated by a desire to shift costs to off-peak customers who impose the least cost on the Company, and who create the greatest benefit for other customers.

41. Tariff Revisions - SEPTA and Amtrak Rates

Company Position

In accordance with the Commission's order in the Company's last electric rate proceeding, the Company performed separate cost of service studies for SEPTA and Amtrak. The results of these studies indicated that these customers were paying somewhat above cost of service. The Company has proposed in this proceeding to establish separate rate classifications for SEPTA and Amtrak and to charge rates to those customers designed to yield

the cost of providing service to these customers. For SEPTA, this produces an approximate increase of 14.9% and 12.7% for Amtrak.

The Company opposes the parties' proposal that one rate be applied to service for both customers. The Company believes that its proposal to establish two separate rates will more precisely track the cost of service to these two customers and reflect differences in their load characteristics. The Company argues that it must stand ready to provide service to these customers at all times and that from time to time it purchases and sells power on the PJM Interchange.

The Company argues that these customers should pay the cost of providing this service, regardless of whether the electricity is being imported or exported.

National Railroad Passenger Corporation and SEPTA Positions

The parties argue that the Company's cost of service study demonstrates that the parties exhibit uniquely similar cost characteristics consisting of demand costs which are low compared to the average demand costs for members of the HT class and high customer costs per delivery point as compared to the Average HT class customer costs. The customers argue that they exhibit uniquely similar load patterns consisting of distinctly daily twin peaks with high peaks relative to most other customers in both the morning and evening. Unlike the balance of the Company system, which peaks in the summer, these customers are generally winter peaking customers. SEPTA's load requirements actually comprise a part of Amtrak's load profile because of the signifi-

cant of rail facilities and electric supply which occurs between SEPTA and Amtrak. Amtrak redelivers 20% to 25% of the power it purchases from the Company to SEPTA. The customers contend, therefore, that they function as a single customer of the utility. These customers argue that the consolidation of their rates into a single electric propulsion rate would properly reflect their homogeneous characteristics and avoid unnecessary duplication of rate classes. Furthermore, they argue that such a consolidation would not affect the Company's revenue requirement or the rates charged to any other customers.

Administrative Law Judge Recommendation

The Administrative Law Judge recommends the adoption of the Company's proposal. The Judge agreed with the Company that separate rates would allow the Company to more precisely track the cost of service to these customers.

42. Tariff Revisions - Time-of-Use Allocation of Energy Related Costs

City of Philadelphia Position

The City argues that time-of-use considerations should be reflected in the Company's allocation of energy-related costs so that these costs are not over-stated for off-peak customers. In this case, the Company allocated energy-related costs to customers on a simple KWH basis based on the volume of electricity that customers consume. No time-of-use considerations were reflected in the Company's allocation of energy-related costs. By not utilizing time-of-use considerations, the Company has not allocated energy costs to customers based on the cost of serving those customers.

The energy costs associated with a peak and off-peak customer are different. It costs more to supply energy to peak customers. This is because the cost of energy from a peaking unit necessary to serve peak demand is greater than the cost of energy from a baseload plant necessary to serve off-peak demand. Energy costs should be paid by customers in accordance with the costs which that customer imposes on the system. Rates could then be said to be cost-based.

The City recommends that the Commission order the Company to present a class cost of service study which reflects the allocation of energy costs on a time-of-use basis in the next rate proceeding.

Administrative Law Judge Recommendation

The Administrative Law Judge did not address this request.

43. Class Revenue Allocation: Allocation of Increase Across-the-Board Excluding Fuel Costs

Company Position

The Company proposes to allocate revenues in such a way as to 1) narrow the gap between class rates of return and the system average rate of return; 2) avoid any disruptive changes in the pattern of rates which would unduly affect any one customer class; 3) recognize the significant size of the rate increase requested in this proceeding; and 4) be consistent to the maximum degree possible with the general approach approved by the Commission in prior Company rate proceedings. The Company is concerned that the rate increase should be spread as equally as possible to all rate classifications. The Company was concerned that the

difference between the index of individual class rates of return to the average system rate of return should not be increased. For those classes whose index have return to system average before the rate increase was above 140%, the net increase was limited to zero, that is, the increase was exactly equal to the fuel savings allocated to that class. The remaining base rate increase was then spread to all other classes to produce equal net percentage increases to each class. This application of the rate increase resulted in most classes moving toward the average rate of return with the exception of the RH class. The increase to the RH class was therefore limited to the value which would maintain the 116% index of relative return to the class average.

The Company opposes other revenue allocation proposals because, first, they are based upon alternative class cost of service studies which should be rejected and, second, with respect to the major rate classes, there is very little difference between the Company's proposal and those presented by opposing parties. Opposing party proposals would allocate substantially greater increases to off-peak classes. The Company contends that to drastically change the pricing to the off-peak classes for only a minor, if any, benefit to major customer classes clearly is not appropriate particularly in the context of this proceeding.

The Company opposes the Philadelphia Area Industrial User Group's proposal to spread the increase on an across the board basis with an equal percentage to all classes excluding all fuel costs. The Company notes that this proposal also involves the

application of the complainant's costs of service study which the Company contends was incorrect, inconsistent and not in accordance with the methodology approved by the Commission in prior Company proceedings. The Company opposes this approach also because of the large rate increase which could be imposed upon the residential class of customers. Finally, the Company notes that the divergence in the class rates of return has been diminished in the last several Company rate proceedings.

Position of the Philadelphia Area Industrial Energy Users Group

The Complainants recommend that the Commission distribute the proposed base rate increase among customer classes relative to the non-fuel revenues of those classes such that inter-class revenue subsidies are reduced such that no class will have an indexed rate of return in excess of 140%. The Complainants note that the Company has proposed a similar revenue allocation in prior rate proceedings. The Complainants note that the Company had argued that it recovered fuel cost increases through the energy cost rate and therefore energy costs could not contribute to the need for additional base rate revenues.

United States Steel Corporation Position

The Complainant contends that the Commission should order the Company to return to the modified zero-fuel method distributing the non-fuel portion of any increase. The Commission should also set the rate of return of any major customer class at a level equal to not more than 140% of the system average rate of return.

Administrative Law Judge Recommendation

The Administrative Law Judge recommends the adoption of the Company's proposed class revenue allocations. The Judge stated that the Company's allocation method should be approved because its methodology is consistent with its cost of service study, the desire to promote conservation and off-peak usage, and with prior Commission rate orders.

44 Tariff Revisions - Rate HT

Company Position

The Company notes that several opposing parties have proposed revisions to the relative level of rate HT. Each of these proposals, according to the Company is inconsistent with prior Commission decisions and reflect a misunderstanding of purpose of the Company's rate HT design. In response to a Commission order, the Company redesigned rate HT rate blocks to track costs of service more closely. This rate design was specifically approved by the Commission and was affirmed by the Commonwealth Court. In addition, this issue has been litigated extensively in subsequent Company rate proceedings and has been repeatedly upheld by the Commission. It was further affirmed by the Commonwealth Court in 1984.

The Company argues as a customer's hours of use (i.e., hours of use of maximum demand) increases, the probability increases that the individual customer will be a more significant contributor to his rate classes' contribution to system and class peak and to the incurrence of associated demand-costs. Thus, a high load factor customer (i.e. higher hours of use) is more likely to cause the incurrence of demand costs. To properly col-

lect demand-related costs from individual customers, a specific division of demand cost recovery between demand and energy charges has been developed and in employed. Various proposals advanced by opposing parties would cause a diversion in individual HT customer revenue collection as opposed to cost incurrence and would recreate the problems that the Commission ordered the Company to solve in a prior rate proceedings. Moreover, an important principle of rate design is that rates should be designed so that the Company is able to recover its costs and should provide revenue stability. The various proposals to increase the HT energy charges would violate these charges. The existence of a proper demand charge provides greater certainty that fixed costs will be recovered regardless of sales variability, thereby producing revenue stability. The assignment of too great a portion of fixed costs to an energy charge would jeopardize the Company's ability to recover its fixed costs and would produce revenue stability.

The proposal to reduce the HT tail block energy charge and increase the HT demand charge is based upon an incorrect analysis of the percentage of non-fuel increase to the three rate HT energy blocks. Such a proposal would result in an approximate 95% increase in the HT demand charge. Furthermore, the proposal is also based upon an incorrect argument that the Bary Curve can only be used with a non-coincident peak allocation methodology. The Bary Curve is not used for cost allocation purposes; it is used to develop the HT rate design. Its use is therefore independent of the selection of a cost allocation method.

Position of the Philadelphia Area Energy Users Group

The Complainant argues that the rate design for rate HT should be modified so as to collect fewer demand-related costs in the tail block energy charge, increase the high voltage discount and the HT curtailment rider credit. The Complainant argues that the demand cost recovery in the HT tail block energy charge is proposed to increase by approximately 60% by the Company. This substantial increase in the tail block energy chage is inappropriate in light of the fact that the driving force behind the Company's base rate increase request is the fixed capital plant addition to Limerick Unit 1. These costs associated with such a substantial base load addition to the Company's system are more appropriately collected in the demand charges and early energy charges of any rate schedule.

The Complainants contend that the Company has essentially conceded that the present and proposed high voltage discounts for rate HT only recognized the transformation costs which the Company avoids by providing service at the higher delivery voltages. The Complainants argued that the Company incurs lower demand and energy losses in order to provide service at the higher delivery voltages. Delivery at these higher voltages also allows the Company to avoid the additional investment necessary to install lower voltage facilities. Therefore, the Complainants propose that customers taking service at 66,000 volts and higher receive an additional credit of 1% of the base capacity and energy charges. The Complainants also recommend that the Commission require the Company to develop additional costs-of-service and rate design data in order that the Company's high voltage dis-

count can compare with the higher discounts already available on other utility systems.

The Complainants also contend that the HT curtailment credit should be increased in order to maintain the relationship between firm and curtailable sales. The Company has proposed no increase in the $2.00 credit available to the rate HT customers who utilize the rate HT curtailment rider. The Complainants contend that this credit produces a 15% reduction in the rate HT capacity charge. However, the credit is reduced to approximately 9% at the proposed rate level. The Complainants argue that if the Commission seeks to develop load control devices and encourage the Company's customers to add curtailable load for system planning purposes, these credits should not be reduced at this time as proposed by the Company. The Complainants proposed a $3.40 per KW credit assuming the Company's distribution of the increase and rate design proposals are adopted.

Administrative Law Judge Recommendation

The Administrative Law Judge recommends the adoption of the Company's proposal. The Judge noted that each of these proposals is inconsistent with prior Commission decisions and the Company's design HT rate blocks which track costs of service more closely.

45. Tariff Revisions: HT Demand Ratchet

F- Aus T- Aus S- Aus

Position of Utility Users Committee-University of Pennsylvania

Complainants contend that the demand ratchet is unfair, discriminatory and obsolete and should be eliminated. Under the demand ratchet of rate HT, bills for a customer for October

through May are calculated on its actual demands or 80% of its summer peak demand whichever is greater. The ratchet is set according a customer's own peak demand irrespective of whether such peak is coincident with the Company's summer peak. The Complainants contend that the ratchet should recover the costs to service peak loads which are in addition to non-peak loads. The demand ratchet should be set to recover the capacity costs associated with peaking units. The Complainants contend further that the ratchet actually collects more than peak capacity costs and is therefore improper and should be modified or eliminated. The Complainants also believe that the ratchet is discriminatorily applied between and within rate classes. The Complainants state that although it would have cost $10.00 per kw a year to maintain the peaking capacity to meet summer peak loads, ratchet collects $120.00 per KW per year.

The Complainants note that the ratchet mechanism may have made sense when it was first introduced, but due to the change in the type of generating capacity which the Company now has on line, the ratchet no longer is supportable.

The Complainants contend that the ratchet is discriminatory because there is no ratchet in residential rates and general service rates. Furthermore, benefit to all customers through lower fuel costs due to the shift in demand from summer to winter periods caused by the ratchet penalizes one group of customers to provide benefits to all customers.

The Complainants contend that instead of discouraging summer consumption, the ratchet actually encourages an increasing

consumption during the winter period. Also the Complainants believe that customers will be encouraged to install their own peaking generating capacity because of the excessive costs due to the ratchet period. The Complainants recommended the reduction of the ratchet to a more reasonable (65%) level as a compromise to the outright elimination of the ratchet.

Company Position

The Company opposes the elimination of the ratchet. The demand ratchet has been part of the Company's tariff since 1969 and has been litigated and approve in virtually every subsequent rate proceeding and has been upheld on appeal. The purpose of the ratchet is to encourage reduction and summer demand, and indeed, the demand ratchet is the principle means by which a price signal is communicated to HT customers to discourage summer demand. The benefits of these demand reductions are twofold: lower energy costs and reduced need to add capacity. The Company also notes that many other Pennsylvania utilities have a demand ratchet in their rate. A recent national survey conducted for the EEI Rate Research Committee showed that 80 of the 92 utilities had demand ratchets and/or minimum contract billing provisions in their tariffs.

Administrative Law Judge Recommendation

The Administrative Law Judge recommends the adoption of the Company's proposed tariff.

46. Tariff Revisions: Residential Rate Design "Essential Use" Blocks

Office of Consumer Advocate Position

F- Acs T- Acs S- Acs

Due to the serious impact of the Company's proposed rate increase would have on low-income customer, if implemented, the Advocate has proposed a restructuring of the residential class rate blocks. The restructuring is based upon basic cost of service principles and provides proper pricing signals, while at the same time restraining the percentage increases to the lower usage essential use blocks. Based upon a review of appliance usage information, the Advocate has developed the following monthly KWH use allowances for the three categories of essential uses identified: 1) basic uses - 350 KWH per month; 2) water heating - 350 KWH per month; 3) space heating - 700 KWH per winter month. Instead of providing an initial block of 500 KWH for all customers, the amount of usage in each customer's initial or essential use block is tied to the customer's essential needs of electricity.

The increases in the rate for essential uses of electricity are established at levels which are more comparable to increases in the overall cost of living. The net result would be to apply a more refined application of the inverted rate concept which is already incorporated in a Company's residential rate design. The balance of these revenues differed from the essential blocks would be collected in the remaining blocks of the residential tariffs. Thus those customers having the greatest opportunities to conserve are given the greatest incentives to utilize conservation measures.

The Commission has, in the past, questioned whether essential use tariffs will actually benefit low-income customers. The testimony in this proceeding shows that low-income customers, on

average use substantially less electricity than customers of all income levels combined and also much less than high-income customers. The Advocate notes testimony which stated that 83.1% of households under 150% of the poverty level in rate class R use less than 500 KWH of electricity.

The preferred implementation of the essential use rates as proposed by the Advocate would be through a targeted application of Commission-ordered reductions in the Company's overall rate increase request. Specifically, as the increases allocated to the residential class are reduced, the Advocate proposes that those reductions would be applied first to the essential use block. The goal is to attempt to keep the increase to essential use blocks as close to the rate of inflation as possible.

Action Alliance of Senior Citizens, Association of Community Organizations for Reform Now, Consumers Education and Protective Association, Philadelphia Citizens in Action, and Mr Bradshaw Positions

The complainants submit that the Commission has both the discretion and the well established legal authority to implement an inverted or other tariff modification, either cost justified or non-cost justified, based upon substantial evidence, which is intended to provide assistance to low income persons in paying their electric bills. The Complainants support the essential use concept adopted by the Office of Consumer Advocate in designing residential rate tariffs

The Complainants note that 20% of all PECO households have incomes below 150% of the poverty level. This includes 226,000 households in which approximately 600,000 persons resided. Within the city of Philadelphia, 30% of the Company's households served have incomes below 150% of the poverty level. The Complainants contend that low-income households cannot pay the Company's requested rates. On average low-income households will spend more than 8% of their total income on electricity if the Company's rate of request is granted. The average low-income single household (57% of which consists of senior) will spend over 14% of its total income paying the Company's rates. Low-income households as a group use far less electricity than households which are low-income. The Complainants study of the problem indicates that 83% of low-income households who do not space heat or heat water with electricity use less than 500 KWH per month. Low-income households use an average of 4.4 thousand KWH per year, and households with incomes above $35,000 use 8.6 thousand KWH per year. Of households with incomes below 150% of the poverty level, 53.9% have no air-conditioning. Only 29.7% of households with incomes above 150% of the poverty level have no air-conditioning.

Company Position

The Company believes that the "essential use" rate proposal is inefficient and counterproductive and therefore should be rejected.

The essential use proposal is premised upon the assumption that there is a correlation between income level and electric us-

age. Specifically, it is assumed that low-income customers use less electricity than high-income customers and that by establishing a reduced charge for the initial block use in the residential rate, low-income residential ratepayers will be benefitted. The Company contends that this is not correct. Furthermore, the Company believes that providing reduced pricing for essential use of the residential rate is an inefficient and ineffective method of targeting help to those customers who really need it. Specifically, the Company points out that 62% of those regular residential customers on the Company's Customer Assistance Program have usage above 400 kwh per month. Thus, a limitation of the increase to the first 350 KWH of usage will not be effective and would in fact penalize low-income customers with high usage and benefit low usage high-income customers. Thus, the proposal advanced by the Office of Consumer Advocate would benefit many customers who do not need help and will penalize customers who do need help in paying their electric bills.

The Company notes that the Commission recently considered an identical proposal by the Advocate in a Pennsylvania Power and Light Company rate proceeding (Docket No. R-830374). The Commission rejected the identical essential use proposal entered in that case. The Company also cites that evidence provided by the Complainants supports the Company's position because it demonstrates that 44.6% of low-income residential customers use in excess of 350 KWH per month. The assertion that there are 220,000 low-income households in Philadelphia provides no support for the adoption of essential use tariff. The Company notes that it ha

in excess of one million residential ratepayers. Thus, 800,000 residential customers do not fall into the low-income category. Since approximately 65% of this group or 520,000 customers use less than 500 KWH per month, the essential use tariff proposal would provide a benefit to over 500,000 residential customers who do not need while penalizing those low-income customers with above average usage.

Administrative Law Judge Recommendation

The Administrative Law Judge did not recommend the adoption of the essential use tariff proposal. The Judge noted that the Commission in a prior Pennsylvania Power and Light Company rate structure rate structure investigation had considered an identical proposal and rejected it. The Judge noted that the Commission stated that the proposal should be rejected because it "would, in some cases, hurt those low-income customers who need help and would benefit some affluent customers who have absolutely no need for the benefit."

47. Phase-In Plans

Company Position

The Company has voluntarily proposed to "phase-in" the rate increase requested in this proceeding over a three-year period by deferring billing and collection of a portion of the increase through the application of the Unrecovered Revenue Collection Rider. The Company's phase-in proposal provides for a three-step phase-in of the proposed rate increase. Each step will increase rates by approximately 9.4% or $223.6 million, so that the total increase of 28.2% or $67.7 million would be billed

in the third year after the rate increase is granted. The amount of revenue not billed during the first two years of the phase-in would be collected over a three-year "phase-out" beginning with the fourth year and continuing through the fifth and sixth years.

The Company does not seek any recovery of the approximately $250 million carrying charges resulting from the deferral of revenue collection over the life of the plant. The Company's proposal will involve the precise tracking of the recovery of revenue from each rate class and cease application when recovery is complete. This will be done to assure that the appropriate amount of recovered revenue will be collected from each rate classification.

If the Company does not receive the entire rate increase that it requested, the Company proposes that the revenue reduction be taken out of the rate increase for the third year and, if necessary, the second year, so that the first year increase remains over 9%.

The Company's willingness to forego the recovery of carrying charges requires that the phase-in period be reasonable. A phase-in of the allowed revenue increase over a period longer than that proposed by the Company, such as those advanced by opposing parties, would increase the level of carrying charges to over $1 Billion and would require the recovery of carrying charges on the deferred revenues from ratepayers to offset the substantial costs of additional borrowings and to maintain the company's financial integrity.

The Company opposes the phase-in plans of Complainants. The City of Philadelphia had proposed two phase-in programs. The

first was a 17-year plan that would phase-in the allowed rate increase over seven years and allow for recovery of deferred revenue over a subsequent 10-year period with no provision for the recovery of carrying charges on the deferred amounts. The second proposed plan entails a 10-year plan which would phase in the rate increase over five years and allow recovery of deferred revenue in the subsequent five years but would prohibit any interim base rate or ECR increases for the 10-year period. The Company contends that either proposed phase-in would destroy its financial integrity and be completely inconsistent with all relevant phase-in precedents. The Company also notes that the proposed phase-ins could be in violation of proposed financial reporting requirements.

The Company also argues that the City's proposal to bar the Company from any additional rate increases would be seriously harmful to the Company and is in fact illegal. The Company argues that the Commission is without authority to prohibit the Company from requesting rate relief.

The Company also opposes the proposed phase-in-plan of the Governor's Energy Council. The Governor's Energy Council proposes a 10-year phase-in deferral plan along with the use of sinking fund depreciation for Limerick Unit #1. The Council's plan also allows for a recovery of carrying charges of the revenue unbilled over the life of the plant. The Company argues that this proposal should be rejected because of its negative impact on the Company's financial condition and the Company's ability to complete its construction program. The Company further argues

that this plan would entail a massive additional rate increase on future ratepayers because of the financial risks imposed by a sinking fund depreciation methodology. The Council's plan would require the Company to borrow an additional $900 million in order to complete Limerick II and other construction projects. The Council's plan would also require the Company to raise $345 million of additional revenue by larger rate increases to future ratepayers.

The Company also argues that sinking fund depreciation may very likely be found to be inconsistent with proposed accounting rules.

The Philadelphia Area Industrial Energy Users Group has proposed to establish rates in these proceedings based on the average Limerick revenue requirement for the next six years, excluding 50% of common plant, and with the use of sinking fund depreciation for Limerick. The Company argues that this proposal should be rejected because:

1. it will have a serious negative impact on the Company's financial condition, which will prevent completion of the Company's construction program;

2. its use of a 6-year average Limerick revenue requirement is contrary to generally accepted ratemaking principles; and

3. it incorporates sinking fund depreciation.

The Company argues that this complainants' phase-in plan would be inconsistent with established ratemaking principles involving the appropriate test year to be used in determining allowable revenues.

The Company states that two other intervenors in this proceeding, the Utility User's Committee/University of Pennsylvania and the Pennsylvania Business Utility Users Group have also advanced three alternative phase-in proposals. The Utility Users have recommended a "value based pricing" plan which would include the cost of Limerick I in rates, only up to the level of annual Limerick I energy savings. The Company argues that this proposal would result in a net rate decrease in this proceeding and would achieve financial results far worse that any of the other phase-in proposals discussed previously. A second phase-in proposal involves a trended rate base component. This proposal would result in capital deferrals similar to sinking fund depreciation and would result in over a 500% increase in annual Limerick I revenue requirements over the life of the plant.

A third phase-in proposal involves a levelized payment methodology. The levelized payment plan would result in a cumulative reduction in the Company's cash flow in excess of $1 Billion by 1991, which would have similar disastrous financial consequences for the Company, as discussed previously.

Trial Staff Position

The Trial Staff argues that a rate phase-in plan may not be necessary in this proceeding should the amount of the allowable rate increase be less than $300 million. The Staff believes that any rate increase in excess of $300 million should be phased in over a number of years.

Governor's Energy Council Position

The Council proposes a combination phase-in and deferral plan with a sinking fund which would be a 10-year plan with revenue increases in the first four years. Under the sinking fund method of depreciation, the depreciation expense is reduced below the straight line level in the early years of a plant's life, but escalates annually, so that the total cost of the plant is recovered over its useful life. The Council's phase-in proposal modifies the sinking fund method by combining it with a phase-in and deferral of the revenue increases, so that the early year levels are further reduced from what they would have been under a sinking fund depreciation methodology and under the Company's phase-in proposal.

The Council argues that the Company's phase-in plan, although it would forego interest of approximately $250 million on the deferred revenue, fails to recognize the falling revenue requirement for Limerick Unit 1 due solely to the use of straight-line depreciation over time. The Council argues that the deferred revenues calculated under the Company's plan would be considered as customer class debts. Because the Company is guaranteed recovery of the deferred amounts and the amount of revenues accrued and deferred depends on the level of sales, the Company's phase-in period may extend beyond the expected six years. Each customer class would be liable for its class debt, regardless of any action it might take to reduce its consumption.

City of Philadelphia Position

The City argues that an electric rate increase which is incommensurate with the rate of inflation would allow the Phila-

delphia regional economy to grow at or near its anticipated rate. The projected rate of inflation is approximately 4%. Therefore, the City concludes, that if the Company's rate request is phased-in at or about 4% annually, then the regional economy would not be severely harmed. The City made the following recommendations: 1) that any increase in rates granted to the Company should be commensurate with the rate of inflation which is approximately 4%. The 4% annual increase over seven years implies an increase in the first year of 95.8 million dollars if the Company's full rate request is granted; 2) that deferred revenues under proposed rates if granted be collected at an annual rate of 3.4% or 200 million dollars over a ten year period. The recovery period is slightly longer than the phase-in period so as to ameliorate the potentially adverse impact of Limerick Unit II if it is included in base rates; 3) that the Company not be allowed to collect interest on the deferred revenues because such an allowance would negate the benefits of spreading the rate increase over time; 4) that the Company not be allowed to go beyond the ten year period in collecting these deferred revenues; the Company's customers should be allowed to benefit from their conservation efforts and not be forced to spend those "savings" at a later date.

Philadelphia Area Industrial Energy Users Group Position

The Complainant proposes that the allowed rate increase be phased-in with equal installments over a three-year period and the deferred revenues collected in the subsequent three-year period. The Complainants have recommended the implementation of a sinking fund depreciation methodology. The Complainants also

propose that any reduction in the Company's rate request should be removed proportionally from each year of the phase-in plan and not removed from the latter years of the phase-in as proposed by the Company. The Complainant contends that the Company's phase-in proposal fails to recognize the declining revenue requirement due to Limerick Unit I over time. The revenue requirement would decline due to the effects of depreciation and deferred income taxes relative to Unit I.

Utility User's Committee - University of Pennsylvania Position

The Complainant argues that the issue of phase-in is directly related to the analysis of the costs and benefits of Limerick Unit I. The costs of Limerick simply overwhelm the benefit of any analysis for a number of years. The Complainant has proposed that rates be phased-in so that costs are recovered in a time pattern which reflects the time pattern of benefits from the plant. The central goal is the alignment of costs with benefits. Whether the costs the Company proposes to charge now are deemed disallowed or whether they are deemed deferred, the Company would be given the opportunity to recover those costs as the benefits of Limerick are realized. A substantial phase-in of costs is absolutely necessary to produce any semblance of equity.

The Complainants specific proposal for a phase-in is as follows: to the extent that the Commission finds that the costs of Limerick I are prudent and determines that financial considerations do not constrain the phase-in, the Complainants would recommend that the Company be allowed to collect base rates for Limerick I starting in 1986, of 187 million dollars. This figur

blocks composed of 150 million dollars of the Company's anticipated fuel savings, plus 37 million in reliability benefits (the costs avoided by retiring Richmond 9, Southwark I and II and the combustion turbines). The Complainant also suggests: 1) a new rate case when benefits of Limerick so justify; 2) a rate rider providing for revisions of rates based on the Company's projections of costs and benefits, with reconsideration required as in the ECR proceedings; 3) to establish now the cost recovery for each year of the Unit's life. The Commission might initiate a proceeding, without the limitations of the suspension period in the present case, to: a) determine the conditions, if any, under which the Company will be allowed to charge ratepayers for more than the value of Limerick; b) establish a series of annual avoided-cost values (in cents, KWH and dollars per KW-year) to be used in future Limerick cost recovery and c) create a rate making mechanism to adjust Limerick cost recovery over time to reflect the changing avoided-cost values and differences in Limerick performance, without requiring rate case review.

Administrative Law Judge Recommendation

The Administrative Law Judge recommends a phase-in plan for the rate increase in these proceedings of a three-year phase-in with a three-year recovery period, without recovery of carrying charges by the Company on the deferred amounts. The Judge's recommendation is consistent with the phase-in

48. Guarantee of Limerick I Energy Savings

Office of Consumer Advocate Position

The Advocate has proposed that the Company not be permitted to recoup from ratepayers any shortfall between the level of Limerick I "energy savings" incorporated by the Company in this rate case and the level of energy savings actually achieved while the rates from this case remain in effect.

The primary reason for proposing such guarantee in this case is that Limerick I may not be able to operate during some or all of the summer months of 1986 and 1987. This uncertainty over the plant's "ability to be used" is caused by the lack of a firm supply of cooling water for the plant. The Advocate submits, that because of this uncertainty, the Company's ratepayers should receive some assurance that if they are paying for a substantial portion of the plant through base rates, they will actually receive the energy savings projected.

The Advocate notes that the Commission ordered the Company in its prior rate proceeding to guarantee the Company's projected energy savings associated with Salem Unit II. The Commission there indicated that such a guarantee (to which PECO agreed in its exceptions) was appropriate because of the significant uncertainty over the plant's ability to operate.

In addition, in order to fairly compensate the Company for the additional risk being imposed by an energy savings guarantee, the Advocate proposes that the Company be permitted to retain 50% of any energy savings generated by Limerick I over and above the level projected.

Philadelphia Area Industrial Energy Users Group Position

The Complainant contends that the Commission should require the Company to guarantee either the 65% projected capacity factor for Limerick Unit I or the 207 million dollar fuel savings projection from Limerick Unit I in the test year period. The Complainant notes that the Commission in a prior decision required the Company to guarantee the projected fuel savings in the future test year from Salem Unit II. The Complainants recognize that the Company cannot control the rapid decline in world oil prices, but the Company can exert considerable management and operational control over the Limerick Station's generation in order to achieve a 65% capacity factor. In view of the Company's claim that the 207 million dollar projected fuel savings are pure fiction in light of recent changes in residual fuel oil prices, the Complainants contend that a preferable approach for the Commission in this proceeding would be to require a 65% capacity factor guarantee for Limerick Unit I.

City of Philadelphia Position

The City contends that the Company should guarantee its 207 million dollar estimated fuel savings in each of the next two years. The City notes that the Company has claimed that its proposed rate increase in this proceeding is 671 million dollars which reflects the Company's estimated 207 million dollar fuel savings. In addition, the Company guaranteed the fuel savings associated with the Salem plant in its last rate proceeding. This guarantee came as a result of concerns regarding the used and usefulness of the Salem Unit. In this proceeding there were similar concerns, according to the City. The Company continues

to have trouble obtaining adequate supplies of cooling water to operate the plant. Thus, there are concerns regarding whether Limerick I will be used and useful and should be included in base rates. The City further recommends that the fuel savings associated with Limerick I's operation at a 65% capacity factor be passed on to ratepayers regardless of whether the plant achieves that level of operation.

Administrative Law Judge Recommendation

The Judge rejected the proposed energy savings guarantees. The Judge stated that energy savings guarantees are inconsistent with fundamental ratemaking principles. Just and reasonable rates do not provide the utility or ratepayers with a guarantee of any particular result. The Judge noted that the Commission rejected an identical proposal to require Pennsylvania Power and Light Company to guarantee energy savings from its Susquehanna Unit I and II. The Judge also commented that if any performance standard for Limerick I were to be applied, it should relate solely to the operation of the plant and not to a dollar level of energy savings. Energy savings are dependent on a wide variety of factors unrelated to the operation of Limerick I which would be beyond the Company's control, e.g., purchased power costs, absolute changes and fuel prices, sales levels, etc.

49. Unreconciled Energy Costs

Company Position

If the 80%/20% ECR is adopted, the Company proposes to implement it by changing the existing the ECR tariff definition of the "E" factor so that only 80% of the prior period over-under

collection amount would be refunded-recovered in the current period. The Company believes that this proposal correctly interprets the Commission's ECR 8 Order and that it simply and efficiently carrys out the Commission's goal that 20% of the over-under collections not be reconciled with the minimum additional risk to ratepayers and shareholders.

The Staff proposes that the Company establish and recover the 20% of non-reconcilable costs in base rate proceedings, based on projected data normalized over a three-year period. The remaining 80% of energy costs would be separately established and recovered in the ECR. The Company believes that Staff's proposal should be rejected because it would increase the administrative burden to which the Commission and the Company are subject, would impose additional and unnecessary risks upon the Company and ratepayers, and is inconsistent with the Commission's ECR 8 Order. Since the only mechanism for changing the 20% portion would be through a base rate case, the frequency of base rate cases would increase adding to the existing administrative costing incurred by the Commission and the Company.

While there may be some ambiguity in the Commission's ECR 8 Order, the Order amply supports the Company's proposal, and since the Company's proposal is clearly more logical, equitable and fair to shareholders and ratepayers, it should be adopted.

The Trial Staff asserts that Section 1307 of the Public Utility Code prohibits the recovery of non-reconcilable costs in automatic adjustment clauses such as the ECR. In the Staff's view, rates established pursuant to Section 1307 may only recover

reconcilable costs and non-reconcilable costs may be recovered through base rates pursuant to Section 1308. The Company contends that nothing in the language of Section 1307 supports such a result. Section 1307 expressly states that the Commission is required to reconcile costs only "in the absence of good cause shown." This language clearly gives the Commission discretion not to allow full reconciliation of over-under collections. The Company contends that a Commonwealth Court ruling in Community Central Energy Corporation has resolved this issue. The Commonwealth Court held that the Commission had discretion under Section 1307 not to order full reconciliation for good cause shown. In order to place some limitation on the maximum gain or loss to shareholders and ratepayers resulting from application of the 80%/20% ECR, the Company has proposed that the Commission "cap" the gain or loss in any twelve-month period at 35 million dollars. Based on a Staff motion to strike the Company's testimony relative to the "Cap", the Administrative Law Judge entered an Order striking all testimony related to the establishment of a "Cap". The Company believes that its "Cap" proposal is fully consistent with the Commission's ECR 8 Order, and that a failure to allow the Company to litigate the "Cap" proposal in this proceeding will result in a clear violation of the Company's right to notice in hearing as required by due process of law.

The Company points out that all parties concede that the establishment of the 80%/20% ECR mechanism was never raised or litigated by any party in the ECR 8 investigation. The question of ECR incentive provisions was specifically reserved for Pha

III of the investigation, which never took place. The Commission's order pertaining to the 80%/20% ECR mechanism directed the Company to file a proposal in the Limerick I rate proceeding where it would be adopted after investigation and hearing.

A "Cap" would at least partially reflect the magnitude, uncontrollability, and variability of the Company's energy costs. Fuel and energy expenses account for about 45% of total operating expenses including depreciation and taxes. Energy costs are also highly variable due to a variety of factors which are beyond the control of the Company. The Company points out that changes in the operation of major PJM base load generating units, unexpected changes in load levels due to unusual weather patterns or economic conditions, and changes in fuel prices which are beyond the Company's control can also significantly effect the Company's energy costs.

A "Cap" would at least partially recognize the Company's already substandard financial condition and its particular vulnerability to the imposition of the additional financial risk of an 80%/20% ECR. Increased perceived risk due to imposition of an 80%/20% ECR could contribute to a downgrading of the Company's bonds to below investment grade. Furthermore a "Cap" would reflect the experimental nature of the 80%/20% ECR.

Trial Staff Position

Based on the language contained in the Commission's ECR 8 Order as well as the circumstances surrounding the Order, it is Staff's position that the only proper and reasonable way to implement the Order is by normalizing the 20% of energy costs and

including them in base rates. The Staff contends that normalization is consistent with the Commission's Order. The Commission directed the Company to provide historic and three-year projected operating data with respect to both its own units and historic performance data relating to comparable generating units operated by other utilities. The Commission also directed the Company to supply similar data "to provide such full support for its expected energy costs in all future general rate proceedings." The Staff suggests that it was not the Commission's intention to hold annual investigations into the Company's non-reconcilable energy costs. The Staff also argues that there is little time allowed in the ECR process to examine the reasonableness of the Company's projected costs.

The Staff argues that because 20% of the energy costs are to be unreconciled, they must be charged pursuant to Section 1308 of the Public Utility Code. The Staff argues that Section 1307 provides that any rates charged pursuant to a sliding scale of rates must be fully reconciled. Because these costs are rolled into base rates, they should be normalized like any other reconcilable expense. The Staff states that in the face of declining fuel prices the Company will retain short term gains but the amount of gain will still be conditioned upon its ability to achieve expected capacity factors out of the coal and nuclear units.

The Staff also contends that implementation of a "Cap" would be inconsistent with the Commission's ECR 8 Order. The Staff recommends that such a modification of the Commission's

Order be denied.

Administrative Law Judge Recommendation

The Administrative Law Judge recommends the adoption of the Company's proposal to modify the E factor of the energy cost rate in order to reflect the 20% of energy costs that would not be reconciled. The Judge rejects the Company's proposal for a 35 million dollar "Cap" on the level of unreconciled energy costs. The Judge believed that inclusion in base rates of 20% of the energy costs could result in an intolerable lag in reflecting changes in these costs. The Judge believed that this lag would expose both the Company and ratepayer to serious risks of very substantial over or under collections. The Judge rejected the Company's "Cap" because it would modify the Commission's ECR 8 Order.

50. Interim ECR Revisions

F- Co. T- Co. S- Staff

Company Position

The Company's proposed tariff provides:

1. that the ECR may be revised if the projected "under/over collection" ("E" factor) that may result at the end of the "E" factor year exceeds $10 million; and

2. adjustments should be designed to rectify the "over/under collection" over the remaining ECR period.

The Company opposes the Staff's proposed interim change provisions in the ECR language. The Staff proposal would allow adjustment of the "C" factor on a perspective 12-month basis, if the ECR rate will result in substantial over/under collection.

The Company noted that the Staff's proposal would be unnecessary if the Commission adopts the Company's proposal to allow revision of the 20% unreconciliable portion of energy costs, outside of the context of a rate case proceeding.

If, however, the Company's proposal regarding recovery of the 20% of non-reconcilable energy costs is not adopted, the Company has several concerns with Staff's proposal. Specifically, the Company contends that (1) the Staff's proposed language does not define the term "substantial over or under collection" in terms of a specific dollar amount or percentage figure. The Company argues that this could lead to various and possible conflicting interpretations. (2) Any interim revisions should be based on the remaining months of 1307(e) reconciliation year rather than the remainder of the computation year as advocated by the Staff. (3) Interim revisions to the ECR should be calculated on the basis of and applied to the remaining months of the computational year, rather than on a prospective 12-month basis as proposed by the Staff.

The Company states that if the Commission adopts an interim adjustment clause, the following language should be used:

"However, if such rate will result in an over or under collection of 10% of total estimated energy expenses for the computation year, during the remainder of the 1307(e) reconciliation year, the 'F' factor of the rate may be revised on a prospective basis for the remaining months of the computation year."

Staff Position

The Staff contends that its interim revision tariff:

2. expands Commission flexibility by removing the specific threshhold amount necessary to trigger the provision; and

3. is consistent with the tariffs of all other jurisdictional utilities.

Staff's recommended interim adjustment is as follows:

"However, such rate may be revised on an interim basis subject to approval of the Pennsylvania Public Utility Commission upon determination that the then effective rate will result in substantial over or under collection. In such case, the 'F' factor for the rate may be revised on a prospective 12-month basis effective for the remainder of the ECRF computation year. Such revision shall become effective 30 days from the date of the revised filing unless otherwise ordered by the Commission."

Administrative Law Judge Recommendation

The Administrative Law Judge had recommended the adoption of the Company's proposed ECR provisions.

51. Nuclear Performance Standard

Governor's Energy Council Position

The 80%/20% mechanism was seen as the remedy to the problem of the Company's poor use of the ECR mechanism, and the goal of the Order was to give the Company an incentive to better forecast their fuel and energy costs. The 80%/20% ECR is not specifically an incentive program to improve the operating performance of the Company's generating units. The Company could project low

capacity factors for their units in developing their ECR projections and receive no penalty under the 80/20 ECR, provided that the actual performance was not worse than the projected performance.

The Council's performance plan has three major components. The first component of the proposed plan involves a nuclear unit operating standard for all the Company's nuclear units. An average capacity factor of 65% should be employed as a performance standard for all of these units. There would be a "dead-band" of 5 percentage points on either side of this 65% standard. Within this 10% point range, the fuel and energy costs incurred by the Company would receive the standard cost recovery treatment. All replacement power costs attributable to performance below the 60% average capacity factor would not be recovered from the ratepayers, but would be borne by the Company. On the other end of the range, half of the fuel and energy cost savings achieved by the Company for total nuclear performance in excess of a 70% average capacity factor would be kept by the Company.

The second component of the proposed plan recognizes the importance of controlling non-fuel operation and maintenance expenses of the Company's nuclear units. The Council suggests the employment of the performance plan used by the Commission in the recent Limerick II investigation.

The third component of the plan suggested by the Council addresses the subject of post-commercial capital additions. The council suggests that the Company be required to supply the Commission with information about such expenditures whenever the

annual aggregate capital additions for the nuclear units is in excess of $100 million. With this information, the Commission would be in a position to review the prudency of the capital addition expenditures prior to the filing of a claim for reimbursement in the next rate case.

The Council objects to the Company's proposal to broaden the range of acceptable capacity factors, to limit the liability for the performance below the minimum standard to 50% of the additional costs, and to place a cap of $35 million on the potential positive and negative incentives. The Council contends that the Company has projected a 65% capacity factor as being achievable over the life of these nuclear units. The Council argues that there is no reason that an incentive performance plan needs to be symmetric in its penalties and benefits. Under traditional ratemaking, a utility is not entitled to recover costs which are deemed to be excessive and, likewise, under the same traditional principles, a utility is not entitled to keep any savings which occur because of superior performance.

The Council opposes the use of a cap on the size of the potential penalty or benefit because this would only dilute the effectiveness of the performance program. Furthermore, the Council argues that the Company could always approach the Commission for a waiver of the performance standards should the situation demand it.

Company Position

The Company objects to the proposed standards recommended by the Governor's Energy Council. The Company believes that

these proposals seek to modify the Commission's ECR 8 Order and are seriously flawed in other respects. The Company believes that the 60/20% ECR already addresses the issue of performance incentives. The Company further argues that it is entitled to collect its prudently incurred energy costs. The Company objects to the proposed unbalanced penalty and reward provisions. By prescribing the loss of 100% of the additional energy costs due to performance under a 60% capacity, but recovery of only 50% of the savings due to performance in excess of a 70% capacity factor, the Council establishes an asymmetrical penalty/reward system which assures that the Company will underrecover its costs even if an average 65% capacity factor is achieved over time. The Company also notes that when nuclear generation is reduced, incremental energy costs increase faster than they decrease when nuclear generation rises. This is true because more expensive units are required to replace lost generation.

Therefore, over the lifetime performance of a given nuclear unit, shareholder losses due to below-average performance will be greater than their gains for above-average performance, and shareholders will lose even if a lifetime 65% capacity factor is achieved. The Company also argues that the Council's proposals are inconsistent with recent precedents in six other jurisdictions.

Administralive Law Judge Recommendation

The Administrative Law Judge did not adopt the Council's proposal.

The Judge believed that this proposal seeks to modify the Commission's ECR 8 Order and is seriously flawed in other respects.

1.52 Projected Price of Oil

T- staff T- OCA S- staff

Trial Staff Position

The Company filed Exhibit JJC-3 in which it projected a total fuel cost for an initial 12-month period of 15.859 mills/KWH and a three-year average fuel cost of 16.414 mills/KWH. This exhibit was comprised of a PRODCOST run which utilized an oil price of $24 a barrel. Staff recommends that the 16.414 mills/KWH cost be employed as the normalized energy cost because it is below Philadelphia coal prices, Western purchase rates, PJM receipt rate and oil production rates. Thus, there is more of an incentive to optimize the lowest production source and perhaps to lock in current low prices through contracts not only in the year immediately following the conclusion of this case but in the next two years as well.

Office of Consumer Advocate Position

The Advocate contends that the Company's energy cost rate filing must be adjusted to reflect current oil prices. The Advocate submits that there is one particular ingredient in the Company's energy cost rate filing which requires careful review by the Commission in this case. That ingredient is the price of oil which the Company has included part of its forecast of annual energy costs.

The Advocate believes that the Company's claim is based on outdated oil price forecasts from May of 1985. These prices are

set, for example, at over $27/BBL for No. 6, 0.5% sulfur oil, and $32/BBL for No. 2 oil. The Advocate submits that the oil prices which the Company has included in its energy cost rate projections are highly inflated compared to current oil markets and current prices, including prices which the Company is now paying for its own oil. The Advocate points to testimony of a Company witness which supported the proposition that oil prices may be in the $17-20 per barrel range.

The Advocate suggests that the Commission should require the Company to present as part of its compliance filing in this case an energy cost rate based upon a price of no more than $17 per barrel for residual oil.

Governor's Energy Council Position

The Council contends that the Company's energy cost projections are inflated by unrealistic assumptions of oil prices. Until pressed by the parties to perform a revised production cost run, the Company was using a projected oil price of $27.108 per barrel of No. 6 (0.5% sulfur) oil. This figure was being used, despite the fact that the Company had been purchasing oil for as low as $17 a barrel. As a result of a request by one of the parties, the Company performed a production cost run which assumed a price of $24 per barrel.

There was no other evidence offered by the Company to support this revised forecast, and no opportunity for the other parties to respond to this revised forecast.

Company Position

The Company filed rebuttal testimony accepting Trial Staff's proposed revision to oil prices. The Company recommends rejection of the oil price adjustment proposed by the Advocate. First, despite adequate opportunity, the Advocate did not present any evidence in this case as to the oil prices to be employed, in calculating the 80%/20% ECR period. The Advocate should not be permitted to avoid its decision not to present evidence on this issue by asking the Commission to ignore the record developed in this proceeding.

Secondly, the Company's energy cost rate is made up of a variety of components and projections, e.g., sales, capacity factors, operation of other PJM units, two-party purchases, coal and oil prices, and several other individual items. All of these components change over time, not just oil prices. The Advocate seeks to change one component after the record has closed and ignore all other factors which affect total energy costs. The Company argues that if the Advocate's proposal on oil prices is adopted, then fairness and consistency dictate that there be a complete rerun of energy cost forecasts at the time the Commission enters its final order to reflect the variability of all the components of the Company's energy case.

Third, the Advocate's references to an oil price of $17 per barrel is misleading and incorrect. This represents the price the company for one spot purchase of oil and does not reflect the average value of oil inventory, either now or over the period rates will be in effect. The Advocate's attempt to rely on a spot price at a particular point in time to establish an

average oil price for the first year rates will be in effect is obviously inappropriate and should be rejected.

The Company also objects to the Trial Staff's attempt to "normalize" its oil price projection over a three-year period. The Company believes that the Trial Staff has sought to employ a one-year oil price estimate in its three-year normalized "projection." A change in the first year estimate obviously will impact future projections and to simply take a revision to the first-year projection without revising the second and third year projections on the same basis is clearly in error and should be rejected.

Administrative Law Judge Recommendation

The Administrative Law Judge did not specifically address this issue. The Judge had recommended adoption of the Company's ECR proposal.

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

July 17, 1986

IN REPLY PLEASE
REFER TO OUR FILE

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

RECEIVED
JUL 17 1986
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 the Pennsylvania Public Utility Commission Trial Staff's **Comments of Trial Staff to OCA's Supplemental Petition for Reconsideration** in the above-captioned proceeding.

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

Sincerely,

Veronica A. Smith
Assistant Counsel

DOCUMENT FOLDER

Enclosure

VAS:gdp

cc: Honorable Joseph J. Matuschak, ALJ
All Parties of Record

RECEIVED
JUL 17 1986
SECRETARY'S OFFICE
Public Utility Commission

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION :
:
v. :
:
PHILADELPHIA ELECTRIC COMPANY :

Docket No. R-850152

DOCKET
JUL 21 1986

COMMENTS OF TRIAL STAFF TO OCA'S SUPPLEMENTAL PETITION FOR RECONSIDERATION

On July 10, 1986, the Office of Consumer Advocate (OCA) filed a Supplemental Petition For Reconsideration in the above-docketed proceeding. The OCA in its petition has requested that this Honorable Commission reconsider its Order of June 27, 1986 in light of the recently enacted provisions of Section 1323 of the Public Utility Code, 66 Pa. C.S. §1323.

The Pennsylvania Public Utility Commission Trial Staff (Trial Staff) supports the OCA's position to the extent that it calls for reconsideration of the Commission's order in light of Section 1323 of the Public Utility Code. Trial Staff agrees with the OCA that the newly enacted legislation is applicable to the above-docketed proceeding and that the Commission's decision on the issue of excess capacity should address the provisions of Section 1323.

DOCUM
FOLDE

Section 1323 provides in pertinent part:

> §1323. Procedures for new electric generating capacity.

(a) Excess capacity costs. -- Whenever a public utility claims the costs of an electric generating unit in its rates for the first time and the commission finds that the unit results in the utility having excess capacity, the commission shall disallow from the utility's rates, in the same proportion as found to be excess capacity:

(1) the return on specific unit or units of any excess generating reserve;

(2) the return on the average net original cost per megawatt of the utility's generating capacity; or

(3) the equity investment in the new unit.

In addition to the disallowances set forth in this subsection, the commission may disallow any other costs of the unit or units which the commission deems appropriate. For the purposes of this section, a rebuttable presumption is created that a unit or units or portion thereof shall be determined to be excess unless found to be needed to meet the utility's customer demand plus a reasonable reserve margin in the test year or the year following the test year, or, if it is a base load unit, it is also found to produce annual economic benefits which will exceed the total annual cost of the plant during the test year or within a reasonable period following the test year.

With regard to the merits of any reconsideration, Trial Staff submits that on the matter of the presumption that a unit "shall be determined to the excess unless found to be needed to meet the utility's customer demand plus a reasonable reserve margin in the test year or the year following the test year", the Commission's decision has already considered and resolved this aspect of excess

capacity raised by the statute. The Commission in its order concluded that the reserve margin of 28 percent was reasonable. The Commission stated:

> The ALJ has concluded that, with Limerick on line, PECO has a reserve margin of 28% over peak requirements. He notes that this is 3% greater than the Company's planning objective of 25%, but since base load capacity is not added megawatt by megawatt a "reasonable increase in reserve capacity must be allowed before excess capacity comes into play" (R.D. page 74). The ALJ finds that the record in this case fails to substantiate any PECO excess capacity.
>
> We agree with and adopt ALJ Matuschak's recommendation on this issue.

(Commission Order, p. 36-37).

Since the Commission decision already addresses this aspect of Section 1323, Trial Staff submits that there is no need for the Commission to reconsider that portion of its decision.

However, Trial Staff agrees with OCA that the Commission must examine its decision in light of the "economic benefits" provision of Section 1323. The reconsideration can be accomplished either through the review of the existing record or through a remand for purposes of further hearings. Trial Staff believes that the current record contains sufficient evidence on which the Commission can render a decision and that a remand is not required or necessary. (See OCA Supplemental Petition, paragraph 14, page 9).

Trial Staff submits that the OCA's Supplemental Petition for Reconsideration correctly states that the

matter is pending before the Commission and that the Commission's Order must be reconsidered in light of the provisions of Section 1323 of the Public Utility Code, 66 Pa. C.S. §1323.

Respectfully submitted,

Veronica A. Smith

Veronica A. Smith
Assistant Counsel

Marlane R. Chestnut
Assistant Counsel

Daniel P. Delaney
Deputy Chief Counsel

For the Pennsylvania Public Utility
Commission Trial Staff

Dated: July 17, 1986

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing document(s), either personally or by first class mail, upon the persons addressed below:

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

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

Roger Clark, Assistant Counsel
Governor's Energy Council
300 N. Second Street
Post Office Box 8010
Harrisburg, PA 17105

Irwin A. Popowsky
David Wersan
Scott J. Rubin
Assistant Consumer Advocates
1425 Strawberry Square
Harrisburg, PA 17120

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

Alan R. Squires, Esquire
Greenstein, Gorelick, Price,
Silverman and Laveson
900 Two Penn Center Plaza
Philadelphia, PA 19102

Michael J. Ettner, Esquire
General Services Administration (LK)
18th & F Streets, N.W. - Room 4002
Washington, D.C. 20405

Charles Rainey, Jr., Assistant City Solicitor
City of Philadelphia - Law Department
15th Floor, Municipal Services Building
Philadelphia, PA 19102-1692

Mark P. Widoff, Esquire
Widoff Reager Selkowitz & Adler, P.C.
129 State Street
Harrisburg, PA 17101

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

Michael J. Browne, Esquire
J. Tomlinson Fort, Esquire
1600 Avenue of the Arts Building
Broad & Chestnut Streets
Philadelphia, PA 19107

Nancy Shuster, Esquire
I Pond Street
Bristol, PA 19007

Stephen Bosch, Esquire
450 Carnell Hall
Broad Street & Montgomery Avenue
Philadelphia, PA 19122

Bernard A. Ryan, Jr., Esquire
Dechert, Price & Rhoads
800 North Third Street
Harrisburg, PA 17101

William T. Hawke, Esquire
Joseph J. Malatesta, Esquire
Malatesta, Hawke, McKeon & Morris
Post Office Box 12110
Harrisburg, PA 17108

James A. Carrodi, Deputy Counsel
and Staff Vice President
Scott Paper Company
Scott Plaza
Philadelphia, PA 19113

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

Martha W. Bush, Esquire
237 S. Melville Street
Philadelphia, PA 19139

Wayne L. Emery, Esquire
Kenneth R. Pepperney, Esquire
U. S. Steel Corporation
Law Department - Room 6082
600 Grant Street
Pittsburgh, PA 15230

Veronica A. Smith
Assistant Counsel
Pennsylvania Public Utility Commission

Dated: July 17, 1986

WASHINGTON
NEW YORK
LOS ANGELES

MORGAN, LEWIS & BOCKIUS
COUNSELORS AT LAW
2000 ONE LOGAN SQUARE
PHILADELPHIA, PENNSYLVANIA 19103
TELEPHONE: (215) 963-5000
CABLE ADDRESS: MORLEBOCK
TELEX: 83-1315

MIAMI
HARRISBURG
LONDON

JAY H. CALVERT, JR.
DIAL DIRECT (215) 963-5462

ORIGINAL

July 21, 1986

RECEIVED

JUL 21 1986

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 for filing with the Commission the original and three (3) copies each of: (a) the Answer of Philadelphia Electric Company to Supplemental Petition for Reconsideration of the Office of Consumer Advocate; and (b) the Answer of Philadelphia Electric Company to Petition for Reconsideration By the Governor's Energy Council.

As the Certificate of Service indicates, copies of the Company's Answers have been served on all parties of record.

Sincerely,

Jay H. Calvert, Jr.

/sg
Enclosures
cc: The Honorable Joseph P. Matuschak (w/enclosures)
All Parties of Record (w/enclosures)

DOCUMENT FOLDER

CERTIFICATE OF SERVICE

I hereby certify that I am on this day serving copies of the aforementioned documents on all parties of record:

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

David M. Kleppinger, Esquire
100 Pine Street
Harrisburg, PA 17120

Roger E. Clark
Governor's Energy Council
P.O. Box 8010
300 N. 2nd Street
Harrisburg, PA 17105

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

Michael J. Ettner, Esquire
Information Resources & Utilities Division
General Services Administration
Room 4002
18th and F Streets, N.W.
Washington, DC 20405

Charles E. Rainey, Jr., Esquire
Municipal Services Building
Law Department, 15th Floor
Philadelphia, PA 19102

Nancy Schuster, Esquire
1 Pond Street
Bristol, PA 19007

Veronica Smith
Pennsylvania Public Utility Commission
Room G-19
North Office Building
Harrisburg, PA 17108

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

Mark P. Widoff, Esquire
Widoff, Reager, Selkowitz & Adler
129 State Street
Harrisburg, PA 17101

Michael Browne, Esquire
Reed, Smith, Shaw & McClay
1600 Avenue of the Arts Building
Broad and Chestnut Streets
Philadelphia, PA 19107

Wayne L. Emery, Esquire
Kenneth R. Pepperney
Rafael Caminero, Esquire
600 Grant Street, Rm. 1580
Pittsburgh, PA 15230

Alan R. Squires, Esquire
Greenstein, Gorelick, Price,
Silverman & Laveson
900 Two Penn Center Plaza
Philadelphia, PA 19102

Martha Bush, Esquire
237 S. Melville Street
Philadelphia, PA 19139

Bernard A. Ryan, Jr., Esquire
Dechert Price & Rhoads
800 N. Third Street
Harrisburg, PA 17102

William T. Hawke, Esquire
Joseph J. Malatesta, Esquire
Malatesta, Hawke, McKeon & Morris
212 Locust Street
P.O. Box 12110
Harrisburg, PA 17108

Dated: July 21, 1986

Jay H. Calvert, Jr.
Counsel for Philadelphia
Electric Company

ORIGINAL
RECEIVED
JUL 21 1986
SECRETARY'S OFFICE
Public Utility Commission

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

DOCKETED
JUL 21 1986

ANSWER OF PHILADELPHIA ELECTRIC COMPANY
TO SUPPLEMENTAL PETITION FOR
RECONSIDERATION OF THE OFFICE OF CONSUMER ADVOCATE

NOW COMES Philadelphia Electric Company ("PECO" or the "Company"), by its attorneys, and herewith files its Answer to the Supplemental Petition of the Office of Consumer Advocate ("OCA") for Reconsideration of the Opinion and Order of the Pennsylvania Public Utility Commission (the "Commission"), entered June 27, 1986, in the above-captioned proceeding. In support of its Answer, the Company respectfully represents the following:

DOCUMENT
FOLDER

1. Admitted. The OCA filed a Petition for Reconsideration of the Commission's Opinion and Order of June 27, 1986, in the above-captioned proceeding, which petition was strenuously opposed by the Company on the grounds that the Commission's decision had fully addressed, and clearly decided against the OCA, all the issues raised by the OCA's petition. The Company noted that in view of the fact that the arguments presented in the OCA's petition had been expressly rejected by

the Commission, and because the rate proceeding had been properly closed by the final Commission Order of June 27, 1986 (the "June 27 Order"), the OCA's petition was clearly frivolous and improper and, as such, should be denied.

2. Admitted. The Utility Users Committee/University of Pennsylvania ("UUC/UP") filed a Petition for Reconsideration of the Commission's June 27 Order, which petition was strenuously opposed by the Company for the same reasons the Company opposed the Petition for Reconsideration of the OCA.

3-6. Admitted.

7-8. Denied. The Company denies that Section 19 of the Act amending the Public Utility Code, 66 Pa.C.S. § 101, et seq., which states that "66 Pa.C.S. §1323 ... shall be applicable to all cases pending before the commission", makes Section 1323 applicable to this proceeding. The instant rate proceeding was closed by the Commission's June 27 Order, in which the Commission fully addressed and decided all issues raised in the Briefs and Exceptions of all parties. (See Answer of PECO to OCA's initial Petition for Reconsideration, pp. 2-5). The June 27 Order is final, binding and appealable by the parties. 66 Pa.C.S. §1308(d) (at the end of a rate case the Commission "shall make a final decision and order"). This Commission has concluded with this rate case and has moved on to other cases. The amendment the Public Utility Code, signed into law by Governor Thornburgh

on July 10, 1986, clearly occurred after the proceedings here were closed.

The law in Pennsylvania conclusively establishes that a proceeding before a lower tribunal ceases to be pending before that tribunal with the issuance of a final order. (See Appendix A, pp. 1-3). The final nature of such an order cannot be disturbed by post-proceeding petitions absent the express grant of a petition for reconsideration. (Id.). The mere filing of a petition for reconsideration does not affect the finality of the June 27 Order. Indeed, the appeal period began to run on that date and has not been tolled. Therefore, this Commission's June 27 Order was not "pending before the Commission" at the time Section 1323 was enacted. (See Appendix A). Accordingly, Section 1323 has no application to this proceeding.

The OCA has plainly mischaracterized, or chosen to ignore, the law of Pennsylvania governing the effect of a lower tribunal's final order. In an apparent attempt to avoid the requirements of Pennsylvania law, the OCA has relied upon analyses borrowed from foreign jurisdictions that: a) completely fail to address the circumstances presented by this proceeding, and b) flatly contradict the law in Pennsylvania. Because the Commission's June 27 Order represents a final and undisturbed order, and the Commission has not granted a petition for reconsideration, the OCA's wholly unsupported attempt to

characterize this concluded rate case as "pending" before the Commission must be rejected. (See Appendix A).[1/]

9-13. Denied. Assuming, arguendo, that Section 1323(a) applies to this proceeding, that Section does not require this Commission to grant either the OCA's initial Petition or its Supplemental Petition for Reconsideration. When the costs of a new base load unit are claimed in a utility's rates for the first time, Section 1323(a) creates a "rebuttable presumption" of excess capacity unless two conditions are satisfied: a) the unit is "needed to meet the utility's customer demand plus a reasonable reserve margin in the test year or the year following the test year" (the "need" condition); and b) the unit "is also found to produce annual economic benefits which will exceed the total annual cost of the plant during the test year or a reasonable period following the test year" (the "economic" condition). [2/]

1/ If Section 1323(a) is applied retroactively to the Limerick 1 rate proceeding, such an application would raise serious questions as to whether the statute violates the due process clauses of the Fifth and Fourteenth Amendments of the United States Constitution and Article I, Section 1 of the Pennsylvania Constitution. (See Appendix A, pp. 10-11, n. 1).

2/ Although it is not clear from the wording of Section 1323(a) that both conditions of the "rebuttal presumption" test must be met to avoid the rebuttal presumption of excess capacity in the case of a base load unit, for purposes of this Answer only it will be assumed that both conditions are applicable. (continued)

This Commission already has addressed these conditions in its June 27 Order and has found that: a) Limerick 1 is needed to meet PECO's customer demand plus a reasonable reserve margin; and b) the OCA's short-term economic benefit comparison of Limerick 1 versus the 458 MW of retired CT peaking capacity "misconstrued and overstated the value of [the CT] capacity." (Order, p. 36).3/ Moreover, there is substantial evidence of record to establish that Limerick 1 will produce annual net economic benefits within a reasonable period following the test year. Finally, even assuming, arguendo, that Limerick 1 fails to meet one of the two conditions set forth in Section 1323(a)'s "rebuttable presumption" test, the record contains substantial evidence to rebut the presumption of excess capacity created by Section 1323(a). The provisions of Section 1323, therefore, do not require this Commission to reconsider the issue of excess capacity in this proceeding.

1. This Commission Already Has Found That Limerick 1 Is Needed To Meet PECO's Customer Demand Plus A Reasonable Reserve Margin.

Limerick 1 clearly satisfies the "need" condition of the "rebuttal presumption" test of Section 1323(a), because the Commission found in its June 27 Order that Limerick 1 is needed

---

3/ References to this Commission's June 27, 1986 Opinion and Order will be cited herein as (Order, p. ___).

to meet PECO's customer demand plus a reasonable reserve margin. (Order, pp. 34-37). Specifically, this Commission adopted ALJ Matuschak's finding that "the record in this case fails to substantiate any PECO excess capacity." (Id., p. 37). Therefore, Limerick 1 clearly is needed to meet PECO's projected demand plus a reasonable reserve margin, is used and useful, and does not represent excess capacity "in the primary reliability sense." See Pa. P.U.C. v. Pennsylvania Power & Light Co., Docket No. R-842651, p. 17 (April 22, 1985) ("Susquehanna 2"). Indeed, the "need" condition in Section 1323(a) requires the precise analysis that this Commission has already undertaken in its June 27 Order.

2. Limerick 1 Will Produce Annual Economic Benefits Which Will Exceed Its Total Annual Cost Within A Reasonable Period Following The Test Year.

The "economic" condition of the "rebuttable presumption" test provides that a unit must be:

> found to produce annual economic benefits which will exceed the total annual cost of the plant during the test year or within a reasonable period following the test year.

66 Pa.C.S. § 1323(a) (emphasis added). This "economic" condition requires this Commission to determine the proper standards by which to measure both the economic benefits attributable to a particular unit and the reasonableness of the period within which such benefits are produced.

Unlike the "need" condition, which must be met "in the test year or the year following", the "economic" condition must be met "during the test year or within a reasonable period following the test year." As it did for the "need" condition, the Legislature could have set a time certain by which the "economic" condition had to be met. It did not. Instead, the Legislature left it to the discretion of this Commission to determine what is "a reasonable period" on a case-by-case basis. Given the difficulty of making accurate projections into the future, it would not be possible to pick a date certain by which annual net economic benefits had to be produced. Rather, the "economic" condition is met where benefits accrue within a time band that is reasonable.

In its Supplemental Petition, the OCA insists upon characterizing the initial period in which Limerick 1 does not produce net annual benefits as "unreasonable." (OCA Supplemental Petition, p. 8). The basis of this claim is not clear. No workable standard or approach is suggested by the OCA. Viewed from any realistic perspective of: (a) the economics of base load units; (b) the regulatory accounting practices and the benefit flow patterns utilized to account for the costs and benefits of base load units; (c) the need for Limerick 1; and (d) the "chilling" effect on the construction of base load units that a narrow reading of Section 1323(a) would produce, the record in this proceeding clearly establishes that Limerick 1 will produce

annual net economic benefits within a reasonable period following the test year.

a. This Commission Already Has Rejected The OCA's Short-Term Economic Benefit Comparison Of Limerick 1 Versus The Retired CT Capacity.

The OCA proposed for purposes of this proceeding a comparative economic benefits analysis that purported to compare the economic benefits of Limerick 1 with the economic benefits of the 458 MW of CT peaking capacity that PECO has retired. The OCA's comparative economic benefits analysis concluded that the cost of Limerick 1 exceeded the cost of retaining the CT's by $1.5 billion. The OCA sought to justify this proposed comparative economic benefits test for use in this proceeding on the basis that the CT units were the most appropriate standard for evaluating the economics of Limerick 1. As stated by OCA witness Lanzalotta, "it is, after all, the capacity of Limerick 1 which led PECO to decide to prematurely retire this [CT] generating capacity." (OCA St. No. 5, p. 22).4/

PECO has established that the OCA truncated its comparative economic benefits analysis at an arbitrarily short period, just as Limerick 1 began to show net annual economic

---

4/ Of course, the OCA's position that Limerick 1 caused the "premature" retirement of the CT's was rejected by this Commission. (Order, p. 36).

benefits over the CT's. (PECO Reply Brief, pp. 5-7 to 8; PECO Reply Exceptions, p. 29). PECO also established that the OCA's arbitrary economic comparison would result in regulatory pressures in the direction of having a system made up entirely of CTs, and would require PECO, in effect, to become a "PJM junkie". (PECO Reply Exceptions, pp. 29-30).

This Commission specifically addressed the OCA's comparative economic benefits test in its June 27 Order. In discussing the OCA's contention that PECO was seeking to avoid an excess capacity adjustment simply by accelerating the retirement of the cheapest capacity on PECO's system, this Commission stated:

> We find that the OCA has largely ignored the purpose which the CT capacity was intended to serve on PECO's system and, as a result, has misconstrued and overstated the value of that capacity.

(Order, p. 36). Therefore, this Commission has already considered the relative economic benefits of Limerick 1 and has rejected the analysis that the OCA now posits as support for reconsideration. (OCA Supplemental Petition, pp. 8-9).

Nevertheless, it should be noted that the OCA's comparative economic benefits analysis demonstrates that Limerick 1 begins to produce comparative annual net economic benefits within 9 years of the test year. When the OCA's analysis is

repeated, giving effect to the construction imprudency and equity rate of return adjustments made in the June 27 Order, it reveals that Limerick 1 begins to produce comparative annual net economic benefits within 8 years. (See Appendix B).

b. The Life-Cycle Analysis Presented By The Company In This Proceeding Clearly Demonstrates That Limerick 1 Will Produce Substantial Economic Benefits.

Substantial evidence presented in this proceeding demonstrates that Limerick 1 will produce annual economic benefits exceeding its total annual costs within at least 7 1/2 years of the test year.[5/] (See PECO Initial Brief, pp. 5-53 to 55 and Appendix D; PECO Reply Exceptions, p. 32). Moreover, as explained in Appendix B, once PECO's life-cycle analysis is adjusted to reflect the reduction in Limerick 1's costs due to this Commission's imprudency and equity rate of return adjustments, Limerick 1's costs and benefits are approximately equal beginning in 1992, or only 5 1/2 years after the test year. (See Appendix B).[6/]

5/ The test year is July 1, 1985 to June 30, 1986. (PECO St. 18, p. 8.) Net annual economic benefits begin to accrue as of the beginning of 1994. (GEC Ex. 3).

6/ As set forth in Appendix B, costs exceed benefits in 1992 by only approximately $19 million and in 1993 by only approximately $52 million.

Even the life-cycle analyses of the Philadelphia Area Industrial Energy Users Group ("PAIEUG") and the OCA themselves acknowledge that Limerick 1 will produce positive annual economic benefits within 9 and 15 years, respectively, at the outside. (See OCA Exceptions, p. 19). When these analyses are carefully scrutinized, however, they reveal that Limerick 1 shows net economic benefits even earlier than PAIEUG and the OCA are willing to admit. Moreover, neither the analysis of PAIEUG nor that of the OCA take into account the prudency and equity rate of return adjustments made by this Commission. (See Appendix B). In addition, PAIEUG included 100% of common plant in its calculation of Limerick 1's costs. (PAIEUG St. 1, p. 31). An adjustment of the two analyses for just these obvious flaws substantially increases the net economic benefit of Limerick 1. Indeed, even uncorrected, the OCA's life-cycle analysis reveals that Limerick 1, in fact, produces net economic benefits in 1995. (See OCA St. 6, p. 5).

Consistent with the economics of base load unit planning, after its first few years of operation, Limerick 1 will proceed to far outstrip its earlier annual economic costs and achieve positive net economic benefits totalling up to $4.0 billion in addition to recovering the cost of its construction. (See PECO Initial Brief, pp. 5-53 to 55; PECO Reply Exceptions, p. 32). Moreover, under the analyses performed by the Company, the OCA and PAIEUG, Limerick 1's economics improve significantly

and the unit becomes progressively more valuable to ratepayers during each year of its operation, even before it begins producing annual net economic benefits.

c. The Record Establishes That The Life-Cycle And Comparative Annual Net Economic Benefits Attributable To Limerick 1 Will Be Produced Within A Reasonable Period.

What constitutes a "reasonable period" to satisfy the "economic" condition requires consideration of many factors applicable to power plant economics.7/ Accordingly, a determination as to what is reasonable requires recognition that base load units such as Limerick 1 cannot be expected to produce immediate net economic benefits. Specifically, an evaluation of the reasonableness of the time that passes before a base load

---

7/ The reasonableness of the period employed to evaluate the benefits of Limerick 1 should also take into account the extent to which technical excess capacity is found, or not found, in the "need" condition of the "rebuttable presumption" test erected by Section 1323(a). The Commission has previously recognized that the tests for technical excess capacity and life-cycle benefits bear a relationship to one another. Susquehanna 2, pp. 18-19. In Susquehanna 2, the Commission rejected, as too remote, the life-cycle benefits analysis presented by the utility in light of its finding that the entire unit there at issue was in excess of the utility's customer need plus a reasonable reserve margin for at least fifteen years, or "for at least the remainder of this century." (Id.) (quoting ALJ Klovekorn, Recommended Decision, p. 43). In this case, the ALJ and the Commission have unambiguously determined that Limerick 1 is needed capacity. As such, it is clearly appropriate for the Commission to consider a longer period reasonable for Limerick 1 to produce annual net economic benefits than it otherwise would for a unit whose capacity was not needed by the utility for some considerable time.

generating unit produces net economic benefits must take into account that: (a) the benefits of base load units increase over the long-term due to their relatively inexpensive operating costs; (b) the value of their benefits, relative to their investment costs, grows over time as a function of the effect of inflation on the costs associated with alternative power sources and depreciation of the unit; and (c) the difficulties and uncertainties inherent in base load capacity planning and construction. To restrict too narrowly the applicable period within which to require a base load unit to begin producing annual net economic benefits would systematically preclude base load units from receiving rate base recognition. It would also impede the construction of future base load units. The Legislature, having set up a test which purports to allow base load units to receive rate base recognition, could not have intended such a result. Indeed, the Statutory Construction Act of 1972 expressly provides that a statute should be presumed not to intend "a result that is absurd, impossible of execution or unreasonable." 1 Pa.C.S. § 1922.

It is clear from the language of Section 1323(a) that the Legislature has recognized the importance of taking into account the realities of base load unit economics. Section 1323(a), for example, establishes that base load and non-base load units are to be distinguished from one another. Although Section 1323(a) provides that any unit must be found to be needed

to meet customer demand plus a reasonable reserve margin within two years -- "the test year or the year following the test year" -- it specifies a longer period for determining the net annual economic benefits for base load units, i.e., "a reasonable period following the test year." See 66 Pa.C.S. § 1323(a).

The need to take into account the realities of base load plant economics in defining a "reasonable period" under Section 1323(a) is further supported by decisions of the Commission. Thus, the Commission has recognized with respect to excess capacity that some allowance must be made for the sheer magnitude of bringing a large base load unit on line. In Pa. P.U.C. v. West Penn Power Co., Docket No. R-842632, p. 44 (August 28, 1985), for example, the Commission noted that because of the nature of large base load units, a unit that comes on-line and results in generating capacity above the optimum reserve level until the unit's fourth year does not warrant an excess capacity adjustment.

Similarly, the Kansas Commission in its Wolf Creek decision, In Re Kansas Gas & Electric Co., 70 PUR4th 475 (Kansas 1985) ("Wolf Creek"), determined that in order to account for the "lumpiness" inherent in bringing large base load units on line, it would utilize a "planning horizon perspective" in determining the unit's usefulness:

> Due to the fact that baseload generating facilities are not likely to be brought into service in discrete segments exactly paralleling changes in demand, the Commission believes that an analysis of peak responsibility for the purpose of identifying facilities "required to be used" must incorporate a planning horizon perspective. To hold otherwise would create a future disincentive to the construction of facilities which constitute the most economic type of capacity for the particular system on a scale that would provide additional economies to the system.

Wolf Creek, 70 PUR4th at 510-11 (emphasis in original).

This Commission specifically recognized this principle in its June 27 Order, where it observed that:

> since base load capacity is not added megawatt by megawatt a "reasonable increase in reserve capacity must be allowed before excess capacity comes into play".

(Order, pp. 36-37) (quoting Recommended Decision, p. 74). Just as the Commission has recognized the need to put the addition of large base load units into regulatory perspective for purposes of determining technical excess capacity, so must it recognize the realities of base load unit economics in determining the reasonableness of the period before which Limerick 1 will begin producing annual net economic benefits. The demonstrable pattern of costs and benefits yielded by any base load unit is clearly weighted toward postponing the advent of annual economic benefits

during an initial period that is short relative to the operating life of the unit.

For example, while the costs of Limerick 1 will be reflected in rate base over the next three years, the unit's benefits will continuously increase with rising alternative fuel prices and inflation and as depreciation reduces the investment included in rate base. These accounting conventions, and the reality of inflation, have the effect of deferring a disproportionate share of the net benefits from Limerick 1 to later years. These are precisely the reasons, however, for building base load units. Although they are relatively expensive to construct, base load units achieve substantial long range system planning benefits. They result in considerable net economic benefits after a relatively short period, even though regulatory accounting conventions mask these benefits initially.

In view of these considerations, it is clear that the substantial evidence in the record establishing that Limerick 1 will produce annual economic benefits beginning in 1992-1994 fully satisfies the "reasonable period" criterion of Section 1323(a). By that time, Limerick 1 will have been operating for less than 6 to 8 years of its 39-year life.

Moreover, the Commission has determined in an analogous area that 10 years is a reasonable period within which utility assets held for future use should be in service in order for

ratepayers to begin paying today for an asset that will not produce any benefits until sometime in the future. E.g., Pa. P.U.C. v. Pennsylvania Power Co., 55 Pa. PUC 552, 557 (1982) (land held for future use); Pa. P.U.C. v. Peoples Natural Gas Co., 28 PUR4th 180, 187 (1978) (gas plant held for future use). In the case of Limerick 1, capacity needs are met immediately, and annual net economic benefits will accrue, even under the OCA and PAIEUG analyses, prior to the expiration of 10 years.

In addition, in its definition of what constitutes a "reasonable period following the test year" under Section 1323(a), the Commission must be cognizant of the concerns expressed by Governor Thornburgh and members of the General Assembly on this question. As stated by Governor Thornburgh:

> I am concerned, however, that this provision [§ 1323(a)] not be interpreted in such a way that it impedes the construction of new facilities needed to meet the service demands of business, industry and residential customers.

(Press Release, July 10, 1986) (See Appendix D, p. 2). The Governor provided the following guidance to the Commission in its effort to interpret Section 1323 properly:

> This determination [of whether the "need" and "economic" conditions have been met] should be made by the PUC in light of all of the relevant circumstances surrounding a ratemaking proceeding, including the useful life of the facility, the need for reliable service and the lack of availability of alternative sources of energy, such as co-generation units.

(Id.; see Appendix D).

The record in this case demonstrates a number of these "relevant circumstances" which, unless properly considered by the Commission in its determination of the "reasonable period" prescribed by Section 1323, will almost certainly result in impeding the construction of new facilities in the future to meet customer demands in PECO's service territory. These circumstances include the demonstrated difficulty of generation capacity planning due to changes in the availability and cost of fuel sources (i.e. environmental restrictions on coal use and uncertainty as to the cost and availability of oil), the uncertainty associated with electric load growth in the Company's service territory (which remained flat in the late 1970's, but has grown steadily and significantly in recent years) and the environmental and safety-related equipment changes that have been imposed on all new generating projects during that period. (See PECO St. 11, pp. 10-19; PECO St. 15, pp. 46-57). These difficulties and uncertainties, along with the accounting conventions described above, render it unlikely that new base load capacity can be constructed that will provide benefits immediately greater than its costs over the unit's initial years of operation. Indeed, unless a responsible position is adopted in determining the "reasonable period" during which annual net economic benefits are to be produced, all construction of needed new generating facilities will be "impeded", because no utility would begin constructing such a facility knowing that it would

have little likelihood of recovering the facility's cost over a substantial period of its life.

In view of: (a) the costs and benefits associated with large base load units, and the pattern of their reflection in rates, (b) the demonstrated immediate need for Limerick 1 on a reliability basis, (c) the uncertainties inherent in long-range projections and the difficulties of new capacity planning and construction, and (d) the time band within which Limerick 1 will produce annual net economic benefits under any realistic cost benefit analysis, Limerick 1 meets Section 1323(a)'s "reasonable period" requirement.

3. The Record Contains Substantial Evidence To Rebut The Presumption Of Excess Capacity.

Even assuming, arguendo, that Limerick 1 does not meet both conditions of the "rebuttable presumption" test, there is substantial evidence in the record by which any presumption of Limerick 1 being excess capacity is clearly rebutted. Not surprisingly, the OCA's Supplemental Petition virtually ignores this aspect of Section 1323(a). In seeking an excess capacity adjustment solely on the basis that Limerick 1 purportedly fails the "economic" condition of the "rebuttable presumption" test, the OCA apparently assumes that a finding of excess capacity must automatically be made whenever a utility fails to meet the

"rebuttable presumption" test set forth in Section 1323(a).[8/] By implication, the OCA would have this Commission interpret the words "rebuttable presumption" as meaning an "irrebuttable presumption".

Such a position does not comport with the language of the statute. Section 1323(a) does not state that a unit shall be determined to be excess capacity unless the "need" and "economic" conditions are satisfied. Rather, the statute states that a rebuttable presumption of excess capacity is created unless both threshold conditions are satisfied. Thus, where one or the other (or both) of the conditions are not met, the unit is not automatically determined to be excess capacity, but rather the rebuttable presumption created by the statute arises. A utility would then have the opportunity to rebut the presumption with evidence of record. Under the OCA's apparent interpretation of Section 1323(a), the "rebuttable presumption" language would be rendered meaningless. (See 1 Pa.C.S. § 1922; Commonwealth v. Lobiondo, 501 Pa. 599, 603, 462 A.2d 662, 664 (1983) ("It is presumed that every word, sentence or provision of a statute is intended for some purpose and accordingly must be given effect")). Moreover, if the Legislature had intended the "rebuttable presumption" language to indicate nothing more than

---

8/ If Section 1323(a) were so interpreted, it would be an unreasonable exercise of the state's police power in violation of both State and Federal Constitutions.

the assigning of a "burden of proof", they would have used those words.

Where a statute creates a rebuttable presumption, that presumption necessarily may be rebutted under appropriate conditions or circumstances. However, Section 1323(a) does not specify the conditions or circumstances that will serve to rebut the presumption of excess capacity it creates.9/ Where a statute is ambiguous, one must look to the legislative history of the statute for assistance in determining how the statute is to be interpreted. The legislative history of Section 1323(a) is silent as to the conditions or circumstances that may serve to rebut the presumption of excess capacity. The drafters of the statute could not have intended that only a showing of need and

---

9/ The creation of a rebuttable presumption without specification of the conditions that may rebut the presumption may render Section 1323(a) unconstitutionally vague. Under Pennsylvania law, "[a] law is void on its face if it is so vague that persons 'of common intelligence must necessarily guess at its meaning and differ as to its application.'" Fabio v. Civil Service Commission, 489 Pa. 309, 314-15, 414 A.2d 82, 84 (1980) (quoting Connally v. General Construction Co., 269 U.S. 385, 391 (1926). In reviewing a "void for vagueness" challenge, Pennsylvania courts "consider both the essential fairness of the law and the impracticability of drafting the legislation with greater specificity." 489 Pa. at 315; 414 A.2d at 85. In the present case, it is essentially unfair to create a presumption of excess capacity, which may result in adjustments costing utilities hundreds of millions of dollars, without specifying the conditions under which the presumption may be rebutted. The Legislature could easily have drafted the statute to delineate the conditions that rebut the presumption, rather than leave the statute utterly vague as to that crucial element.

early economic benefit would serve to rebut the presumption of excess capacity, because if need and economic benefit are found to exist, the rebuttable presumption would not arise in the first place.

Nevertheless, a showing of either need or early economic benefit should affect the ease with which the presumption arising under Section 1323(a) is rebutted. Where a unit satisfies one condition but not the other, the presumption of excess capacity thereby created can not be as strong as where a unit fails to satisfy both conditions.

Therefore, assuming, arguendo, that Limerick 1 fails to produce net economic benefits within a reasonable period, the presumption of excess capacity that would arise under the statute would not be of significant magnitude, because this Commission already has found that the entire amount of Limerick's capacity is needed to meet PECO's customer demand plus a reasonable reserve margin. Accordingly, this case is entirely different than the Susquehanna 2 example cited repeatedly by the OCA throughout this proceeding, because the entire Susquehanna 2 unit was found to be not needed. Susquehanna 2, pp. 18-19. Since PECO clearly does not have excess capacity "in the primary reliability sense," the quantum of evidence sufficient to rebut any presumption of excess capacity in this case should not be very substantial.

Nonetheless, the record in this proceeding contains substantial evidence to rebut any presumption of excess capacity that may arise. In addition to the fact that Limerick 1's total capacity is needed, that evidence includes: (a) the regulatory history of Limerick 1; (b) the value of Limerick 1's capacity in optimizing PECO's mix of generation; (c) the enhanced flexibility in system planning provided by Limerick 1; (d) the enhanced relative reliability that Limerick 1 provides on PECO's system; and (e) the cumulative economic benefits produced over the life of the unit.

a. The Regulatory History Of Limerick 1 Rebuts The Presumption Of Excess Capacity.

One of the most important considerations in rebutting any presumption of excess capacity is the regulatory history of Limerick 1 itself. If the regulatory history establishes that Limerick 1 provides necessary base load capacity for PECO's system, then the unit's capacity is certainly not excess.10/ The regulatory history of Limerick 1 is replete with suggestions that the unit was intended to provide PECO with vital base load capacity.

10/ The importance of this point is underscored by Section 525 of the new Act, 66 Pa.C.S. §525, which allows the Commission to reject a rate increase, inter alia, if a utility fails to provide an adequate "quantity" of service.

PECO has established that during the late 1960's and early 1970's, the Commission actively encouraged PECO and other utilities to construct and install large amounts of new base load capacity as a long-term solution to the severe capacity shortages being experienced by all Pennsylvania utilities. (PECO Reply Brief, pp. 5-26 to 33; PECO Reply Brief, pp. 5-8 to 13; PECO Reply Exceptions, pp. 25-26). Limerick 1 represents such vital base load capacity. Indeed, this Commission noted with approval PECO's statement of the regulatory context surrounding Limerick 1:

> [The CTs] were always intended to be a stop gap, interim solution to severe capacity shortages until new baseload capacity could be built. Limerick 1 is that baseload capacity. These facts have consistently been recognized and approved by the Commission.

(Order, p. 36; see also PECO Reply Exceptions, pp. 25-26).

b. The Value Of Limerick 1's Capacity In Optimizing PECO's Generation Mix Rebuts The Presumption Of Excess Capacity.

Limerick 1's capacity is valuable to PECO because the unit enhances PECO's generation mix in two respects: (a) by bringing into proper balance PECO's mix of base load and peaking capacity; and (b) by decreasing dependence on foreign fuel sources.

ALJ Matuschak noted in this case that Limerick 1's capacity is valuable to PECO in supplying a substantial portion of PECO's continuous load and in substantially decreasing the necessity of importing base load energy from the PJM system. (See Recommended Decision, pp. 73-74; PECO St. 14, pp. 20-22). Before Limerick 1 went into service, PECO had too much peaking capacity and not enough base load capacity. (PECO St. 14, pp. 20-22). As a result, PECO was forced to supply a large amount of its energy requirements with imported power from PJM. Limerick 1 enables PECO to decrease its reliance on imported energy.

A decreased reliance on imported energy from PJM is valuable in avoiding limitations on the internal transmission of energy within PJM. (PECO St. 14A, p. 2). Because of inherent limitations on PJM's transmission capability, the PJM's ability to transmit energy into PECO's system is frequently at its maximum limit. (Id.). When this situation occurs, PECO cannot import relatively inexpensive energy regardless of its need. (Id.). Limerick 1 also reduces PECO's vulnerability to service disruptions associated with long transmission systems. (PECO St. 14A, p. 5). Limerick 1 thus brings the ratio of PECO's base load capacity to its peaking capacity into greater balance. (PECO St. 14, pp. 20-22). Nonetheless, even with Limerick 1 on line, PECO will still be a net importer of energy. (PECO St. 14A, p. 4; see Recommended Decision, p. 74).

Moreover, Limerick 1 tends to decrease PECO's reliance on oil as a fuel. As of 1985, almost 40% of PECO's generating units were oil-fired. (PECO St. 14A, p. 4). The continued reliance on oil in the absence of Limerick 1's nuclear capacity, despite periodic down-turns in the price of oil, would render PECO's customers vulnerable to world politics and shortages of supply.

c. The Enhanced Flexibility In PECO's System Planning Rebuts The Presumption Of Excess Capacity.

Limerick 1's efficient base load capacity provides PECO with greater flexibility in its system planning in several respects. First, this Commission has recognized that Limerick 1 enabled PECO to retire certain generating units that were "old and inefficient." (Order, p. 35, quoting Recommended Decision, p. 75).

Second, Limerick 1's capacity is useful and valuable in helping to alleviate the serious need for replacement of base load generating units beginning around the year 2000. (Id., pp. 5-6). The record evidence in this case shows that PECO will need to replace over 4000 MW of generating capacity in the decade beginning in the year 2000, without even considering the necessity of additional capacity to meet future load growth. (Id.). This further emphasizes the desirability of longer term planning of base load capacity additions, rather than short-term

reliance on life-extensions and CT capacity. At some point, even life-extended units will reach the breakdown point. Rather than having to replace huge amounts of capacity in a short time, the staggered replacement of base load capacity is necessary, useful and valuable to PECO and its customers.

Third, a finding that Limerick 1 represents excess capacity based on short-term economic considerations would result in regulatory pressures in the direction of building a system made up entirely of CTs, and would deny PECO necessary flexibility in system planning. (PECO Reply Exceptions pp. 29-30). The cost per MW of capacity associated with the CTs will always be less than the cost per MW of capacity associated with large base load plants. However, the cost of energy is less from a large base load unit because CTs are extraordinarily expensive to operate on an extended basis. Thus, a short-term focus on just minimizing cost per MW leads to uneconomic decisions in terms of the total value of generation added to the system. Such an approach would set Pennsylvania utilities on a course of returning to the base load shortages of the late 1960's and early 1970's. (PECO Reply Exceptions, p. 30; PECO Initial Brief, pp. 5-24 to 26; PECO Reply Brief, pp. 5-5 to 8).

d. The Enhanced Relative Reliability That Limerick 1 Provides On PECO's System Rebuts The Presumption Of Excess Capacity.

Another important consideration in rebutting the presumption that Limerick 1's capacity is excess is the enhanced relative reliability that the unit provides on PECO's system. Using a methodology suggested by a source relied upon by Intervenor UUC/UP, PECO witness Rush estimated the relative reliability value of Limerick 1 on the basis of its Effective Load Carrying Capability ("ELCC"). The ELCC is the amount of additional load Limerick 1 allows PJM to support. (PECO St. 14B, pp. 5-6, Ex. CHR-3(b); see PECO Initial Brief, pp. 5-39 to 41). Employing this methodology, Mr. Rush calculated that Limerick 1 has a greater relative reliability value than the weighted system average, and a greater reliability value than the retired CTs, Southwark Units 1 and 2, and Richmond Unit 9. (PECO St. 14B, pp. 5-6, Ex. CHR-3(b)).

e. The Cumulative Economic Benefits Produced Over the Life Of Limerick 1 Rebut The Presumption Of Excess Capacity.

If this Commission should find that Limerick 1 does not produce annual net economic benefits within a reasonable period, the resulting presumption of excess capacity should be rebutted by a showing of substantial cumulative net benefits over the life of the plant. PECO has demonstrated that Limerick 1 will produce

cumulative benefits of up to $4 billion over its useful life. (PECO Reply Exceptions, pp. 31-32). This cumulative net economic benefit demonstrates that the masking of benefits by regulatory accounting conventions in the initial years of Limerick 1's operation is not a reflection of the overall economic benefits produced by the unit.

The foregoing considerations individually and collectively serve to rebut any presumption that may arise that all or part of Limerick 1's capacity is excess.

14. Admitted. Because this Commission has already reviewed a full record on all of the issues embodied in Section 1323, and because of a desire that this matter be resolved on its inevitable appeal all at once, PECO urges this Commission to deny the OCA's Petition on both the procedural and substantive grounds set forth herein. In that regard, PECO notes that not only was the issue of economic benefits fully litigated, but that the issues of the need for Limerick 1's capacity and the conditions and circumstances that rebut the presumption of excess capacity, should such a presumption arise, were also fully litigated in this proceeding.

Moreover, should the Commission grant the OCA's Supplemental Petition for Reconsideration of the June 27 Order, and apply the test contained in Section 1323(a), the Commission must also reconsider other issues in the case that would be

directly affected by application of the new statutory standard. These issues, as outlined in Appendix C, include the impact of any adjustment on: (a) PECO's financial condition; (b) PECO's cost of equity and overall rate of return; and (c) the necessity of a phase-in of rates. The result of such a reconsideration of all of these issues would likely be a substantial short-term rate increase for PECO's ratepayers and also likely long-term cost and rate increases.

Finally, it should be noted that the relief sought by the OCA in its petition is to deny PECO "a return on equity on at least 450 megawatts of Limerick 1 capacity." (OCA Supplemental Petition, p. 10). However, because this Commission has already ruled that all of Limerick 1's capacity is used and useful, there is absolutely no basis for the granting of the relief sought, and the OCA's petition should be denied on that basis alone.

WHEREFORE, the Philadelphia Electric Company respectfully requests that this Commission deny both the OCA's initial Petition and its Supplemental Petition for Reconsideration of the Order of June 27, 1986, on all of the following bases:

(a) that the case was not pending before this Commission at the time Section 1323, 66 Pa. C.S. §1323, was enacted, and, therefore, that Section 1323 is not applicable to this case;

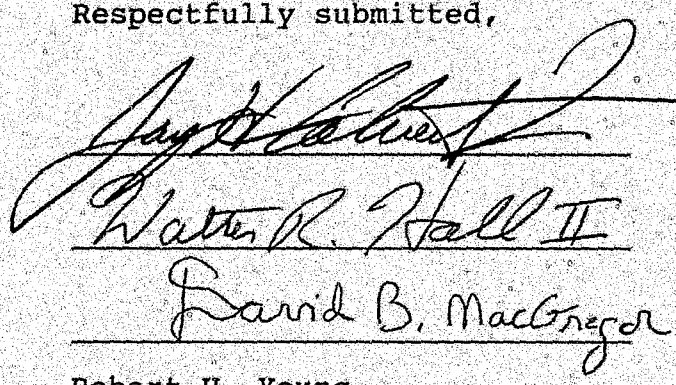
(b) as a result, neither the OCA'S initial Petition nor the Supplemental Petition raise new and novel arguments not previously heard or considerations which appear to have been overlooked or not addressed by this Commission; and

(c) even if Section 1323 were applicable to this proceeding, Limerick 1 meets both conditions of its "rebuttable presumption" test in that the unit is needed to meet PECO's customer demand plus a reasonable reserve margin in the test year or the year following the test year, and Limerick 1 will produce annual economic benefits which will exceed the total annual costs of the unit within a reasonable period, under all of the circumstances in this case, following the test year;

(d) even if it were found that a rebuttable presumption of excess capacity was raised under Section 1323(a),

there is substantial evidence in the record to rebut that presumption in favor of a finding that no excess capacity exists on PECO's electric generating system.

Respectfully submitted,



Robert H. Young
Jay H. Calvert, Jr.
Walter R. Hall, II
David B. MacGregor

Counsel for Philadelphia
Electric Company

OF COUNSEL:

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

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

Dated: July 21, 1986

APPENDIX A

The Instant Proceeding Was Not Pending Before This Commission When Section 1323 Was Enacted.

In Pennsylvania, a trial court or other governmental unit's determination is a final, appealable order unless and until an application for reconsideration is expressly granted. See Pa.R.A.P. 1701(b)(3), and comment to subdivision (b)(3). Thus, if after a final judgment is entered a notice of appeal is filed together with an application for reconsideration, the trial court or other government unit's denial or failure to act on the application does not affect the running of the time for appeal. See Baltimore & Ohio Railroad v. Pa. P.U.C., 77 Pa. Cmwlth. 381, 383-84, 465 A.2d 1326, 1327-28 (1983) (petition for modification of Commission Order does not toll running of the 30-day period for filing appeal from Commission's final order). As discussed below, because a Pennsylvania trial court order is final and appealable without the court having to rule on post-trial motions, a case is not "pending" in the trial court after entry of the trial court's final order despite the filing of a petition for reconsideration. The rule in Pennsylvania, therefore, focuses attention solely on the final nature of a trial court's judgment, not on the vagaries attending the fact that post-trial motions have been filed.

The focus on finality is also the main thrust of Pennsylvania decisions concerning whether principles of res judicata will bar a party in one case from rearguing a claim raised in prior proceedings. Pennsylvania law clearly establishes, and the Commission has previously recognized, that a Commission order is final, and therefore capable of being res judicata, unless and until it is reversed. See Philadelphia Electric Co. v. Pa. P.U.C., 61 Pa. Cmwlth. 325 336-37, 433 A.2d 620, 626 (1981). Therefore, an order remains final notwithstanding the fact that an appeal has been taken from that order. Id.; see Atlantic Richfield Co. v. Bethlehem, 69 Pa. Cmwlth. 6, 12, 450 A.2d 248, 252 (1982); Commercial Union Assur. Co. v. Pucci, 523 F. Supp. 1310, 1318 (W.D. Pa. 1981); Helmig v. Rockwell Manufacturing Co., 389 Pa. 21, 29, 131 A.2d 622, 626, cert. denied, 355 U.S. 855, reh denied 355 U.S. 885 (1957); Restatement of Judgments §41 and comment d, §69 and comment e.

Likewise, the mere fact that a party has made a motion before the Commission for reconsideration, or to vacate the judgment, or for a rehearing does not deprive the Commission's order of its finality and conclusiveness. See Everson v. Everson, 494 Pa. 348, 358-59, 431 A.2d 889, 894 (1981). See also, Restatement of Judgments, Second, § 13, comment f (1982) ("A judgment otherwise final for purposes of the law of res judicata is not deprived of such finality by the fact that time still permits commencement of proceedings in the trial court to

set aside the judgement and grant a new trial or the like; nor does the fact that a party has made such a motion render the judgment nonfinal."); Wright, Miller & Cooper, Federal Practice and Procedure: Jurisdiction §4432, 301-02 (1981); Fed.R.Civ.P. 60(b) (expressly providing that motion to vacate does not "affect the finality of a judgment or suspend its operation). Because the Commission's June 27 Order is final and conclusive absent an order by the Commission expressly granting a motion for reconsideration, this proceeding cannot be characterized as pending before the Commission.

In a strained attempt to bring this proceeding within the statutory language, the OCA argues that a case is considered to be "pending" until its final disposition on appeal. On its face this argument fails to address the statute's express requirement that in order for the new standard to apply, the subject rate case would have to be pending not in a general sense before an appeals court, but pending before the Commission.

The OCA attempts to rely on cases in contexts completely dissimilar to the circumstances of this case to support their argument that this proceeding somehow continues to be "pending before the Commission." In Groff v. Township of Ulster, 65 Pa. Cmwlth. 584, 442 A.2d 1255 (1982), for example, the Court addresses in dictum the issue of when a petition for intervention can be granted following the entry of a trial court's final

judgment. Unfortunately, the Groff case upon which the OCA relies not only is inapplicable to the facts of this case but also fails to accurately reflect the law in Pennsylvania. The law governing intervention in Pennsylvania allows for intervention by an interested party for pending cases, defined to include cases pending at trial or on appeal. See Pa.R.Civ.P. 2326 and 2327. Where an appeal has been filed by an original party to a proceeding, a case is considered pending, but only in the sense of its pendency before the appeals court. Thus, where an original party to an action appeals a trial court judgment, an interested party may intervene because the action continues to pend before the appeals court.

Where, however, an original party has not appealed, as in Groff, a non-party cannot himself appeal, nor can he intervene after a final judgment is entered by the trial court at the time such judgment is entered, because the case ceases to pend for purposes of intervention. See Admiral Homes, Inc. v. Floto Management Corp., 397 Pa. 509, 156 A.2d 326 (1959); Howell v. Franke, 393 Pa. 440, 143 A.2d 10 (1958); School District of Robinson Township v. Houghton, 387 Pa. 236, 128 A.2d 58 (1956); Newberg v. Board of Public Education, 330 Pa. Super. 65, 478 A.2d 1352 (1984); Santangelo Hauling v. Montgomery County, 84 Pa. Cmwlth. 427, 479 A.2d 88 (1984). See also, Standard Pennsylvania Practice, Goodrich-Amram 2d § 2327:2 (1977 & Supp. 1986). In both School District of Robinson Township and in Newberg a non-

party sought to intervene after the trial court's entry of judgment but before the time for filing an appeal had passed. School District of Robinson Township, 387 Pa. at 240-41, 128 A.2d at 60; Newberg, 330 Pa. Super. at 68, 478 A.2d at 1354. The intervenors then filed appeals. Both courts held that intervention was not possible because there was no action pending after the trial court's adjudication. The Supreme Court stated:

> We are aware that each of two commentaries on our Rules of Civil Procedure expresses the opinion that, for the purpose of intervening, an action is pending from the moment it is first brought until the record of the action is removed on appeal. Neither cites any authority for the dictum whose inherent error is patent, upon a moment's reflection, and does not require further discussion.
>
> The undeniable fact is that the litigation initiated by the declaratory judgment petition was conclusively determined by the court below, and a final judgment entered therein before the petition for intervention was ever filed. Intervention was, therefore, no longer allowable.

Id. at 241-42, 128 A.2d at 61.

Thus, the OCA's argument fails in two respects. If an action is appealed, which the Commission's June 27 Order has not been in this case, then an action is pending for intervention purposes, but only pending before the appeals court. If an action is not appealed, as here, then the trial court's final order terminates the pendency of the action, and no motion for intervention can be entertained. Because in this case the Commission's June 27 Order terminates the pendency of the rate

case, and because an appeal would only serve to make the case pending before the appeals court, (See Pa. R.A.P. 1701(b)(3) and comment) the OCA's argument that this case is pending before the Commission is utterly groundless.

Likewise, the other cases relied upon by the OCA are completely inapposite to the situation presented in this proceeding:

- Cohen v. Jenkintown Cab Co., 300 Pa. Super. 528, 446 A.2d 1284 (1982) simply decided that the Rules of Appellate Procedure allowed a trial court to enter an order on a collateral matter while an appeal was pending. Because no appeal has been taken from the Commission's Order in this case, and because the OCA's Supplemental Petition For Reconsideration by no means raises a collateral issue, the Cohen holding is irrelevant to the issue of what is "pending before the Commission."

- In Williams v. State Board of Control, 62 Cal. App. 3d 960, 133 Cal. Rptr. 539 (1976) the court held that a demurrer based on the grounds that there was another action pending was improperly granted because the first action had been finally determined on appeal at the time the second action was commenced and because the two proceedings were not predicated on the same cause of action. Even if the first action had not been finally concluded by an order of the appeals court, however, the fact that an action is pending until its final disposition on appeal for purposes of a demurrer is irrelevant to the issue of whether this proceeding is "pending before the Commission."

- In In re Custody of Rector, 39 Colo. App. 41, 565 P.2d 950 (1977) and Bull v. Bull,

> 109 Mich. App. 328, 311 N.W.2d 768 (1981), the courts concluded that a case is "pending" within the meaning of the Uniform Child Custody Act until its final determination on appeal. Rector, 39 Colo. App. at 113-14, 565 P.2d at 952; Bull, 109 Mich. App. at 342, 311 N.W.2d at 775. Once again, a statutorily-based determination that an action is pending until its final disposition on appeal in the child custody context, where courts retain continuing jurisdiction over the matter, is irrelevant to the issue in this case, which is whether an action that is the subject of the Commission's final Order of June 27 is pending before the Commission.

Even assuming that the Commission's ruling on the OCA's petition for reconsideration could be viewed as an appellate function, thereby making the issue of whether a case is pending on appeal relevant to this proceeding, the newly enacted statute would not apply. For the purposes of determining the applicability of a recently enacted statute, a case is no longer "pending" after the trial court's entry of judgment, even if that judgment is later appealed. See Schenck v. Pelkey 176 Conn. 245, Pelkey, 405 A.2d 665, 669-70 (1978). In Schenck, the trial court instructed the jury that contributory negligence was a possible defense to the plaintiffs' strict liability claim. Following a verdict for the defendants, the plaintiffs appealed. Thereafter, the General Assembly of Connecticut enacted a statute abolishing the defense of contributory negligence to strict liability claims. The legislation applied to all cases "pending on or brought after the effective date" of the statute. On appeal, the

plaintiffs argued that because their case was pending on appeal at the time the statute was enacted, contributory negligence was not a defense to their claim. In rejecting the plaintiffs' argument, the Supreme Court of Connecticut focused on the final nature of the trial court's judgment and held that the statute did not govern cases in which a final judgment was entered before the effective date of the act. The court stated that after the entry of judgment by the trial court, an action is no longer "pending" within the meaning of the statute. Id.

The OCA further attempts to establish that this case is "pending before the Commission" by constructing a superfluous analogy that a case remains pending before a trial court until the final disposition of a motion for a new trial or a petition for reconsideration. All of the foreign jurisdictions cited by the OCA to support this contention, however, follow the rule that a judgment by a trial court is not a final judgment, for purposes of appeal, until the trial court enters a decision granting or denying any motion for a new trial or petition for reconsideration.

In other words, the rule in these jurisdictions is that an action is pending in the trial courts until a ruling on the motion or petition is entered. See Ross v. Griffin, 210 Ga. 22, 22, 77 S.E. 2d 523, 523 (1953); Naki v. Hawaiian Electric Co., 50 Haw. 85, 86-87, 431 P.2d 943, 944 (1967); Nolan v. Auto

Transporters, 226 Kan. 176, 179-81, 597 P.2d 614, 619 (1979); Commonwealth v. Powers, 488 N.E. 2d 430, 432-33 (Mass. App.), appeal denied, 397 Mass. 1102, 490 N.E.2d 803 (1986); Staab v. Thoreson, 579 S.W. 2d 414, 417 (Mo. App. 1979), Versch v. Tichota, 192 Neb. 251, 253-54, 220 N.W.2d 8, 11 (1974); Jolley v. Martin Bros. Box Co., 158 Ohio St. 416, 109 N.E.2d 652, 660-61 (1952), overruled on other grounds, sub nom., Anderson v. Richards, 173 Ohio St. 50, 179 N.E.2d 918 (1962). As fully set forth above, however, this rule is exactly opposite to the rule in Pennsylvania, where a final judgment remains in full force until and unless it is reversed.

The OCA, once again ignoring the plain consequence of the Commission final June 27 Order, cites language from several Pennsylvania cases in an attempt to suggest that the rule which recognizes the finality of a trial court's order is otherwise. In Middleburg v. Middleburg, 427 Pa. 114, 233 A2d. 889 (1967), for example, the Pennsylvania Supreme Court held only that an appeal from a trial court's grant of a petition to disqualify counsel was interlocutory and therefore not appealable. The court specifically acknowledged the practice in Pennsylvania that an appeal lies only from a final judgment, which was not present in that case:

> It requires no citation of authority for the proposition that an appeal will lie only from a definitive order, decree or judgment which finally determines the action.

427 Pa. at 115, 233 A.2d at 890.

The court in Dash v. Wilap Corp., 343 Pa. Super. 584, 495 A.2d 950 (1985) recognized the same principle in holding that "the dismissal of a complaint as to one defendant in a multi-defendant suit is a final appealable order." 343 Pa. Super. at 590; 495 A.2d at 953. Accord, Peterson v. Philadelphia Suburban Transp. Co., 435 Pa. 232, 238, 255 A.2d 577, 581 (1969).

These cases merely recognize the rule that a case is pending before a lower tribunal only until such time as a final order is entered terminating the proceeding. Since there can be no argument that the Commission's June 27 Order is final as to all issues raised in the rate proceeding, and all issues raised as of July 10 when Section 1323(a) was enacted, the rate case is simply no longer "pending before the Commission." Rather, the rate proceeding was conclusively closed by the Commission's June 27 Order, remains closed to this day, and should remain closed as no new and novel issue has been raised.

The statutory construction urged by the OCA would have the Commission determine that Section 1323 should be considered as "pending before the Commission" as of July 10 merely because a final disposition had not been reached on appeal. This construction would plainly contradict the statutory scheme providing that appeals remain within the jurisdiction of the appeals court absent the express grant of a motion for reconsideration by the Commission. The muddled argument by the

OCA is not only inconsistent with well established principles that an order is final until and unless it is reversed, it also contradicts the basic precept of statutory construction in Pennsylvania that a law will not be construed to operate retroactively unless clearly and manifestly so intended by the General Assembly. 1 Pa.C.S.A. § 1926 (Supp. 1986). In order for a statute to be construed as retroactive, the legislature's intention that the statute should so operate must be clear and unmistakable. Commonwealth v. Rockwell Manufacturing Co., 392 Pa. 339, 343, 140 A.2d 854, 856 (1958).1/

1/ If the statute is construed to apply retroactively to this rate proceeding, it raises serious questions as to whether the statute violates the due process clauses of the Fourteenth Amendment to the United States Constitution and Article I, Section 1 of the Pennsylvania Constitution. See Fernley v. Board of Supervisors of Schuylkill Township, ___ Pa. ___, 502 A.2d 585 (1985); Krenzelak v. Krenzelak, 503 Pa. 373, 469 A.2d 987 (1983). In Krenzelak, the Pennsylvania Supreme Court held the retroactive application of the Pennsylvania marital property statute to be unconstitutional. The Court stated:

> Retroactive application of new legislation will offend the due process clause if, balancing the interests of both parties, such application would be unreasonable. ... Traditionally, retrospective laws which have been deemed reasonable are those which "impair no contract and disturb no vested right, but only vary remedies, cure defects in proceedings otherwise fair, and do not vary existing obligations contrary to their situation when entered into and when prosecuted."

503 Pa. at 382-83, 469 A.2d at 991 (quoting Smith v. Fenner, 399 Pa. 633, 641, 161 A.2d 150, 154 (1960)) (citations omitted). PECO has reasonably relied on the law in existence prior to 66 Pa. C.S. §1323 in making its decisions to construct and install Limerick 1, and PECO's reliance has been closely supervised by the Commission. It would be (continued)

Placing the OCA's argument in its most favorable light, the OCA's position is a tenuous interpretation of the language of Section 1323(a). If the Legislature had intended for the statute to apply to proceedings following the entry of the Commission's June 27 final order, it could have made the new legislation applicable to all proceedings "pending before the Public Utility Commission and the courts at this time." See e.g., 66 Pa.C.S. § 1315. Clearly the Legislature did not contemplate that Section 1323 would apply to a rate proceeding which was the subject of a final order two weeks before. The OCA's attempt to sweep this case within the reach of the statute is a weak effort to relitigate issues which this Commission has expressly resolved against them, and the OCA's Petition for Reconsideration should, therefore, be denied.

---

patently unfair to now change the rules regarding rate treatment of Limerick 1, particularly after litigating a large and complex rate case under the prior law.

Appendix B

Effect of Commission's June 27 Order On Economic Benefit Analyses Presented In This Proceeding

The Commission's June 27 Order disallowed $369 million for construction imprudency (Order, p. 34), and lowered the cost rates of capital from those that the Company filed (PECO Ex. PPH-2) to those the Commission allowed (Order, p. 124).[1/] These basic adjustments alone account for significant reductions in Limerick 1's costs in each year of analysis. The economic benefit analysis results for the test year, and the 10 years following the test year, of Limerick 1's operation are as set forth in Table 1 below. The comparative economic benefit analysis results for the test year, and the 10 years following the test year, of Limerick 1's operation are as set forth in Table 2 below.

The figures and adjustments supporting the calculations contained in Table 1 are figures and adjustments which are either undisputed in the record or part of the Commission's Order, and employ the identical method of calculation used in this proceeding by the Company (see GEC Ex. 3) and by the OCA (see OCA

1/ Although the Company disagrees with the Commission on those adjustments, for purposes of this analysis the adjustments would have to be considered in order for the facts to be viewed consistently.

St. 6, Ex. CK-3). Taking into account the adjustments made by the Commission's Order, the decrease in Limerick 1's costs for the year 1986 is $107 million.

An approximation of this figure can be reached by a simple two step calculation. First, to account for the reduced capital cost resulting from the Commission's Order, the $369 million for the prudency disallowance (June 27 Order, p. 34) is multiplied by 23.5%, the first year carrying charge rate applicable to capital costs (GEC Ex. 3, Att. b, Item 7, p. 1 Col. 1), which results in an approximately $87 million decrease in Limerick 1's first year cost. Second, to account for the reduction in the cost rates of capital resulting from the Commission's Order, the $3.176 billion Limerick 1 and 50% of common cost (GEC Ex. 3, Att. b Item 7, p. 1 Col. 1), less the $369 million prudency disallowance, is multiplied by the .41% differential between the 12.79% rate of return assumed by the Company (GEC Ex. 3 Att. b, Item 5, p. 1) and the 12.38% rate that results if the reductions in cost rates of capital adopted by the Commission's final Order (June 27 Order, p. 124) are reflected and multiplied by two to account for the effect of income taxes. This results in an additional reduction in Limerick 1's first year cost of $23 million, or, a total of $107 million for the effects combined. Table 1, applying basically the same calculation throughout, shows the effect of the Commission's June 27 Order on the near-term economic benefit results appearing at

page eight of the OCA's Supplemental Petition For Reconsideration:

Table 1 ($1,000,000)

Economic Benefit Analysis; Modified to Reflect June 27 Order

	PECO Analysis of Net Benefit (Cost)		Elimination of $369 Lim Capital		Reduction in Allowed Cost Rates of Capital		Both Elim of $369 & Reduction in Cost Rates of Capital	
Year				Diff		Diff		Diff
	1986	($626)	($542)	$84	($601)	$25	($519)	$107
1	1987	(556)	(475)	81	(532)	24	(454)	102
2	1988	(505)	(428)	77	(482)	22	(408)	97
3	1989	(335)	(261)	74	(314)	21	(242)	93
4	1990	(345)	(274)	71	(324)	21	(256)	89
5	1991	(282)	(214)	68	(263)	19	(198)	84
6	1992	(99)	(35)	64	(81)	18	(19)	80
7	1993	(128)	(67)	61	(111)	17	(52)	76
*** 8	1994	122	180	58	137	15	194	72

As Table 1 clearly shows, the effect of these adjustments is to reduce significantly the costs attributable to Limerick 1's operation even in the near-term. Most significant is that in the year 1992, just 5 1/2 years following the test year, the analysis shows that Limerick 1's costs and benefits are very nearly equal. In light of the uncertainties inherent in any economic benefit analysis, it is clear that the revised figures may well advance to 1992 the year in which Limerick 1 first produces net economic benefits.

To calculate the effect of the Commission's June 27 Order on the comparative economic benefit analysis relied upon by the OCA in this proceeding (OCA St. 5, Sch. 2) requires the identical calculation set forth above, with one simple modification to account for the fact that only a 458 MW portion of Limerick 1 and 50% common plant costs and benefits are being compared to the costs and benefits associated with combustion turbine capacity. Thus, whatever net benefit or cost is taken from the applicable year in Table 1 must be multiplied by the ratio of 458 MW to the 1055 MW Limerick 1 capacity upon which Table 1 was based. Thus, for the year 1986, the net Limerick 1 cost of $519 million from Table 1, when multiplied by the ratio of 458 MW to 1055 MW, is reduced to $225 million. This results in a reduction in the "advantage of CT's" over an equivalent amount of Limerick 1 from the $303.79 million claimed by the OCA (OCA St. 5, Sch. 2) to $257.38 million. The same calculation to show the adjusted comparative economic benefits of Limerick 1 for other years in the short-term period are set forth in Table 2:

Table 2 ($1,000,000)

Comparative Economic Benefit Analysis; Modified To Reflect June 27 Order

	YEAR	NET BENEFIT 458 MW OF LIMERICK 1	NET BENEFIT 458 MW OF CT	ADVANTAGE OF CT'S OVER LIMERICK 1
	(1)	(2)	(3)	(4)
	1986	$ (225.40)	$31.98	$257.38
1	1987	(197.25)	32.54	229.79
2	1988	(177.12)	38.21	215.33
3	1989	(105.24)	56.53	161.77
4	1990	(111.14)	59.28	170.42
5	1991	(85.76)	64.25	150.01
6	1992	(8.25)	68.47	76.72
7	1993	(22.64)	72.14	94.78
*** 8	1994	84.07	76.90	(7.17)
9	1995	216.74	80.96	(135.78)
10	1996	181.07	87.35	(93.72)

When compared to what the Commission has already determined to be the overstated OCA analysis of the comparative economic benefits from Limerick 1 and the CT's (Order, p. 36), it is apparent that the adjustments in Table 2 accounting for the effect of the Commission's June 27 Order further enhance the economic benefits attributable to Limerick 1. (Compare Table 2 and OCA St. 5, Sch. 2).

Appendix C

Additional Issues Which Must Be Considered If the Commission Grants The OCA's Supplemental Petition For Reconsideration.

If this Commission should grant the OCA's Supplemental Petition for Reconsideration and make the excess capacity adjustment suggested by OCA, then this Commission also would have to reconsider numerous other significant issues in the case that would be directly affected by the application of the new statutory standard.

First, this Commission must reconsider the evidence as to the Company's financial condition in light of any disallowance under Section 1323(a) in order to maintain PECO's financial integrity. A utility's financial condition is a factor to be considered generally in every rate determination under Pennsylvania Electric Co. v. Pa. P.U.C., ___ Pa. ___, 502 A.2d 130, 133-34 (1985) appeal dismissed sub nom., Metropolitan Edison Co. v. Pa. P.U.C., 106 S.Ct. 2239 (1986) and specifically in any excess capacity determination. Pa. P.U.C. v. Pennsylvania Power & Light, Docket No. R-842651 (April 22, 1985). An excess capacity disallowance as proposed by the OCA would produce devastating financial results: 1987 earnings per share at $1.97; return on common equity at 10.9%; SEC coverage excluding AFUDC at 1.9x; and cash flow as a percentage of total capital at 2% (PECO

Reply Exceptions, pp. 1-2). Such a revenue allowance level could necessitate a reduction in PECO's dividend, because earnings per share would fall well below the dividend. A reduction in PECO's dividend would threaten and quite possibly cause a reduction in PECO's bond rating from BBB- to below investment grade, because rating agency defined financial indicators will fall into the BB category.

The relief requested by the OCA would reduce PECO's allowed revenue increase to approximately $250 million. Such a seriously deficient revenue allowance will cause the financial community to view PECO with alarm. Investors will lack confidence in the Company's securities, market values will decline, and PECO will be cut off from the capital markets. This reaction would seriously threaten the Company's ability to attract the capital necessary to maintain its construction program, which this Commission recently found to be needed and in the public interest. These adverse results would be compounded if, as expected, the FASB 71 accounting standard is adopted (PECO Reply Exceptions, pp. 1-7). Clearly, all thoughts of the voluntary two-year stay-out proposed by PECO (PECO St. 3, pp. 5-6) would have to be abandoned, and any significant adverse financial or economic trend could cause a financial emergency for the Company.

Second, the Commission must re-examine its determination of the appropriate cost of equity and overall rate of return allowed the Company in its Order. The advent of a new standard for determining whether excess capacity exists, heretofore not considered by the investment community, would necessarily heighten investor perceptions of PECO's risk and necessitate an upward adjustment in the Commission's rate of return allowance. (PECO St. 15, pp. 11-20).

Third, the Commission would be required to re-examine its decision with respect to the phase-in of rates. If OCA's position is adopted, a phase-in of the rate increase would be entirely inappropriate and completely unnecessary, because the resulting rate increase would approximate the revenue allowances granted the Company and others in past rate cases. PECO has consistently taken the position that the Commission lacks authority to impose a phase-in plan upon the Company. (PECO Initial Brief, pp. 2-30 to 31). Certainly, where the permitted rate relief were reduced to approximately $250 million, the Company could not voluntarily agree to a phase-in plan, especially a plan that failed to recover carrying costs on the deferred amount.

The net result of granting of the relief requested by the OCA would in all likelihood be a short-term rate increase for ratepayers. The necessary increase in the Company's overall rate

of return, the elimination of the phase-in (producing an immediate rate increase of $250 million as compared with the $120 million under the approved phase-in plan) and the impact on the Company's financial condition (negating the Company's intention to forego a rate filing for two years) will almost certainly increase rates in the short-term as compared to the Commission's existing order.

Moreover, because financial factors will undoubtedly force the Company to file for further rate relief and because the new excess capacity legislation would not apply by its terms to that filing (i.e. Section 1323(a) applies only when a unit's costs are claimed in rate base for the "first time") it is highly unlikely that application of Section 1323(a) now would produce a long-term decrease in rates. PECO would almost certainly be required to file immediately for additional rate relief, and with its heightened risk and serious financial debilitation caused by the $250 million inadequate and unjust rate level, rates in excess of those presently established would certainly be required.

FOR IMMEDIATE RELEASE

GOVERNOR'S PRESS OFFICE
COMMONWEALTH OF PENNSYLVANIA
CONTACT: John L. Taylor
Deputy Press Secretary
(717) 783-1116

HARRISBURG (July 10) -- Saying it should have "a major impact in holding down utility rates in Pennsylvania," Gov. Dick Thornburgh today signed House Bill 1639 which extends the life of the Public Utility Commission (PUC) for five years and requires commissioners to consider "utility company efficiency, effectiveness and adequacy of service" in rate-setting decisions.

"The PUC is given power under the new law to reject, in whole or in part, a utility's request for higher rates if the commission concludes that the service rendered is inadequate in either quantity or quality," Thornburgh said.

"This provision, which implements the most important recommendation of Lt. Gov. Scranton's Utility Ratemaking Task Force, will create a strong incentive for utilities to act efficiently and effectively.

"The consumer, who will not be forced to pay for wasteful spending and unnecessary utility investments, will benefit from this long-overdue attention to utility operating procedures and construction plans.

"To assist utilities in meeting the goal of doing more with less, the PUC is required to establish an expense reduction program for large electric, gas and telephone utilities," the governor pointed out.

"In another provision of benefit to consumers, effective Dec. 31, 1987, electric utilities must submit annual plans on meeting customer energy needs. With respect to the planned construction of any new generation facility, the utility is required to provide information on the proposed and possible alternate sites, the type of fuel and method of generation to be used, alternate types studied and why alternatives were rejected.

"A further pro-consumer provision in House Bill 1639 requires the PUC to reduce an electric utility's rates if the commission finds that a new generating unit results in excess capacity. The intent of such a provision is to protect the ratepayers from being forced to pay the cost of unnecessary facilities built as a result of a utility company's misjudgments or errors. This is more properly the responsibility of the stockholders," Thornburgh said.

"I am concerned, however, that this provision not be interpreted in such a way that it impedes the construction of new facilities needed to meet the service demands of business, industry and residential customers.

"The burden of proof that a new facility is needed rests with the utility, where it should be. In my opinion, the utility meets that burden if it can show a demand for the generating capacity, plus a reasonable reserve margin, and if it can show that a base-load unit will yield economic benefits within a reasonable period of time," the governor said.

"This determination should be made by the PUC in light of all of the relevant circumstances surrounding a ratemaking proceeding, including the useful life of the facility, the need for reliable service and the lack of availability of alternative sources of energy, such as co-generation units."

Noting concerns about the interpretation and constitutionality of the excess capacity provision which have been expressed by utility companies, Thornburgh said his administration and the General Assembly must "closely monitor implementation of the new law and enact remedial legislation if there are any unexpected, detrimental effects."

H.B. 1639 continues the PUC under the Sunset Act through Dec. 31, 1991, while reducing the terms of members from 10 to 5 years. The minimum age of a commissioner is reduced from 30 to 25 and salaries of commissioners are increased, effective immediately, from $40,000 to $55,000 annually with the chairman

receiving $57,500. Currently the chairman receives $42,500, while members are paid $40,000.

The governor is empowered to submit a PUC nomination to the Senate 60 days before expiration of a term, but must nominate within 90 days after a vacancy occurs. A commissioner may hold office up to six months after his or her term expires if a successor has not been appointed and confirmed. At present, a commissioner must leave office at the end of his or her term.

Another key provision of the new law reduces from two-thirds to a majority the vote required in the Senate to confirm the governor's PUC nominees. This provision is effective April 1, 1987.

Other provisions in H.B. 1639:

* Empower the PUC to prohibit a utility from permanently discontinuing an electric generating unit from normal operation if it would be feasible and cost-effective for the utility to sell the unit to another utility.

* Require telephone companies to maintain a sufficient number of public coin telephone stations within their service areas.

# # #

jt-86

ORIGINAL

RECEIVED

JUL 21 1986

SECRETARY'S OFFICE
Public Utility Commission

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

DOCKETED

JUL 21 1986

ANSWER OF PHILADELPHIA ELECTRIC COMPANY
TO THE PETITION FOR RECONSIDERATION
OF THE GOVERNOR'S ENERGY COUNCIL

NOW COMES Philadelphia Electric Company ("PECO" or the "Company"), by its attorneys, and herewith files its Answer to the Petition of the Governor's Energy Council ("GEC") for Reconsideration of the Opinion and Order of the Pennsylvania Public Utility Commission (the "Commission"), entered June 27, 1986, in the above-captioned proceeding. In support of its Answer, the Company respectfully represents the following:

DOCUMENT FOLDER

1. Admitted.

2. Admitted in part, denied in part. PECO admits that the language of Section 19 is as stated. PECO strongly denies that this case is still pending before the Commission and that Section 1323 must be applied to this case.

First, the Company has strenuously opposed the OCA's Petition for Reconsideration on the grounds that the Commission's Order had fully addressed, and clearly decided against the OCA,

all of the issues raised by the OCA's petition. The Company noted that in view of the fact that the arguments presented in the OCA's petition had been expressly rejected by the Commission, and because the rate proceeding had been properly closed by the final Commission Order of June 27, 1986 (the "June 27 Order"), the OCA's petition was clearly frivolous and improper and, as such, should be denied.

Second, neither the OCA's petition nor any "other legal reasons" transform the finally adjudicated Limerick 1 rate case into a case pending before this Commission. GEC's Petition for Reconsideration does not raise any arguments that are additional to or different from those raised in the OCA's Supplemental Petition for Reconsideration. PECO is filing on this date a comprehensive response to the OCA Supplemental Petition. See Answer of Philadelphia Electric Company To Supplemental Petition For Reconsideration Of The Office Of Consumer Advocate ("Answer to the OCA Supplemental Petition"). PECO's position on the "pending" issue is set forth in ¶¶ 7-8 and Appendix A of the Answer to the OCA Supplemental Petition.

3. Denied for the reasons stated in the Answer to the OCA Supplemental Petition, ¶¶ 9-13.

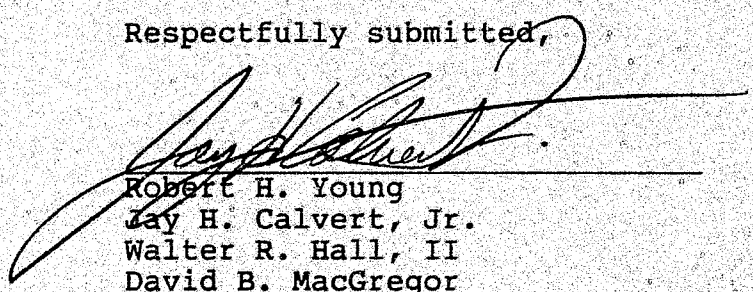
4. Denied for the reasons stated in the Answer to the OCA Supplemental Petition, ¶¶ 9-13.

5. Denied. Section 1323 does not require the Commission to consider or adopt any particular economic benefit analysis in applying the statute. See Answer to the OCA Supplemental Petition, ¶¶ 9-13.

6.-7. Denied for the reasons stated in the Answer to the OCA Supplemental Petition, ¶¶ 9-13, §§ 2b-2c.

WHEREFORE, the Philadelphia Electric Company respectfully requests that this Commission deny the GEC Petition for Reconsideration for both the procedural and substantive reasons stated herein and in PECO's Answer to the OCA Supplemental Petition being filed on this date.

Respectfully submitted,



Robert H. Young
Jay H. Calvert, Jr.
Walter R. Hall, II
David B. MacGregor

Counsel for Philadelphia
Electric Company

OF COUNSEL:

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

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

Dated: July 21, 1986

1. REPORT DATE: May 27, 1986

2. BUREAU AGENDA NO. JUN-86-ALJ-133

3. BUREAU: ALJ

4. SECTION(S):

5. PUBLIC MEETING DATE: June 5, 1986

6. APPROVED BY:
Chief ALJ: William H. Smith
Director: Ext. 7-6108
Supervisor:

7. MONITOR:

8. PERSON IN CHARGE:
ALJ Matuschak 8-645-3550

9. DOCKET NO: R-850152 etc.

DOCKETED
JUN 22 1986

10. (a) CAPTION (abbreviate if more than 4 lines)
(b) Short summary of history & facts, documents & briefs
(c) Recommendation

(a) Pennsylvania Public Utility Commission, et al. v. Philadelphia Electric Company

(b) Philadelphia Electric Company (PECO or Company) on September 27, 1985 filed Supplement No. 15 to its Tariff Electric-Pa. P.U.C. No. 33, to become effective on November 27, 1985. Supplement No. 15 was designed to produce an increase in the Company's electric revenue of approximately $670.7 million, or 28.2% of test year revenues, based on budget sales for a future test year ending June 30, 1986. The Company proposed to phase-in the increase over three years at an annual increase of 9.4%.

DOCUMENT FOLDER

The proposed net increase of $670.7 million is composed of two components an $878.2 million increase in rates to reflect additional plant in service and increased operating expenses, and a $207.5 million rate decrease to reflect reduction in energy costs occasioned by the operation or Limerick Unit 1 (Limerick 1) if it operated at a certain capacity level.

Limerick 1 is one unit of a nuclear generating station composed of Limerick 1 and Limerick 2. Limerick 1 went into actual commercial operation in February 1986. Limerick 2 is still under construction.

The $670.7 million increase requested in Supplement No. 15 has been updated to $681,760,000.

Con't on next page.

11. MOTION BY: Commissioner Chm. Taliaferro Commissioner Shane - Yes
Commissioner
SECONDED: Commissioner Fischl Commissioner

CONTENT OF MOTION: After polling the Commission on various issues in this proceeding, the matter be postponed to Public Meeting June 12, 1986 for further polling.

By its Order dated November 1, 1985 the Commission directed that an investigation be held to determine the lawfulness, justness and reasonableness of the proposed rates and existing rates. Supplement No. 15 was suspended by operation of law.

Commission Trial Staff (Trial Staff) filed an appearance. Complaints were filed by David M. Barasch, Consumer Advocate (OCA), City of Philadelphia, Philadelphia area Industrial Energy Users Group (PAIEUG), Utility Energy Users Group and University of Pennsylvania (UUC/UP), Pennsylvania Business Utility Users Group (PBUUG), Consumers Education and Protective Association (CEPA), United States General Service Administration (GSA), National Railroad Passenger Corporation (Amtrak), Southeastern Pennsylvania Transportation Authority (SEPTA), and United States Steel Corporation (U.S. Steel).

In addition, the Governor's Energy Council (GEC), (Occidental Chemical Corporation (OCC) and Scott Paper Company (Scott) intervened in the proceeding.

A public input hearings were held at Doylestown and at Media; two public input hearings were held in Philadelphia; and 33 days of hearings were held in Philadelphia and Harrisburg. The record was closed on March 17, 1986.

Main briefs and reply briefs were filed by PECO, Trial Staff, OCA, City of Philadelphia, PAIEUG, GEC, UUC/UP, CEPA, Amtrak, PBUUG, SEPTA, PFMA, GSA, and U.S. Steel.

(c) ALJ Matuschak filed his Recommended Decision wherein he recommended a rate increase in PECO's rates by $301,648,000, for a rate increase of 12.06%, to be phased in over three years at 4.02% per year.

This recommendation provides for a equity return of 14.25% and over all rate of return of 12.00%.

Recommended Decision served: May 14, 1986.
Exceptions filed by: Action Alliance of Senior Citizens, Association of Community Organizations for Reform Now, Consumers Education and Protective Association, Philadelphia Citizens in Action, and Mr. Bradshaw, May 22, 1986; United States Steel Corporation, May 22, 1986; City of Philadelphia, May 23, 198 Office of Consumer Advocate, May 23, 1986; Governor's Energy Council, May 23, 19 Philadelphia Area Industrial Energy Users Group, May 23, 1986; SEPTA AND AMTRAK, May 23, 1986; Commission Trial Staff, May 23, 1986; Philadelphia Electric Compan May 23, 1986; and Utility User's Committee/ University of Pennsylvania, May 23, 1986.

DUE TO THE VOLUMINIOUS AMOUNT OF EXCEPTIONS, WE WILL NOT ATTACH THESE FILINGS TO THE DECISION, SINCE ALL THE COMMISSIONERS AND INTERESTED BUREAUS HAVE ALREADY RECEIVED THIS MATERIAL. ANY INTERESTED PARTY MAY SEE A COPY IN THE OFFICE OF ALJ IN ROOM G-7A.

Any Reply Exceptions filed will be submitted as Additional Information after June 2, 1986.

1. REPORT DATE: May 27, 1986

2. BUREAU AGENDA NO.: JUN-86-ALJ-133

3. BUREAU: ALJ

4. SECTION(S):

5. PUBLIC MEETING DATE: June 12, 1986

6. APPROVED BY:
Chief ALJ: William H. Smith
Director: Ext. 7-6108
Supervisor:

7. MONITOR:

8. PERSON IN CHARGE:
ALJ Matuschak 8-645-3560

9. DOCKET NO: R-850152 etc.

DOCUMENT FOLDER

DOCKETED
JUL 08 1986

10. (a) CAPTION (abbreviate if more than 4 lines)
(b) Short summary of history & facts, documents & briefs
(c) Recommendation

(a) Pennsylvania Public Utility Commission, et al. v. Philadelphia Electric Company

(b) Philadelphia Electric Company (PECO or Company) on September 27, 1985 filed Supplement No. 15 to its Tariff Electric-Pa. P.U.C. No. 33, to become effective on November 27, 1985. Supplement No. 15 was designed to produce an increase in the Company's electric revenue of approximately $670.7 million, or 28.2% of test year revenues, based on budget sales for a future test year ending June 30, 1986. The Company proposed to phase-in the increase over three years at an annual increase of 9.4%.

The proposed net increase of $670.7 million is composed of two components an $878.2 million increase in rates to reflect additional plant in service and increased operating expenses, and a $207.5 million rate decrease to reflect reduction in energy costs occasioned by the operation or Limerick Unit 1 (Limerick 1) if it operated at a certain capacity level.

Limerick 1 is one unit of a nuclear generating station composed of Limerick 1 and Limerick 2. Limerick 1 went into actual commercial operation in February 1986. Limerick 2 is still under construction.

The $670.7 million increase requested in Supplement No. 15 has been updated to $681,760,000.

Con't on next page.

11. MOTION BY: CommissionerChm. Taliaferro Commissioner Shane - Yes
SECONDED: CommissionerFischl Commissioner
Commissioner

CONTENT OF MOTION: After polling the Commission on the various issues involved in this proceeding, the matter be referred to the Office of Special Assistants for the preparation of a final Opinion and Order for Public Meeting June 26, 1986.

By its Order dated November 1, 1985 the Commission directed that an investigation be held to determine the lawfulness, justness and reasonableness of the proposed rates and existing rates. Supplement No. 15 was suspended by operation of law.

Commission Trial Staff (Trial Staff) filed an appearance. Complaints were filed by David M. Barasch, Consumer Advocate (OCA), City of Philadelphia, Philadelphia area Industrial Energy Users Group (PAIEUG), Utility Energy Users Group and University of Pennsylvania (UUC/UP), Pennsylvania Business Utility Users Group (PBUUG), Consumers Education and Protective Association (CEPA), United States General Service Administration (GSA), National Railroad Passenger Corporation (Amtrak), Southeastern Pennsylvania Transportation Authority (SEPTA), and United States Steel Corporation (U.S. Steel).

In addition, the Governor's Energy Council (GEC), (Occidental Chemical Corporation (OCC) and Scott Paper Company (Scott) intervened in the proceeding.

A public input hearings were held at Doylestown and at Media; two public input hearings were held in Philadelphia; and 33 days of hearings were held in Philadelphia and Harrisburg. The record was closed on March 17, 1986.

Main briefs and reply briefs were filed by PECO, Trial Staff, OCA, City of Philadelphia, PAIEUG, GEC, UUC/UP, CEPA, Amtrak, PBUUG, SEPTA, PFMA, GSA, and U.S. Steel.

(c) ALJ Matuschak filed his Recommended Decision wherein he recommended a rate increase in PECO's rates by $301,648,000, for a rate increase of 12.06%, to be phased in over three years at 4.02% per year.

This recommendation provides for a equity return of 14.25% and over all rate of return of 12.00%.

Recommended Decision served: May 14, 1986.
Exceptions filed by: Action Alliance of Senior Citizens, Association of Community Organizations for Reform Now, Consumers Education and Protective Association, Philadelphia Citizens in Action, and Mr. Bradshaw, May 22, 1986; United States Steel Corporation, May 22, 1986; City of Philadelphia, May 23, 19
Office of Consumer Advocate, May 23, 1986; Governor's Energy Council, May 23, 1
Philadelphia Area Industrial Energy Users Group, May 23, 1986; SEPTA AND AMTRAK
May 23, 1986; Commission Trial Staff, May 23, 1986; Philadelphia Electric Compa
May 23, 1986; and Utility User's Committee/ University of Pennsylvania, May 23, 1986.

DUE TO THE VOLUMINIOUS AMOUNT OF EXCEPTIONS, WE WILL NOT ATTACH THESE FILINGS TO THE DECISION, SINCE ALL THE COMMISSIONERS AND INTERESTED BUREAUS HAVE ALREADY RECEIVED THIS MATERIAL. ANY INTERESTED PARTY MAY SEE A COPY IN THE OFFICE OF ALJ IN ROOM G-7A.

Any Reply Exceptions filed will be submitted as Additional Information after June 2, 1986.

ORIGINAL

Original

PHILADELPHIA ELECTRIC COMPANY
2301 MARKET STREET
P.O. BOX 8699
PHILADELPHIA, PA. 19101
(215) 841-4000

JOHN H. AUSTIN, JR.
PRESIDENT

June 27, 1986

RECEIVED
JUN 27 1986
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. 23 TO TARIFF ELECTRIC-PA. P.U.C. NO. 26
(Replaces Supplement No. 15 to Tariff Electric-Pa. P.U.C. No. 26)
Issued June 27, 1986 - Effective June 27, 1986
REFERENCE: COMPLIANCE FILING - in accordance with Order dated June 26, 1986 at Docket No. R-850152

Dear Mr. Rich:

This transmits for filing with the Commission eight copies each of the following:

1) Supplement No. 23 to Tariff Electric-Pa. P.U.C. No. 26 which replaces Supplement No. 15 to Tariff Electric-Pa. P.U.C. No. 26 presently on file with the Commission. Supplement No. 15 was filed on September 27, 1985 to become effective on November 27, 1985, but the effective date was suspended until June 27, 1986 by operation of law at Docket No. R-850152.

This filing includes a new energy cost adjustment clause, the Energy Cost Rate Factor, based on reconciliation of 80% of experienced over or undercollections and a base energy cost of 20.823 mills per kilowatt-hour, to be applied to customers' bills for the billing periods of June 27, 1986 through June 30, 1987, and to be recalculated annually thereafter. It replaces the presently effective energy cost adjustment clause, the Energy Cost Rate, based on reconciliation of 100% of experienced over and undercollections and a base energy cost of 28.178 mills per kilowatt-hour.

2) Energy Cost Rate Factor Statement No. 1 with a credit value of $0.006124 per kilowatt-hour effective June 27, 1986, reflecting a projected oil price of $20 per barrel. It replaces the credit value in the superseded Energy Cost Rate of $0.002520 per kilowatt-hour which has been in effect since April 1, 1986.

DOCUMENT FOLDER

3) EXHIBIT I - Supporting data for tariff changes, including a summary of revenue increases by tariff subdivisions, and revenue computations by tariff subdivisions.

4) EXHIBIT II - Supporting data sheets for the new Energy Cost Rate Factor, Statement No. 1.

5) EXHIBIT III - Computation of the new State Tax Adjustment Surcharge value. The new value of 4.63% to become effective on June 27, 1986 reflects the effect on base revenues of the increased rates of Supplement No. 23 to Electric Tariff No. 26. The new value replaces the value of 4.60% which has been in effect since April 1, 1986.

This filing includes changes in revenues, rates and riders which are in accordance with the Commission's Order dated June 26, 1986 at Docket No. R-850152. The new rates contained in this tariff will produce net additional revenues of approximately $351 million based on test year ended on June 30, 1986 and as shown in Exhibit I filed herewith, replacing the increase of approximately $682 million originally requested. In accordance with the Order, revenue collection will be partially delayed during the two years after June 27, 1986 and the resulting unrecovered revenues will be collected during the fourth, fifth and sixth years after June 27, 1986 by applying to the base rates of this tariff the factors shown in the Unrecovered Revenue Collection Rider in Supplement No. 23 to Electric Tariff No. 26.

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

Sincerely,

Enclosures

CERTIFICATE OF SERVICE

I hereby certify that I have on this day served a true copy of the foregoing document upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code §§1.54 and 5.592.

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

David M. Kleppinger, Esquire
100 Pine Street
Harrisburg, PA 17120

Roger E. Clark
Governor's Energy Council
P.O. Box 8010
300 N. 2nd Street
Harrisburg, PA 17105

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

Michael J. Ettner, Esquire
Information Resources & Utilities Division
General Services Administration
Room 4002
18th and F Streets, N.W.
Washington, DC 20405

Charles E. Rainey, Jr., Esquire
Municipal Services Building
Law Department, 15th Floor
Philadelphia, PA 19102

Nancy Schuster, Esquire
1 Pond Street
Bristol, PA 19007

Veronica Smith, Esquire
Pennsylvania Public Utility Commission
Room G-19
North Office Building
Harrisburg, PA 17108

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

Mark P. Widoff, Esquire
Widoff, Reager, Selkowitz & Adler
129 State Street
Harrisburg, PA 17101

Michael Browne, Esquire
Reed, Smith, Shaw & McClay
1600 Avenue of the Arts Building
Broad and Chestnut Streets
Philadelphia, PA 19107

Wayne L. Emery, Esquire
Kenneth R. Pepperney, Esquire
Rafael Caminero, Esquire
600 Grant Street, Rm. 1580
Pittsburgh, PA 15230

Alan R. Squires, Esquire
Greenstein, Gorelick, Price,
Silverman & Laveson
900 Two Penn Center Plaza
Philadelphia, PA 19102

Martha Bush, Esquire
Pa. Energy Ratepayers Coalition
Philadelphia, PA 19139

Bernard A. Ryan, Jr., Esquire
Dechert Price & Rhoads
800 N. Third Street
Harrisburg, PA 17102

William T. Hawke, Esquire
Joseph J. Malatesta, Esquire
Malatesta, Hawke, McKeon & Morris
212 Locust Street
P.O. Box 12110
Harrisburg, PA 17108

Dated this 27th day of June, 1986.

Stuart W. Fraser

Stuart W. Fraser
Counsel for Philadelphia
Electric Company

PHILADELPHIA ELECTRIC COMPANY

ELECTRIC SERVICE TARIFF

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

RECEIVED
JUN 27 1986
SECRETARY'S OFFICE
Public Utility Commission

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.

Issued June 27, 1986

Effective June 27, 1986

Issued in compliance with Order of Pennsylvania Public Utility Commission dated June 26, 1986 at Docket No. 850152; also, Order re State Tax Adjustment Procedure, dated March 10, 1970, as amended.

DOCKETED
JUN 27 1986

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

DOCUMENT FOLDER

NOTICE.

THIS SUPPLEMENT MAKES [INCREASES] [DECREASES] [CHANGES] IN EXISTING RATES. SEE PAGE 2.

Philadelphia Electric Company

Supplement No. 23 to Tariff Electric-Pa. P.U.C. No. 26 cancels Supplement No. 15 to Tariff Electric-Pa. P.U.C. No. 26 which was filed September 27, 1985 to become effective November 27, 1985, but was suspended until June 27, 1986 by Commission Order entered November 1, 1985 at Docket No. R-850152.

LIST OF CHANGES MADE BY THIS SUPPLEMENT

INCREASES AND CHANGES

STATE TAX ADJUSTMENT CLAUSE. (6th Rev. Page 30.)
The surcharge value is increased from 4.60% to 4.63% to reflect the change in electric base revenues in this supplement (Docket No. R-850152). The applicable date is changed from April 10, 1986 to June 27, 1986.

RATE R RESIDENCE SERVICE. (4th Rev. Page 33; 2nd Rev. Page 34.)
RATE R-H RESIDENTIAL HEATING SERVICE. (5th Rev. Page 35.)
In the monthly rate table reference to the Unrecovered Revenue Collection Rider is added; reference to the Energy Cost Rate is replaced with the new Energy Cost Rate Factor; the customer charge and the energy charge prices are changed, resulting in increases.

RATE PD PRIMARY-DISTRIBUTION POWER. (4th Rev. Page 40.)
RATE HT HIGH-TENSION POWER. (4th Rev. Page 41.)
In the monthly rate table reference to the Unrecovered Revenue Collection Rider is added; reference to the Energy Cost Rate is replaced with the new Energy Cost Rate Factor; the customer, capacity and energy charge prices in the monthly rate table are changed, resulting in increases.

RATE BLI BORDERLINE INTERCHANGE SERVICE. (4th Rev. Page 49.)
In the monthly rate table reference to the Unrecovered Revenue Collection Rider is added; reference to the Energy Cost Rate is replaced with the new Energy Cost Rate Factor; the energy charge is changed, resulting in increases.

RATE EP ELECTRIC PROPULSION (1st Rev. Page 49A; 1st Rev. Page 49B.)
This new rate is available only to AMTRAK and SEPTA and the pricing will result in increases to each customer. Reference to the Unrecovered Revenue Collection Rider, the State Tax Adjustment Clause and the Energy Cost Rate Factor are included in the monthly rate table.

TRANSFORMER RENTAL RIDER. (4th Rev. Page 66.)
Under the monthly rental charge reference to the Unrecovered Revenue Collection Rider is added; the fixed charge and operating charge prices are changed, resulting in increases.

INCREASES, DECREASES AND CHANGES

RATE GS GENERAL SERVICE. (4th Rev. Page 38; 5th Rev. Page 39.)
Separate pricing for customers with and without demand measurement is eliminated and the customer charge and energy prices in the monthly rate table are changed; in the energy charge, the first block is changed from 65 hours' use to 80 hours' use of billing demand; reference to the Unrecovered Revenue Collection Rider is added; reference to the Energy Cost Rate is replaced with the new Energy Cost Rate Factor; the minimum charge is changed; and the price for space heating under separate meters is changed, resulting in increases and decreases. The Determination of Demand provision is changed to provide for computed billing demands for customers without measured demands and for customers with measured demands whose use is less than 1,100 kilowatt-hours per month.

RATE SL-S STREET LIGHTING SUBURBAN. (4th Rev. Page 46.)
All prices for the incandescent, mercury vapor and sodium vapor lamps listed in the rate table are changed, resulting in increases and decreases. Reference to the Energy Cost Rate is replaced with the new Energy Cost Rate Factor.

CHANGES

ENERGY COST RATE FACTOR. (2nd Rev. Page 31; 2nd Rev. Page 32.)
(Replaces presently effective ENERGY COST RATE.)
The Energy Cost Rate provision, with a base energy cost per kilowatt-hour presently at 28.178 mills and a 100% recovery of over/undercollections, is replaced by the Energy Cost Rate Factor with a base energy cost per kilowatt-hour of 20.823 mills and with an 80% recovery of over/undercollections.

RATE OP OFF-PEAK SERVICE (3rd Rev. Page 37.)
The Monthly Rate Table is restated with the option for service with seven-day control under OP-1 and service with five-day control under OP-2. Reference to the Energy Cost Rate is replaced with the new Energy Cost Rate Factor.

Philadelphia Electric Company

LIST OF CHANGES MADE BY THIS SUPPLEMENT-Continued

CHANGES-Continued

RATE POL PRIVATE OUTDOOR LIGHTING. (1st Rev. Page 42.)
RATE SL-P STREET LIGHTING IN CITY OF PHILADELPHIA. (3rd Rev. Page 43.)
RATE TL TRAFFIC LIGHTING SERVICE. (3rd Rev. Page 48.)
Reference in these rates to the Energy Cost Rate is replaced with the new Energy Cost Rate Factor.

APPLICABILITY INDEX OF RIDERS. (3rd Rev. Page 50.)
New Rate EP and Rate BLI are added to the Index and the applicability of various riders to these rates is indicated. The new Unrecovered Revenue Collection Rider is added to the Index and its applicability to Rates R, R-H, GS, PD, HT, EP, and BLI, and to the Transformer Rental Rider is indicated.

ALLEY LIGHTING RIDER. (3rd Rev. Page 51.)
Reference in this rider to the Energy Cost Rate is replaced with the new Energy Cost Rate Factor.

UNRECOVERED REVENUE COLLECTION RIDER. (1st Rev. Page 55A; 1st Rev. Page 55B; Original Page 55C.)
This is a new rider which provides for the delay of the billing of part of the revenue due under Rates R, R-H, GS, PD, HT, EP, and BLI and the Transformer Rental Rider, and the subsequent recovery of this revenue.

EMERGENCY ENERGY CONSERVATION RIDER. (2nd Rev. Page 56.)
Reference to Rate EP is added to this rider to indicate its applicability to these rates.

EMPLOYMENT AND ECONOMIC RECOVERY RIDER. (2nd Rev. Page 58.)
Reference in this rider to the Energy Cost Rate is replaced with the new Energy Cost Rate Factor.

Tariff Electric-Pa. P.U.C. No. 26, first filed to be effective November 23, 1983, is modified so that it now consists of the ORIGINAL TARIFF with the following changes:

PAGE NUMBER	EFFECTIVE DATE	SUPPL. NUMBER	PAGE SUPERSEDED
2[19]	Jun. 27, 1986	23	2[13], 2[17]
2A[4]	" " "	23	2A[3]
3[19]	" " "	23	3[13], 3[17]
10[1]	Apr. 13, 1985	12	10[1]
11[2]	Apr. 11, 1986	22	11[1]
12[1]	Apr. 13, 1985	12	12
17[1]	Jul. 27, 1984	5	17
18[1]	" " "	5	18
19[1]	" " "	5	19
21[1]	Jan. 14, 1986	17	21
23[2]	Jan. 25, 1985	11	23, 23[1]
30[6]	Jun. 27, 1986	23	30[5]
31[2]	" " "	23	31[1]
32[2]	" " "	23	32, 32[1]
33[4]	" " "	23	33[2], 33[3]
34[2]	" " "	23	34, 34[1]
35[5]	" " "	23	35[3], 35[4]
36[1]	Apr. 13, 1985	12	36
37[3]	Jun. 27, 1986	23	37[2]
38[4]	" " "	23	38[2], 38[3]
39[5]	" " "	23	39[4]
40[4]	" " "	23	40[2], 40[3]
41[4]	" " "	23	41[2], 41[3]
42[1]	Jun. 27, 1986	23	42
43[3]	" " "	23	43[2]
46[4]	" " "	23	46[2], 46[3]
48[3]	" " "	23	48[2]
49[4]	" " "	23	49[2], 49[3]
49A[1]	" " "	23	49A
49B[1]	" " "	23	49B
50[3]	" " "	23	50[1], 50[2]
51[3]	" " "	23	51[2]
52[1]	Sep. 25, 1984	6	52
55[1]	Dec. 21, 1984	8	55
55A[1]	Jun. 27, 1986	23	55A
55B[1]	" " "	23	55B
55C	" " "	23	-
56[2]	" " "	23	56, 56[1]
57[1]	Jun. 3, 1985	14	57
58[2]	Jun. 27, 1986	23	58[1]
60[2]	Jan. 25, 1985	11	60, 60[1]
61[3]	" " "	11	61[1], 61[2]
62[2]	" " "	11	62, 62[1]
63[2]	" " "	11	63, 63[1]
66[4]	Jun. 27, 1986	23	66[2], 66[3]

[1] First Revised Page; [2] Second Revised Page, etc.

TABLE OF CONTENTS

List of Changes Made by This Supplement..... 2[19],2A[4]
List of Communities Served..... 4,5
How to Use Loose-Leaf Tariff..... 6
Definition of Terms and Explanation of Abbreviations..... 7,8

RULES AND REGULATIONS:
1. The Electric Service Tariff..... 9
2. Service Limitations..... 10[1],11[2],12[1]
3. Customer's Installation..... 13
4. Application for Service..... 14
5. Credit..... 15
6. Private-Property Construction..... 16
7. Extensions..... 17[1],18[1],19[1]
8. Rights-of-Way..... 20
9. Introduction of Service..... 20
10. Company Equipment on Customer's Premises..... 21[1]
11. Tariff Options on Applications for Service..... 21[1]
12. Service Continuity..... 22
13. Customer's Use of Service..... 23[2]
14. Measurement..... 24
15. Billing Demand Determination..... 25
16. Tests..... 26
17. Standard Payment Terms..... 27
18. Disconnection by Company..... 28
19. Unfulfilled Contracts..... 28
20. Cancellation by Customer..... 29
21. General..... 29

STATE TAX ADJUSTMENT CLAUSE..... 30[6]
ENERGY COST RATE..... 31[2],32[2]

RATES:
Rate R Residence Service..... 33[4],34[2]
Rate R-H Residential Heating Service..... 35[5],36[1]
Rate OP Off-Peak Service..... 37[3]
Rate GS General Service..... 38[4],39[5]
Rate PD Primary-Distribution Power..... 40[4]
Rate HT High-Tension Power..... 41[4]
Rate POL Private Outdoor Lighting..... 42[1]
Rate SL-P Street Lighting in City of Philadelphia..... 43[3],44,45
Rate SL-S Street Lighting-Suburban..... 46[4],47
Rate TL Traffic Lighting Service..... 48[3]
Rate BLI Borderline Interchange Service..... 49[4]
Rate EP-A Electric Propulsion - AMTRAK..... 49A[1]
RATE EP-S Electric Propulsion - SEPTA..... 49B[1]

RIDERS:
Applicability Index of Riders..... 50[3]
Alley Lighting Rider..... 51[3]
Auxiliary Service Rider..... 52[1]
Casualty Rider..... 53
Construction Rider..... 54
Curtailment HT Rider..... 55[1]
Unrecovered Revenue Collection Rider..... 55A[1],55B[1],55C
Emergency Energy Conservation Rider..... 56[2]
Employment and Economic Recovery Rider..... 57[1],58[2]
Investment Return Guarantee Rider..... 59
Night Service GS Rider..... 60[2]
Night Service HT Rider..... 61[3]
Night Service PD Rider..... 62[2]
Off-Peak Rider..... 63[2]
Receivership Rider..... 64
Temporary Service Rider..... 65
Transformer Rental Rider..... 66[4]

STATE TAX ADJUSTMENT CLAUSE

In addition to the net charges provided for in this Tariff, exclusive of Energy Cost Rate charges, a surcharge of 4.63% will apply to all service rendered on and after June 27, 1986. (I)

The above surcharge will be recomputed, using the same elements prescribed by the Commission:

(a) Whenever any of the tax rates used in calculation of the surcharge are changed.

(b) Whenever the utility makes effective increased or decreased rates;

(c) And on March 31, 1971, and each year thereafter.

The above recalculation will be submitted to the Commission within 10 days after the occurrence of the event or date which occasioned such recomputation; and that if the recomputed surcharge is less than the one in effect, the utility will, and if the recomputed surcharge is more than the one then in effect, the utility may, submit with such recomputation a tariff or supplement to reflect such recomputed surcharge, the effective date which shall be 10 days after filing.

(I) Indicates increase.
(C) Indicates change.

ENERGY COST RATE FACTOR

(C)

All kilowatt-hours supplied under this tariff shall include an energy cost rate factor as determined by the formula below. This energy cost rate factor will be determined to the nearest one-thousandth of one mill per kilowatt-hour in acccordance with the formula set forth below and shall be applied to all kilowatt-hours billed during the billing month.

$$ECRF = \left[\frac{F}{S_t} - B - \frac{E}{S_a} \right] \times \frac{I}{I - T}$$

The energy cost rate factor so computed shall be applied to customers' bills for a one-year period during the billing periods of July through June except that the first application period will be for the billing periods of June 27, 1986 through June 30, 1987. The Company's proposed annual energy cost rate factor shall be submitted to the Commission by June 1 of each year and this proposed factor shall become effective for service rendered on or after the following July 1 unless otherwise ordered by the Commission.

Where ECRF = Energy cost rate factor in mills per kilowatt-hour to be applied to each kilowatt-hour supplied under this tariff.

F = The estimated energy-related cost of net energy generated in the Company's fossil and nuclear generating stations, excluding the cost of energy generated and sold to other utilities on a firm basis, plus the Company's energy-related cost of energy purchased and net energy interchanged plus the assigned test power costs for the computation year, defined as follows:

Fossil Generation - the costs charged to fuel Accounts 501 and 547 which are computed on basis of the cost of fuel delivered to the generating site at which it is consumed, plus the cost of disposing of solid waste from sulfur oxide removal devices.

Nuclear Generation.- the costs charged to fuel Accounts 518 and 521 which are computed on the basis of the costs of such fuel delivered at the generating site at which it is consumed after deducting therefrom the present salvage or reuse value of such fuel.

Net Energy Purchases - the amounts charged or credited to Account 555, excluding demand charges other than those associated with agreements for the purchase of energy at a cost (including associated demand charges) that is less than the cost of obtaining energy from alternative sources.

Net Energy Interchanged - the amounts charged or credited to Account 555, excluding charges or credits for demand related costs.

Test Power - the amounts charged to Account 557 for the value assigned to the energy produced from facilities undergoing operational tests prior to being placed into commercial operation.

The first computation year shall be June 27, 1986 through June 30, 1987, and thereafter shall be July 1 through June 30, for which the ECRF as computed will apply. In projecting the Company's energy costs for the computation year, the estimated cost of energy generated and sold to other utilities on a firm basis and the estimated net effect on the Company's energy costs of generation forecast for the computation year from any unit whose costs are not currently reflected in base rates shall be excluded. When the in-service date of such a unit can be estimated with reasonable certainty, the Company shall file with the Commission no later than 30 days prior to the unit's expected in-service date for an interim revision of the ECRF then in effect to reflect the estimated effect of the unit's operation on the Company's energy costs. Such interim revision of the ECRF shall not become effective unless and until rates reflecting the unit's base rate revenue requirements become effective by order of the Commission.

(C) Indicates change.

Philadelphia Electric Company

ENERGY COST RATE FACTOR - Continued

E = Experienced net over or under collection of the cost of energy determined as follows: Effective June 27, 1986 the Company will reconcile for refund with interest or recovery without interest only 80% of post June 26, 1986 experienced net over or under collection of the cost of energy. The first "E" factor time period will be for the fifteen months ending with the April 1986 billing period with 100% of the experienced net over or under collections reconciled. The second "E" factor time period will be for the twelve months ending with the April 1987 billing period with 100% of the experienced net over or under collections reconciled through June 26, 1986 and 80% of net over or under collections reconciled from June 27, 1986 through April 1987. All subsequent "E" factor periods will be based upon an 80% reconciliation of experienced net over or under collections for a twelve-month period ending with the preceding April billing period. Interest shall be computed monthly at the appropriate rate as provided in Section 1308(d) of the Public Utility Code from the month the over or under collection occurs to the effective month such over collection is refunded and such under collection is recouped. Interest will only be paid on net over- collections subject to reconciliation. Customer shall not be liable for interest on net undercollections.

S_t = The Company's projected total kilowatt-hour sales to the customers excluding firm sales to other utilities during the computation year.

S_a = The Company's kilowatt-hour sales to which the energy cost rate factor applies, projected for the computation year.

B = Base energy cost of 20.823 mills per kilowatt-hour.

T = The Pennsylvania gross receipts tax rate in effect during the billing month expressed in decimal form.

Minimum bills shall not be reduced by reason of this energy cost rate factor. This factor shall be applied to all kilowatt-hours supplied and such charge shall be in addition to any minimum applicable.

The Company shall file quarterly reports within thirty (30) days following the conclusion of each computation year quarter. These reports will be in such form as the Commission shall have prescribed. The third quarter report shall be accompanied by a tentative estimate of the energy cost rate factor for the next computation year.

The application of the energy cost rate factor shall be subject to continuous review and to audit by the Commission at such intervals as the Commission shall determine. The Commission shall continuously review the reasonableness and lawfulness of the amounts of the charges produced by the energy cost rate factors and the charges included herein.

If from such audit it shall be determined, by final order entered after notice and hearing, that this energy cost rate factor has been erroneously or improperly utilized, the Company will rectify such error or impropriety, and in accordance with the terms of the order, apply credits against future energy cost rate factors for such revenues as shall have been erroneously or improperly collected. The Commission's order shall be subject to the right of appeal.

(C) Indicates change.

Philadelphia Electric Company

RATE R RESIDENCE SERVICE

AVAILABILITY.

Single-phase electric service in the entire territory of the Company to the dwelling and appurtenances of a single private family (or to a multiple dwelling unit building consisting of two to five dwelling units, whether occupied or not), for the domestic requirements of its members when such service is supplied through one meter. Service is also available for related farm purposes when such service is supplied through one meter in conjunction with the farmhouse domestic requirements.

Each dwelling unit connected after May 10, 1980 except those dwelling units under construction or under written contract for construction as of that date must be individually metered for their basic electric service supply. Centrally supplied master metered heating, cooling or water heating service may be provided if such supply will result in energy conservation.

The term "residence service" includes service to: (a) the separate dwelling unit in an apartment house or condominium, but not the halls, basement, or other portions of such building common to more than one such unit; (b) the premises occupied as the living quarters of five persons or less who unite to establish a common dwelling place for their own personal comfort and convenience on a cost-sharing basis; (c) the premises owned by a church, and primarily designated or set aside for, and actually occupied and used as, the dwelling place of a priest, rabbi, pastor, rector, nun or other functioning Church Divine, and his or her resident associates; (d) private dwellings in which a portion of the space is used for the conduct of business by a person residing therein; (e) farm purpose uses by an individual employing the natural processes of growth for the production of grain, stock, dairy, poultry, garden truck, or other agricultural products.

The term does NOT include service to: (a) Premises institutional in character including Clubs, Fraternities, Orphanages or Homes; (b) premises defined as a rooming house or boarding house in the Municipal Code for Cities of the First Class enacted by Act of General Assembly; (c) a premises containing a residence unit but primarily devoted to a professional or other office, studio, or other gainful pursuit; (d) farms operated principally to sell, prepare, or process products produced by others, or farms using air conditioning for climatic control in conjunction with growth processes (except those customers receiving such service as of August 2, 1969); (e) electric furnaces or welding apparatus other than a transformer type "limited input" arc welder with an input not to exceed 37-1/2 amperes at 240 volts.

CURRENT CHARACTERISTICS.

Standard single-phase secondary service.

MONTHLY RATE TABLE.

CUSTOMER CHARGE: $4.75 (I)

ENERGY CHARGE PRICES: (I)

SUMMER MONTHS. (June through September)
12.03¢ per kWh for the first 500 kWh per dwelling unit
13.68¢ per kWh for additional kWh.

WINTER MONTHS. (October through May)
12.03¢ per kWh.

MINIMUM CHARGE: The minimum charge per month will be the Customer Charge.

(I) Indicates Increase.

RATE R RESIDENCE SERVICE-Continued

EXPERIMENTAL TIME-OF-USE ADJUSTMENT:

Time-of-use billing will be applicable to a group of customers selected on a statistical reliable sample basis. Participation by customers will be on a voluntary basis during one-year experimental period.

There will be a meter charge of $6.25 per month in addition to the Customer Charge. There will be a credit for energy used during off-peak hours and an additional charge for energy used during on-peak hours.

On-peak hours are defined as the hours between 8:00 am and 8:00 pm, Eastern Standard Time or Daylight Saving Time, whichever is in common use, daily except Saturdays, Sundays and holidays. Off-peak hours are defined as the hours other than those specified as on-peak hours. The credits and charges are as follows:

	Summer Months (June through September)	Winter Months (October through May)
Off-peak credit.....	4.85¢ per kWh	3.63¢ per kWh
On-peak charge.....	6.82¢ per kWh	5.19¢ per kWh

Time-of-use billing is not available to single-metered multiple dwelling units.

UNRECOVERED REVENUE COLLECTION RIDER, STATE TAX ADJUSTMENT CLAUSE and ENERGY COST RATE FACTOR apply to this rate.

PAYMENT TERMS.
Standard.

(C) Indicates change.

RATE R-H RESIDENTIAL HEATING SERVICE

AVAILABILITY.

Single-phase electric service to the dwelling and appurtenances of a single private family (or to a multiple dwelling unit building consisting of two to five dwelling units, whether occupied or not), for domestic requirements when such service is supplied through one meter and where the dwelling is heated by specified types of electric space heating systems. The systems eligible for this rate are (a) permanently connected electric resistance heaters where such heaters supply all of the heating requirements of the dwelling, (b) heat pump installations where all of the supplementary heating required is supplied by electric resistance heaters, and (c) heat pump installations where all of the supplementary heating required is supplied by non-electric energy sources and/or by electric energy sources served on Rate OP Off-Peak Service. All space heating installations must meet Company requirements. This rate schedule is not available for commercial, institutional or industrial establishments.

Wood, solar, wind, water, and biomass systems may be used to supply a portion of the heating requirements in conjunction with service supplied hereunder. Any Customer system of this type that produces electric energy may not be operated concurrently with service supplied by the Company except under written agreement setting forth the conditions of such operation as provided by and in accordance with the provisions of the Auxiliary Service Rider.

Each dwelling unit connected after May 10, 1980 except those dwelling units under construction or under written contract for construction as of that date, must be individually metered.

(Not available when the source of supply is service purchased from a neighboring Company under Rate BLI Borderline Interchange Service.)

CURRENT CHARACTERISTICS.

Standard single-phase secondary service.

MONTHLY RATE TABLE.

CUSTOMER CHARGE: $4.75

ENERGY CHARGE PRICES: (I)

SUMMER MONTHS. (June through September) (I)

12.03¢ per kWh for the first 500 kWh per dwelling unit

13.68¢ per kWh for additional kWh.

WINTER MONTHS. (October through May)

12.03¢ per kWh for the first 500 kWh per dwelling unit

6.57¢ per kWh for additional kWh.

MINIMUM CHARGE: The minimum charge per month will be the Customer Charge.

EXPERIMENTAL TIME-OF-USE ADJUSTMENT:

Time-of-use billing will be applicable to a group of customers selected on a statistically reliable sample basis. Participation by customers will be on a voluntary basis during a one-year experimental period.

There will be a meter charge of $6.25 per month in addition to the Customer Charge. There will be a credit for energy used during off-peak hours and an additional charge for energy used during on-peak hours.

On-peak hours are defined as the hours between 8:00 am and 8:00 pm, Eastern Standard Time or Daylight Saving Time, whichever is in common use, daily except Saturdays, Sundays and holidays. Off-peak hours are defined as the hours other than those specified as on-peak hours. The credits and charges are as follows:

	Summer Months (June through September)	Winter Months (October through May)
Off-peak credit.....	4.85¢ per kWh	1.62¢ per kWh
On-peak charge.....	6.82¢ per kWh	2.46¢ per kWh

Time-of-use billing is not available to single-metered multiple dwelling units.

UNRECOVERED REVENUE COLLECTION RIDER, STATE TAX ADJUSTMENT CLAUSE and ENERGY COST RATE FACTOR (C) apply to this rate.

(I) Indicates increase.
(C) Indicates change.

RATE OP OFF-PEAK SERVICE

AVAILABILITY.

In conjunction with Rates R, R-H and with residence service under Rate GS, for any Customer receiving service at 120/240 volts, 3 wires, or 120/208 volts, 3 wires, for the operation of 240-volt or 208-volt domestic equipment of a type approved by the Company. Any load connected for service under Rate OP may not be connected for service under any other rate during the period that service under Rate OP is interrupted. Service will be interrupted during on-peak periods as established by the Company.

(Not available when the source of supply is service purchased from a neighboring company under a borderline-purchase agreement.)

SPECIAL RULES AND REGULATIONS.

The normal control device furnished by the Company has a limited capacity. The Customer shall notify the Company before connecting any load in addition to an existing water heater. If necessary, the Company will install a control device with a rating of 100 amperes to accommodate the additional 240-volt controlled load. For controlled loads larger than 100 amperes the control device shall be furnished, installed and maintained by the Customer.

MONTHLY RATE TABLE.

OP-1 - SEVEN-DAY CONTROL. Service may be interrupted every day for a total of not more than 6-1/2 hours per day during scheduled periods which may vary from Customer to Customer.
CUSTOMER CHARGE - $3.50 per month.
ENERGY CHARGE - 5.51¢ per kWh.

OP-2 - FIVE-DAY CONTROL. Service may be interrupted during the five weekdays for a total of not more than 6-1/2 hours per day during scheduled periods which may vary from Customer to Customer.
CUSTOMER CHARGE - $4.50 per month.*
ENERGY CHARGE - 5.51¢ per kWh.

* Except that, at the time a failed seven-day clock control device is replaced by the Company with a radio control device, a five-day control will be installed with no increase in the Customer Charge.

MINIMUM CHARGE: The minimum charge per month will be the Customer Charge.

STATE TAX ADJUSTMENT CLAUSE and ENERGY COST RATE FACTOR apply to this rate. (C

PAYMENT TERMS.
Standard.

(C) Indicates change.

RATE GS GENERAL SERVICE

AVAILABILITY.

Electric service through a single metering installation for offices, professional, commercial or industrial establishments, governmental agencies, and other applications outside the scope of the Residence Service rate schedules.

CURRENT CHARACTERISTICS.

Standard single-phase or polyphase secondary service.

MONTHLY RATE TABLE.

CUSTOMER CHARGE: $6.00 for single-phase service; $20.50 for polyphase service. (I)(

ENERGY CHARGE:

20.20¢ per kWh for the first 80 hours' use of billing demand
*10.42¢ per kWh for the next 80 hours' use of billing demand
7.22¢ per kWh for additional use; except
5.14¢ per kWh over both 400 hours' use of billing demand and 2,000 kWh.

* During October through May this block is eliminated.

UNRECOVERED REVENUE COLLECTION RIDER, STATE TAX ADJUSTMENT CLAUSE and ENERGY COST RATE FACTOR apply to this rate.

DETERMINATION OF DEMAND.

The billing demand will be measured where consumption exceeds 1,100 kilowatt-hours per month for three consecutive months; or where load tests indicate a demand of five or more kilowatts; or where the Heating Modification is applied; or where the Customer requests demand measurement. Where demand measurement is requested by the Customer, a $6.00 annual surcharge will be payable until the above demand or consumption level is exceeded. Measured demands will be determined to the nearest 0.1 of a kilowatt but will not be less than 1.2 kilowatts, and will be adjusted for power factor in accordance with the Rules and Regulations. (C)

For those customers with demand measurement, during October through May the billing demand will not be less than 40% of the highest billing demand in the preceding months of June through September, nor less than the minimum value stated in the contract for service. If a measured demand Customer has less than 1,100 monthly kilowatt-hours of use, the monthly billing demand will be the registered demand or the metered monthly kilowatt-hours divided by 175 hours, whichever is less, but not less than 40% of the highest billing demand in the preceding months of June through September, nor less than 1.2 kilowatts.

For those customers without demand measurement, the monthly billing demand will be computed by dividing the metered monthly kilowatt-hours by 175 hours. The computed demand will be determined to the nearest 0.1 of a kilowatt, but will not be less than 1.2 kilowatts.

MINIMUM CHARGE.

The monthly minimum charge for customers without demand measurement will be the Customer Charge. The monthly minimum charge for customers with demand measurement will be the Customer Charge, plus a charge of $5.50 per kW of billing demand.

HEATING MODIFICATION. (I)

Wood, solar, wind, water, and biomass systems may be used to supply a portion of the heating requirements in conjunction with service supplied hereunder. Any Customer system of this type that produces electric energy may not be operated concurrently with service supplied by the Company except under written agreement setting forth the conditions of such operation as provided by and in accordance with the provisions of the Auxiliary Service Rider.

(Continued)

(I) Indicates increase.
(D) Indicates decrease.
(C) Indcates change.

RATE GS GENERAL SERVICE-Continued

METERING.

A. Single Meter.

Applicable where an area is heated solely by permanently connected electric space heating installations acceptable to the Company and where the area heating requirements are at least equal to the Customer's total electrical energy requirements for all other purposes during October through May.

During October through May the monthly maximum measured demand shall be reduced by one-half of the kilowatt input to the space heating installations. This kilowatt input, used for determining such decrease in billing demand, shall not exceed the kilowatt space heating requirements of the area to be heated as determined by a mutually acceptable formula. During October through May the billing demand shall never be less than 15 kilowatts; or, except for those customers in service as of February 18, 1971, less than one-half of the monthly measured demand.

This modification will be applied upon notification to the Company of qualifying installations. It shall be the responsibility of the Customer to notify the Company of any subsequent changes in the installation.

B. Separate Meters.

At the option of the Customer, electricity supplying permanently connected space heating installations or heating equipment sensitive to outdoor temperature with a total capacity of not less than 5 kilowatts, which are acceptable to the Company, will be measured apart from the Customer's other requirements for electric service at the premises. Air conditioning equipment also may be supplied through this separate heating circuit.

During October through May the usage of this separate circuit shall be billed at 6.57¢ per kWh in lieu of the pricing of the basic Monthly Rate Table.

During June through September the combined usage shall be billed under the price provisions of the basic Monthly Rate Table.

TERM OF CONTRACT.

Annual.

PAYMENT TERMS.

Standard.

(I) Indicates Increase.

RATE PD PRIMARY-DISTRIBUTION POWER

AVAILABILITY.

Untransformed electric service from the primary supply lines of the Company's distribution system where the Customer installs, owns, and maintains any transforming, switching and other receiving equipment required. However, standard primary service is not available in areas where the distribution voltage has been changed to either 13 kV or 33 kV unless the Customer was served with standard primary service prior to the conversion of the area to either 13 kV or 33 kV.

CURRENT CHARACTERISTICS.

Standard primary service.

MONTHLY RATE TABLE.

CUSTOMER CHARGE: $245.50

CAPACITY CHARGE: $8.62 per kW

ENERGY CHARGE PRICES:

8.71¢ per kWh for the first 150 hours' use of billing demand
6.16¢ per kWh for the next 150 hours' use of billing demand
3.64¢ per kWh for additional use.

UNRECOVERED REVENUE COLLECTION RIDER, STATE TAX ADJUSTMENT CLAUSE and ENERGY COST RATE FACTOR (C) apply to this rate.

DETERMINATION OF BILLING DEMAND.

The billing demand will be computed to the nearest kilowatt and will never be less than the measured demand, adjusted for power factor in accordance with the Rules and Regulations, nor less than 25 kilowatts. Additionally, during the eight months of October through May the billing demand will not be less than 40% of the maximum demand specified in the contract nor less than 80% of the highest billing demand in the preceding months of June through September.

MINIMUM CHARGE.

The monthly minimum charge shall be the Customer Charge, plus the capacity charge for the monthly billing demand.

TERM OF CONTRACT.

Three years, and thereafter from year to year until terminated by 60 days' notice from either party to the other.

PAYMENT TERMS.

Standard.

(I) Indicates Increase.
(C) Indicates change.

RATE HT HIGH-TENSION POWER

AVAILABILITY.

Untransformed electric service from the Company's standard high-tension lines, where the Customer installs, owns, and maintains, any transforming, switching and other receiving equipment required.

CURRENT CHARACTERISTICS.

Standard high-tension service.

MONTHLY RATE TABLE.

CUSTOMER CHARGE: $257.20 (I)
CAPACITY CHARGE: $7.93 per kW. (I)
ENERGY CHARGE PRICES: (I)
8.54¢ per kWh for the first 150 hours' use of billing demand
6.04¢ per kWh for the next 150 hours' use of billing demand, but not more than 7,500,000 kwh
3.56¢ per kWh for additional use.

TIME-OF-USE ADJUSTMENT:

Customers with measured demand of 2,000 kW or greater will be given a credit for energy use during off-peak hours and will be subject to an additional charge for energy use during on-peak hours. On-peak hours are defined as the hours between 8:00 am and 8:00 pm, Eastern Standard Time or Daylight Saving Time, whichever is in common use, daily except Saturdays, Sundays and holidays; except that the on-peak hours will end at 4:00 pm on Fridays. Off-peak hours are defined as the hours other than those specified as on-peak hours. The credits and charges are as follows:

	Summer Months (June through September)	Winter Months (October through May)
Off-peak credit.....	0.21¢ per kWh	0.21¢ per kWh
On-peak charge.....	0.57¢ per kWh	0.22¢ per kWh

HIGH VOLTAGE DISCOUNT:

For customers supplied at 33,000 volts: 7¢ per kW
For customers supplied at 66,000 volts: 30¢ per kW for first 10,000 kW of measured demand.
For customers supplied over 66,000 volts: 30¢ per kW for first 100,000 kW of measured demand.

UNRECOVERED REVENUE COLLECTION RIDER, STATE TAX ADJUSTMENT CLAUSE and ENERGY COST RATE FACTOR apply to this rate. (C)

DETERMINATION OF BILLING DEMAND.

The billing demand will be computed to the nearest kilowatt and will never be less than the measured demand, adjusted for power factor in accordance with the Rules and Regulations, nor less than 25 kilowatts. Additionally, during the eight months of October through May the billing demand will not be less than 40% of the maximum demand specified in the contract nor less than 80% of the highest billing demand in the preceding months of June through September.

DELIVERY POINTS.

Where the load of an Industrial Customer located on single or contiguous premises becomes greater than the capacity of the standard circuit or circuits established by the Company to supply the Customer, an additional separate delivery point may be established for such premises upon the written request of the Customer and billing continued as if the service were being delivered and metered at a single point, provided such multi-point delivery is not disadvantageous to the Company.

MINIMUM CHARGE.

The monthly minimum charge shall be the Customer Charge, plus the capacity charge for the monthly billing demand, less the supply voltage discount where applicable.

TERM OF CONTRACT.

Three years, and thereafter from year to year until terminated by 60 days' notice from either party to the other.

PAYMENT TERMS.

Standard.

(I) Indicates increase.
(C) Indicates change.

RATE POL PRIVATE OUTDOOR LIGHTING

AVAILABILITY.

Outdoor lighting of sidewalks, driveways, yards, lots and similar places, outside the scope of service under Rate SL-P and SL-S.

MONTHLY RATE TABLE.

MERCURY-VAPOR LAMPS - Size of Lamp	Ltg. Unit Attached to Company's Pole	Ltg. Unit Attached to Customer's Pole
100 Watts (nominally 4,000 Lumens)	$11.45	$10.34
175 Watts (nominally 8,000 Lumens)	15.62	14.51
250 Watts (nominally 12,000 Lumens)	19.34	18.37
400 Watts (nominally 20,000 Lumens)	25.05	23.78
400 Watts Floodlight (nominally 22,000 Lumens)	27.05	25.78

SODIUM-VAPOR LAMPS - Size of Lamp	Ltg. Unit Attached to Company's Pole	Ltg. Unit Attached to Customer's Pole
70 Watts (nominally 5,800 Lumens)	$15.62	$14.51
250 Watts (nominally 27,500 Lumens)	25.05	23.78
400 Watts (nominally 50,000 Lumens)	27.66	26.39
400 Watts Floodlight (nominally 50,000 Lumens)	29.66	28.39

STATE TAX ADJUSTMENT CLAUSE and ENERGY COST RATE FACTOR apply to this rate. (C)

GENERAL PROVISIONS.

1. Lighting Unit. A Lighting Unit shall be comprised of a bracket, the lead wires and a luminaire, including lamp, reactor and control.

2. Installations. In connection with the service provided herein, the Company will install, own and maintain all facilities on the highway, all standard service-supply lines and all Lighting Units. The Customer will install, own and maintain all poles on his property and all service extensions on his property from the Company's standard service-supply lines.

Investment by the Company in standard lighting installations under standard conditions of supply will be limited to that warranted by the revenue in prospect, any additional investment to be assumed by the Customer.

Standard supply to lighting installations will be from aerial wires, except that, at the option of the Company, in areas where its other distribution facilities are underground, supply may be underground.

For underground supply furnished at the request of the Customer where aerial supply would be normal, or for other than standard installations made at the request of the Customer and of a type approved by the Company, the Company will assume the cost up to the amount it would normally have invested and the additional cost shall be assumed by the Customer.

3. Location and Authorization. Lighting Units shall be installed at locations and upon poles approved by the Company and in positions permitting servicing from a ladder truck. Customer construction shall meet the Company's standards which are based upon the National Electrical Code.

The Customer shall obtain and submit any permits or other authority requisite to the installation and operation of the Lighting Units served hereunder.

4. Service. Each lamp shall be individually controlled by a photoelectric cell which shall operate to energize the lamp during periods of darkness and to de-energize it during other periods. The service shall include the supply of lamps and their renewal when burned out. Renewal of lamps will be made only during regular daytime working hours after notification by the Customer of the necessity therefor.

5. Outage Allowances. Written notice to the Company prior to 4:00 pm of the failure of any light to burn on the previous night shall entitle the Customer to a pro rata reduction in the charges under this rate for the hours of failure if such failure continues for a period in excess of 24 hours after the notice is received. Allowances will not be made for outages resulting from riot, fire, storm, flood, interference by civil or military authorities, or any other cause beyond the Company's control.

CONTRACT TERM.

For each Lighting Unit, an initial term of three years and thereafter from year to year.

PAYMENT TERMS.

Standard

(C) Indicates change.

RATE SL-P STREET LIGHTING IN CITY OF PHILADELPHIA

AVAILABILITY.

Only to a governmental agency, municipal, state or federal, for outdoor lighting of streets, highways, bridges, parks or similar places, including directional highway signs at locations where other outdoor lighting service is established hereunder, for the safety and convenience of the public within the City of Philadelphia by incandescent filament, mercury-vapor, fluorescent or sodium-vapor lamps of standard sizes and types approved by the Company where the Customer installs, owns and maintains all Utilization Facilities as hereinafter defined. Service will be supplied under this rate for street Lighting Units supported in a conventional manner such as on poles, posts, brackets or hangers, and under conditions of installation and supply acceptable to the Company.

CHARACTERISTICS OF SUPPLY.

Service under this rate will be from series 6.6 ampere circuits or from standard single-phase secondary circuits, as specified by the Company, except that, where conditions require, or where existing standard secondary circuits are not available, the Company at its option may supply service from nonstandard secondary circuits, providing nominally 240 volts.

MONTHLY RATE TABLE.

FACILITIES CHARGE PRICES:
For Lighting Units in service as of the fifteenth day of the month.
$7.01 per Lighting Unit supplied from standard secondary (aerial or underground) circuits where the Customer owns the individual control for such Lighting Unit.
$7.50 per Lighting Unit supplied from aerial (series or secondary) circuits where the Company provides group controls.
$10.46 per Lighting Unit supplied from underground (series or secondary) circuits where the Company provides group controls.

CAPACITY CHARGE PRICE:
0.36¢ per watt.

ENERGY CHARGE PRICE:
4.73¢ per kWh of energy billed.

STATE TAX ADJUSTMENT CLAUSE and ENERGY COST RATE FACTOR apply to this rate. (C)

LIGHTING UNIT

A Lighting Unit shall comprise each lighting installation which is separately connected to a delivery point on the Company's series or secondary circuit.

DETERMINATION OF BILLING DEMAND.

The wattage, expressed to the nearest tenth of a watt, of a Lighting Unit shall be composed of manufacturer's rating of its lamps, ballasts, transformers, individual controls and other load components required for its operation. The aggregate of wattages of all Lighting Units in service as of the fifteenth day of a month shall constitute the billing demand for the month.

DETERMINATION OF ENERGY BILLED.

The energy use for a month of a Lighting Unit shall be computed to the nearest kilowatt-hour as the product of one-thousandth of its wattage and the effective hours of use of such wattage during the calendar month under the established operation schedules approved by the authorized representatives of the Customer and the Company. The aggregate of the kilowatt-hours thus computed for all Lighting Units in service as of the fifteenth day of a month shall constitute the energy billed for the month.

(Continued)

(C) Indicates change.

Philadelphia Electric Company

SUBURBAN DIVISIONS

RATE SL-S STREET LIGHTING-SUBURBAN

AVAILABILITY.

Outdoor lighting of streets, highways, bridges, parks and similar places for the safety and convenience of the public in Suburban Divisions.

RATE TABLE - MANUFACTURER'S RATING OF LAMP SIZES.

Incandescent Filament Lamps

Size of Lamp	Billing Watts	Rate per Year
320 Lumens	32	$ 80.76
600 "	58	112.68
1,000 "	103	158.40
2,500 "	202	218.88
6,000 "	448	252.96
10,000 "	690	366.12

For each Customer, the supply of energy for incandescent filament lamps is restricted to the total of each rating in service on May 10, 1980; except that for 320 lumen and 600 lumen lamps the supply is restricted for any Customer to the total of such rating in service on October 15, 1963 and in each succeeding year beginning January 1, 1964, to the number of each rating in service on January first of each such year.

Mercury Vapor Lamps

Size of Lamp	Billing Watts	Rate per Year
Nominally 4,000 Lumens	115	$203.76
" 8,000 "	191	216.96
" 12,000 "	275	237.60
" 20,000 "	429	299.88
" 42,000 "	768	430.80
" 59,000 "	1,090	489.60

Sodium-Vapor Lamps

Size of Lamp	Billing Watts	Rate per Year
Nominally 5,800 Lumens	94	$203.88
" 9,500 "	131	223.80
" 16,000 "	192	263.28
" 25,000 "	294	310.20
" 50,000 "	450	371.40

STATE TAX ADJUSTMENT CLAUSE and ENERGY COST RATE FACTOR apply to this rate.

GENERAL PROVISIONS.

1. Service. The lighting service will be operated on an all-night, every-night lighting schedule of approximately 4,100 hours annual burning time (average monthly burning hours = 341.11 hours), under which lights are turned on after sunset and off before sunrise. It includes the supply of lamps and their removal when burned out or broken.

2. Outage Allowances. Written notice to the Company prior to 4:00 pm of the failure of any light to burn on the previous night shall entitle the Customer to a pro rata reduction in his street lighting bill for the hours of failure if such failure continues for a period in excess of 12 hours after the notice is received. Allowances will not be made for outages resulting from the Customer's failure to protect the lighting system or from riot, fire, storm, flood, interference by civil or military authorities, or any other cause beyond the Company's control.

(Continued)

(I) Indicates increase.
(D) Indicates decrease.
(C) Indicates change.

RATE TL TRAFFIC LIGHTING SERVICE

AVAILABILITY.

To any municipality using Company's standard service for electric traffic signal lights installed, owned and maintained by the municipality.

CURRENT CHARACTERISTICS.

Standard single-phase secondary service.

RATE.

10.62¢ per kWh.

STATE TAX ADJUSTMENT CLAUSE and ENERGY COST RATE FACTOR apply to this rate.

SPECIAL RULES AND REGULATIONS.

The use of energy will be estimated by the Company on the basis of the size of lamps and controlling apparatus and the burning-hours. The Customer shall immediately notify the Company whenever any change is made in the equipment or the burning-hours, so that the Company may forthwith revise its estimate of the energy used.

The Company shall not be liable for damage to person or property arising, accruing or resulting from the attachment of the signal equipment to its poles, wires, or fixtures.

MINIMUM CHARGE.

$3.18 per month per service installation.

TERM OF CONTRACT.

Annual.

PAYMENT TERMS.

Standard.

(C) Indicates change.

Philadelphia Electric Company

RATE BLI BORDERLINE INTERCHANGE SERVICE

AVAILABILITY.

Electric service supplied under reciprocal agreements, to neighboring electric utilities fo resale in their adjacent territory at delivery points where the Company in its judgment can provid capacity in excess of the requirements of present and prospective customers in its own territory an for periods fixed by contract and terminable after the expiration of the initial term if capacity i no longer available.

CURRENT CHARACTERISTICS.

Standard primary or secondary service.

MONTHLY RATE TABLE.

INVESTMENT CHARGE:

An amount equal to 1% per month on the additional investment in facilities required t deliver and meter the service supplied.

ENERGY CHARGE:

13.00¢ per kWh.

UNRECOVERED REVENUE COLLECTION RIDER, STATE TAX ADJUSTMENT CLAUSE and ENERGY COST RATE FACTO apply to this rate.

MEASUREMENT.

The energy delivered may be metered or may be estimated from the purchaser's resales plus a agreed-upon correction to cover transformation and distribution losses.

TERM OF CONTRACT.

Five years, and thereafter from year to year until terminated by 60 days' notice from eithe party to the other.

PAYMENT TERMS.

Payment of amounts billed shall be made within 15 days from date of bill.

(I) Indicates increase.
(C) Indicates change.

RATE EP ELECTRIC PROPULSION (I)(C

AVAILABILITY.

This rate is available only to the National Rail Passenger Corporation (AMTRAK) and to the Southeastern Pennsylvania Transportation Authority (SEPTA) for untransformed electric service from the Company's standard high-tension lines, where the Customer installs, owns, and maintains any transforming, switching and other receiving equipment required and where the service is supplied for the operation of electrified transit and railroad systems and appurtenances.

CURRENT CHARACTERISTICS.

Standard sixty hertz (60 Hz) high-tension service.

MONTHLY RATE TABLE.

SERVICE CHARGE: $1,130.00 per delivery point

CAPACITY CHARGE: $ 13.99 per kW.

ENERGY CHARGE: 3.56¢ per kWh.

TIME-OF-USE ADJUSTMENT:

There will be be a credit for energy use during off-peak hours and an additional charge for energy use during on-peak hours. On-peak hours are defined as the hours between 8:00 am and 8:00 pm, Eastern Standard Time or Daylight Saving Time, whichever is in common use, daily except Saturdays, Sundays and holidays; except that the on-peak hours will end at 4:00 pm on Fridays. Off-peak hours are defined as the hours other than those specified as on-peak hours. The credits and charges are as follows:

	Summer Months (June through September)	Winter Months October through May)
Off-peak credit.....	0.21¢ per kWh	0.21¢ per kWh
On-peak charge.....	0.57¢ per kWh	0.22¢ per kWh

HIGH VOLTAGE DISCOUNT:

For delivery points supplied at 33,000 volts: 7¢ per kW
For delivery points supplied at 66,000 volts: 30¢ per kW for first 10,000 kW of measured demand.
For delivery points supplied over 66,000 volts: 30¢ per kW for first 100,000 kW of measured demand.

UNRECOVERED REVENUE COLLECTION RIDER, STATE TAX ADJUSTMENT CLAUSE and ENERGY COST RATE FACTOR appl to this rate.

DETERMINATION OF BILLING DEMAND.

The billing demand will be computed to the nearest kilowatt and will never be less than the measure demand, adjusted for power factor in accordance with the Rules and Regulations, nor less than 5,00 kilowatts. Additionally, during the eight months of October through May the billing demand will not b less than 40% of the maximum demand specified in the contract nor less than 80% of the highest billin demand in the preceding months of June through September.

(I) Indicates increase.
(C) Indicates change.

Philadelphia Electric Company

RATE EP ELECTRIC PROPULSION-Continued

DELIVERY POINTS.

All service delivered for the operation of the electrified railroad operating on rights-of-way of the former Reading system, regardless of its point of delivery, shall be billed as delivered at a single point, designated SEPTA-Reading. All other service delivered, at any deliv point, for the operation of other portions of SEPTA transit system shall likewise be billed as delivered at a second single point designated SEPTA-Transit. The delivery points for AMTRAK are forth in a separate agreement.

SPECIAL RULES AND REGULATIONS.

AMTRAK is contractually obligated to reimburse the Company for operation and maintenance certain substations as set forth in separate agreement with AMTRAK.

MINIMUM CHARGE.

The monthly minimum charge shall be the Customer Charge, plus the capacity charge for the mont billing demand, less the supply voltage discount where applicable.

TERM OF CONTRACT.

For AMTRAK the term of contract shall be one year, and thereafter from year to year un terminated by written notice sent by either party on or before November 1st of any year, in which e the Agreement shall terminate on the date specified in said notice (which date may be any day sele by the terminating party or midnight December 31st of the year during which notice is sent, which date is later).

For SEPTA the term of contract shall be three years, and thereafter from year to year u terminated by 60 days' notice from either party to the other.

PAYMENT TERMS.

Standard.

(I) Indicates Increase.
(C) Indicates change.

APPLICABILITY INDEX OF RIDERS

Introductory Statement

Customers under different rates of this Tariff frequently desire services or present situations and conditions of supply which require special supply terms, charges or guarantees or which warrant modification of the amount or method of charge from the prices set forth in the rate under which they are supplied. Modifications for such conditions are defined by rider provisions included as a part of this Tariff. Riders may be employed when applicable, with or without signed agreement between the Customer and the Company as the case may require, notwithstanding anything to the contrary contained in the rate to which the rider is applied.

Riders	Page Numbers	Rates to Which Riders Apply							
		R	R-H	GS	PD	HT	SL-P	EP	BLI
Alley Lighting	51	-	-	-	-	-	X	-	-
Auxiliary Service	52	X	X	X	X	X	-	X	-
Casualty	53	X	X	X	X	X	-	X	-
Construction	54	-	-	-	X	X	-	X	-
Curtailment HT	55	-	-	-	-	X	-	X	-
Unrecovered Revenue Collection	55A,55B,55C	X	X	X	X	X	-	X	X
Emergency Energy Conservation	56	-	-	-	-	X	-	X	-
Employment & Economic Recovery	57,58	-	-	[3]	X	X	-	X	-
Investment Return Guarantee	59	-	-	X	-	-	-	-	-
Night Service GS	60	-	-	X	-	-	-	-	-
Night Service HT	61	-	-	-	-	X	-	X	-
Night Service PD	62	-	-	-	X	-	-	-	-
Off-Peak	63	-	-	-	[2]	[2]	-	-	-
Receivership	64	X	X	X	X	X	-	X	-
Temporary Service	65	X	X	X	X	X	-	X	-
Transformer Rental [4]	66	-	-	-	[1]	[1]	-	-	-

NOTES:
[1] Rider restricted to customers served prior to October 15, 1963.
[2] Rider restricted to customers served as of October 5, 1972.
[3] Effective June 3, 1985 this rider is available under Rate GS, but only when the qualifying or new service location is in an Enterprise Development Area as described in Title 16, Chapter 23 of the Pennsylvania Code.
[4] The Unrecovered Revenue Collection Rider is applicable to this rider.

(C) Indicates change.

Philadelphia Electric Company

STANDARD RIDERS-Continued

Applicable to rates as Indicated in Applicability Index of Riders

UNRECOVERED REVENUE COLLECTION RIDER (C)

APPLICABILITY. This rider provides for the delay of the billing of part of the revenue otherwise due through application of Rates R, R-H, GS, PD, HT, EP, and BLI and the Transformer Rental Rider, and the subsequent recovery of this revenue.

TERMS. In accordance with the provisions of this rider, revenue collection will be partially delayed during the two years after the effective date of this rider. The base rate revenue to be billed to customers on this rider during each year after the effective date of the increase approved at Docket No. R-850152 shall be computed by use of the factors shown herein. The unrecovered revenues are the differences between the revenues due through application of the base rates and the billed base rate revenues. This revenue shall be recovered in a three-year period beginning with the end of the third year that this rider is in effect; however, this rider shall remain in effect until the unrecovered revenue account balances are zero for all applicable rates. The Unrecovered Revenue Collection Rider applies only to the timing of the billing of the rates as filed in this tariff supplement, and does not in any way affect the Company's right to recover and the Customer's obligation to pay the full amount of the rates as set forth in this tariff supplement.

OTHER PROVISIONS. In the event base rates are changed by action of the Pennsylvania Public Utility Commission from those reflected in the tariff supplement of which this rider was first a part, appropriate changes shall be made to this rider so that the effects on Customer billing will be substantially the same as those contemplated in the original rider.

UNRECOVERED REVENUE FACTORS. Unrecovered revenue factors are applied to each block of each rate schedule. The unrecovered revenue factors to be applied to each rate schedule for each of the six years are as follows:

RATE	Year 1	Year 2	Year 3	Years 4, 5 & 6
R				
Customer Charge	0.96491	0.98246	1.00000	1.01754
Energy Charge				
Summer				
Block 1	0.90690	0.95345	1.00000	1.04655
Block 2	0.90838	0.95419	1.00000	1.04581
Winter	0.90690	0.95345	1.00000	1.04655
R-H				
Customer Charge	0.96491	0.98246	1.00000	1.01754
Energy Charge				
Summer				
Block 1	0.90690	0.95345	1.00000	1.04655
Block 2	0.90838	0.95419	1.00000	1.04581
Winter				
Block 1	0.90690	0.95345	1.00000	1.04655
Block 2	0.93506	0.96753	1.00000	1.03247
GS SUMMER (210 kWh and over)				
Without Demand Measurement				
Customer Charge				
Single-Phase	0.94444	0.97222	1.00000	1.02778
Polyphase	0.82764	0.91382	1.00000	1.08618
Energy Charge				
Block 1				
52.5 Hours' Use	0.91353	0.95677	1.00000	1.04323
27.5 Hours' Use	0.66139	0.83069	1.00000	1.16931
Block 2				
35.5 Hours' Use	0.96929	0.98464	1.00000	1.01536
44.5 Hours' Use	0.77543	0.88772	1.00000	1.11228
Block 3	0.97138	0.98569	1.00000	1.01431

(Continued)

(C) Indicates change.

STANDARD RIDERS-Continued

Applicable to rates as indicated in Applicability Index of Riders

UNRECOVERED REVENUE COLLECTION RIDER-Continued

GS WINTER (210 kWh and over)	Year 1	Year 2	Year 3	Years 4, 5 & 6
GS				
Without Demand Measurement				
Customer Charge				
Single-Phase	0.94444	0.97222	1.00000	1.02778
Polyphase	~~0.82764~~	0.91382	1.00000	1.08618
Energy Charge	0.82764			
Block 1				
52.5 Hours' Use	0.91353	0.95677	1.00000	1.04323
27.5 Hours' Use	0.56139	0.78069	1.00000	1.21931
Block 2 - NONE				
Block 3	0.97138	0.98569	1.00000	1.01431
GS SUMMER (under 210 kWh)				
Without Demand Measurement				
Customer Charge				
Single-Phase	0.94444	0.97222	1.00000	1.02778
Polyphase	0.82764	0.91382	1.00000	1.08618
Energy Charge				
Block 1				
78 kilowatt-hours	0.91353	0.95677	1.00000	1.04323
18 kilowatt-hours	0.66139	0.83069	1.00000	1.16931
Block 2				
78 kilowatt-hours	0.96929	0.98464	1.00000	1.01536
18 kilowatt-hours	0.77543	0.88772	1.00000	1.11228
Block 3	0.97138	0.98569	1.00000	1.01431
GS WINTER (under 210 kWh)				
Without Demand Measurement				
Customer Charge				
Single-Phase	0.94444	0.97222	1.00000	1.02778
Polyphase	0.82764	0.91382	1.00000	1.08618
Energy Charge				
Block 1				
78 kilowatt-hours	0.91353	0.95677	1.00000	1.04323
18 kilowatt-hours	0.56139	0.78069	1.00000	1.21931
Block 2 - NONE				
Block 3	0.97138	0.98569	1.00000	1.01431
GS				
With Demand Measurement				
Customer Charge				
Single-Phase	0.94444	0.97222	1.00000	1.02778
Polyphase	0.82764	0.91382	1.00000	1.08618
Energy Charge				
Block 1				
65 Hours' Use	0.91353	0.95677	1.00000	1.04323
15 Hours' Use	0.66139	0.83069	1.00000	1.16931
Block 2				
65 Hours' Use	0.96929	0.98464	1.00000	1.01536
15 Hours' Use	0.77543	0.88772	1.00000	1.11228
Block 3	0.97138	0.98569	1.00000	1.01431
Block 4	1.09728	1.04864	1.00000	0.95136
Heating Block	0.93506	0.96753	1.00000	1.03247

(C) Indicates change.

STANDARD RIDERS-Continued

Applicable to rates as Indicated in Applicability Index of Riders

UNRECOVERED REVENUE COLLECTION RIDER-Continued

RATE	Year 1	Year 2	Year 3	Years 4, 5 & 6
PD				
Customer Charge	1.02297	1.01149	1.00000	0.98851
Capacity Charge	0.73627	0.86814	1.00000	1.13186
Energy Charge				
Block 1	0.94948	0.97474	1.00000	1.02526
Block 2	0.98268	0.99134	1.00000	1.00866
Block 3	1.06227	1.03114	1.00000	0.96886
HT				
Customer Charge	0.90474	0.95237	1.00000	1.04763
Capacity Charge	0.78478	0.89239	1.00000	1.10761
Energy Charge				
Block 1	0.91023	0.95511	1.00000	1.04489
Block 2	0.94702	0.97351	1.00000	1.02649
Block 3	1.03745	1.01873	1.00000	0.98127
BLI				
Energy Charge	0.88872	0.94436	1.00000	1.05564
EP				
Service Charge				
SEPTA - Reading	0.46339	0.73170	1.00000	1.26830
SEPTA - Transit	0.33727	0.66864	1.00000	1.33136
AMTRAK	0.35501	0.67750	1.00000	1.32250
Capacity Charge	0.58923	0.79462	1.00000	1.20538
Energy Charge				
Block 1	1.71723	1.35861	1.00000	0.64139
Block 2	1.37453	1.18727	1.00000	0.81273
Block 3	1.03745	1.01873	1.00000	0.98127
Transformer Rental Rider				
Fixed Charge				
Block 1	0.85420	0.92710	1.00000	1.07290
Block 2	0.86056	0.93028	1.00000	1.06972
Operating Charge	1.01600	1.00800	1.00000	0.99200

(C) Indicates change.

STANDARD RIDERS-Continued

Applicable to rates as indicated in Applicability Index of Riders

EMERGENCY ENERGY CONSERVATION RIDER

APPLICABILITY. This rider is applicable in conjunction with Tariff Rule 12.3 relating to mandatory emergency energy conservation. It provides for modifications to the charges and practices otherwise applicable to certain customers as a result of compliance with or non-compliance with energy conservation curtailment levels as mandated by the appropriate governmental authority under emergency energy conservation conditions resulting from actual or potential shortage of fuel for electric generation. This rider is applicable to individual electric Customer accounts served under Rates EP and HT, with a billing demand of 2,000 kilowatts or higher, in a recent twelve-month period prior to the emergency conservation condition. Customers designated by the procedures of Tariff Rule 12.3 and by the Pennsylvania Public Utility Commission, will be exempt from the provisions of this rider. (C)

BASE PERIOD ENERGY USE. The base energy use for a weekly period shall be determined by the Company for each applicable electric Customer account based upon a consideration of the Customer's actual past or current electric consumption and the Customer's existing operations.

MANDATORY CURTAILMENT ENERGY USE LEVEL TARGET. The mandatory curtailment energy use level target for each applicable Customer shall be that percentage of base period energy use ordered pursuant to the emergency energy conservation procedures provided by Tariff Rule 12.3 or other percentage as a result of the order of appropriate governmental authority.

COMPLIANCE. When the energy consumption in any weekly period during the period of mandatory curtailment is equal to or less than the mandatory curtailment use level target, the Customer will be deemed to have complied.

When the energy consumption in any weekly period during the period of mandatory curtailment exceeds the mandatory curtailment energy use level target, the Customer will be deemed to be in non-compliance. Customers deemed to be in non-compliance will not receive the billing modifications as set forth in this rider. In the event of continued non-compliance, the Company, upon notice to the Commission, may discontinue service.

BILLING FOR CUSTOMERS IN COMPLIANCE. During the period of emergency energy conservation condition, billing will be based on meter readings especially made to identify the demand established and energy used during the current energy use period. Customers in compliance with conservation orders will be excused from minimum bills and historical or contract demand or ratchet provisions and will be billed instead on the basis of current consumption and demand whenever the normal calculation method would produce a greater bill.

These customers will be individually notified of this special billing provision prior to the implementation of the emergency energy conservation procedure.

(C) Indicates change.

STANDARD RIDERS-Continued

Applicable to rates as indicated in Applicability Index of Riders

EMPLOYMENT AND ECONOMIC RECOVERY RIDER-Continued

10. QUALIFYING SERVICE LOCATION. A Service Location identified in a Sales Tax Certificate and at which the arithmetic mean number of Employees as determined from the Customer's Current Employment Reports or such number plus the number of Investment Units is greater by at least six than the Base Period Employees.

11. BASE PERIOD ENERGY BILLING. The number of kilowatt-hours billed to the Customer at the Qualifying Service Location during the corresponding billing month of the twelve months immediately preceding the billing month to which this rider is first applied to the Customer, except that for customers having a Construction Rider in effect at any time during the twelve months immediately preceding the billing month to which this rider is first applied to the Customer, the Base Period of Energy Billing shall be the monthly average of all kilowatt-hours billed to the Customer, including the current kilowatt-hours billed, at the Qualifying Service Location since the expiration of the Construction Rider. This monthly average will be recomputed monthly until a full twelve months of Customer billings, following the expiration of the Construction Rider, are available for establishment of a permanent base. In all cases, an adjustment will be made to normalize monthly billings in months during which the Casualty Rider was in effect.

RATE REDUCTION.

(1) A reduction of 0.050 cents per kilowatt-hour shall apply to each kilowatt-hour of energy billed over and above the Base Period Energy Billing for service supplied to a Customer's Qualifying Service Location for each one per cent increase, up to a maximum increase of twenty per cent, in the arithmetical mean of the number of the employees at the Qualifying Service Location, determined from the Customer's Current Employment Reports, over and above the number of Base Period Employees. For the purpose of calculating this reduction an Investment Unit shall be considered the equivalent of one additional employee. This reduction shall not exceed 1.000 cent per kilowatt-hour.

(2) A reduction of 1.000 cent per kilowatt-hour shall apply to service supplied to a Customer's New Service Location shown on the Sales Tax Certificate.

(3) Effective at the end of the fifth year after the date this rider is first applied for each Customer, the rate reductions of 0.050 cents per kilowatt-hour and 1.000 cent per kilowatt-hour shall be decreased twenty per cent each year so as to be completely eliminated at the end of the next four-year period.

(4) In no event shall any rate per kilowatt-hour sold after reduction by this rider be less than the base energy cost of the Energy Cost Rate Factor. (C)

(5) The rate reductions will be applicable to the Customer's base bill before the application of the State Tax Adjustment.

GENERAL CONDITIONS.

(1) The provisions of this rider as in effect at the time of application will be available to any prospective participant who notifies the Company in writing up to twenty-four months prior to the time that all conditions of applicability are satisfied.

(2) Any detrimental changes that may be approved for this rider will not be applicable to a Qualifying Service Location that is receiving a rate reduction under this rider at the time of the detrimental change, or to a prospective participant as described in Paragraph 1 above.

(3) The Company will monitor the effects of this rider and, except for the limitations as set forth in Paragraphs 1 and 2 above, make appropriate modifications as approved by the Pennsylvania Public Utility Commission or close the rider.

(C) Indicates change.

STANDARD RIDERS-Continued

Applicable to rates as indicated in applicability index of Riders.

TRANSFORMER RENTAL RIDER

(This rider is in process of elimination and its application is restricted to customers who had it incorporated in contracts, or had accepted it in writing, prior to October 15, 1963. The capacity of each individual installation under this rider shall be limited to the amount in service as of that date. Ownership of facilities provided under this rider will be made available to the Customer if he wishes to purchase them from the Company.)

APPLICABILITY. To the supply in Suburban Divisions, of a transformer installation furnished, operated and maintained on the premises of a Customer to transform a single standard primary or high-tension service to a supply corresponding in phase and voltage to the standard polyphase secondary or primary service supplied by the Company at the time when and in the territory where the installation is made. Transformation from standard high-tension service to 2,400 volts, 3-phase, although nonstandard in 4,160-volt, 3-phase areas, may be furnished at the Customer's request in such areas.

INSTALLATION CONDITIONS. The transformer installation under this rider is limited to a single bank of transformers installed in accordance with the Company's applicable standards, and to exclusive operation and control by the Company. Suitable housing, foundations, supporting structures and inclosures for such installations and all secondary facilities including suitable overload protective equipment, shall be provided, owned and maintained by the Customer.

MONTHLY RENTAL CHARGE.
FIXED CHARGE: (I)

Supply Voltage	Type of Switching Installation	Amount
2,400 volts or 4,160 volts	Outdoor or Indoor	$ 54.00
33,000 volts	Outdoor	322.00

OPERATING CHARGE: 25.0¢ per kilowatt of demand. (I)

UNRECOVERED REVENUE COLLECTION RIDER and STATE TAX ADJUSTMENT CLAUSE apply to this rider. (C)

DEMAND DEFINED. The demand for application of this rider shall be: (a) the billing demand of the current month, or (b) when in conjunction with the Night Service Rider, the sum of the on-peak billing demand and the excess off-peak demand of the current month.

No waivers allowable as to minimum demands shall be considered as applicable in the determination of the transformer-rental charge.

LIABILITY. The Company shall not be liable for any loss, damage or injuries to person or property, including loss of life or property, sustained by the Customer, his agents or employees, or by any person whatsoever, arising out of the presence or operation of said transformer installation on the Customer's premises, except where caused by the negligence of the Company, its agents and employees, and except for injuries sustained by the Company's employees, not caused by the negligence of the Customer, his agents and employees.

CONTRACT TERM. Coincidentally with the rate to which this rider is attached, but not for less than 3 years from the date the rider is accepted.

(I) Indicates increase.
(C) Indicates change.

STANDARD RIDERS-Continued

Applicable to rates as indicated in Applicability Index of Riders

ALLEY LIGHTING RIDER

APPLICABILITY. To multiple, unmetered lighting service supplied the City of Philadelphia to operate incandescent lamps and appurtenances installed, owned and maintained by the City, which assumes the cost involved in making the connections to the Company's facilities.

SERVICE DEFINED. All-night outdoor lighting of alleys and courts by incandescent lights installed on poles or supports supplied by the City.

NOTICE TO COMPANY. The City shall give advance notice to the Company of all proposed new installations or of the replacement or reconstruction of existing installations. The City shall advise the Company as to each new installation or change in the equipment or connected load of an existing installation, including any change in burning hours and the date on which such new or changed operation took effect.

CHARGE.

11.82¢ per kWh.

STATE TAX ADJUSTMENT CLAUSE and ENERGY COST RATE FACTOR apply to this rider.

PLAN OF MONTHLY BILLING. Bills may be rendered in equal monthly installments, computed from the calculated annual use of energy, adjusted each month to give effect to any new or changed rate of annual use, by reason of changes in the City's installation, with charge or credit for fractional parts of the month during which a change occurred.

LIABILITY PROVISION. The Company shall not be liable for damage, or for claims for damage, to persons or property, arising, accruing or resulting from, installation, location or use of lamps, wires, fixtures and appurtenances; or resulting from failure of any light, or lights, to burn for any cause whatsoever.

TERM. Annual contract.

(C) Indicates change.

ENERGY COST RATE FACTOR

Energy Cost Rate Factor Applicable to Service
Rendered on June 27, 1986 and Thereafter*

Credit: ..... (6.124) mills per kilowatt-hour
or
($0.006124) per kilowatt-hour

---

*Use prior to June 27, 1986 will be billed under Energy Cost Rate No. 10 (2nd revised)

DOCKETED
JUN 27 1986

PHILADELPHIA ELECTRIC COMPANY

J. H. AUSTIN, JR., President

DOCUMENT
FOLDER

Reference:
PHILADELPHIA ELECTRIC COMPANY
SUPPLEMENT NO. 23 TO
TARIFF ELECTRIC - PA. P.U.C., No. 26

Exhibit I

SUPPORTING DATA FOR TARIFF CHANGES

a) Summary of Revenue Increases by Tariff Subdivisions

b) Revenue Computations by Tariff Subdivisions

June 27, 1986

Philadelphia Electric Company - Electric Operations
Kilowatt Hour Sales and Revenue by Tariff Subdivisions
Twelve Months Ended June 30, 1986
($1,000)

	mWh Sales Year Ended 6/30/86 (1)	Number of Customers 6/30/86 (2)	Total Book Rev (3)	Less: Book STAC (4)	Less: Book Energy Cost Rate Revenue (5)	Base Revenue (6)=(5)-(4)-(5)	Proposed Base Revenue Prior to Roll-Out (7)	Roll-out of .7505¢/kWh Per D-21 (8)=Ix.7505¢	Proposed Net Base Revenue Supp.No.20 (9)=(7)+(8)	$ (b) Increase (10)=(9)-(6)	% Increase (11)=(10)/(6)
	6,465,900	1,120,500	$769,638	$40,779	($10,608)	$739,467	$901,414	($48,527)	$852,887	$113,420	15.3%
	1,543,300	97,300	131,968	7,025	(2,481)	127,424	156,434	(11,582)	144,852	17,428	13.7
-Off Peak (WH)	393,600	102,250 (a)	26,686	1,433	(736)	25,989	28,943	(2,954)	25,989	0	0
	8,320	3,430 (a)	1,596	84	(15)	1,527	1,589	(62)	1,527	0	0
	3,406,780	120,027	357,866	18,957	(5,929)	344,838	423,295	(25,568)	397,727	52,889	15.3
Incl Riders)	2,241,000	2,620	197,446	10,497	(4,061)	191,010	237,150	(16,818)	220,332	29,322	15.3
Incl Riders)	12,696,300	2,316	885,276	47,318	(23,025)	860,983	1,088,163	(95,286)	992,877	131,894	15.3
	700,000	3	53,347	2,847	(1,283)	51,783	56,008	(5,253)	50,755	(1,028)	2.5 (c)
	104,148	2	15,654	823	(162)	14,993	15,775	(782)	14,993	0	0
	60,840	535	19,007	995	(117)	18,129	18,586	(457)	18,129	0	0
	32,880	205	3,620	191	(57)	3,486	3,733	(247)	3,486	0	0
	62	3	7	-	-	7	9	(1)	8	1	14.3
ns Rent Rider	-	(a)	323	17	-	306	352	-	352	46	15.0
al Electric	27,653,130	1,343,511	$2,462,434	$130,966	($48,474)	$2,379,942	$2,931,451	($207,537)	$2,723,914	$343,972	14.5%
er Elec. rations	513,200	2	65,859	-	-	65,859	65,859	-	65,859	-	-
al Electric	28,166,330	1,343,513	$2,528,293	$130,966	($48,474)	$2,445,801	$2,997,310	($207,537)	$2,789,773	$343,972	14.1%
s: STAC In Excess of STAC Related Taxes (D-1)						4,959	4,959	-	4,959	-	-
s: Revenue from Growth Adjustment (D-3)						38,771	48,150	(3,677)	44,473	5,702	14.7
s: Interest on ECR Overcollections (D-4)						5,237	5,237	-	5,237	-	-
s: Non-Jurisdictional Rates Adjustment (D-19)						7,225	8,348	-	8,348	1,123	-
al Revenue						$2,501,993	$3,064,004	($211,214)	$2,852,790	$350,797	14.0%

Duplicate customers not included in total.
No customers on Rates OP, POL, SL-P and TL receive an increase or decrease. On Rate SL-S, 136 customers will be increased $72 and 128 customers decreased $72. On Rate GS, 113,231 customers will be increased $53,554 and 6,796 customers decreased $665.
Percentage shown is based on comparison of allowed revenue and revenue associated with actual load characteristics reflected in the March 1985 contract agreement.

PHILADELPHIA ELECTRIC COMPANY-ELECTRIC OPERATIONS

RATES R & R-M

CALCULATION OF REVENUE INCREASE SUPPLEMENT NO. 15

12 MONTHS ENDED
JUNE 30, 1985 & 1986

12 MONTHS SAMPLE	SUPPLEMENT NO. 11 BILLS AND KWH FROM SAMPLE	PRICING	REVENUE	SUPPLEMENT NO. 15 BILLS AND KWH FROM SAMPLE	PRICING	REVENUE
	(1)	(2)	(3)=(1)*(2)	(4)	(5)	(6)=(4)*(5)
1 NUMBER OF BILLS	6,450,456 BILLS	$ 4.50	$ 29,027,052	6,450,456 BILLS	$ 4.75	$ 30,639,666
2 UP TO 500 KWH	2,382,086,933 KWH	0.1035	246,545,998	2,382,086,933 KWH	0.1203	286,565,058
3 KWH OVER 500-WINTER	399,375,288	0.1035	41,335,342	399,375,288	0.1203	48,044,847
4 KWH OVER 500-SUMMER	380,388,453	0.1180	44,885,837	380,388,453	0.1368	52,037,140
5 SUB-TOTAL	3,161,850,674 KWH		$ 361,794,229	3,161,850,674 KWH		$ 417,286,711
6 UNACCOUNTED FOR			7,059			8,142 (A)
7 BASE REVENUE			$ 361,801,288			$ 417,294,853
TOTAL RATES R & R-M						
12 MOS. ENDED 6/30/85						
8 PROFORMA BASE REVENUE			$ 724,105,000			$ 835,169,000 (B)
12 MOS. ENDED 6/30/86						
9 PROFORMA BASE REVENUE			$ 739,467,000			$ 852,887,000 (C)

(A) (LN.5,COL.6 / LN.5,COL.3) * LN.6,COL.3

(B) (LN.7,COL.6 / LN.7,COL.3) * LN.8,COL.3

(C) (LN.7,COL.6 / LN.7,COL.3) * LN.9,COL.3

PHILADELPHIA ELECTRIC COMPANY-ELECTRIC OPERATIONS

RATE R-H

CALCULATION OF REVENUE INCREASE SUPPLEMENT NO. 15

12 MONTHS ENDED
JUNE 30, 1985 & 1986

12 MONTHS SAMPLE	SUPPLEMENT NO. 11 BILLS AND KWH FROM SAMPLE	PRICING	REVENUE	SUPPLEMENT NO. 15 BILLS AND KWH FROM SAMPLE	PRICING	REVENUE
	(1)	(2)	(3)=(1)*(2)	(4)	(5)	(6)=(4)*(5)
1 NUMBER OF BILLS	372,768 BILLS	$ 4.50	$ 1,677,456	372,768 BILLS	$ 4.75	$ 1,770,648
2 UP TO 500 KWH	176,144,091 KWH	0.1035	18,230,913	176,144,091 KWH	0.1203	21,190,134
3 KWH OVER 500-WINTER	296,275,236	0.0593	17,569,121	296,275,236	0.0657	19,465,283
4 KWH OVER 500-SUMMER	66,620,779	0.1180	7,861,252	66,620,779	0.1368	9,113,723
5 SUB-TOTAL	539,040,106 KWH		$ 45,338,742	539,040,106 KWH		$ 51,539,788
6 UNACCOUNTED FOR			-216			-246 (A)
7 BASE REVENUE			$ 45,338,526			$ 51,539,542
TOTAL RATE R-H						
12 MOS. ENDED 6/30/85						
8 PROFORMA BASE REVENUE			$ 119,506,000			$ 135,851,000 (B)
12 MOS. ENDED 6/30/86						
9 PROFORMA BASE REVENUE			$ 127,424,000			$ 144,852,000 (C)

(A) (LN.5, COL.6 / LN.5,COL.3) * LN.6,COL.3

(B) (LN.7, COL.6 / LN.7,COL.3) * LN.8,COL.3

(C) (LN.7, COL.6 / LN.7,COL.3) * LN.9,COL.3

PHILADELPHIA ELECTRIC COMPANY-ELECTRIC OPERATIONS

RATE OP

CALCULATION OF REVENUE INCREASE SUPPLEMENT NO. 15

12 MONTHS ENDED
JUNE 30, 1985 & 1986

		SUPPLEMENT NO. 11			SUPPLEMENT NO. 15			
	12 MONTHS SAMPLE	BILLS AND KWH FROM SAMPLE	PRICING	REVENUE	BILLS AND KWH FROM SAMPLE	PRICING	REVENUE	
		(1)	(2)	(3)=(1)*(2)	(4)	(5)	(6)=(4)*(5)	
1	CUSTOMER CHARGE	1,193,373 BILLS	$ 3.50	$ 4,176,806	1,193,373 BILLS	$ 3.50	$ 4,176,806	
2	CUSTOMER CHARGE	35,463 BILLS	4.50	159,584	35,463 BILLS	4.50	159,584	
3	TOTAL KWH	418,313,000 KWH	0.0551	23,049,046	418,313,000 KWH	0.0551	23,049,046	
4	SUB-TOTAL			27,385,436			27,385,436	
5	UNACCOUNTED FOR			0			0	(A)
6	BASE REVENUE			27,385,436			27,385,436	
	TOTAL RATE OP							
	12 MOS. ENDED 6/30/85							
7	PROFORMA BASE REVENUE			$ 28,333,000			$ 28,333,000	(B)
	12 MOS. ENDED 6/30/86							
8	PROFORMA BASE REVENUE			$ 25,989,000			$ 25,989,000	(C)

(A) (LN.4, COL.6 / LN.4,COL.3) * LN.5,COL.3

(B) (LN.6, COL.6 / LN.6,COL.3) * LN.7,COL.3

(C) (LN.6, COL.6 / LN.6,COL.3) * LN.8,COL.3

PHILADELPHIA ELECTRIC COMPANY-ELECTRIC OPERATIONS

RATE POL

CALCULATION OF REVENUE INCREASE SUPPLEMENT NO. 15

12 MONTHS ENDED
JUNE 30, 1985 & 1986

	12 MONTH SAMPLE	NUMBER OF LAMPS	SUPPLEMENT NO. 11 PRICING	SUPPLEMENT NO. 11 ANNUAL REVENUE	SUPPLEMENT NO. 15 PRICING	SUPPLEMENT NO. 15 ANNUAL REVENUE
		(1)	(2)	(3)=(1)*(2)*12	(4)	(5)=(1)*(4)*12
	MERCURY VAPOR					
	COMPANY POLE					
1	4000 LUMENS	859	$ 11.45	$ 118,032	$ 11.45	$ 118,032
2	8000 LUMENS	414	15.62	77,604	15.62	77,604
3	12000 LUMENS	573	19.34	132,984	19.34	132,984
4	20000 LUMENS	2,155	25.05	647,796	25.05	647,796
5	22000 LUMENS	7	27.05	2,268	27.05	2,268
	CUSTOMER POLE					
6	4000 LUMENS	473	$ 10.34	$ 58,692	$ 10.34	$ 58,692
7	8000 LUMENS	226	14.51	39,348	14.51	39,348
8	12000 LUMENS	341	18.37	75,168	18.37	75,168
9	20000 LUMENS	1,785	23.78	509,364	23.78	509,364
10	22000 LUMENS	6	25.78	1,860	25.78	1,860
	SODIUM VAPOR					
	11 COMPANY POLE					
12	5800 LUMENS	0	$ 15.62	$ 0	$ 15.62	$ 0
13	27500 LUMENS	11	25.05	3,312	25.05	3,312
14	50000 LUMENS	12	27.66	3,984	27.66	3,984
15	50000 LUMENS	10	29.66	3,564	29.66	3,564
	CUSTOMER POLE					
16	5800 LUMENS	0	$ 14.51	$ 0	$ 14.51	$ 0
17	27500 LUMENS	0	23.78	0	23.78	0
18	50000 LUMENS	10	26.39	3,168	26.39	3,168
19	50000 LUMENS	1	28.39	336	28.39	336
21	TOTAL	6,883		1,677,480		1,677,480
	TOTAL RATE POL---------- 12 MOS. ENDED 6/30/85					
22	PROFORMA BASE REVENUE			$ 1,568,000		$ 1,568,000 (A)
	TOTAL RATE POL---------- 12 MOS. ENDED 6/30/86					
23	PROFORMA BASE REVENUE			$ 1,527,000		$ 1,527,000 (B)

(A) (LN.21,COL.5 / LN.21,COL.3) * LN.22,COL.3

(B) (LN.21,COL.5 / LN.21,COL.3) * LN.23,COL.3

PHILADELPHIA ELECTRIC COMPANY-ELECTRIC OPERATIONS

RATE GS-WITHOUT DEMAND MEASUREMENT

CALCULATION OF REVENUE INCREASE SUPPLEMENT NO. 15

12 MONTHS ENDED
JUNE 30, 1985 & 1986

	12 MONTHS SAMPLE	SUPPLEMENT NO. 11 BILLS AND KWH FROM SAMPLE	PRICING	REVENUE	SUPPLEMENT NO. 15 BILLS AND KWH FROM SAMPLE	PRICING	REVENUE
		(1)	(2)	(3)=(1)*(2)	(4)	(5)	(6)=(4)*(5)
	CUSTOMER CHARGE:						
1	-SINGLE PHASE CUSTS*12	293,220 BILLS	$ 5.50	$ 1,612,710	293,220 BILLS	$ 6.00	$ 1,759,320
2	-POLY PHASE CUSTS*12	4,248 BILLS	15.20	64,570	4,248 BILLS	20.50	87,084
3	FIRST 78 KWH OR 30%	25,734,636 KWH	0.1758	4,524,149	35,235,808 KWH	0.2020	7,117,633
4	NEXT 96 KWH OR 36%	8,092,238 KWH	0.0994	804,368	9,336,924 KWH	0.1042	972,907
5	ADDITIONAL USE	35,821,637 KWH	0.0691	2,475,275	25,084,307 KWH	0.0722	1,811,087
6	SUB-TOTAL	69,648,511 KWH		$ 9,481,072	69,657,039 KWH		$ 11,748,032
7	UNACCOUNTED FOR			741			918 (A)
8	TOTAL BASE REVENUE			$ 9,481,813			$ 11,748,950
	TOTAL RATE GS						
	12 MOS. ENDED 6/30/85						
9	PROFORMA BASE REVENUE			$ 15,979,000			$ 19,800,000 (B)
	12 MOS. ENDED 6/30/86						
10	PROFORMA BASE REVENUE			$ 15,008,000			$ 18,596,000 (C)

(A) (LN.6,COL.6 / LN.6,COL.3) * LN.7,COL.3

(B) (LN.8,COL.6 / LN.8,COL.3) * LN.9,COL.3

(C) (LN.8,COL.6 / LN.8,COL.3) * LN.10,COL.3

PHILADELPHIA ELECTRIC COMPANY-ELECTRIC OPERATIONS

RATE GS WITH DEMAND MEASUREMENT--NON SPACE HEATING PORTION

CALCULATION OF REVENUE INCREASE SUPPLEMENT NO. 15

12 MONTHS ENDED
JUNE 30, 1985 & 1986

	12 MONTHS SAMPLE	SUPPLEMENT NO. 11 BILLS AND KWH FROM SAMPLE	PRICING	SUPPLEMENT NO. 11 REVENUE	SUPPLEMENT NO. 15 BILLS AND KWH FROM SAMPLE	PRICING	SUPPLEMENT NO. 15 REVENUE
		(1)	(2)	(3)=(1)*(2)	(4)	(5)	(6)=(4)*(5)
	CUSTOMER CHARGE:						
1	-SINGLE PHASE CUSTS*12	288,576 BILLS	$ 5.50	$ 1,587,168	288,576 BILLS	$ 6.00	$ 1,731,456
2	-POLY PHASE CUSTS*12	144,324 BILLS	15.20	2,193,725	144,324 BILLS	20.50	2,958,642
3	FIRST 65 HOURS USE	383,752,366 KWH	0.1758	67,463,666	455,225,546 KWH	0.2020	91,955,560
4	NEXT 80 HOURS USE-SUMMER	154,786,258 KWH	0.0994	15,385,754	152,439,183 KWH	0.1042	15,884,163
5	ADDITIONAL USE-EXCEPT	903,285,866 KWH	0.0691	62,417,053	834,159,761 KWH	0.0722	$ 60,226,335
6	OVER 400 HRS & 2000 KWH	62,377,141 KWH	0.0589	3,674,014	62,377,141 KWH	0.0514	3,206,185
7	SUB-TOTAL	1,504,201,631 KWH		$ 152,721,380	1,504,201,631 KWH		$ 175,962,341
8	UNACCOUNTED FOR			281,001			323,763 (A)
9	TOTAL BASE REVENUE			$ 153,002,381			$ 176,286,104
	TOTAL RATE GS						
	12 MOS. ENDED 6/30/85						
10	PROFORMA BASE REV. EXCL NSR			$ 279,025,000			$ 321,487,000 (B)
11	REVENUE FOR NSR			54,000			54,000
12	PROFORMA BASE REVENUE			$ 279,079,000			$ 321,541,000
	12 MOS. ENDED 6/30/86						
13	PROFORMA BASE REVENUE			$ 262,119,000			$ 302,001,000 (C)

(A) (LN.7,COL.6 / LN.7,COL.3) * LN.8,COL.3

(B) (LN.9,COL.6 / LN.9,COL.3) * LN.10,COL.3

(C) (LN.12,COL.6 / LN.12,COL.3) * LN.13,COL.3

PHILADELPHIA ELECTRIC COMPANY-ELECTRIC OPERATIONS

RATE GS WITH DEMAND MEASUREMENT--SPACE HEATING PORTION

CALCULATION OF REVENUE INCREASE SUPPLEMENT NO. 15

12 MONTHS ENDED
JUNE 30, 1985 & 1986

	12 MONTHS SAMPLE	SUPPLEMENT NO. 11 BILLS AND KWH FROM SAMPLE	PRICING	REVENUE	SUPPLEMENT NO. 15 BILLS AND KWH FROM SAMPLE	PRICING	REVENUE
		(1)	(2)	(3)=(1)*(2)	(4)	(5)	(6)=(4)*(5)
	CUSTOMER CHARGE:						
1	-SINGLE PHASE CUSTS*12	48,828 BILLS	$ 5.50	$ 268,554	48,828 BILLS	$ 6.00	$ 292,968
2	-POLY PHASE CUSTS*12	55,752 BILLS	15.20	847,430	55,752 BILLS	20.50	1,142,916
3	FIRST 65 HOURS USE	65,695,522 KWH	0.1758	11,549,273	79,215,170 KWH	0.2020	16,001,464
4	NEXT 80 HOURS USE-SUMMER	34,128,497 KWH	0.0994	3,392,373	33,805,498 KWH	0.1042	3,522,533
5	ADDITIONAL USE EXCEPT	180,724,600 KWH	0.0691	12,488,070	167,527,953 KWH	0.0722	12,095,518
6	OVER 400 HRS & 2000 KWH	18,918,024 KWH	0.0589	1,114,272	18,918,024 KWH	0.0514	972,386
7	SPACE HEATING USE	130,914,609 KWH	0.0593	7,763,236	130,914,609 KWH	0.0657	8,601,090
8	SUB-TOTAL	430,381,252 KWH		$ 37,423,208	430,381,252 KWH		$ 42,628,875
9	UNACCOUNTED FOR			-470,241			-535,653 (A)
10	TOTAL BASE REVENUE			$ 36,952,967			$ 42,093,222
	TOTAL RATE GS						
	12 MOS. ENDED 6/30/85						
11	PROFORMA BASE REVENUE			$ 60,377,000			$ 68,776,000 (B)
	12 MOS. ENDED 6/30/86						
12	PROFORMA BASE REVENUE			$ 67,711,000			$ 77,130,000 (C)

(A) (LN.8,COL.6 / LN.8,COL.3) * LN.9,COL.3

(B) (LN.10,COL.6 / LN.10,COL.3) * LN.11,COL.3

(C) (LN.10,COL.6 / LN.10,COL.3) * LN.12,COL.3

PHILADELPHIA ELECTRIC COMPANY-ELECTRIC OPERATIONS

RATE GS SUMMARY

CALCULATION OF REVENUE INCREAS SUPPLEMENT NO. 15

12 MONTHS ENDED
JUNE 30, 1985 & 1986

		SUPPLEMENT NO. 11	SUPPLEMENT NO. 15
	TOTAL RATE GS ---------- 12 MOS. ENDED 6/30/85		
1	BASE REVENUE-WITHOUT DEMAND MEASUREMENT	$ 15,979,000	$ 19,800,000
2	-NON-SPACE HEATING	279,079,000	321,541,000
3	-SPACE HEATING	60,377,000	68,776,000
4	-TOTAL	$ 355,435,000	$ 410,117,000
	TOTAL RATE GS ---------- 12 MOS. ENDED 6/30/86		
5	BASE REVENUE-WITHOUT DEMAND MEASUREMENT	$ 15,008,000	$ 18,596,000
6	-NON-SPACE HEATING	262,119,000	302,001,000
7	-SPACE HEATING	67,711,000	77,130,000
8	-TOTAL	$ 344,838,000	$ 397,727,000

PHILADELPHIA ELECTRIC COMPANY-ELECTRIC OPERATIONS

RATE PD

CALCULATION OF REVENUE INCREASE SUPPLEMENT NO. 15

12 MONTHS ENDED
JUNE 30, 1985 & 1986

		SUPPLEMENT NO. 11			SUPPLEMENT NO. 15			
	12 MONTHS SAMPLE	BILLS, KW AND KWH FROM SAMPLE	PRICING	REVENUE	BILLS, KW AND KWH FROM SAMPLE	PRICING	REVENUE	
		(1)	(2)	(3)=(1)*(2)	(4)	(5)	(6)=(4)*(5)	
1	CUSTOMER CHARGE	30,890 BILLS	$ 253.96	$ 7,844,824	30,890 BILLS	$ 245.50	$ 7,583,495	
2	ALL KW	6,005,667 KW	5.21	31,289,525	6,005,667 KW	8.62	51,768,850	
3	FIRST 150 HRS USE	891,063,406 KWH	0.0805	71,730,604	891,063,406 KWH	0.0871	77,611,623	
4	NEXT 150 HRS USE	687,608,080 KWH	0.0600	41,256,485	687,608,080 KWH	0.0616	42,356,658	
5	ADDITIONAL USE	400,339,444 KWH	0.0398	15,933,510	400,339,444 KWH	0.0364	14,572,356	
6	SUB-TOTAL	1,979,010,930 KWH		$ 168,054,948	1,979,010,930 KWH		$ 193,892,982	
7	UNACCOUNTED FOR			143,343			165,382	(A)
8	BASE REVENUE			$ 168,198,291			$ 194,058,364	
	TOTAL RATE PD							
	12 MOS. ENDED 6/30/85							
9	PROFORMA BASE REVENUE-EXCL NSR			$ 169,959,115			$ 196,089,910	(B)
10	NIGHT SERVICE RIDER			261,885			261,885	
11	TOTAL PROFORMA BASE REVENUE			$ 170,221,000			$ 196,351,795	
	12 MOS. ENDED 6/30/86							
12	PROFORMA BASE REVENUE			$ 191,010,000			$ 220,332,000	(C)

(A) (LN.6,COL.6 / LN.6,COL.3) * LN.7,COL.3

(B) (LN.8,COL.6 / LN.8,COL.3) * LN.9,COL.3

(C) (LN.11,COL.6 / LN.11,COL.3) * LN.12,COL.3

PHILADELPHIA ELECTRIC COMPANY-ELECTRIC OPERATIONS

RATE HT--7 LARGE CUSTOMERS

CALCULATION OF REVENUE INCREASE SUPPLEMENT NO. 15

12 MONTHS ENDED
JUNE 30, 1985 & 1986

12 MONTHS SAMPLE	SUPPLEMENT NO. 11 BILLS, KW AND KWH FROM SAMPLE	PRICING	REVENUE	SUPPLEMENT NO. 15 BILLS, KW AND KWH FROM SAMPLE	PRICING	REVENUE
	(1)	(2)	(3)=(1)*(2)	(4)	(5)	(6)=(4)*(5)
1 CUSTOMER CHARGE	84 BILLS	$ 220.45	$ 18,518	84 BILLS	$ 257.20	$ 21,605
2 ALL KW	3,188,205 KW	5.37	17,120,661	3,188,205 KW	7.93	25,282,466
3 FIRST 150 HRS USE	478,230,000 KWH	0.0739	35,341,197	478,230,000 KWH	0.0854	40,840,842
4 NEXT 150 HRS USE	448,837,000 KWH	0.0556	24,955,337	448,837,000 KWH	0.0604	27,109,755
5 ADDITIONAL USE	1,411,512,000 KWH	0.0376	53,072,851	1,411,512,000 KWH	0.0356	50,249,827
6 HIGH VOLTAGE DISCOUNT	2,527,620 KW	0.30	-758,286	2,527,620 KW	0.30	-758,286
7 BASE REVENUE			$ 129,750,278			$ 142,746,209

PHILADELPHIA ELECTRIC COMPANY-ELECTRIC OPERATIONS

RATE HT
CALCULATION OF REVENUE INCREASE SUPPLEMENT NO. 15
12 MONTHS ENDED
JUNE 30, 1985 & 1986

	12 MONTHS SAMPLE	SUPPLEMENT NO. 11 BILLS, KW AND KWH FROM SAMPLE	SUPPLEMENT NO. 11 PRICING	SUPPLEMENT NO. 11 REVENUE	SUPPLEMENT NO. 15 BILLS, KW AND KWH FROM SAMPLE	SUPPLEMENT NO. 15 PRICING	SUPPLEMENT NO. 15 REVENUE	
		(1)	(2)	(3)=(1)*(2)	(4)	(5)	(6)=(4)*(5)	
1	CUSTOMER CHARGE	27,512 BILLS	$ 220.45	$ 6,065,020	27,512 BILLS	$ 257.20	$ 7,076,086	
2	ALL KW	24,494,179 KW	5.37	131,533,741	24,494,179 KW	7.93	194,238,839	
3	FIRST 150 HRS USE	3,654,963,716 KWH	0.0739	270,101,819	3,654,963,716 KWH	0.0854	312,133,901	
4	NEXT 150 HRS USE	3,366,781,298 KWH	0.0556	187,193,040	3,366,781,298 KWH	0.0604	203,353,590	
5	ADDITIONAL USE	3,019,493,022 KWH	0.0376	113,532,938	3,019,493,022 KWH	0.0356	107,493,952	
6	HIGH VOLTAGE DISCOUNT>66KV			-22,128			-22,128	
7	HIGH VOLTAGE DISCOUNT-66KV			-81,385			-81,385	
8	HIGH VOLTAGE DISCOUNT-33 KV			-606,481			-606,481	
9	SUB-TOTAL			$ 707,716,564			$ 823,586,374	
10	UNACCOUNTED FOR			99,292			115,548	(A)
11	BASE REVENUE			$ 707,815,856			$ 823,701,922	
	TOTAL RATE HT---------- 12 MOS. ENDED 6/30/85							
12	PROFORMA BASE REVENUE-EXCL NSR & 7 LARGE CUSTS			$ 714,950,596			$ 832,004,787	(B)
13	NIGHT SERVICE RIDER			3,520,126			3,520,126	
14	BASE REVENUE OF 7 LARGE CUSTS			129,750,278			142,746,209	
15	TOTAL PROFORMA BASE REVENUE			$ 848,221,000			$ 978,271,122	
16	CURTAILMENT RIDER			-113,000			-113,000	(C)
17	ADJUSTED BASE REVENUE			$ 848,108,000			$ 978,158,122	
	TOTAL RATE HT---------- 12 MOS. ENDED 6/30/86							
18	BASE REVENUE			$ 860,983,000			$ 992,990,000	(D)
19	CURTAILMENT RIDER			0			-113,000	(C)
20	ADJUSTED BASE REVENUE			$ 860,983,000			$ 992,877,000	

(A) (LN.9,COL.6 / LN.9,COL.3) * LN.10,COL.3
(B) (LN.11,COL.6 / LN.11,COL.3) * LN.12,COL.3
(C) ANALYSIS OF THE CURTAILMENT INDICATES A REVENUE LOSS
(D) (LN.15,COL.6 / LN.15.,COL.3) * LN.18,COL.3

PHILADELPHIA ELECTRIC COMPANY-ELECTRIC OPERATIONS

RATE EP-A

CALCULATION OF REVENUE INCREASE SUPPLEMENT NO. 15

12 MONTHS ENDED
JUNE 30, 1985 & 1986

12 MONTHS SAMPLE	SUPPLEMENT NO. 11 BILLS, KW AND KWH FROM SAMPLE (C)	PRICING	REVENUE	SUPPLEMENT NO. 15 BILLS, KW AND KWH FROM SAMPLE (C)	PRICING	REVENUE
	(1)	(2)	(3)=(1)*(2)	(4)	(5)	(6)=(4)*(5)
1 CUSTOMER CHARGE	12 BILLS	$ 220.45	$ 2,645	72 POINTS	$ 1130	$ 81,360
2 ALL KW	1,068,926 KW	5.37	5,740,133	1,068,926 KW	13.99	14,954,275
3 FIRST 150 HRS USE	160,339,000 KWH	0.0739	11,849,052	160,339,000 KWH	0.0356	5,708,068
4 NEXT 150 HRS USE	90,000,000 KWH	0.0556	5,004,000	90,000,000 KWH	0.0356	3,204,000
5 ADDITIONAL USE	181,161,000 KWH	0.0376	6,811,654	181,161,000 KWH	0.0356	6,449,332
6 BASE REVENUE	431,500,000 KWH		$ 29,407,484	431,500,000 KWH		$ 30,397,035
TOTAL RATE EP-A -------- 12 MOS. ENDED 6/30/85						
7 PROFORMA BASE REVENUE			$ 29,632,000			$ 30,629,000 (A)
TOTAL RATE EP-A -------- 12 MOS. ENDED 6/30/86						
8 PROFORMA BASE REVENUE			$ 29,407,484			$ 30,397,000 (B)

(A) (LN.6,COL.6 / LN.6,COL.3) * LN.7,COL.3

(B) FROM LN.6

(C) LOAD CHARACTERISTICS SHOWN REFLECT MARCH 1985 CONTRACT AGREEMENT.
FOR DISCUSSION OF THIS AGREEMENT SEE R.C.WILLIAMS' TESTIMONY.

NOTE: % INCREASE=(LN. 8,COL. 6 - LN.8.,COL.3) / (LN. 8,COL.3) = 12.7%

PHILADELPHIA ELECTRIC COMPANY-ELECTRIC OPERATIONS

RATE EP-S

CALCULATION OF REVENUE INCREASE SUPPLEMENT NO. 15

12 MONTHS ENDED
JUNE 30, 1985 & 1986

		SUPPLEMENT NO. 11 (C)			SUPPLEMENT NO. 15		
	12 MONTHS SAMPLE	BILLS, KW AND KWH FROM SAMPLE	PRICING	REVENUE	BILLS, KW AND KWH FROM SAMPLE	PRICING	REVENUE
		(1)	(2)	(3)=(1)*(2)	(4)	(5)	(6)=(4)*(5)
1	CUSTOMER CHARGE	24 BILLS	$ 220.45	$ 5,291	408 POINTS	$ 1130	$ 461,040
2	ALL KW	739,919 KW	5.37	3,973,365	739,000 KW	13.99	10,338,610
3	FIRST 150 HRS USE	110,987,850 KWH	0.0739	8,202,002	110,850,000 KWH	0.0356	3,946,260
4	NEXT 150 HRS USE	110,987,850 KWH	0.0556	6,170,924	110,850,000 KWH	0.0356	3,946,260
5	ADDITIONAL USE	46,524,300 KWH	0.0376	1,749,314	46,800,000 KWH	0.0356	1,666,080
6	BASE REVENUE	268,500,000 KWH		$ 20,100,896	268,500,000 KWH		$ 20,358,250
	TOTAL RATE EP-S -------- 12 MOS. ENDED 6/30/85						
7	PROFORMA BASE REVENUE			$ 20,125,000			$ 20,383,000 (A)
	TOTAL RATE EP-S -------- 12 MOS. ENDED 6/30/86						
8	PROFORMA BASE REVENUE			$ 20,100,896			$ 20,358,000 (B)

(A) (LN.6,COL.6 / LN.6,COL.3) * LN.7,COL.3

(B) FROM LN.6

(C) 1985 BUDGET PREPARED USING ESTIMATED SUPP. 11 INCREASE.

PHILADELPHIA ELECTRIC COMPANY-ELECTRIC OPERATIONS

RATE SLP
CALCULATION OF REVENUE INCREASE SUPPLEMENT NO. 15

12 MONTHS ENDED
JUNE 30, 1985 & 1986

12 MONTHS ANALYSIS	LAMPS,WATTS & KWH	SUPPLEMENT NO. 11 PRICING	SUPPLEMENT NO. 11 ANNUAL REVENUE	SUPPLEMENT NO. 15 PRICING	SUPPLEMENT NO. 15 ANNUAL REVENUE
	(1)	(2)	(3)=(1)*(2)*12	(4)	(5)=(1)*(4)*12
FACILITIES CHARGES					
CITY CONTROL:					
1 AERIAL	76,281	$ 7.01	$ 6,416,760	$ 7.01	$ 6,416,760
2 UNDERGROUND	18,016	7.01	1,515,504	7.01	1,515,504
3 TWENTY-FOUR HOUR	108	7.01	9,084	7.01	9,084
4 DAYTIME	76	7.01	6,396	7.01	6,396
COMPANY CONTROL:					
5 AERIAL	233	$ 7.50	20,976	$ 7.50	20,976
6 UNDERGROUND	1,813	10.46	227,568	10.46	227,568
7 LIMITED ACCESS HIGHWAYS	201	10.46	25,224	10.46	25,224
CAPACITY CHARGES:					
8 TOTAL WATTS	22,194,271	$ 0.0036	958,788	$ 0.0036	958,788
9 ENERGY CHARGES	93,037,105	$ 0.0473	4,400,655	$ 0.0473	4,400,655
10 OUTAGE ALLOWANCE (A)			-10,719		-10,719
11 ALLEY LIGHTING RIDER	8,005,741	$ 0.1182	946,279	$ 0.1182	946,279
12 TOTAL BASE REVENUE			$ 14,516,515		$ 14,516,515
TOTAL RATE SLP---------- 12 MOS. ENDED 6/30/85					
13 PROFORMA BASE REVENUE			$ 14,530,000		$ 14,530,000 (B)
TOTAL RATE SLP---------- 12 MOS. ENDED 6/30/86					
14 PROFORMA BASE REVENUE			$ 14,993,000		$ 14,993,000 (C)

(A) OUTAGE ALLOWANCE = (CAPACITY CHARGES + ENERGY CHARGES) * 0.2%

(B) (LN.12,COL.5 / LN.12,COL.3) * LN.13,COL.3

(C) (LN.12,COL.5 / LN.12,COL.3) * LN.14,COL.3

PHILADELPHIA ELECTRIC COMPANY-ELECTRIC OPERATIONS

RATE SLS

CALCULATION OF REVENUE INCREASE SUPPLEMENT NO. 15

12 MONTHS ENDED
JUNE 30, 1985 & 1986

	12 MONTHS ANALYSIS	NO. OF LAMPS	SUPPLEMENT NO. 11 PRICING	SUPPLEMENT NO. 11 ANNUAL REVENUE	SUPPLEMENT NO. 15 PRICING	SUPPLEMENT NO. 15 ANNUAL REVENUE
		(1)	(2)	(3)=(1)*(2)	(4)	(5)=(1)*(4)
	FACILITIES CHARGE					
	INCANDESCENT					
1	320 LUMENS	165	$ 76.68	$ 12,652	$ 80.76	$ 13,325
2	600 LUMENS	41	107.76	4,418	112.68	4,620
3	1000 LUMENS	12,475	152.04	1,896,699	158.40	1,976,040
4	2500 LUMENS	1,665	218.52	363,836	218.88	364,435
5	6000 LUMENS	270	257.40	69,498	252.96	68,299
6	10000 LUMENS	24	387.12	9,291	366.12	8,787
	SUB-TOTAL	14,640				
	MERCURY VAPOR					
7	4000 LUMENS	38,186	$ 201.72	7,702,880	$ 203.76	7,780,779
8	8000 LUMENS	18,093	216.36	3,914,601	216.96	3,925,457
9	12000 LUMENS	3,242	246.24	798,310	237.60	770,299
10	20000 LUMENS	6,227	312.96	1,948,802	299.88	1,867,353
11	42000 LUMENS	302	462.00	139,524	430.80	130,102
12	59000 LUMENS	291	538.32	156,651	489.60	142,474
	SUB-TOTAL	66,341				
	SODIUM VAPOR					
13	5800 LUMENS	247	$ 201.72	49,825	$ 203.88	50,358
14	9500 LUMENS	198	227.88	45,120	223.80	44,312
15	16000 LUMENS	161	269.04	43,315	263.28	42,388
16	25000 LUMENS	2,128	319.20	679,258	310.20	660,106
17	50000 LUMENS	956	386.52	369,513	371.40	355,058
	SUB-TOTAL	3,690				
18	TOTAL	84,671		$ 18,204,193		$ 18,204,192
	TOTAL RATE SLS---------- 12 MOS. ENDED 6/30/85					
19	PROFORMA BASE REVENUE			$ 18,218,000		18,218,000 (A)
	TOTAL RATE SLS---------- 12 MOS. ENDED 6/30/86					
20	PROFORMA BASE REVENUE			$ 18,129,000		18,129,000 (B)

(A) (LN.18,COL.5 / LN.18,COL.3) * LN.19,COL.3

PHILADELPHIA ELECTRIC COMPANY-ELECTRIC OPERATIONS

RATE TL

CALCULATION OF REVENUE INCREASE SUPPLEMENT NO. 15

12 MONTHS ENDED
JUNE 30, 1985 & 1986

		SUPPLEMENT NO. 11		SUPPLEMENT NO. 15	
	KWH	PRICING	ANNUAL REVENUE	PRICING	ANNUAL REVENUE
	(1)	(2)	(3)=(1)*(2)	(4)	(5)=(1)*(4)
12 MOS. ENDED 6/30/85					
ALL KWH	38,065,000	$ 0.1062	$ 4,042,503	$ 0.1062	$ 4,042,503
UNACCOUNTED FOR			-136,503		-136,503
PROFORMA BASE REVENUE			$ 3,906,000		$ 3,906,000
12 MOS. ENDED 6/30/86					
ALL KWH	32,880,000	$ 0.1062	$ 3,492,000	$ 0.1062	$ 3,492,000
UNACCOUNTED FOR			-6,000		-6,000
PROFORMA BASE REVENUE			$ 3,486,000		$ 3,486,000

PHILADELPHIA ELECTRIC COMPANY-ELECTRIC OPERATIONS

RATE BLI

CALCULATION OF REVENUE INCREASE SUPPLEMENT NO. 15

12 MONTHS ENDED
JUNE 30, 1985 & 1986

	KWH	SUPPLEMENT NO. 11 PRICING	SUPPLEMENT NO. 11 ANNUAL REVENUE	SUPPLEMENT NO. 15 PRICING	SUPPLEMENT NO. 15 ANNUAL REVENUE
	(1)	(2)	(3)=(1)*(2)	(4)	(5)=(1)*(4)
12 MOS. ENDED 6/30/85					
ALL KWH	62,000	$ 0.1083	$ 6,715	$ 0.1300	$ 8,060
UNACCOUNTED FOR			285		343
PROFORMA BASE REVENUE			$ 7,000		$ 8,403
12 MOS. ENDED 6/30/86					
ALL KWH	62,000	$ 0.1083	$ 7,000	$ 0.1300	$ 8,000
UNACCOUNTED FOR			0		0
PROFORMA BASE REVENUE			$ 7,000		$ 8,000

PHILADELPHIA ELECTRIC COMPANY-ELECTRIC OPERATIONS

TRANSFORMER RENTAL RIDER

CALCULATION OF REVENUE INCREASE SUPPLEMENT NO. 15

12 MONTHS ENDED
JUNE 30, 1985 & 1986

12 MONTHS ANALYSIS	CUSTS & KW	SUPPLEMENT NO. 11 PRICING	SUPPLEMENT NO. 11 REVENUE	SUPPLEMENT NO. 15 PRICING	SUPPLEMENT NO. 15 REVENUE
	(1)	(2)	(3)=(1)*(2)*12	(4)	(5)=(1)*(4)*12
1 2400,4160 VOLTS INSTALL.	293 CUSTS	$ 42.19	$ 148,344	$ 54	$ 189,864
2 33,000 VOLTS INSTALL.	14 CUSTS	254.65	42,780	322	54,096
3 OPERATING CHARGE	539,171 KW	0.256	138,028	0.25	134,793
4 TOTAL			$ 329,152		$ 378,753
5 UNACCOUNTED FOR			8,224		9,463 (A)
6 BASE REVENUE			$ 337,376		$ 388,216

TOTAL TRANSFORMER RENTAL RIDER

12 MOS. ENDED 6/30/85			
7 PROFORMA BASE REVENUE		$ 268,000	$ 308,000 (B)
12 MOS. ENDED 6/30/86			
8 PROFORMA BASE REVENUE		$ 306,000	$ 352,000 (C)

(A) (LN.4,COL.5 / LN.4,COL.3) * LN.5,COL.3

(B) (LN.6,COL.5 / LN.6,COL.3) * LN.7,COL.3

(C) (LN.6,COL.5 / LN.6,COL.3) * LN.8,COL.3

Reference:
PHILADELPHIA ELECTRIC COMPANY
SUPPLEMENT NO. 23 TO
TARIFF ELECTRIC - PA. P.U.C., NO. 26

Exhibit II

SUPPORTING DATA FOR ENERGY COST ADJUSTMENT DECREASE

DOCKETED
JUN 27 1986

June 27, 1986

DOCUMENT
FOLDER

PHILADELPHIA ELECTRIC COMPANY

Computation of Energy Cost Rate Factor
Application Period: June 27, 1986 through June 1987
Computation Period: June 27, 1986 through June 1987

1. Energy Cost Rate Factor = $\dfrac{\left(\dfrac{F}{S_t} - B - \dfrac{E}{S_a}\right)}{1-T}$

2. F = Cost of Energy (Schedule E-2, Sheet 2 of 3)		$427,880,065
3. E = Experienced Net Over-Collection (Sch. E-4, 4 of 4)		$ 4,020,042
4. S_t = Projected Sales for Comp. Period (Sch. E-2, Sh 3 of 3)		28,298,319 MW
5. S_a = Proj. Retail Sales For Comp. Period (Sch. E-2, Sh 3 of 3)		27,686,260 MW
6. $\frac{F}{S_t} - \frac{E}{S_a}$ Projected Cost per kWh		14.975 m
7. B = Base Cost	-	20.823 m
8. Excess Cost (Line 6 - Line 7)		(5.848)
9. $\frac{1}{1-T}$ (T = 4.5%)	x	1.04712
10. Energy Cost Rate Factor - Calculated (Line 8 x Line 9)		(6.124)

80/20 FILING - 7/86 - 6/87

ELECTRIC GENERATION AND FUEL COST ESTIMATES

	JULY 1986	AUGUST 1986	SEPTEMBER 1986	OCTOBER 1986	NOVEMBER 1986	DECEMBER 1986
MWH						
OIL-PE STM.	239,000	199,000	207,000	165,000	232,000	265,000
COAL-PE STM.	263,000	299,000	190,000	188,000	174,000	205,000
COAL-MINEMTH	290,000	373,000	364,000	383,000	336,000	338,000
INT.COMB.	29,500	42,280	19,180	17,980	12,760	9,300
TOTAL FOSSIL	821,500	913,280	780,180	753,980	754,760	817,300
MWH NUCLEAR	1,749,658	1,719,997	1,348,452	1,294,362	1,243,081	1,307,604
NET HYDRO	27,000	0	8,000	51,000	79,000	153,000
OTHER	0	0	0	0	0	0
RECEIVED PJM	218,000	170,000	252,000	140,000	255,000	235,000
DELIV'D PJM	(157,000)	(203,000)	(122,000)	(108,000)	(164,000)	(138,000)
STEAM-HT PP	600	2,600	2,800	4,100	9,100	17,700
ME,PPL & DPL	16	16	16	16	16	16
2PARTY TRANS	205,000	200,000	196,000	211,000	210,000	226,000
INTCH & PUR	266,616	169,616	328,816	247,116	310,116	340,716
TOTAL OUTPUT	2,864,774	2,802,893	2,465,448	2,346,458	2,386,957	2,618,620
$						
OIL-PE STM	7,891,000	6,618,000	7,028,000	6,015,000	7,858,000	8,943,000
COAL-PE STM	5,360,000	6,085,000	3,866,000	3,853,000	3,525,000	4,145,000
MINEMOUTH	4,174,000	5,245,000	5,143,000	5,455,000	4,797,000	4,871,000
INT.COMB	1,305,100	1,874,600	842,800	805,700	568,000	427,800
TOTAL FOSSIL	18,730,100	19,822,600	16,879,800	16,128,700	16,748,000	18,386,800
(NUCLEAR EXCLUDING INTEREST, BUT INCLUDING OIL)						
NUCLEAR.	12,872,737	12,684,101	10,040,894	9,887,077	9,416,295	9,962,571
OTHER	0	0	0	0	0	0
RECEIVED PJM	5,203,000	4,603,000	6,305,000	4,092,000	6,319,000	6,463,000
DELIV'D PJM	(5,566,000)	(6,646,000)	(4,147,000)	(3,512,000)	(6,152,000)	(4,990,000)
STEAM-HT PP	16,000	72,000	78,000	119,000	262,000	543,000
ME,PPL & DPL	1,196	1,196	1,196	1,196	1,196	1,196
2PARTY TRANS	5,546,000	5,447,000	5,325,000	5,757,000	5,690,000	6,070,000
INTCH & PUR	5,200,196	3,477,196	7,562,196	6,457,196	6,120,196	8,087,196
INFORMATION FOR RATE DIVISION ($'S EXCLUDE FUEL HANDLING)						
$-FIN.CHGS	36,803,033	35,983,897	34,482,890	32,472,973	32,284,491	36,436,567

REFERENCE:
ENERGY COST RATE FACTOR
STATEMENT NO. 1
SCHEDULE E-2
Sheet 1 of 3

80/20 FILING - 7/86 - 6/87

ELECTRIC GENERATION AND FUEL COST ESTIMATES

	JANUARY 1987	FEBRUARY 1987	MARCH 1987	APRIL 1987	MAY 1987	JUNE 1987	TOTAL
MWH							
OIL-PE STM.	351,000	188,000	147,000	131,000	105,000	176,000	2,405,000
COAL-PE STM.	351,000	275,000	294,000	271,000	258,000	251,000	3,019,000
COAL-MINEMTH	362,000	315,000	303,000	283,000	376,000	355,000	4,078,000
INT.COMB.	24,720	26,070	5,910	15,890	4,850	10,110	218,550
TOTAL FOSSIL	1,088,720	804,070	749,910	700,890	743,850	792,110	9,720,550
MWH NUCLEAR	1,615,338	1,194,971	1,282,790	802,797	915,192	864,980	15,339,222
NET HYDRO	98,000	133,000	216,000	224,000	163,000	78,000	1,230,000
OTHER	0	0	0	0	0	0	0
RECEIVED PJM	99,000	229,000	217,000	366,000	356,000	649,000	3,186,000
DELIV'D PJM	(419,000)	(140,000)	(181,000)	(28,000)	(35,000)	(11,000)	(1,706,000)
STEAM-HT PP	24,400	17,200	13,600	5,400	2,000	2,700	102,200
ME,PPL & DPL	16	16	16	16	16	16	192
2PARTY TRANS	223,000	199,000	207,000	190,000	175,000	177,000	2,419,000
INTCH & PUR	(72,584)	305,216	256,616	533,416	498,016	817,716	4,001,392
TOTAL OUTPUT	2,729,474	2,437,257	2,505,316	2,261,103	2,320,058	2,552,806	30,291,164
$							
OIL-PE STM	13,365,000	7,483,000	5,932,000	6,056,000	5,092,000	7,986,000	90,267,000
COAL-PE STM	7,283,000	5,702,000	6,178,000	5,794,000	5,560,000	5,364,000	62,715,000
MINEMOUTH	5,317,000	4,571,000	4,272,000	4,247,000	5,586,000	5,200,000	58,878,000
INT.COMB	1,269,300	1,336,100	318,600	944,200	286,000	599,000	10,577,200
TOTAL FOSSIL	27,234,300	19,092,100	16,700,600	17,041,200	16,524,000	19,149,000	222,437,200
(NUCLEAR EXCLUDING INTEREST, BUT INCLUDING OIL)							
NUCLEAR.	12,127,714	9,121,082	9,837,427	5,977,425	6,777,360	6,343,326	115,048,009
OTHER	0	0	0	0	0	0	0
RECEIVED PJM	3,022,000	7,117,000	5,806,000	9,378,000	9,551,000	18,569,000	86,428,000
DELIV'D PJM	(17,964,000)	(6,263,000)	(7,018,000)	(1,440,000)	(1,179,000)	(546,000)	(65,423,000)
STEAM-HT PP	893,000	591,000	421,000	167,000	58,000	83,000	3,303,000
ME,PPL & DPL	1,280	1,280	1,280	1,280	1,280	1,280	14,856
2PARTY TRANS	5,953,000	5,335,000	5,648,000	5,268,000	5,014,000	5,019,000	66,072,000
INTCH & PUR	(8,094,720)	6,781,280	4,858,280	13,374,280	13,445,280	23,126,280	90,394,856
INFORMATION FOR RATE DIVISION ($'S EXCLUDE FUEL HANDLING)							
$-FIN.CHGS	31,267,294	34,994,462	31,396,307	36,392,905	36,746,640	48,618,606	427,880,065

REFERENCE:
ENERGY COST RATE FACTOR
STATEMENT NO. 1
SCHEDULE E-2
Sheet 2 of 3

REFERENCE:
ENERGY COST RATE FACTOR
STATEMENT NO. 1
SCHEDULE E-2
Sheet 3 of 3

Philadelphia Electric Company
Systems Sales - MWH
Estimated 7/1/86 - 6/30/87

	Retail (PECo) (1)	Resale (PECo Plus Inderedpartment) (2)	Resale (SE to CP) (3)	Total Projected Sales (4)=(1)+(2)+(3)
July 1986	2,485,121	46,300	7,900	2,539,321
August	2,524,916	45,600	7,200	2,577,716
September	2,436,719	38,700	5,900	2,481,319
October	2,166,517	42,500	7,300	2,216,317
November	2,097,720	38,300	7,500	2,143,520
December	2,341,624	51,400	9,100	2,402,124
January 1987	2,529,691	52,317	9,800	2,591,808
February	2,409,857	43,647	8,300	2,461,804
March	2,278,774	44,454	8,500	2,331,728
April	2,195,196	40,221	6,400	2,241,817
May	2,024,831	38,404	6,400	2,069,635
June	2,195,294	39,416	6,500	2,241,210
12-Month Total	27,686,260	521,259	90,800	28,298,319

80/20 FILING - 7/86 - 6/87

MWH DISTRIBUTION	JULY 1986	AUGUST 1986	SEPTEMBER 1986	OCTOBER 1986	NOVEMBER 1986	DECEMBER 1986
OIL						
PE REHEAT OIL						
SCHUYLKILL#1	37,000	27,000	31,000	7,000	30,000	30,000
EDDYSTONE#3	75,000	54,000	66,000	59,000	65,000	71,000
EDDYSTONE#4	76,000	70,000	74,000	62,000	58,000	50,000
CROMBY#2	0	0	0	0	58,000	70,000
DELAWARE#7	27,000	23,000	18,000	20,000	18,000	20,000
DELAWARE#8	24,000	25,000	18,000	17,000	3,000	24,000
MWH R H OIL	239,000	199,000	207,000	165,000	232,000	265,000
PE MARGINAL OIL						
RICHMOND#9	0	0	0	0	0	0
SOUTHWARK#1	0	0	0	0	0	0
SOUTHWARK#2	0	0	0	0	0	0
MWH MARG OIL	0	0	0	0	0	0
REHEAT & MARGINAL OIL MWH OIL	239,000	199,000	207,000	165,000	232,000	265,000
PE COAL						
EDDYSTONE#1	108,000	118,000	114,000	131,000	123,000	108,000
EDDYSTONE#2	115,000	138,000	30,000	0	0	40,000
CROMBY#1	40,000	43,000	46,000	57,000	51,000	57,000
MWH COAL	263,000	299,000	190,000	188,000	174,000	205,000
PHILA. AREA OIL AND COAL. PHILA STEAM	502,000	498,000	397,000	353,000	406,000	470,000
MEMO - STATION TOTALS						
EDDYSTONE	374,000	380,000	284,000	252,000	246,000	269,000
CROMBY	40,000	43,000	46,000	57,000	109,000	127,000	44,000
DELAWARE7&8	51,000	48,000	36,000	37,000	21,000	44,000
SOUTHWARK1&2	0	0	0	0	0	0

REFERENCE:
ENERGY COST RATE FACTOR
STATEMENT NO. 1
SCHEDULE E-3
Sheet 1 of 24

00/20 FILING - 7/86 - 6/87

MWH DISTRIBUTION

	JANUARY 1987	FEBRUARY 1987	MARCH 1987	APRIL 1987	MAY 1987	JUNE 1987	TOTAL
OIL							
PE REHEAT OIL							
SCHUYLKILL#1	52,000	28,000	26,000	19,000	12,000	19,000	318,000
EDDYSTONE#3	99,000	22,000	23,000	31,000	21,000	48,000	634,000
EDDYSTONE#4	95,000	80,000	18,000	15,000	27,000	31,000	656,000
CROMBY#2	49,000	17,000	52,000	42,000	36,000	49,000	373,000
DELAWARE#7	34,000	19,000	14,000	13,000	4,000	16,000	226,000
DELAWARE#8	22,000	22,000	14,000	11,000	5,000	13,000	196,000
MWH R H OIL	351,000	188,000	147,000	131,000	105,000	176,000	2,405,000
PE MARGINAL OIL							
RICHMOND#9	0	0	0	0	0	0	0
SOUTHWARK#1	0	0	0	0	0	0	0
SOUTHWARK#2	0	0	0	0	0	0	0
MWH MARG OIL	0	0	0	0	0	0	0
REHEAT & MARGINAL OIL MWH OIL	351,000	188,000	147,000	131,000	105,000	176,000	2,405,000
PE COAL							
EDDYSTONE#1	125,000	114,000	110,000	117,000	109,000	103,000	1,380,000
EDDYSTONE#2	147,000	98,000	134,000	127,000	128,000	96,000	1,055,000
CROMBY#1	79,000	63,000	50,000	27,000	21,000	50,000	584,000
MWH COAL	351,000	275,000	294,000	271,000	258,000	251,000	3,019,000
PHILA. AREA OIL AND COAL. PHILA STEAM	702,000	463,000	441,000	402,000	363,000	427,000	5,424,000
MEMO - STATION TOTALS							
EDDYSTONE	466,000	314,000	285,000	290,000	285,000	280,000	3,725,000
CROMBY	128,000	80,000	102,000	69,000	57,000	99,000	957,000
DELAWARE7&8	56,000	41,000	28,000	24,000	9,000	29,000	424,000
SOUTHWARK1&2	0	0	0	0	0	0	0

REFERENCE:
ENERGY COST RATE FACTOR
STATEMENT NO. 1
SCHEDULE E-3
Sheet 2 of 24

80/20 FILING - 7/86 - 6/87

MMH DISTRIBUTION

	JULY 1986	AUGUST 1986	SEPTEMBER 1986	OCTOBER 1986	NOVEMBER 1986	DECEMBER 1986
MINEMOUTH (PE SHARE)						
KEYSTONE#1	107,000	108,000	95,000	109,000	94,000	90,000
KEYSTONE#2	13,000	84,000	88,000	96,000	85,000	90,000
KEYSTONE STA	120,000	192,000	183,000	205,000	179,000	180,000
CONEMAUGH#1	81,000	95,000	86,000	86,000	79,000	85,000
CONEMAUGH#2	89,000	86,000	95,000	92,000	78,000	73,000
CONEMAUGHSTA	170,000	181,000	181,000	178,000	157,000	158,000
MINEMOUTH	290,000	373,000	364,000	383,000	336,000	338,000
PHILA. AREA OIL & COAL, AND MINEMOUTH COAL.						
FOSSIL STEAM	792,000	871,000	761,000	736,000	742,000	808,000
NUCLEAR (PE SHARE)						
PEACH BOT#2	258,117	281,339	252,759	216,140	290,270	208,102
PEACH BOT#3	229,541	272,658	206,693	188,222	132,811	266,502
PCH BOT STA	487,658	553,997	459,452	404,362	423,081	474,604
SALEM#1	282,000	264,000	242,000	247,000	274,000	247,000
SALEM#2	317,000	273,000	136,000	0	0	21,000
SALEM STA	599,000	537,000	378,000	247,000	274,000	268,000
LIM1	663,000	629,000	511,000	643,000	546,000	565,000
LIM2	0	0	0	0	0	0
LIM STA	663,000	629,000	511,000	643,000	546,000	565,000
MMH NUCLEAR	1,749,658	1,719,997	1,348,452	1,294,362	1,243,081	1,307,604
OTHER (PRECOMMERCIAL)						
LIMERICK 1	0	0	0	0	0	0
LIMERICK 2	0	0	0	0	0	0
OTHER	0	0	0	0	0	0

REFERENCE:
ENERGY COST RATE FACTOR
STATEMENT NO. 1
SCHEDULE E-3
Sheet 3 of 24

80/20 FILING - 7/86 - 6/87

MWH DISTRIBUTION

	JANUARY 1987	FEBRUARY 1987	MARCH 1987	APRIL 1987	MAY 1987	JUNE 1987	TOTAL
MINEMOUTH (PE SHARE)							
KEYSTONE#1	93,000	90,000	111,000	21,000	67,000	101,000	1,086,000
KEYSTONE#2	81,000	81,000	94,000	92,000	107,000	92,000	1,003,000
KEYSTONE STA	174,000	171,000	205,000	113,000	174,000	193,000	2,089,000
CONEMAUGH#1	96,000	82,000	92,000	87,000	101,000	86,000	1,056,000
CONEMAUGH#2	92,000	62,000	6,000	83,000	101,000	76,000	933,000
CONEMAUGHSTA	188,000	144,000	98,000	170,000	202,000	162,000	1,989,000
MINEMOUTH	362,000	315,000	303,000	283,000	376,000	355,000	4,078,000
PHILA. AREA OIL & COAL, AND MINEMOUTH COAL.							
FOSSIL STEAM	1,064,000	778,000	744,000	685,000	739,000	782,000	9,502,000
NUCLEAR (PE SHARE)							
PEACH BOT#2	276,873	14,290	0	0	248,293	275,980	2,322,163
PEACH BOT#3	259,465	228,681	237,790	246,797	156,899	0	2,426,059
PCH BOT STA	536,338	242,971	237,790	246,797	405,192	275,980	4,748,222
SALEM#1	263,000	257,000	283,000	281,000	300,000	287,000	3,227,000
SALEM#2	255,000	209,000	207,000	275,000	210,000	302,000	2,205,000
SALEM STA	518,000	466,000	490,000	556,000	510,000	589,000	5,432,000
LIM1	561,000	486,000	555,000	0	0	0	5,159,000
LIM2	0	0	0	0	0	0	0
LIM STA	561,000	486,000	555,000	0	0	0	5,159,000
MWH NUCLEAR	1,615,338	1,194,971	1,282,790	802,797	915,192	864,980	15,339,222
OTHER (PRECOMMERCIAL)							
LIMERICK 1	0	0	0	0	0	0	0
LIMERICK 2	0	0	0	0	0	0	0
OTHER	0	0	0	0	0	0	0

REFERENCE:
ENERGY COST RATE FACTOR
STATEMENT NO. 1
SCHEDULE E-3
Sheet 4 of 24

80/20 FILING - 7/86 - 6/87

MWH DISTRIBUTION

	JULY 1986	AUGUST 1986	SEPTEMBER 1986	OCTOBER 1986	NOVEMBER 1986	DECEMBER 1986
DIESELS						
CROMBY D 1&2	30	0	0	0	120	40
DELAWARE D	40	30	0	30	40	0
SOUTHWARK D	0	0	0	0	0	0
SCHUYLKILL D	0	0	30	10	0	0
PE DIESELS	70	30	30	40	160	40
KEYSTONE D	0	10	10	0	0	0
CONEMAUGH D	0	0	10	0	0	0
DIESEL	70	40	50	40	160	40
GAS TURBINES						
RICH GE CT	9,200	11,590	4,430	6,140	3,900	3,460
RICH WE CT	0	0	0	0	0	0
RICH WO CT	0	0	0	0	0	0
RICHCT TOTAL	9,200	11,590	4,430	6,140	3,900	3,460
SOUTHWARK CT	210	790	400	0	0	0
EDDYSTONE CT	300	880	360	0	0	0
DELAWARE CT	270	800	400	0	0	0
SCHUYLKILLCT	130	420	100	0	0	0
CHESTER CT	210	580	300	0	0	0
FALLS CT	240	670	390	0	0	0
MOSER CT	240	780	420	0	0	0
PLY MTG CT	0	0	0	0	0	0
SUBTOTAL	10,800	16,510	6,800	6,140	3,900	3,460
CROYDON	18,600	25,700	12,300	11,800	8,700	5,800
GAS TURBINES	29,400	42,210	19,100	17,940	12,600	9,260
SALEM CT	30	30	30	0	0	0
TOTAL CT	29,430	42,240	19,130	17,940	12,600	9,260
TOTAL CT AND DIESEL						
TOTAL IC	29,500	42,280	19,180	17,980	12,760	9,300
[illegible]E CYCLE (INC. SALEM CT)						
CT [illegible]	10,830	16,540	6,830	6,140	3,900	3,460

REFERENCE:
ENERGY COST RATE FACTOR
STATEMENT NO. 1
SCHEDULE E-3
Sheet 5 of 24

80/20 FILING - 7/86 - 6/87

MAIN DISTRIBUTION

	JANUARY 1987	FEBRUARY 1987	MARCH 1987	APRIL 1987	MAY 1987	JUNE 1987	TOTAL
DIESELS							
CROMBY D 1&2	0	70	10	0	0	0	270
DELAWARE D	170	40	0	60	0	0	410
SOUTHWARK D	0	0	0	0	0	0	0
SCHUYLKILL D	40	0	0	0	0	0	80
PE DIESELS	210	110	10	60	0	0	760
KEYSTONE D	0	0	0	10	0	0	30
CONEMAUGH D	0	0	0	10	0	0	20
DIESEL	210	110	10	80	0	0	810
GAS TURBINES							
RICH GE CT	5,910	6,760	1,500	4,010	1,650	2,310	60,860
RICH ME CT	0	0	0	0	0	0	0
RICH MO CT	0	0	0	0	0	0	0
RICHCT TOTAL	5,910	6,760	1,500	4,010	1,650	2,310	60,860
SOUTHWARK CT	0	0	0	120	0	0	1,520
EDDYSTONE CT	0	0	0	190	0	0	1,730
DELAWARE CT	0	0	0	330	0	0	1,800
SCHUYLKILLCT	0	0	0	30	0	0	680
CHESTER CT	0	0	0	180	0	0	1,270
FALLS CT	0	0	0	220	0	0	1,520
MOSER CT	0	0	0	330	0	0	1,770
PLY MTG CT	0	0	0	0	0	0	0
SUBTOTAL	5,910	6,760	1,500	5,410	1,650	2,310	71,150
CROYDON	18,600	19,200	4,400	10,400	3,200	7,800	146,500
GAS TURBINES	24,510	25,960	5,900	15,810	4,850	10,110	217,650
SALEM CT	0	0	0	0	0	0	90
TOTAL CT	24,510	25,960	5,900	15,810	4,850	10,110	217,740
TOTAL CT AND DIESEL							
TOTAL IC	24,720	26,070	5,910	15,890	4,850	10,110	218,550
SIMPLE CYCLE (INC. SALEM CT)							
CT TOTAL	5,910	6,760	1,500	5,410	1,650	2,310	71,240

REFERENCE:
ENERGY COST RATE FACTOR
STATEMENT NO. 1
SCHEDULE 2-3
Sheet 2 of 24

80/20 FILING - 7/86 - 6/87

FUEL COST

	JULY 1986	AUGUST 1986	SEPTEMBER 1986	OCTOBER 1986	NOVEMBER 1986	DECEMBER 1986
OIL (NO.6 & NO. 2)						
SCHUYLKILL#1	1,060,000	778,000	906,000	214,000	895,000	916,000
EDDYSTONE1&2	118,000	107,000	120,000	130,000	108,000	141,000
EDDYSTONE3&4	5,169,000	4,295,000	4,874,000	4,471,000	4,483,000	4,469,000
EDDY 1,2,3,4	5,287,000	4,402,000	4,994,000	4,601,000	4,591,000	4,610,000
ED (SULFUR)	0	0	0	0	147,000	277,000
EDDYSTONE	5,287,000	4,402,000	4,994,000	4,601,000	4,738,000	4,887,000
CROMBY#1	11,000	10,000	10,000	9,000	9,000	10,000
CROMBY#2	22,000	22,000	22,000	23,000	1,654,000	1,999,000
CR (SULFUR)	68,000	73,000	78,000	102,000	92,000	103,000
CROMBY	101,000	105,000	110,000	134,000	1,755,000	2,112,000
DELAWARE 7&8	1,511,000	1,406,000	1,096,000	1,168,000	709,000	1,408,000
RICHMOND	0	0	0	0	0	0
SOUTHWARK1&2	0	0	0	0	0	0
TOTAL OIL	7,959,000	6,691,000	7,106,000	6,117,000	8,097,000	9,323,000
COAL						
EDDYSTONE#1	1,934,000	2,114,000	2,068,000	2,404,000	2,251,000	1,984,000
EDDYSTONE#2	2,097,000	2,507,000	551,000	0	0	750,000
EDDYSTONE	4,031,000	4,621,000	2,619,000	2,404,000	2,251,000	2,734,000
CROMBY#1	715,000	764,000	815,000	1,027,000	925,000	1,031,000
TOTAL PECOAL	4,746,000	5,385,000	3,434,000	3,431,000	3,176,000	3,765,000
GAS FOR SCRUBBER						
EDDYSTONE#1	264,000	289,000	280,000	320,000	110,000	0
EDDYSTONE#2	282,000	338,000	74,000	0	0	0
TOTAL GAS	546,000	627,000	354,000	320,000	110,000	0
TOTAL OIL, TOTAL COAL & TOTAL GAS						
PHILA STEAM	13,251,000	12,703,000	10,894,000	9,868,000	11,383,000	13,088,000

REFERENCE:
ENERGY COST RATE FACTOR
STATEMENT NO. 1
SCHEDULE E-3
Sheet 7 of 24

FUEL CO

	JANUARY 1987	FEBRUARY 1987	MARCH 1987	APRIL 1987	MAY 1987	JUNE 1987	TOTAL
OIL (NO.6 & NO. 2)							
SCHUYLKILL#1	1,782,000	977,000	933,000	773,000	488,000	779,000	10,501,000
EDDYSTONE1&2	162,000	143,000	158,000	141,000	168,000	193,000	1,689,000
EDDYSTONE3&4	7,829,000	4,271,000	1,993,000	2,516,000	2,590,000	3,974,000	50,934,000
EDDY 1,2,3,4	7,991,000	4,414,000	2,151,000	2,657,000	2,758,000	4,167,000	52,623,000
ED (SULFUR)	584,000	454,000	498,000	0	0	0	1,960,000
EDDYSTONE	8,575,000	4,868,000	2,649,000	2,657,000	2,758,000	4,167,000	54,583,000
CROMBY#1	6,000	8,000	12,000	10,000	6,000	13,000	114,000
CROMBY#2	1,576,000	593,000	1,758,000	1,587,000	1,394,000	1,830,000	12,480,000
CR (SULFUR)	164,000	130,000	108,000	62,000	49,000	116,000	1,145,000
CROMBY	1,746,000	731,000	1,878,000	1,659,000	1,449,000	1,959,000	13,739,000
DELAWARE 7&8	2,010,000	1,491,000	1,078,000	1,029,000	446,000	1,197,000	14,549,000
RICHMOND	0	0	0	0	0	0	0
SOUTHWARK1&2	0	0	0	0	0	0	0
TOTAL OIL	14,113,000	8,067,000	6,538,000	6,118,000	5,141,000	8,102,000	93,372,000
COAL							
EDDYSTONE#1	2,335,000	2,116,000	2,069,000	2,212,000	2,087,000	1,953,000	25,527,000
EDDYSTONE#2	2,753,000	1,847,000	2,535,000	2,417,000	2,446,000	1,877,000	19,780,000
EDDYSTONE	5,088,000	3,963,000	4,604,000	4,629,000	4,533,000	3,830,000	45,307,000
CROMBY#1	1,447,000	1,155,000	927,000	504,000	396,000	927,000	10,633,000
TOTAL PECOAL	6,535,000	5,118,000	5,531,000	5,133,000	4,929,000	4,757,000	55,940,000
GAS FOR SCRUBBER							
EDDYSTONE#1	0	0	18,000	288,000	268,000	252,000	2,089,000
EDDYSTONE#2	0	0	23,000	311,000	314,000	239,000	1,581,000
TOTAL GAS	0	0	41,000	599,000	582,000	491,000	3,670,000
TOTAL OIL, TOTAL COAL & TOTAL GAS							
PHILA STEAM	20,648,000	13,185,000	12,110,000	11,850,000	10,652,000	13,350,000	152,982,000

REFERENCE:
ENERGY COST RATE FACTOR
STATEMENT NO. 1
SCHEDULE E-3
Sheet 8 of 24

80/20 FILING - 7/86 - 6/87

FUEL COST

	JULY 1986	AUGUST 1986	SEPTEMBER 1986	OCTOBER 1986	NOVEMBER 1986	DECEMBER 1986
MINEMOUTH (PE SHARE)						
KEYSTN1 COAL	1,349,000	1,361,000	1,196,000	1,404,000	1,208,000	1,160,000
KEYSTN2 COAL	164,000	1,054,000	1,112,000	1,225,000	1,094,000	1,155,000
KEYSTONE C	1,513,000	2,415,000	2,308,000	2,629,000	2,302,000	2,315,000
KEYST1&2 OIL	6,000	11,000	12,000	0	6,000	30,000
KEYSTONE	1,519,000	2,426,000	2,320,000	2,629,000	2,308,000	2,345,000
CON1 COAL	1,268,000	1,482,000	1,344,000	1,359,000	1,249,000	1,342,000
CON2 COAL	1,382,000	1,332,000	1,474,000	1,457,000	1,230,000	1,164,000
CONEMAUGH C	2,650,000	2,814,000	2,818,000	2,816,000	2,479,000	2,506,000
CON1&2 OIL	5,000	5,000	5,000	10,000	10,000	20,000
CONEMAUGH	2,655,000	2,819,000	2,823,000	2,826,000	2,489,000	2,526,000
MINEMOUTH	4,174,000	5,245,000	5,143,000	5,455,000	4,797,000	4,871,000
NUCLEAR (PE SHARE)						
PB2 NUCLEAR	1,786,023	1,946,704	1,748,943	1,495,563	2,008,504	1,439,943
PB3 NUCLEAR	1,739,222	2,065,905	1,566,089	1,426,141	1,006,295	2,019,255
PB2&3INTREST	816,540	785,468	754,396	723,324	692,252	661,180
PB ATOMIC	4,341,785	4,798,077	4,069,428	3,645,028	3,707,051	4,120,378
AUX BOILER	18,272	18,272	17,734	19,224	18,604	19,224
PB DIESEL	3,006	3,006	2,916	3,162	3,060	3,162
SALEM 1	2,088,000	1,953,000	1,795,000	1,830,000	2,033,000	1,831,000
SALEM 2	1,976,000	1,702,000	848,000	0	0	152,000
SLM1INTEREST	481,915	466,511	451,107	435,703	420,299	404,895
SLM2INTEREST	257,184	246,549	235,913	235,913	235,913	508,291
SALEM AUXBLR	0	0	0	0	0	0
SALEM DIESEL	200	200	200	200	200	200
LM1 NUCLEAR	5,228,000	4,961,000	4,029,000	5,077,000	4,312,000	4,462,000
LM2 NUCLEAR	0	0	0	0	0	0
LM NUC TOTAL	5,228,000	4,961,000	4,029,000	5,077,000	4,312,000	4,462,000
LIMAUXBOILER	29,252	29,252	28,390	30,777	29,784	30,777
LIM DIESEL	4,762	4,762	4,622	5,010	4,848	5,010
NUCLEAR	14,428,376	14,182,629	11,482,310	11,282,017	10,764,759	11,536,937
NOTE: FOR JIM MILLER						
SALEM JC2	0	0	0	0	0	0
OTHER (PRECOMMERCIAL)						
OTHER	0	0	0	0	0	0

REFERENCE:
ENERGY COST RATE FACTOR
STATEMENT NO. 1
SCHEDULE E-3
Sheet 9 of 24

	JANUARY 1987	FEBRUARY 1987	MARCH 1987	APRIL 1987	MAY 1987	JUNE 1987	TOTAL
MINEMOUTH (PE SHARE)							
KEYSTN1 COAL	1,208,000	1,177,000	1,449,000	271,000	883,000	1,332,000	13,998,000
KEYSTN2 COAL	1,057,000	1,056,000	1,227,000	1,210,000	1,408,000	1,213,000	12,975,000
KEYSTONE C	2,265,000	2,233,000	2,676,000	1,481,000	2,291,000	2,545,000	26,973,000
KEYST1&2 OIL	21,000	14,000	0	0	8,000	0	108,000
KEYSTONE	2,286,000	2,247,000	2,676,000	1,481,000	2,299,000	2,545,000	27,081,000
CON1 COAL	1,542,000	1,323,000	1,488,000	1,408,000	1,648,000	1,397,000	16,850,000
CON2 COAL	1,477,000	995,000	102,000	1,352,000	1,639,000	1,239,000	14,843,000
CONEMAUGH C	3,019,000	2,318,000	1,590,000	2,760,000	3,287,000	2,636,000	31,693,000
CON1&2 OIL	12,000	6,000	6,000	6,000	0	19,000	104,000
CONEMAUGH	3,031,000	2,324,000	1,596,000	2,766,000	3,287,000	2,655,000	31,797,000
MINEMOUTH	5,317,000	4,571,000	4,272,000	4,247,000	5,586,000	5,200,000	58,878,000
NUCLEAR (PE SHARE)							
PB2 NUCLEAR	1,915,804	98,881	0	0	1,798,577	1,999,137	16,238,079
PB3 NUCLEAR	1,965,941	1,732,695	1,802,039	1,875,236	1,192,160	0	18,390,978
PB2&3INTREST	632,414	603,650	587,905	572,159	946,210	910,176	8,685,674
PB ATOMIC	4,514,159	2,435,226	2,389,944	2,447,395	3,936,947	2,909,313	43,314,731
AUX BOILER	22,064	19,928	22,866	24,126	24,930	24,126	249,370
PB DIESEL	3,630	3,278	3,760	3,966	4,100	3,966	41,012
SALEM 1	1,946,000	1,906,000	2,095,000	2,081,000	2,223,000	2,129,000	23,910,000
SALEM 2	1,805,000	1,481,000	1,468,000	1,948,000	1,488,000	2,142,000	15,010,000
SLM1INTEREST	389,491	374,087	358,683	343,279	327,876	312,472	4,766,318
SLM2INTEREST	491,860	475,430	458,999	442,568	426,138	409,707	4,424,465
SALEM AUXBLR	0	0	0	0	0	0	0
SALEM DIESEL	200	200	200	200	200	200	2,400
LM1 NUCLEAR	4,428,000	3,842,000	4,403,000	0	0	0	40,742,000
LM2 NUCLEAR	0	0	0	0	0	0	0
LM NUC TOTAL	4,428,000	3,842,000	4,403,000	0	0	0	40,742,000
LIMAUXBOILER	35,325	31,906	36,603	38,611	39,898	38,611	399,186
LIM DIESEL	5,750	5,194	5,959	6,286	6,495	6,286	64,984
NUCLEAR	13,641,479	10,574,249	11,243,014	7,335,431	8,477,584	7,975,681	132,924,466
NOTE: FOR JIM MILLER							
SALEM JC2	0	0	0	0	0	0	0
OTHER (PRECOMMERCIAL)							
OTHER	0	0	0	0	0	0	0

REFERENCE:
ENERGY COST RATE FACTOR
STATEMENT NO. 1
SCHEDULE E-3
Sheet 10 of 24

80/20 FILING - 7/86 - 6/87

FUEL COST	JULY 1986	AUGUST 1986	SEPTEMBER 1986	OCTOBER 1986	NOVEMBER 1986	DECEMBER 1986
DIESELS						
CROMBY D 1&2	1,200	0	0	0	5,300	1,800
DELAWARE D	1,700	1,200	0	1,200	1,700	0
SOUTHWARK D	0	0	0	0	0	0
SCHUYLKILL D	0	0	1,200	500	0	0
KEYSTONE D	100	300	300	0	0	0
CONEMAUGH D	100	100	300	0	0	0
DIESEL	3,100	1,600	1,800	1,700	7,000	1,800
GAS TURBINES						
SOUTHWARK CT	12,000	43,000	21,000	0	0	0
EDDYSTONE CT	17,000	48,000	19,000	0	0	0
DELAWARE CT	15,000	43,000	21,000	0	0	0
SCHUYLKILLCT	7,000	23,000	5,000	0	0	0
CHESTER CT	12,000	31,000	15,000	0	0	0
FALLS CT	14,000	36,000	21,000	0	0	0
MOSER CT	14,000	42,000	23,000	0	0	0
PLY MTG CT	0	0	0	0	0	0
RICH GE CT	411,000	517,000	200,000	288,000	183,000	165,000
RICH ME CT	0	0	0	0	0	0
RICH MO CT	0	0	0	0	0	0
RICHMOND CT	411,000	517,000	200,000	288,000	183,000	165,000
CROYDON	798,000	1,088,000	514,000	516,000	378,000	261,000
SALEM CT	2,000	2,000	2,000	0	0	0
GAS TURBINES	1,302,000	1,873,000	841,000	804,000	561,000	426,000
TOTAL IC	1,305,100	1,874,600	842,800	805,700	568,000	427,800

REFERENCE:
ENERGY COST RATE FACTOR
STATEMENT NO. 1
SCHEDULE E-2
Sheet 11 of 24

9/20 FILIN - 7/86 - 6/87

FU . COST

	JANUARY 1987	FEBRUARY 1987	MARCH 1987	APRIL 1987	MAY 1987	JUNE 1987	TOTAL
DIESELS							
CROMBY D 1&2	0	3,100	600	0	0	0	12,000
DELAWARE D	8,300	2,000	0	3,200	0	0	19,300
SOUTHWARK D	0	0	0	0	0	0	0
SCHUYLKILL D	2,000	0	0	0	0	0	3,700
KEYSTONE D	0	0	0	500	0	0	1,200
CONEMAUGH D	0	0	0	500	0	0	1,000
DIESEL	10,300	5,100	600	4,200	0	0	37,200
GAS TURBINES							
SOUTHWARK CT	0	0	0	9,000	0	0	85,000
EDDYSTONE CT	0	0	0	14,000	0	0	98,000
DELAWARE CT	0	0	0	24,000	0	0	103,000
SCHUYLKILLCT	0	0	0	2,000	0	0	37,000
CHESTER CT	0	0	0	14,000	0	0	72,000
FALLS CT	0	0	0	16,000	0	0	87,000
MOSER CT	0	0	0	24,000	0	0	103,000
PLY MTG CT	0	0	0	0	0	0	0
RICH GE CT	322,000	370,000	85,000	244,000	101,000	141,000	3,027,000
RICH ME CT	0	0	0	0	0	0	0
RICH MO CT	0	0	0	0	0	0	0
RICHMOND CT	322,000	370,000	85,000	244,000	101,000	141,000	3,027,000
CROYDON	937,000	961,000	233,000	593,000	185,000	458,000	6,922,000
SALEM CT	0	0	0	0	0	0	6,000
GAS TURBINES	1,259,000	1,331,000	318,000	940,000	286,000	599,000	10,540,000
TOTAL IC	1,269,300	1,336,100	318,600	944,200	286,000	599,000	10,577,200

80/20 FILING - 7/86 - 6/87

FUEL BURN (6 OIL BBLS.)

	JULY 1986	AUGUST 1986	SEPTEMBER 1986	OCTOBER 1986	NOVEMBER 1986	DECEMBER 1986
EDDYSTONE STATION						
ED1 #6OIL	2,100	2,100	2,300	2,300	2,100	2,400
ED1 SCR OIL	0	0	0	0	7,900	10,800
ED2 #6OIL	2,100	2,100	2,300	2,300	10,000	9,100
ED2 SCR OIL	0	0	0	0	0	4,100
ED1&2 #6OIL	4,200	4,200	4,600	4,600	12,100	11,500
ED12 SCR OIL	0	0	0	0	7,900	14,900
ED3 #6OIL	143,000	108,000	129,000	116,000	126,000	139,000
ED4 #6OIL	146,000	133,000	143,000	122,000	113,000	99,000
ED3&4 #6OIL	289,000	241,000	272,000	238,000	239,000	238,000
----STATION TOTALS---						
ED12 SCR OIL	0	0	0	0	7,900	14,900
ED1234 #6OIL	293,200	245,200	276,600	242,600	251,100	249,500
ED STA #6OIL	293,200	245,200	276,600	242,600	259,000	264,400
CROMBY STATION						
CR1 #6OIL	440	410	410	350	340	390
CR1 SCRUBOIL	4,000	4,300	4,600	5,700	5,100	5,700
CR2 #6OIL	1,310	1,310	1,270	1,310	92,270	111,500
----STATION TOTALS----						
SCRUBBEROIL	4,000	4,300	4,600	5,700	5,100	5,700
CR12 #6OIL	1,750	1,720	1,680	1,660	92,610	111,890
CR STA #6OIL	5,750	6,020	6,280	7,360	97,710	117,590
DEL7 #6OIL	44,000	37,000	30,000	33,000	31,000	34,000
DEL8 #6OIL	40,000	41,000	30,000	29,000	7,000	40,000
DEL STA 6OIL	84,000	78,000	60,000	62,000	38,000	74,000
RICH9 #6OIL	0	0	0	0	0	0
SOUTHWARK STATION						
SWK1 #6OIL	0	0	0	0	0	0
SWK2 #6OIL	0	0	0	0	0	0
SWK STA 6OIL	0	0	0	0	0	0
CHUY1 #6OIL	59,000	43,000	51,000	11,000	48,000	49,000
TOT #6OIL FOR ALL STEAM UNITS:					442,710	506,990

REFERENCE:
ENERGY COST RATE FACTOR
STATEMENT NO. 1
SCHEDULE E-3
Sheet 13 of 24

06/20 FILING - 7/86 - 6/87

OIL BILL (6 OIL BBLS.)

	JANUARY 1987	FEBRUARY 1987	MARCH 1987	APRIL 1987	MAY 1987	JUNE 1987	TOTAL
EDDYSTONE STATION							
ED1 #6OIL	2,300	1,900	2,300	2,100	2,300	2,300	26,500
ED1 SCR OIL	12,600	11,500	10,300	0	0	0	53,100
ED2 #6OIL	100	3,600	0	2,100	2,300	2,300	38,300
ED2 SCR OIL	14,800	9,800	12,600	0	0	0	41,300
ED1&2 #6OIL	2,400	5,500	2,300	4,200	4,600	4,600	64,800
ED12 SCR OIL	27,400	21,300	22,900	0	0	0	94,400
ED3 #6OIL	185,000	47,000	50,000	67,000	48,000	97,000	1,255,000
ED4 #6OIL	178,000	152,000	41,000	37,000	59,000	66,000	1,289,000
ED3&4 #6OIL	363,000	199,000	91,000	104,000	107,000	163,000	2,544,000
----STATION TOTALS---							
ED12 SCR OIL	27,400	21,300	22,900	0	0	0	94,400
ED1234 #6OIL	365,400	204,500	93,300	108,200	111,600	167,600	2,608,800
ED STA #6OIL	392,800	225,800	116,200	108,200	111,600	167,600	2,703,200
CROMBY STATION							
CR1 #6OIL	200	250	370	260	190	400	4,010
CR1 SCRUBOIL	8,000	6,300	5,000	2,700	2,100	5,000	58,500
CR2 #6OIL	76,640	28,760	83,560	68,210	59,940	78,720	604,800
----STATION TOTALS----							
SCRUBBEROIL	8,000	6,300	5,000	2,700	2,100	5,000	58,500
CR12 #6OIL	76,840	29,010	83,930	68,470	60,130	79,120	608,810
CR STA #6OIL	84,840	35,310	88,930	71,170	62,230	84,120	667,310
DEL7 #6OIL	55,000	32,000	24,000	22,000	8,000	26,000	376,000
DEL8 #6OIL	38,000	37,000	24,000	19,000	10,000	22,000	337,000
DEL STA 6OIL	93,000	69,000	48,000	41,000	18,000	48,000	713,000
RICH9 #6OIL	0	0	0	0	0	0	0
SOUTHWARK STATION							
SWK1 #6OIL	0	0	0	0	0	0	0
SWK2 #6OIL	0	0	0	0	0	0	0
SWK STA 6OIL	0	0	0	0	0	0	0
SCHUY1 #6OIL	83,000	45,000	42,000	32,000	20,000	32,000	515,000
TOTAL #6OIL FOR ALL STEAM UNITS:							
STEAM #6OIL	453,640	375,110	295,130	252,370	211,830	331,720	4,598,510

BO/20 FILING - 7/86 - 6/87

FUEL BURN (# 6 OIL BBLS.)	JULY 1986	AUGUST 1986	SEPTEMBER 1986	OCTOBER 1986	NOVEMBER 1986	DECEMBER 1986
PEACH BOTTOM AUX. BOILER (PE SHARE ONLY)						
PB2 #6OIL	537	537	520	537	520	537
PB3 #6OIL	537	537	520	537	520	537
PB STA 6OIL	1,074	1,074	1,040	1,074	1,040	1,074
NUCL #6OIL	1,074	1,074	1,040	1,074	1,040	1,074
TOTAL 6OIL FOR ALL ELECTRIC OUTPUT:						
ELECTRIC	443,024	373,294	394,920	324,034	443,750	506,064
STEAM HEAT (SCHUYLKILL TRANSFER, MILLON & EDISON).						
TRANSFER	27,700	38,500	34,900	42,100	70,100	149,500
MILLON	0	0	0	0	0	0
EDISON	8,545	2,568	872	892	1,983	4,028
TOTAL STEAM	36,245	41,068	35,772	42,992	72,083	153,528
PEACH BOTTOM AUX. BOILER (PS, AE, DPL SHARES)						
PB2AUX NONPE	727	727	704	727	704	727
PB3AUX NONPE	727	727	704	727	704	727
PB AUX NONPE	1,454	1,454	1,408	1,454	1,408	1,454
TOTAL BARRELS TO BE PURCHASED						
NO 6 OIL	480,723	415,816	432,100	368,480	517,241	661,046

REFERENCE:
ENERGY COST RATE FACTOR
STATEMENT NO. 1
SCHEDULE E-3
Sheet 15 of 24

L BUR) (6 OIL BBLS.)	JANUARY 1987	FEBRUARY 1987	MARCH 1987	APRIL 1987	MAY 1987	JUNE 1987	TOTAL
PEACH BOTTOM AUX. BOILER (PE SHARE ONLY)							
PB2 #6OIL	537	485	537	520	537	520	6,324
PB3 #6OIL	537	485	537	520	537	520	6,324
PB STA 6OIL	1,074	970	1,074	1,040	1,074	1,040	12,648
NUCL #6OIL	1,074	970	1,074	1,040	1,074	1,040	12,648
TOTAL 6OIL FOR ALL ELECTRIC OUTPUT:							
ELECTRIC	654,714	376,080	296,204	253,410	212,904	332,760	4,611,158
STEAM HEAT (SCHUYLKILL TRANSFER, MILLON & EDISON).							
TRANSFER	196,800	186,500	171,800	120,800	56,700	43,900	1,139,300
MILLON	0	0	0	0	0	0	0
EDISON	8,082	17,273	8,306	2,734	994	731	57,008
TOTAL STEAM	204,882	203,773	180,106	123,534	57,694	44,631	1,196,308
PEACH BOTTOM AUX. BOILER (PS, AE, DPL SHARES)							
PB2AUX NONPE	727	657	727	704	727	704	8,562
PB3AUX NONPE	727	657	727	704	727	704	8,562
PB AUX NONPE	1,454	1,314	1,454	1,408	1,454	1,408	17,124
TOTAL BARRELS TO BE PURCHASED							
NO 6 OIL	861,050	581,167	477,764	378,352	272,052	378,799	5,824,590

REFERENCE:
ENERGY COST RATE FACTOR
STATEMENT NO. 1
SCHEDULE E-3
Sheet 16 of 24

80/20 FILING - 7/86 - 6/87

FUEL BURN (2 OIL BBLS.)	JULY 1986	AUGUST 1986	SEPTEMBER 1986	OCTOBER 1986	NOVEMBER 1986	DECEMBER 1986
STEAM STATIONS						
ED1 #2OIL	700	700	1,300	1,300	700	1,300
ED2 #2OIL	1,100	700	700	700	700	1,100
ED3 #2OIL	1,200	900	1,100	900	1,000	1,100
ED4 #2OIL	1,200	1,000	1,200	900	900	800
ED STA #2OIL	4,200	3,300	4,300	3,800	3,300	4,300
CR1 #2OIL	150	140	140	120	120	130
CR2 #2OIL	0	0	0	0	90	110
CR STA #2OIL	150	140	140	120	210	240
DEL7 #2OIL	650	540	610	560	530	820
DEL8 #2OIL	630	500	500	560	240	700
DEL STA 2OIL	1,280	1,040	1,110	1,120	770	1,520
RICH9 #2OIL	0	0	0	0	0	0
SHK1 #2OIL	0	0	0	0	0	0
SHK2 #2OIL	0	0	0	0	0	0
SHK STA 2OIL	0	0	0	0	0	0
SCHUY1 #2OIL	160	120	140	60	110	170
PHILA AREA STEAM UNITS:						
PHL STM 2OIL	5,790	4,600	5,690	5,100	4,390	6,230
MINEMOUTH STATIONS						
KEYST1 #2OIL	0	0	300	0	0	800
KEYST2 #2OIL	300	500	300	0	300	500
KEY STA 2OIL	300	500	600	0	300	1,300
CON1 #2OIL	200	0	0	400	0	400
CON2 #2OIL	0	200	200	0	400	400
CON STA 2OIL	200	200	200	400	400	800
MINEMTH 2OIL	500	700	800	400	700	2,100
PHILA AREA & MINEMTH TOTAL:						
STEAM #2OIL	6,290	5,300	6,490	5,500	5,090	8,330

REFERENCE:
ENERGY COST RATE FACTOR
STATEMENT NO. 1
SCHEDULE E-3
Sheet 17 of 24

...0/20 FILIN - 7/86 - 6/87

...L BI" (2 OIL BBLS.)

	JANUARY 1987	FEBRUARY 1987	MARCH 1987	APRIL 1987	MAY 1987	JUNE 1987	TOTAL
STEAM STATIONS							
ED1 #2OIL	1,300	600	1,300	700	1,300	1,300	12,500
ED2 #2OIL	1,100	1,400	700	700	700	1,400	11,000
ED3 #2OIL	1,600	300	400	500	400	800	10,200
ED4 #2OIL	1,500	1,200	300	300	500	500	10,300
ED STA #2OIL	5,500	3,500	2,700	2,200	2,900	4,000	44,000
CR1 #2OIL	70	90	130	90	70	140	1,390
CR2 #2OIL	50	70	100	100	110	90	720
CR STA #2OIL	120	160	230	190	180	230	2,110
DEL7 #2OIL	590	480	630	550	260	450	6,670
DEL8 #2OIL	710	490	600	480	330	530	6,270
DEL STA 2OIL	1,300	970	1,230	1,030	590	980	12,940
RICH9 #2OIL	0	0	0	0	0	0	0
SHK1 #2OIL	0	0	0	0	0	0	0
SHK2 #2OIL	0	0	0	0	0	0	0
SHK STA 2OIL	0	0	0	0	0	0	0
SCHUY1 #2OIL	120	120	150	150	90	160	1,550
PHILA AREA STEAM UNITS:							
PHL STM 2OIL	7,040	4,750	4,310	3,570	3,760	5,370	60,600
MINEMOUTH STATIONS							
KEYST1 #2OIL	300	300	0	0	300	0	2,000
KEYST2 #2OIL	500	300	0	0	0	0	2,700
KEY STA 2OIL	800	600	0	0	300	0	4,700
CON1 #2OIL	200	0	0	0	0	200	1,400
CON2 #2OIL	200	200	200	200	0	400	2,400
CON STA 2OIL	400	200	200	200	0	600	3,800
MINEMTH 2OIL	1,200	800	200	200	300	600	8,500
PHILA AREA & MINEMTH TOTAL:							
STEAM #2OIL	8,240	5,550	4,510	3,770	4,060	5,970	69,100

80/20 FILING - 7/86 - 6/87

FUEL BURN (2 OIL BBLS.)

	JULY 1986	AUGUST 1986	SEPTEMBER 1986	OCTOBER 1986	NOVEMBER 1986	DECEMBER 1986
DIESEL FOR NUCLEAR UNITS						
PEACH BOTTOM (PE SHARE ONLY)						
PB2 #2OIL	67	67	64	67	64	67
PB3 #2OIL	67	67	64	67	64	67
PB STA 2OIL	134	134	128	134	128	134
SALEM1 #2OIL	3	3	3	3	3	3
SALEM2 #2OIL	3	3	3	3	3	3
SAL STA 2OIL	6	6	6	6	6	6
LIM1 AUX BLR	1,300	1,300	1,300	1,300	1,300	1,300
LIM2 AUX BLR	0	0	0	0	0	0
LIM STA AUX	1,300	1,300	1,300	1,300	1,300	1,300
LIM1 DIESEL	210	210	161	210	161	210
LIM2 DIESEL	0	0	0	0	0	0
LIM STA DSL	210	210	161	210	161	210
LIM STA 2OIL	1,510	1,510	1,461	1,510	1,461	1,510
TOTAL FOR ALL NUCLEAR UNITS (PE SHARE)						
NUCL #2OIL	1,650	1,650	1,595	1,650	1,595	1,650
PEACH BOTTOM DIESEL (PS, AE, &DPL SHARES)						
PB2DSL NONPE	91	91	86	91	86	91
PB3DSL NONPE	91	91	86	91	86	91
PB DSL NONPE	182	182	172	182	172	182
LIMERPC AUX	0	0	0	0	0	0
LIMERPC DSL	0	0	0	0	0	0
LIMER PRECOM	0	0	0	0	0	0

REFERENCE:
ENERGY COST RATE FACTOR
STATEMENT NO. 1
SCHEDULE E-3
Sheet 19 of 24

(L BBL) (2 OIL BBLS.)

	JANUARY 1987	FEBRUARY 1987	MARCH 1987	APRIL 1987	MAY 1987	JUNE 1987	TOTAL
DIESEL FOR NUCLEAR UNITS							
PEACH BOTTOM (PE SHARE ONLY)							
PB2 #2OIL	67	60	67	64	67	64	785
PB3 #2OIL	67	60	67	64	67	64	785
PB STA 2OIL	134	120	134	128	134	128	1,570
SALEM1 #2OIL	3	3	3	3	3	3	36
SALEM2 #2OIL	3	3	3	3	3	3	36
SAL STA 2OIL	6	6	6	6	6	6	72
LIM1 AUX BLR	1,300	1,200	1,300	1,300	1,300	1,300	15,500
LIM2 AUX BLR	0	0	0	0	0	0	0
LIM STA AUX	1,300	1,200	1,300	1,300	1,300	1,300	15,500
LIM1 DIESEL	210	164	210	161	210	161	2,278
LIM2 DIESEL	0	0	0	0	0	0	0
LIM STA DSL	210	164	210	161	210	161	2,278
LIM STA 2OIL	1,510	1,364	1,510	1,461	1,510	1,461	17,778
TOTAL FOR ALL NUCLEAR UNITS (PE SHARE)							
NUCL #2OIL	1,650	1,490	1,650	1,595	1,650	1,595	19,420
PEACH BOTTOM DIESEL (PS, AE, &DPL SHARES)							
PB2DSL NONPE	91	82	91	86	91	86	1,063
PB3DSL NONPE	91	82	91	86	91	86	1,063
PB DSL NONPE	182	164	182	172	182	172	2,126
LIMERPC AUX	0	0	0	0	0	0	0
LIMERPC DSL	0	0	0	0	0	0	0
LIMER PRECOM	0	0	0	0	0	0	0

REFERENCE:
ENERGY COST RATE FACTOR
STATEMENT NO. 1
SCHEDULE E-3
Sheet 20 of 24

80/20 FILING - 7/86 - 6/87

FUEL BURN (2 OIL BBLS.)	JULY 1986	AUGUST 1986	SEPTEMBER 1986	OCTOBER 1986	NOVEMBER 1986	DECEMBER 1986
INTERNAL COMBUSTION						
RICH GE CT	18,900	23,800	9,100	12,600	8,000	7,200
RICH WE CT	0	0	0	0	0	0
RICH WO CT	0	0	0	0	0	0
RICHCT TOTAL	18,900	23,800	9,100	12,600	8,000	7,200
SOUTHMARK CT	520	1,900	920	0	0	0
EDDYSTONE CT	760	2,130	850	0	0	0
DELAWARE CT	670	1,930	950	0	0	0
SCHUYLKILLCT	320	1,010	230	0	0	0
CHESTER CT	520	1,390	690	0	0	0
FALLS CT	600	1,600	940	0	0	0
MOSER CT	600	1,860	1,020	0	0	0
PLY MTG CT	0	0	0	0	0	0
PE SUBTOTAL	22,890	35,620	14,700	12,600	8,000	7,200
CROYDON	37,000	50,000	23,000	23,000	17,000	11,000
PE CT TOTAL	59,890	85,620	37,700	35,600	25,000	18,200
PE DIESELS	120	50	50	70	290	70
PE TOTAL	60,010	85,670	37,750	35,670	25,290	18,270
MINEMOUTH D	10	20	20	0	0	0
SALEM83	87	87	87	0	0	0
TOTAL IC	60,107	85,777	37,857	35,670	25,290	18,270
STEAM HEAT	8	6	4	4	13	21
TOTAL BARRELS TO BE PURCHASED (EXCLUDES MINEMOUTH & SALEM)						
NO 2 OIL	67,634	92,102	45,205	42,600	31,454	26,347
TOTAL NO 2 OIL FOR PE ELECTRIC SYSTEM (EXCLUDES STEAM HEAT & PB2&3(NONPE))						
TOTAL NO 2	68,047	92,727	45,942	42,820	31,975	28,250

REFERENCE:
ENERGY COST RATE FACTOR
STATEMENT NO. 1
SCHEDULE E-3
Sheet 21 of 24

FUEL BURN (2 OIL BBLS.)

	JANUARY 1987	FEBRUARY 1987	MARCH 1987	APRIL 1987	MAY 1987	JUNE 1987	TOTAL
INTERNAL COMBUSTION							
RICH GE CT	12,300	14,100	3,100	8,200	3,400	4,700	125,400
RICH HE CT	0	0	0	0	0	0	0
RICH WO CT	0	0	0	0	0	0	0
RICHCT TOTAL	12,300	14,100	3,100	8,200	3,400	4,700	125,400
SOUTHWARK CT	0	0	0	310	0	0	3,650
EDDYSTONE CT	0	0	0	470	0	0	4,210
DELAWARE CT	0	0	0	800	0	0	4,350
SCHUYLKILLCT	0	0	0	80	0	0	1,640
CHESTER CT	0	0	0	470	0	0	3,070
FALLS CT	0	0	0	510	0	0	3,650
MOSER CT	0	0	0	770	0	0	4,250
PLY MTG CT	0	0	0	0	0	0	0
PE SUBTOTAL	12,300	14,100	3,100	11,610	3,400	4,700	150,220
CROYDON	36,000	37,000	9,000	20,000	6,000	15,000	284,000
PE CT TOTAL	48,300	51,100	12,100	31,610	9,400	19,700	434,220
PE DIESELS	380	180	20	110	0	0	1,340
PE TOTAL	48,680	51,280	12,120	31,720	9,400	19,700	435,560
MINEMOUTH D	0	0	0	40	0	0	90
SALEM#3	0	0	0	0	0	0	261
TOTAL IC	48,680	51,280	12,120	31,760	9,400	19,700	435,911
STEAM HEAT	20	21	27	14	6	3	147
TOTAL BARRELS TO BE PURCHASED (EXCLUDES MINEMOUTH & SALEM)							
NO 2 OIL	57,566	57,699	18,283	37,065	14,992	26,834	517,781
TOTAL NO 2 OIL FOR PE ELECTRIC SYSTEM (EXCLUDES STEAM HEAT & PB283(NONPE))							
TOTAL NO 2	58,570	58,320	18,280	37,125	15,110	27,265	524,431

REFERENCE:
ENERGY COST RATE FACTOR
STATEMENT NO. 1
SCHEDULE E-3
Sheet 22 of 24

80/20 FILING - 7/86 - 6/87

FUEL BURN (TONS & MCF)	JULY 1986	AUGUST 1986	SEPTEMBER 1986	OCTOBER 1986	NOVEMBER 1986	DECEMBER 1986
TONS OF COAL						
PHILA AREA COAL						
ED1 COAL	39,000	43,000	42,000	48,000	45,000	39,000
ED2 COAL	42,000	51,000	11,000	0	0	15,000
ED STA COAL	81,000	94,000	53,000	48,000	45,000	54,000
CR1 COAL	16,000	17,000	18,000	22,000	20,000	23,000
PE COAL	97,000	111,000	71,000	70,000	65,000	77,000
MINEMOUTH COAL						
CON1 COAL	32,000	38,000	34,000	34,000	31,000	34,000
CON2 COAL	35,000	34,000	38,000	37,000	31,000	29,000
CON STA COAL	67,000	72,000	72,000	71,000	62,000	63,000
KEYST1 COAL	43,000	43,000	38,000	44,000	38,000	36,000
KEYST2 COAL	5,000	34,000	35,000	38,000	34,000	36,000
KEY STA COAL	48,000	77,000	73,000	82,000	72,000	72,000
MINEMTH COAL	115,000	149,000	145,000	153,000	134,000	135,000
TOTAL COAL	212,000	260,000	216,000	223,000	199,000	212,000
MCF OF GAS (EDDYSTONE SCRUBBER RELATED)						
ED1 SCRUBGAS	65,000	71,000	69,000	79,000	27,000	0
ED2 SCRUBGAS	70,000	84,000	18,000	0	0	0
TOTAL GAS	135,000	155,000	87,000	79,000	27,000	0

REFERENCE:
ENERGY COST RATE FACTOR
STATEMENT NO. 1
SCHEDULE E-3
Sheet 23 of 24

J/20 FILING - 7/86 - 6/87

BUD	(TONS & MCF) JANUARY 1987	FEBRUARY 1987	MARCH 1987	APRIL 1987	MAY 1987	JUNE 1987	TOTAL
TONS OF COAL							
PHILA AREA COAL							
ED1 COAL	46,000	41,000	40,000	43,000	40,000	38,000	504,000
ED2 COAL	54,000	36,000	49,000	47,000	47,000	36,000	388,000
ED STA COAL	100,000	77,000	89,000	90,000	87,000	74,000	892,000
CR1 COAL	31,000	25,000	20,000	11,000	8,000	20,000	231,000
PE COAL	131,000	102,000	109,000	101,000	95,000	94,000	1,123,000
MINEMOUTH COAL							
CON1 COAL	38,000	33,000	37,000	34,000	40,000	34,000	419,000
CON2 COAL	36,000	25,000	2,000	33,000	40,000	30,000	370,000
CON STA COAL	74,000	58,000	39,000	67,000	80,000	64,000	789,000
KEYST1 COAL	37,000	36,000	45,000	8,000	27,000	41,000	436,000
KEYST2 COAL	33,000	33,000	38,000	37,000	43,000	37,000	403,000
KEY STA COAL	70,000	69,000	83,000	45,000	70,000	78,000	839,000
MINEMTH COAL	144,000	127,000	122,000	112,000	150,000	142,000	1,628,000
TOTAL COAL	275,000	229,000	231,000	213,000	245,000	236,000	2,751,000
MCF OF GAS (EDDYSTONE SCRUBBER RELATED)							
ED1 SCRUBGAS	0	0	5,000	71,000	66,000	62,000	515,000
ED2 SCRUBGAS	0	0	6,000	77,000	78,000	59,000	392,000
TOTAL GAS	0	0	11,000	148,000	144,000	121,000	907,000

REFERENCE:
ENERGY COST RATE FACTOR
STATEMENT NO. 1
SCHEDULE E-3
Sheet 24 of 24

PHILADELPHIA ELECTRIC COMPANY-ELECTRIC OPERATIONS
ENERGY COST RATE RECONCILIATION
REPORT ENDED APR'86

	TOTAL SYSTEM SALES KWH 1	CURRENT ENERGY COST MILLS/KWH 2=3/1X 1000	ACTUAL TOTAL ENERGY COST $ 3 (A)	ALLOC. FACTOR 4 (B)	ACTUAL ENERGY COST PECO RETAIL CUSTOMER $ 5=3X4	RETAIL CUSTOMER SALES KWH 6 (C)	ACTUAL ENERGY COST RECOVERED IN BASE RATES $ 7=6XBASE	ENERGY COST OVER BASE $ 8=5-7	(F/ST)-B - 3.627 MILLS/KWH 9	FUEL REVENUE EXCL. GRT $ 10=9X6	HT TIME OF USE ADJ. $ 11 (D)	TOTAL REVENUE INCLUDING SALEM 2 CREDIT $ 12=11+10	SALEM 2 CREDIT REVENUE EXCL. GRT $ 13 (E)
FEB'85	2520132788.	28.754	72464096.	0.9741	70587276.	2459350733.	69299585.	1287691.	-3.868705	-9515156.	-414940.	-9930096.	-6468921.
MAR'85	2274670800.	24.779	56365062.	0.9755	54984118.	2216448759.	62455093.	-7470975.	-4.865725	-10784629.	-770448.	-11555077.	-8039259.
APR'85	2180772632.	22.277	48581504.	0.9758	47405832.	2127576959.	59950864.	-12545032.	-5.447320	-11590102.	-300059.	-11890161.	-7716913.
MAY'85	2133269785.	19.773	42180903.	0.9770	41210742.	2080384413.	58621072.	-17410330.	-5.798760	-12063547.	-222280.	-12285827.	-7545742.
JUN'85	2176308704.	20.080	43699744.	0.9775	42716500.	2124535844.	59865171.	-17148671.	-5.811175	-12346047.	505451.	-11840596.	-7705883.
JUL'85	2406564458.	28.947	69663946.	0.9812	68354264.	2355394746.	66370313.	1983951.	-5.811175	-13687609.	499633.	-13187976.	-8543229.
AUG'85	2527057557.	25.602	64698734.	0.9807	63450048.	2474913183.	69738104.	-6288056.	-5.811175	-14382152.	589708.	-13792444.	-8976733.
SEP'85	2494818450.	20.879	52090306.	0.9735	50709913.	2429767806.	68465997.	-17756084.	-5.811175	-14119805.	507674.	-13612131.	-8812987.
OCT'85	2279767534.	23.167	52815081.	0.9816	51843283.	2237250322.	63041240.	-11197957.	-5.811175	-13001051.	-280078.	-13281129.	-8114708.
NOV'85	2121277797.	14.992	31801244.	0.9791	31136598.	2073592014.	58429676.	-27293078.	-5.811175	-12050004.	-310982.	-12360986.	-7521105.
DEC'85	2647071434.	25.551	67635562.	0.9777	66127289.	2383962890.	67175306.	-1048017.	-5.811175	-13853621.	-386213.	-14239834.	-8646848.
JAN'86	2658454320.	25.758	68476206.	0.9772	66914948.	2596367462.	73160442.	-6245494.	-5.811175	-15087945.	-387747.	-15475692.	-9417258.
FEB'86	2502194484.	18.599	46538407.	0.9774	45486639.	2447173069.	68956443.	-23469804.	-5.811175	-14220949.	-294448.	-14515397.	-8876117.
MAR'86	2363816345.	15.695	37101276.	0.9791	36325859.	2312957381.	65174513.	-28848654.	-5.811175	-13441000.	-303522.	-13744522.	-8389305.
APR'86	2199175737.	18.473	40625306.	0.9794	39788425.	2152965163.	60666252.	-20877827.	-5.480745	-11800449.	-209928.	-12010377.	-3610490.
YEARLY TOTAL TO DATE	35485352825.		794737377.		777041734.	34472640744.	971370071.	-194328337.		-191944066.	-1778179.	-193722245.	-118385498.

BASE = 28.178 MILLS/KWH.

(A) TOTAL ENERGY COST = FUEL COST + NET INTERCHANGE - HT SUPPLEMENTAL ENERGY.

(B) SEE SCHEDULE E-4 PAGE 3 OF 4 FOR DEVELOPMENT.

(C) DOES NOT INCLUDE HT SUPPLEMENTAL ENERGY

(D) PER COMMISSION ORDER ENTERED MAY 21, 1982 AT RATE CASE NO. R-811626, PAGE 60.

(E) TOTAL SALEM 2 CREDIT REFUNDED($118,385,498) LESS THE AMOUNT GUARANTEED [illegible] AUTOMATICALLY INCLUDED IN

REFERENCE:
Energy Cost Rate F
Statement No. 1
Schedule E-4
Sheet 1 of 4

PHILADELPHIA ELECTRIC COMPANY-ELECTRIC OPERATIONS
ENERGY COST RATE RECONCILIATION
REPORT ENDED APRIL 1986

	SALEM 2 ALLOCATED JURISDICTION SAVINGS 14	SALEM 2 SAVINGS SHORTFALL 15=13+14	CURRENT PERIOD O/U RECOVERY 16=12-8-15	ADJUSTED CURRENT PERIOD O/U RECOVERY 16A (NOTE A)	INT. RATE 17	INT. FACTOR 18	INTEREST 19=16AX17X18/100
FEB'85	0	-6,468,921	-4,748,866	-3,652,353	13.75	23/12	-962,547
MAR'85	0	-8,039,259	3,955,157	3,041,911	13.75	22/12	766,815
APR'85	1,485,476	-6,231,437	6,886,308	5,296,259	13.75	21/12	1,274,412
MAY'85	7,519,825	-25,917	5,150,420	3,961,188	14.25	20/12	940,782
JUN'85	9,970,993	2,265,110	3,042,965	2,340,344	14.00	19/12	518,776
JUL'85	7,630,189	-913,040	-14,258,887	-10,966,510	13.50	18/12	-2,220,718
AUG'85	8,696,156	-280,577	-7,223,811	-5,555,833	12.75	17/12	-1,003,522
SEP'85	8,990,350	177,363	3,966,590	3,050,704	13.00	16/12	528,789
OCT'85	10,793,991	2,679,283	-4,762,455	-3,662,804	13.00	15/12	-595,206
NOV'85	9,828,783	2,307,678	12,624,414	9,709,437	13.25	14/12	1,500,917
DEC'85	4,043,490	-4,603,358	-8,588,459	-6,605,384	13.00	13/12	-930,258
JAN'86	5,941,645	-3,475,613	-5,754,585	-4,425,851	12.50	12/12	-553,231
FEB'86	7,349,978	-1,526,139	10,480,546	10,480,546	12.00	11/12	1,152,860
MAR'86	6,607,430	-1,781,875	16,886,007	16,886,007	12.00	10/12	1,688,601
APR'86	0	-3,610,490	12,477,940	12,477,940	11.50	9/12	1,076,222
YEARLY TOTAL TO DATE	88,858,306	-29,527,192	30,133,284	32,375,602			3,182,692

NOTE A: THE FEB'85 THROUGH JAN'86 AMOUNTS REFLECTED IN ECR #10, WHICH WILL BE EFFECTIVE DURING THE MONTHS OF APRIL, MAY, AND JUNE 1986, ARE REDUCED HERE BY THE RATIO OF APRIL, MAY, AND JUNE 1986 SALES (6,386,750 MWH) TO 12 MONTHS ENDED MARCH 1987 SALES (27,657,689 MWH), SO THAT ONLY THE REMAINING 9 MONTHS OF EFFECTIVENESS ARE REFLECTED IN ECRF #1.

REFERENCE:
Energy Cost Rate F
Statement No. 1
Schedule E-4
Sheet 2 of 4

PHILADELPHIA ELECTRIC COMPANY-ELECTRIC OPERATIONS
ALLOCATION FACTOR
BASED ON GENERATION

	SYSTEM GENERATION 40	BLI TO PE 41	PE TO CP SALES 42	SALES TO LANSDALE 43	INTERDPT SALES 44	SE TO CP SALES 45	SALES APPLICABLE TO LOSS FACTOR 46=42+43+44+45	CALCULATED GENERATION 47=46/(1-.03587)	NUMERATOR 48=40+41-47	ALLOCATION FACTOR 49=48/40
FEB'85	2432300000.	0.	37140942.	9230000.	6035348.	8375765.	60782055.	63043423.	2369256577.	0.9741
MAR'85	2459907000.	3359.	36046000.	8940000.	5030103.	8205938.	58222041.	60388164.	2399522195.	0.9755
APR'85	2281412000.	2061.	31549937.	9280000.	5225833.	7139903.	53195673.	55174793.	2226239268.	0.9758
MAY'85	2384003000.	704.	32159000.	9000000.	4863764.	6862608.	52885372.	54852947.	2329150757.	0.9770
JUN'85	2384685000.	0.	31190000.	8360000.	5504347.	6698513.	51772860.	53699045.	2330985955.	0.9775
JUL'85	2821969000.	1333.	37390000.	800000.	5328546.	7651166.	51169712.	53073457.	2768896876.	0.9812
AUG'85	2808889000.	866.	39339870.	0.	5490888.	7313616.	52144374.	54084381.	2754805485.	0.9807
SEP'85	2543991000.	1109.	52409359.	0.	5481741.	7159544.	65050644.	67470822.	2476521287.	0.9735
OCT'85	2393143000.	886.	30040864.	0.	5176011.	7300337.	42517212.	44099045.	2349044841.	0.9816
NOV'85	2368102000.	812.	34973000.	0.	5019995.	7692788.	47685783.	49459910.	2318642902.	0.9791
DEC'85	2732546000.	1230.	43790000.	0.	5307226.	9680079.	58777305.	60964087.	2671583143.	0.9777
JAN'86	2827562000.	5293.	46420000.	0.	5854092.	9812766.	62086858.	64396770.	2763170523.	0.9772
FEB'86	2528101000.	1270.	40114581.	0.	6011785.	8893049.	55019415.	57066386.	2471115884.	0.9774
MAR'86	2521579000.	1003.	36605000.	0.	5610777.	8643187.	50858964.	52751148.	2468828855.	0.9791
APR'86	2331845000.	837.	33274000.	0.	5468736.	7467838.	46210574.	47929817.	2283916020.	0.9794

REFERENCE:
Energy Cost Rate Factor
Statement No. 1
Schedule E-4
Sheet 3 of 4

Philadelphia Electric Company
Reconciliation of Correction Factor
February 1986 Through April 1986

Beginning Balance 1-31-86 ($77,167,876)

Amount Recovered by "E" Factor:

	kWH Sales to Pa. Jurisdictional Customers	"E" Factor Mills/kWh (Excl. GRT)	
Feb '86 & Mar '86	4,760,130,450	6.069025	28,889,351
April 1986*	995,423,443	6.069025	6,041,250
	1,157,541,720	2.790510	3,230,132
Feb. Mar. & April 1986 Overcollections			39,844,493
Applicable Interest due customer			3,182,692
Ending Balance 4-30-86 (To be Refunded via "E" factor effective 6-27-86)			$4,020,042

*Sales split due to proration of new and old rate

PHILADELPHIA ELECTRIC COMPANY-ELECTRIC OPERATIONS
ENERGY COST RATE RECONCILIATION
REPORT ENDED APR'87

	TOTAL SYSTEM SALES KWH 1	CURRENT ENERGY COST MILLS/KWH 2=3/1X 1000	ACTUAL TOTAL ENERGY COST $ 3 (A)	ALLOC. FACTOR 4 (B)	ACTUAL ENERGY COST PECO RETAIL CUSTOMER $ 5=3X4	RETAIL CUSTOMER SALES KWH 6 (C)	ACTUAL ENERGY COST RECOVERED IN BASE RATES $ 7=6XBASE	ENERGY COST OVER BASE $ 8=5-7	(F/ST)-B MILLS/KWH 9	FUEL REVENUE EXCL. GRT $ 10=9X6	HT TIME OF USE ADJ. $ 11 (D)	TOTAL REVENUE $ 12=11+10
MAY'86	2109515000.	15.304	32284683.	0.9804	31651903.	2065015000.	42999807.	-11347904.	-5.197110	-10732109.	0.	-10732109.
JUN'86	2286617000.	16.014	36617932.	0.9818	35951486.	2241217000.	46668862.	-10717376.	-5.197110	-11647848.	0.	-11647848.
JUL'86	2539321000.	14.493	36803033.	0.9804	36081694.	2485121000.	51747675.	-15665981.	-5.703260	-14172637.	0.	-14172637.
AUG'86	2577716000.	13.960	35983897.	0.9805	35282211.	2524916000.	52576326.	-17294115.	-5.703260	-14399590.	0.	-14399590.
SEP'86	2481319000.	13.897	34482890.	0.9812	33834612.	2436719000.	50739800.	-16905188.	-5.703260	-13896602.	0.	-13896602.
OCT'86	2216317000.	14.652	32472973.	0.9780	31758568.	2166517000.	45113383.	-13354815.	-5.703260	-12355641.	0.	-12355641.
NOV'86	2143520000.	15.061	32284491.	0.9801	31642030.	2097720000.	43680824.	-12038794.	-5.703260	-11963289.	0.	-11963289.
DEC'86	2402124000.	15.168	36436567.	0.9760	35562089.	2341624000.	48759637.	-13197548.	-5.703260	-13354273.	0.	-13354273.
JAN'87	2591808000.	12.064	31267294.	0.9764	30529386.	2529691000.	52675756.	-22146370.	-5.703260	-14426820.	0.	-14426820.
FEB'87	2461804000.	14.215	34994462.	0.9779	34221084.	2409857000.	50180452.	-15959368.	-5.703260	-13743406.	0.	-13743406.
MAR'87	2331728000.	13.465	31396307.	0.9781	30708728.	2278774000.	47450911.	-16742183.	-5.703260	-12995840.	0.	-12995840.
APR'87	2241817000.	16.234	36392905.	0.9786	35614097.	2195196000.	45710566.	-10096469.	-5.703260	-12519195.	0.	-12519195.
YEARLY TOTAL TO DATE	28383606000.		411417434.		402837888.	27772367000.	578303999.	-175466111.		-156207250.	0.	-156207250.

BASE = 20.823 MILLS/KWH

(A) TOTAL ENERGY COST = FUEL COST + NET INTERCHANGE - HT SUPPLEMENTAL ENERGY.

(B) SEE SCHEDULE E-5, SHEET 3 OF 3 FOR DEVELOPMENT.

(C) DOES NOT INCLUDE HT SUPPLEMENTAL ENERGY.

(D) PER COMMISSION ORDER ENTERED MAY 21, 1982 AT RATE CASE NO. R-811626, PAGE 60.

REFERENCE:
ENERGY COST RATE FACTOR
STATEMENT NO. 1
SCHEDULE E-5
Sheet 1 of 3

PHILADELPHIA ELECTRIC COMPANY-ELECTRIC OPERATIONS
ENERGY COST RATE RECONCILIATION
REPORT ENDED APR'87

	CURRENT PERIOD O/U RECOVERY 13=12-8	INT. RATE 14	INT. FACTOR 15	INTEREST 16=13X14X15/100
MAY'86				
JUN'86	615795.	11.50	20./12	118027.
JUL'86	-930472.	11.50	19./12	-169423.
AUG'86	1493344.	11.50	18./12	257602.
SEP'86	2894525.	11.50	17./12	471566.
OCT'86	3008586.	11.50	16./12	461317.
NOV'86	999174.	11.50	15./12	143631.
DEC'86	75505.	11.50	14./12	10130.
JAN'87	-156725.	11.50	13./12	-19525.
FEB'87	7719550.	11.50	12./12	887748.
MAR'87	2215962.	11.50	11./12	233599.
APR'87	3746343.	11.50	10./12	359025.
	-2422726.	11.50	9./12	-208960.
YEARLY TOTAL TO DATE	19258861.			2544737.

REFERENCE:
ENERGY COST RATE FACTOR
STATEMENT NO. 1
SCHEDULE E-5
Sheet 2 of 3

PHILADELPHIA ELECTRIC COMPANY-ELECTRIC OPERATIONS
ALLOCATION FACTOR
BASED ON GENERATION

	SYSTEM GENERATION 40	BLI TO PE 41	PE TO CP SALES 42	SALES TO LANSDALE 43	INTERDPT SALES 44	SE TO CP SALES 45	SALES APPLICABLE TO LOSS FACTOR 46=42+43+44+45	CALCULATED GENERATION 47=46/(1-.03587)	NUMERATOR 48=40+41-47	ALLOCATION FACTOR 49=48/40
MAY'86	2354381000.	0.	33000000.	0.	5100000.	6400000.	44500000.	46155601.	2308225399.	0.9804
JUN'86	2591015000.	0.	34000000.	0.	4900000.	6500000.	45400000.	47089085.	2543925915.	0.9818
JUL'86	2864774000.	0.	41100000.	0.	5200000.	7900000.	54200000.	56216485.	2808557515.	0.9804
AUG'86	2802893000.	0.	40400000.	0.	5200000.	7200000.	52800000.	54764399.	2748128601.	0.9805
SEP'86	2465448000.	0.	33500000.	0.	5200000.	5900000.	44600000.	46259322.	2419188678.	0.9812
OCT'86	2346458000.	0.	37400000.	0.	5100000.	7300000.	49800000.	51652785.	2294805215.	0.9780
NOV'86	2386967000.	0.	33800000.	0.	4500000.	7500000.	45800000.	47503967.	2339463033.	0.9801
DEC'86	2618620000.	0.	45800000.	0.	5600000.	9100000.	60500000.	62750874.	2555869126.	0.9760
JAN'87	2729474000.	0.	45617000.	0.	6700000.	9800000.	62117000.	64428034.	2665045966.	0.9764
FEB'87	2437257000.	0.	37947000.	0.	5700000.	8300000.	51947000.	53879664.	2383377336.	0.9779
MAR'87	2505316000.	0.	38754000.	0.	5700000.	8500000.	52954000.	54924128.	2450391872.	0.9781
APR'87	2261103000.	0.	35121000.	0.	5100000.	6400000.	46621000.	48355512.	2212747488.	0.9786

REFERENCE:
ENERGY COST RATE FACTOR
STATEMENT NO. 1
SCHEDULE E-5
Sheet 3 of 3

Philadelphia Electric Company

STATEMENT OF REASONS

The ECRF No. 1 value of (6.124) mills/kWh is a decrease of 3.604 mills/kWh in comparison to the current ECR No. 10 (2nd Revised) value of (2.520) mills/kWh. The reasons for this decrease are as follows:

1. A reduction in the cost of energy of 7.355 mills per kilowatt-hour as a result of the lower estimated energy cost during the twelve months ending June 30, 1987, primarily as a result of Limerick No. 1 operation.

2. A change in the "E" factor from an undercollection factor of negative 2.790 mills per kilowatt-hour to an overcollection factor of positive 0.145 mills per kilowatt-hour, primarily as a result of overcollections during February, March and April 1986.

Effect on Residential Bill

Effective for service on and after June 27, 1986, the energy cost adjustment has been reduced from a credit of $0.002520 per kilowatt-hour to a credit of $0.006124 per kilowatt-hour, or a decrease of $0.003604.

Also effective for service on and after June 27, 1986, is a net base rate increase of approximately $351 million or 14.5%. This increase will be phased in over a three-year period in three equal parts.

For a typical residential customer using 500 kilowatt-hours per month, the monthly bill in the first year will change as follows:

	Before 6/27/86	On and After 6/27/86	Change $	Change (%)
Base Charges	$56.25	$59.13	$2.88	5.1%
State Tax Adj. Chg.	2.59	2.74	0.15	5.8
Subtotal	$58.84	$61.87	$3.03	5.1%
Energy Cost Adj.	(1.26)	(3.06)	(1.80)	(142.9)
Monthly Bill	$57.58	$58.81	$1.23	2.1%

Reference:
PHILADELPHIA ELECTRIC COMPANY
SUPPLEMENT NO. 23 TO
TARIFF ELECTRIC - PA. P.U.C., No. 26

Exhibit III

RECALCULATION OF STATE TAX ADJUSTMENT VALUE

DOCKETED
JUN 27 1986

DOCUMENT
FOLDER

June 26, 1986

REFERENCE: SUPPLEMENT NO. 23 TO ELECTRIC TARIFF NO. 26

PHILADELPHIA ELECTRIC COMPANY - ELECTRIC OPERATIONS
Computation of State Tax Adjustment
To Recover New and Increased State Taxes
Based on Twelve Months Ended December 31, 1985

Additional Revenue Required to Recover:	Electric Operations	Reference
1. Increase in the Capital Stock Tax From 6 Mills to 10 Mills	$ 8,418,683	Line 8 Exh. 1
2. Increase in the Penna. Corporate Net Income Tax Rate from 7-1/2% to 9-1/2%	5,320,319	Line 16, Exh. 2
3. 30 Mill Public Utility Realty Tax	34,209,647	Line 14, Exh. 3
4. Increase in the Utility Gross Receipts Tax from 20 Mills to 45 Mills	61,440,865	Line 7, Exh. 4
5. Subtotal Before Adjustment for Gross Receipts Tax	$109,389,514	(1)+(2)+(3)+(4)
6. Total Additional Revenue Required Including Adjustment for Gross Receipts Tax on Additional Revenue	$114,543,994	(5) - 0.955
7. Gross Intra-State Operating Revenue Derived from Service under Rates and Riders Subject to PUC Jurisdiction	$2,476,402,642	Line 7, Exh. 5
8. State Tax Adjustment	4.63%	(6) - (7)

June 26, 1986

PHILADELPHIA ELECTRIC COMPANY

Details of Computation of Increase in Capital Stock Tax
12 Months Ended December 31, 1984

	Phila. Elec. Co.	Electric Operations	Gas Operations	Steam Operations	Reference
1. Taxable Value of Capital Stock	2,219,180,626				Value Determined by Last Settlement (1983)
2. Capital Stock Tax @ 6 Mills	13,315,084				(1) x .006
Allocation to Operations					
3. - %	100%	94.76%	4.68%	0.56%	Based on Utility Plant
4. - Amount		12,617,374	623,146	74,564	(2) x (3)
5. Capital Stock Tax @ 10 Mills	22,191,806				(1) x .010
Allocation to Operations					
6. - %	100%	94.76%	4.68%	0.56%	Based on Utility Plant
7. - Amount		21,028,955	1,038,955	124,274	(5) x (6)
8. Increase		8,411,581	415,431	49,710	(7) - (4)

June 26, 1986

Exhibit 1

Computation of Adjustment for Increase in Pennsylvania
Corporate Net Income Tax
12 Months Ending December 31, 1985

Net Income for Computing Penna. Corporate Net Income Tax	Total PECO	Electric Operations	Gas Operations	Steam Operations	
(1) Actual 1985-Total Company	21,121,950				Company Records
(2) Deduct: Non Utility Income	(257,370,680)				Company Records
(3) Actual 1984 from Utility Operation	278,492,630	218,264,430	55,869,356	4,358,844	Allocated (based on calculated taxable Income for each utility service)
(4) Less: Tax Preference Items -					
Excess of Amortization over Liberalized Depreciation on Pollution Control Facilities	(418,620)	(418,620)	-	-	Company Records
Excess of Liberalized Over Straight Line Depreciation Applicable to Bldg.	1,843,669	1,799,314	42,219	2,136	Company Records
(5) Add: Add'l Income to Reflect Full Yr. Effect of					
- Liberalized Depr Subject to Normalization	10,226,240	-(a)	10,006,000	220,240	Company Records
- Deferred Fuel Expenses	134,330,281	(124,369,264)	(8,913,600)	(1,047,417)	Company Records
(6) Actual Total for Computing Adjustment for Incr. In Corporate Net Income Tax Rate	$152,963,540	$ 92,514,472	$56,919,537	$3,529,531	(3)-(4)+(5)
(7) Add: Add'l Rev. to Reflect					
1/25/85 Base Rate Increase - Full Yr. Effect		15,195,115			Ln.2, Exh.5
6/27/86 Base Rate Increase - Full Yr. Effect		114,657,333	-	-	Ln.3, Exh.5
(8) Less: Gross Rec. Tax Add'l Rev. from:					
1/25/85 Rate Increase - Full Yr. Effect		303,902	-	-	(7) X .02
6/27/86 Base Rate Increase - Full Yr. Effect		2,293,147	-	-	(7) X .02
(9) Less: CNI Portion of STAC Revenues Included In Line (3) Above		12,729,005	1,620,844	229,478	Company Estimate; Item 3d
(10) Revised Total for Computing Adjustment for Incr. In Corp. Net Income Tax Rate		207,040,866	55,298,693	3,300,053	(6)+(7)-(8)-(9)
(11) Less: Total Income Allocable to Other States - Electric Operations		21,410,021	-	-	Sum (10) X .080598
(12) Total Allocable to Pennsylvania		185,630,845	55,298,693	3,300,053	(10) - (11)
(13) Adj. for Incr. In Penna. Net Income Tax Rate		5,175,388	1,541,728	92,005	(11) X .02788
Adjustment for Disallowance of Tax Preference Items:					
(14) Excess of Amortization over Liberalized Depreciation on Pollution Control Devices		(418,620)	-	-	Company Records
Excess of Liberalized Over Straight Line Depreciation Applicable to Buildings		1,799,314	42,219	2,136	Company Records
Total Tax Preference Items		1,380,694	42,219	2,136	
(15) Adj. A/C Loss of Tax Preference Items		144,931	4,432	224	(14) X .10497
(16) Total Incr. In Penna. Corp. Net Income Tax		$5,320,319	$1,546,160	$ 92,229	(13) + (15)

(a) Electric Deferred Taxes on Liberalized Depreciation Disallowed at R-842590, January 24, 1985

Exhibit 2

June 26, 1986

PHILADELPHIA ELECTRIC COMPANY

Computation of 30 Mill State Public Utility Realty Tax
Based on Utility Plant as of December 31, 1985

Original Cost - 12/31/85	Electric Operations	Gas Operations	Steam Operations	Sub-Total	Common Plant	Total	Reference
1. Land Owned In Fee	$ 56,334,229	$ 418,708	$ 587,884	$ 57,340,821	$ 2,782,794	$ 60,123,615	Note A
2. Structures and Improvements	1,511,044,927	5,558,163	4,192,839	1,520,795,929	24,372,695	1,545,168,624	Note A
3. Sub-Total	$1,567,379,156	$5,976,871	$4,780,723	$1,578,136,750	$27,155,489	$1,605,292,239	(1) + (2)
4. Less: Realty Taxed Locally	8,260,823	45,051	35,350	8,341,234	1,390,968	9,732,202	Company Estimates
5. Sub-Total	$1,559,118,323	$5,931,820	$4,745,373	$1,569,795,516	25,764,521	$1,595,560,037	(3) - (4)
6. Less: Accrued Depn on Structures	185,124,618	2,121,420	3,206,846	190,452,884	8,686 563	199,139,447	Company Estimates
7. State Taxable Value	$1,373,993,705	$3,810,400	$1,538,527	$1,379,342,632	$17,077,958	$1,396,420,590	(5) - (6)
8. Realty Tax @ 30 Mills	$ 41,219,811	$ 114,312	$ 46,156	$ 41,382,279	$ 512,338	$ 41,892,617	(7) x .03
9. Allocated Common	$ 435,000	$ 71,707	$ 5,631	$ 512,338	$ (512,338)	-	Note B
10. Total 1985 Tax Including Allocation of Common	$ 41,654,811	$ 186,019	$ 51,787	$ 41,892,617	-	$ 41,892,617	(8) + (9)
11. 1984 Tentative Tax to be Collected	(107,529)	-	-	(107,529)	-	(107,529)	Note C
12. Sub-Total	$ 41,547,782	$ 186,019	$ 51,787	$ 41,785,088	-	$ 41,785,088	(10) + (11)
13. Less: Refund of Payments Previously withheld on Specific Facilities	7,237,635	-	-	7,337,635	-	7,337,635	Exhibit 3b
14. Total	$ 34,209,647	$ 186,019	$ 51,787	$ 34,447,453	-	$ 34,447,453	

Note A - Based on Company records.

Note B - Allocation based on average plant, revenue and customers for the separate utility service as of 12/31/85.

Electric	@	84.905%
Gas	@	13.996
Steam	@	1.099
		100.00%

Note C - Represents a refund due to an over collection of 1984 tentative tax.

June 26, 1986

Exhibit 3

Exhibit

PHILADELPHIA ELECTRIC COMPANY
Computation of Increase in
Gross Receipts Tax
12 Months Ended December 31, 1985

	Electric Operations	Reference
State Tax Base for Computation of 1985 Gross Receipts Tax.		
1. Based on Actual Revenue	$2,404,375,898	Est. that would be fil on return
2. Plus Additional Revenue From 1/25/85 Base Rate Increase, Not Yet Reflected in Actual Revenue	15,195,115	Line 2, Exh. 5
3. Plus Additional Revenue From 6/27/86 Base Rate Increase, Not Yet Reflected in Actual Revenue	114,657,333	Line 3, Exh. 5
4. Less Actual Revenue from Energy Cost Rate on Sales in 1985	(61,322,140)	Line 3, Exh. 5
5. Less Revenue from State Tax Adjustment for 1985	137,915,898	Company Records
6. Adjusted Tax Base	$2,457,634,588	(1)+(2)+(3)-(4)-(5)
7. 25 Mill Increase in Gross Receipts Tax	$ 61,440,865	(6) x .025

June 26, 1986

PHILADELPHIA ELECTRIC COMPANY

Exhibit

Development of Gross Intra-State Operating Revenue
12 Months Ended December 31, 1985

	Electric Operations	Reference
1. Actual Revenue from Sales	$2,315,832,331	Company Accounts (Not
2. Plus Additional Revenue From 1/25/85 Base Rate Increase Not Yet Reflected in Actual Revenue	15,195,115	Company Estimate
3. Plus Additional Revenue From 6/27/86 Base Rate Increase Not Yet Reflected in Actual Revenue	114,657,333	Company Estimate
4. Less Actual Revenue from Energy Cost Rate on Sales in 1985	(61,322,140)	Company Estimate
5. Adjusted Revenue from Sales	$2,507,006,919	(1)+(2)-(3)
6. Less Revenue not subject to PUC Jurisdiction:		
Interdepartmental Sales	4,217,937	Company Accounts
Sales to Conowingo Power Company	25,201,853	Company Accounts
Sales to Borough of Lansdale	3,879,657	Company Accounts
Borderline Sales to Conowingo Power Company	1,858	Company Accounts
Ht Supplemental Energy	8,795,629	Company Accounts
7. Plus other Operating Revenue subject to PUC Jurisdiction:		
Forfeited Discounts	9,405,435	Company Accounts
Transformer Rental Rider	266,621	Company Accounts
Return Check Charge	158,841	Company Accounts
New or Transfer Customer Charge	1,661,760	Company Accounts
8. Total Gross Intra-State Operating Revenue Derived from Service Under Rates and Riders Subject to PUC Jurisdiction	$2,476,402,642	(4)-(5)+(6)

Note A: Excludes revenues from State Tax Adjustment Clause = $137,915,898.

June 26, 1986

DOCUMENT FOLDER

Release Date: June 5, 1986
Public Meeting Date: June 5, 1986

STATEMENT OF CHAIRMAN LINDA C. TALIAFERRO

Re: ALJ-133 - Pa. PUC, et al. v. Philadelphia Electric Company (R-850152, et. al)

On September 27, 1985, Philadelphia Electric Company filed Supplement No. 15 to Tariff Electric-Pa. P.U.C. No. 33, by which the Company proposed to increase its base rates by approximately $878.2 million. The Company also estimated that a reduction in energy costs of $207.5 million would occur when Limerick Unit No. I went into operation. The net revenue increase projected by the Company was $670.7 million, or 28.2% of the test year revenues. The Company proposed to phase in the increase over three years at an annual increase of 9.4%.

The Company updated the revenue estimated to result from the proposed rates to be $681,760,000.

The Commission suspended the proposed rates until June 27, 1986, pending the completion of an investigation into the reasonableness of the utility's claims. This investigation included 33 days of formal hearings. In addition, four public input hearings were held in Philadelphia, Media and Doylestown.

The Commission Trial Staff participated in the investigation. Complaints were filed by the Office of Consumer Advocate, the City of Philadelphia, the Philadelphia Area Industrial Energy Users Group, the Utility Energy Users Group and the University of Pennsylvania, the Pennsylvania Business Utility Users Group, Consumers Education

and Protection Association, the United States General Services Administration, the National Railroad Passenger Corporation, the Southeastern Pennsylvania Transportation Authority, and the United States Steel Corporation.

In addition, the Governor's Energy Council, Occidental Chemical Corporation and Scott Paper Company intervened in the proceeding.

In his initial decision dated May 14, 1986, Administrative Law Judge Joseph P. Matuschak recommended that the Commission permit the Company to file a revised tariff designed to produce approximately $301,648,000 (revised). This would result in an increase in rates of 12.06%, which would be phased in over three years at 4.02% per year.

Today, the Commission is scheduled to take a non-binding poll on the rate base, revenues, expenses and income tax issues presented in this case. On June 12, 1986, the Commission will take a poll on the rate structure, rate of return, phase-in and energy cost rate issues. The vote on adoption of a final order is scheduled for June 26, 1986.

As you know, today's poll is a non-binding expression of each Commissioner's preferred position on the issues. The polling is designed so that the Commission's actions on rate proceedings are public and so that the Commission's Office of Special Assistants may finalize the Commission's order.

Linda R. Taliaferro
Chairman

JUNE 5, 1986

SUBJECT: R-850152 - Philadelphia Electric Company

TO:

FROM: CHAIRMAN TALIAFERRO

The following is a summary of the various parties' positions to be polled in the above-captioned rate case.

COMPLAINANTS' POSITION

I. LIMERICK COMMON PLANT

COMPANY POSITION

The Company has claimed 100 percent of the Limerick Common-Plant should be included in rate base. The cost of this plant is $1,263,718,000. The Company believes that this plant should be included in the rate base for the following reasons: 1) the use of common plant at Limerick was a prudent and reasonable decision which will produce substantial cost savings to PECO ratepayers; 2) the construction and completion of the common plant was required both for the operation of Limerick I and the efficient and cost effective completion of the plant; and 3) the inclusion of 100% of the common plant in rate base will reduce the total cost of Limerick station. The company claims that 92% of the costs of the Limerick common plant would have been required for Limerick Unit I and that this plant is currently providing service to PECO customers.

COMPLAINANTS POSITION

The Company's claim was opposed by Commission Trial Staff, the Office of Consumer Advocate, the Philadelphia Area Industrial Energy Users Group, US Steel and the Governor's Energy Council. These complainants recommended 50% disallowance of the common plant claimed in a rate base. The parties noted that it has been the Commission's practice since 1975 to reject all claims for 100% of common plant in a rate base involved with the first unit of a generating station. They note that the Commission has held that the second half of common facilities

were property not used and useful in rendering electric service until such time as the second generating unit goes into commercial operation. They note that AFUDC was allowed to accrue on the second half of the common plant until that unit entered commercial operations.

ADMINISTRATIVE LAW JUDGE RECOMMENDATION

The Administrative Law Judge recommended denial of 50% of the common plant claimed by PECO to be included in rate base. The judge noted that the company in a prior preceeding before the Federal Power Commission had supported 50% allowance of common plant costs because it provided a better matching of costs and revenues and because it also met the economic objectives of allocating large common costs in proportion to savings and benefits of the installed generating units.

2. LAND HELD FOR FUTURE USE

COMPANY POSITION

The Company has claimed $8,651,000 for plant held for future use should be included in its rate base. The Company contends that its claim is in compliance with the Commission's requirements for the inclusion of land held for future use in rate base. The Company argues that its claim does not constitute a claim for construction work and progress. Furthermore, the Company notes that the claim for land held for future use has not been restricted to a 50% allowance for that portion of the land

which would serve as common plant to multi-unit generating station. The Company cites a prior Commission precedent in a Duquesne Light Company rate proceeding.

OFFICE OF CONSUMER ADVOCATE POSITION

The advocate recommends rejection of the Company's claim in its entirety, based on the advocate's belief that Section 1315 of the Public Utility Code provided that all land which is not "used and useful" during the future test year must be excluded from the Company's rate base. The advocate notes that a portion of the Company's claim represents a substation which was placed in service in 1985 and is now in the company's plant in service. This substation land costs were $388,000.

ADMINISTRATIVE LAW JUDGE RECOMMENDATION

The Judge notes that the Commission has expressly rejected the argument that Section 1315 of the Code precludes the inclusion in rate base of land held for future use. The Judge stated that the Commission's interpretation of Section 1315 was recently affirmed by the Commonwealth Court and an appeal of a prior PECO rate proceeding. The Judge did not adopt the advocate's proposed adjustment involving the substation which is now in service. The Judge noted that the substation, although not in service, had not been included in the Company's claimed rate base. The Judge made a disallowance of $1,258,000 to the Company's claim. This represented 50% of the costs claimed for property held at the Bradshaw reservoir. The Judge noted that this property was held as part of Limerick's common plant.

which would serve as common plant to multi-unit generating station. The Company cites a prior Commission precedent in a Duquesne Light Company rate proceeding.

OFFICE OF CONSUMER ADVOCATE POSITION

The advocate recommends rejection of the Company's claim in its entirety, based on the advocate's belief that Section 1315 of the Public Utility Code provided that all land which is not "used and useful" during the future test year must be excluded from the Company's rate base. The advocate notes that a portion of the Company's claim represents a substation which was placed in service in 1985 and is now in the company's plant in service. This substation land costs were $388,000.

ADMINISTRATIVE LAW JUDGE RECOMMENDATION

The Judge notes that the Commission has expressly rejected the argument that Section 1315 of the Code precludes the inclusion in rate base of land held for future use. The Judge stated that the Commission's interpretation of Section 1315 was recently affirmed by the Commonwealth Court and an appeal of a prior PECO rate proceeding. The Judge did not adopt the advocate's proposed adjustment involving the substation which is now in service. The Judge noted that the substation, although not in service, had not been included in the Company's claimed rate base. The Judge made a disallowance of $1,258,000 to the Company's claim. The represented 50% of the costs claimed for property held at the Bradshaw reservoir. The Judge noted that this property was held as part of Limerick's common plant.

13. NORMALIZED OUTAGE ADJUSTMENT

TRIAL STAFF POSITION

The trial staff has recommended an adjustment to operating revenues of $19,324,000. The staff believes that the Company should be penalized by a disallowance of the common equity return associated with 3.21% of the Company's installed generating plant. The Staff noted that the Company's reserve capacity margin imposed by the PJM Interchange was increased by 3.21% due to the Company's forced outage rate. The forced outage adjustment was based on the percentage of forced outages experienced by PECO which was greater than the PJM average forced outage rate. The Staff believes that its adjustment would place the responsibility for the excessive forced outage rate on the utility. The Staff's adjustment is based on the conclusion of the PJM that the Company's outage rate exceeds the average rate of all PJM companies. The Staff submits that the Company should be held to the average level of operating efficiency of the PJM companies.

COMPANY POSITION

The Company opposes the Trial Staff's proposed adjustment. The Company noted that there were several reasons for its forced outage rate which the Staff has not taken into consideration. The Company claims that during the period 1981 - 1983, its generating stations were called upon to operate more

often than other PJM units. The increased operations contributed to increased forced outages. The Company also stated that it had a higher proportion of nuclear capacity which while economically beneficial resulted in higher forced outage rates during a period of increased NRC regulatory changes. The Company noted that major investigations by the Commission of these outages had been conducted and the Commission had made specific findings pertaining to the prudency of these outages. The Company contends that it has been denied replacement power costs due to certain outages and that further penalty on this account would constitute a double penalty.

ADMINISTRATIVE LAW JUDGE RECOMMENDATION

The Judge did not adopt the Trial Staff's proposed adjustment. The Judge found that the Staff had not presented evidence to support its contention that the Company's outage rate was excessive. He did not believe that a showing that the forced outage rate exceeded a comparison group of PJM utilities supported the finding that the Company's outage rate was unreasonable or the result of imprudence.

4. COAL INVENTORY

The Company has claimed $17,979,000 which represents the value of its coal inventories at June 30, 1986. The inventory claimed by the Company at its Philadelphia Area Coal Fired Plants is 204,000 tons. This amount was designed to provide a sixty day supply as

protection against coal delivery interruptions from rail and minor strikes, rail equipment problems and inclement weather. This represents a decrease of 96,000 tons from the inventory level which was approved by the Commission in the Company's last rate case. The Company contends that this lower claim is attributable to the lower coal burn rate that will be required after Limerick Unit 1 becomes available. The Company's claimed inventory for mine-mouth plants represents a 45-day supply. This inventory level is the same as that which was approved by the Commission in the Company's last two rate cases.

TRIAL STAFF POSITION

The Trial Staff has proposed that the Company's Philadelphia Area Coal Inventory level be reduced from a sixty-day to a fifty-day supply. The basis for the Staff's recommendation is the diminished percentage of generating capacity that the Philadelphia area units represents on the Company's system after Limerick Unit 1 goes into commercial operation. The Staff contends that its proposed lower number of inventory days is in line with the levels maintained by other utilities in Pennsylvania.

OFFICE OF CONSUMER ADVOCATE POSITION

The Advocate recommends that the Company's claimed coal inventory be reduced by $300,000. The Advocate submits that the Company's inventory level at June 30, 1986 reflects fuel price projections at the Keystone Generating Station which are

excessive. The Advocates states that the Company's projected Keystone coal price of $34.47 per ton is overstated and does not reflect current information. The Advocate points out that the actual price paid for coal at the Keystone station is during 1985 never exceeded $32.00 per ton. Had the $32.00 per ton cost been applied to the coal involved in lieu of the Company's claimed $37.34 per ton the Company's rate base claim would be reduced by $300,000.

ADMINISTRATIVE LAW JUDGE RECOMMENDATION

The Administrative Law Judge accepts the Company's sixty-day supply claim. The Judge stated that the Company may have to build up its inventory in the fall of 1987 to safeguard a delivery interruption caused by a potential strike. The Judge found that the Company's claimed inventory level was to be reasonable for the level of inventory that will be required during the period which rates are to be in effect. The Administrative Law Judge adopted the Office of Consumer Advocate's $300,000 adjustment to reflect the $32.00 per ton price of coal at the Keystone station. He noted that the Company did not rebut this adjustment.

5. LIMERICK MATERIALS AND SUPPLIES

TRIAL STAFF POSITION

The Trial Staff proposed that the Company's claim for Limerick materials and supplies should be reduced by $2,431,000 in order to reflect the disallowance of a 28% markup by Bechtel

on those items purchased by Bechtel on behalf of the Company. The basis for the proposed disallowance is the nonrecurring, abnormal circumstances of this claim. The Staff believes that Bechtel has applied a 28% markup over and above any labor costs and that the markup was a temporary abnormal event which did not reflect the standard purchasing practices of the utility.

COMPANY POSITION

The Company opposes the Staff's proposed reduction. The Company contends that the Staff is in error because the 28% Bechtel surcharge was applied only to the cost of labor associated with the procurement activities involved and was not added to the direct cost of materials. The Company notes that the 28% surcharge represents payroll taxes, unemployment compensation, insurance, and employee benefits, which are a reasonable and normal part of the cost of doing business. The Company further notes that the charge from Bechtel to perform these procurement duties for Limerick was less than the cost which would have been incurred had the utility performed the same functions.

ADMINISTRATIVE LAW JUDGE RECOMMENDATION

The Administrative Law Judge did not adopt the proposed adjustment. He believed that the Staff misunderstood and misinterpreted information contained in an audit report which

formed the basis for the Staff's adjustment. The judge further believed that these procurement activities did not constitute an extraordinary "one time" proposition. He believed that the procurement of operational spare parts is an activity which continues over the life of the plant.

6. BECHTEL CONSTRUCTION ERRORS

TRIAL STAFF POSITION

The Staff proposed an adjustment of $13,287,000 to the Company's claimed rate base and a corresponding adjustment to depreciation expense of $364,000 to reflect the disallowance of costs associated with various construction errors by Bechtel. The Staff contends that the utility should not be allowed to recover these costs because of money spent on work that had to be redone because of errors in construction. These costs are not on plant which will be used and useful in the public service according to the Staff. The Staff believes that to recognize these costs in rate base would double-count the costs of placing these items in service.

COMPANY POSITION

The Company believes that the Staff's proposed adjustment to disallow certain costs respecting alleged errors in construction should be rejected. The Company states that a review of the items at issue shows that approximately one-third

of the items were associated with either the direct or indirect impact of regulatory change. The Company stated that the amounts at issue do not constitute "potential" claims against the contractors because a majority of these costs do not satisfy the contractual tests in vendor contracts to permit recovery from the vendor. The Company further argues that the number and costs of the items at issue were quite small in comparison to the size of the project and such minor problems are an expected occurrence on a project the size of Limerick. The Company stated that it will proceed with negotiations to determine whether the Company receives any funds as a result of these claims. To the extent that such funds are not recovered, the Company contends that they are appropriate for rate base inclusion since these expenditures were required to provide a licensable and useful plant.

ADMINISTRATIVE LAW JUDGE RECOMMENDATION

The Judge recommends the adoption of the Trial Staff adjustment. He found that it would be inappropriate to allow such items in rate base. He believed that to do so would result in double-counting for the work by allowing a return on both the incorrect and correct construction.

CONTINUING PROPERTY RECORD AUDIT - ENTRY 4

F- ALS

TRIAL STAFF POSITION

T- ALS

S- ALS

The Staff proposes an adjustment to rate base of $801,000 to reflect additional costs incurred by the utility because a contract vendor supplied the Company with poor quality equipment and inadequate design documentation. The equipment in question was associated with the installation of the system operation computer and data transmission system. Because the Company did not evidence any attempt to question, contest or consider legal action to recover these costs, the Company failed to adequately protect its customers' interests and should be denied recovery of the cost of the equipment failures.

COMPANY POSITION

The Company opposes the Staff's proposed reduction in rate base. The Company notes that the facilities involved, when installed in 1983, were a "state of the art" computer system which as is often the case with new technology required adjustments at additional costs. The Company claims that a portion of these costs represented a Company request for additional services from a vendor and thus are completely unrelated to the problems with the facilities operations. The Company stated that management, after duly weighing the costs of legal action and the likelihood of a successful litigation, decided not to pursue legal action against the vendor.

ADMINISTRATIVE LAW JUDGE RECOMMENDATION

Adopt the Judge. In all probability given that this was a "state of the art" piece of equipment and system, the additional costs are understandable and reasonable. Furthermore, it very well may have been that the Company had requested additional work from the vendor which resulted in a portion of this additional $801,000 cost.

CONTINUING PROPERTY RECORDS AUDIT - ENTRY 9

F- Co. T- Co S- ALJ

TRIAL STAFF POSITION

The Staff proposes the reclassification from plant in-service accounts to various income expense and differed accounts of $15,334,430. These contested reclassifications represent costs incurred by the Company, that according to the provisions of the UNIFORM SYSTEM OF ACCOUNTS, were improperly capitalized. The Staff maintains that these costs were for work done at the Company's nuclear stations which involved minor items of property that were not significant enough to satisfy the "substantial" criteria required to be classified as capital items. The Staff also opposes the amortization to operating expense of these costs. The Staff believes that it would be a violation of the rate making concept which precludes retroactive ratemaking to now go back and expense these items.

COMPANY POSITION

The Company opposes the Staff's proposed adjustments and claims that they should be rejected because the Staff was in error as to the proper accounting treatment of the items involved and secondly, that even if the accounting reclassifications were correct, no ratemaking adjustment should be adopted because the net result would be to increase the Company's revenue requirement in these proceedings. The Company describes the items in question as involving the Company's share of the costs incurred for the inspection, reevaluation and modification of the anchor bolts, anchor plates and pipe supports for all safety related piping systems at the Salem and Peach Bottom Generating Stations. The Company noted that this work was required by the Nuclear Regulatory Commission. The second project proposed for reclassification involved the Company's share of the costs of a Peach Bottom project to mitigate inter-granular stress corrosion cracking in the steel piping at Peach Bottom by the induction heat-stress improvement process. The Company contends that the work performed at the Salem and Peach Bottom units had none of the typical characteristics of maintenance expense and resulted in substantial physical additions which did not previously exist. The Company believes that the costs of the projects qualified as additions to capital as defined in the system of accounts and were properly capitalized by the Company. The Company noted that with respect to the Salem projects, the utility which operates the Salem plant agreed to a FERC audit which required reclassification of the amount in dispute. While these costs were removed from the utility plant accounts, the utility involved has claimed

a three-year amortization of these costs through an expense amortization in its current rate case. The Company notes that with respect the Peach Bottom items at issue, the FERC audit agreed with the Company's decision to capitalize these costs. The Company states that while this area of accounting is ambiguous and open to differing interpretations, it is important to note that there is no dispute as to the prudency, reasonableness and necessity of these costs. The Company believes that if the Staff's proposed adjustment to rate base is adopted and these projects are not included in rate base, the Company is entitled to recover these prudent and reasonable costs through an expense amortization.

ADMINISTRATIVE LAW JUDGE RECOMMENDATION

The Administrative Law Judge recommends the adoption of the Trial Staff's proposed adjustment. The Judge believed that the Staff's adjustment was in compliance with the provisions of the UNIFORM SYSTEM OF ACCOUNTS. The Judge also agreed with the Staff that it would be contrary to basic rate making to allow an amortization of these costs to operating expenses. The Judge believed that such an amortization would constitute retroactive rate making.

1976 AND 1978 DECISIONS TO DELAY LIMERICK

COMPANY POSITION

The Company believes that it has demonstrated that in 1976 and 1978 deferral announcements did not cause an increase in the construction costs of Limerick and that there should be no reduction to the Company's claim to rate base. The Company claims to have submitted evidence demonstrating that even had the deferral announcements not occurred, Limerick I could not have been completed for commercial operation prior to February, 1986. These announcements did not cause an extension in the project schedule according to the Company and thus did not impose any costs upon ratepayers. The Company claims to have demonstrated that due to the high population density surrounding the Limerick project and the extremely contested nature of the licensing proceedings, a number of late imposed NRC regulatory and licensing requirements would have precluded receipt of a low power license prior to October, 1984, even if there had been no deferral announcements. The Company believes that it has demonstrated that the substantial increase in the project scope at Limerick, along with practical restraints on the use of craft manpower, would have precluded construction completion prior to July, 1984 or later. Finally, the Company contends a review of the Company's financial position during the 1970s clearly demonstrate that sufficient funding could not have been raised in order to significantly accelerate plant completion.

The Company believes the Trial Staff's analysis assumes, without support, that Limerick could have been completed and had been placed in service by April, 1981, if the 1976 and 1978 deferrals had not occurred. Similarly, the Advocate's

proposed July 1982 schedule is not supported by any detailed analysis of the Limerick project, rather it is based on a number of very general and erroneous assumptions concerning the licensing process and the Company's ability to complete construction activities at Limerick. The Company contends that the Advocate's analysis failed to fully reflect the increase in project scope at Limerick due to regulatory and other factors, practical constraints on the use of manpower for construction activities, realistic cash flow requirements and other non-significant items. The Company finally argues that the Advocate's quantification analysis substantially overstates the alleged cost of delay because it fails to consider capitalized overheads and PURTA taxes, the higher financing costs which would be incurred to raise additional funds required to meet an accelerated schedule and the increase in revenues required to maintain the Company's financial condition during the period that additional funding would have been needed.

TRIAL STAFF POSITION

The Trial Staff submits that the Commission's prior order in the Limerick investigation at I-8010034 limits the prudency issue in this proceeding to the quantification of the increased costs to the ratepayers resulting from the Company's construction delays in 1976 and 1978. The Staff recommends that the Company be permitted to completely recover 1) all costs (direct and AFUDC) incurred prior to April 30, 1981, 2) the reasonable de-escalated direct costs incurred from April 30, 1981 through October, 1984 and associated AFUDC, and 3) all

direct costs (unadjusted) incurred after October 4, 1984. The Staff recommends that the Company recover all its investment except for the escalation in costs that occurred as a result of inflation during the delay period of April 30, 1981 through October 4, 1984. Staff contends that its recommended adjustment is not an attempt to establish when Limerick Unit 1 should have been completed nor does it represent the cost of the plant that would have been completed or in service at April 1, 1981. The Staff contends that it selected the April 1, 1981 date for its analysis because the Commission had found that the Company's 1974 decision to delay completion until April 1, 1981 was reasonable. The Staff recommends a reduction to the Company's rate base of $1,119,687,820. The Staff claims that the Commission should adopt its proposed adjustment because it gives effect to the Commission's Limerick I Order by recognizing that the plant was not completed until 1986 primarily because the Company intentionally delayed construction. The Staff notes that the Company was aware that as long as construction was not suspended or completed, it would continue to accrue AFUDC. The Staff argues that the Company did not accelerate its construction of the units because of an overriding concern that to do so would result in an excess capacity adjustment in a subsequent rate proceeding. The Staff submits that the Company's contention that the delay enabled it to incorporate NRC design changes should be rejected. The Staff contends that the Company has been unable to show that the Nuclear Regulatory Commission is the proximate cause for all cost increases and delays in the construction. The

Staff submits that the mere fact that the Company has met the safety requirements imposed by the NRC does not prove that the Company has acted prudently in all areas.

OFFICE OF CONSUMER ADVOCATE POSITION

The Advocate's analysis in this proceeding concludes that, but for the 1976 and 1978 delays, Limerick 1 could have been completed construction and loaded fuel by July, 1982, and been in commercial operation November, 1983. The Advocate submits that these dates are reasonable and could have been achieved had the Company sought to finish Limerick 1 as expeditiously as prudently possible. The Advocate believes that had PECO been serious about meeting its target schedules all parties involved: craft labor, subcontractors, supervision and management would have approached the job very differently. The Advocate contends that Limerick could have been in commercial operations twenty-seven months earlier had the Company not delayed in 1976 and 1978.

The delay analysis presented by the Advocate is based upon a specific critical path schedule analysis of Limerick Unit 1. In developing this reconstruction, certain facts or conclusions were accepted by the Advocate. First, the analysis started with the Commission's finding in the Limerick investigation that the 1974 delay in construction of the plant was reasonable. Second, the analysis accepted that certain technical engineering or design constraints to construction completion, such as the resolution of the Mark II design errors, had to be recognized. Finally, the impact of NRC regulatory

requirements which would delay fuel load and commercial operations were revieWed. A critical path analysis focuses on those activities which limit or determine the progress toward completion of a job. The Advocate noted that other nuclear generating stations which employed the Mark II containment design had been licensed for operation by the NRC in April of 1982 and July of 1982. Based upon these actions by the NRC, the Advocate contends that the Mark II problems incurred by PECO could have been resolved by mid-1982 and therefore would not have constrained any later Limerick completion date. The Advocate also concluded that NRC requirements would not have prevented Limerick I from meeting a fuel load date by July, 1982 and a commercial operation date by November, 1983. The Advocate contended that the Mark II impacted schedule resulted in a construction completion date of December, 1981. An additional seven and one-half months was added to the construction schedule in view of nuclear construction difficulties and the status of contemporary General Electric Boiling Water Reactors. This resulted in a July, 1982 completion and fuel load date. The Advocate has calculated the costs of the twenty-seven month extension of the Limerick I schedule to be 652.4 million dollars which reflects the cost for Limerick I and 50% of the common facilities. The quantification of these costs has two components; 1) the actual work or expenditures which would have not incurred if commercial operation had occurred twenty-seven months earlier; and 2) the increased escalation and AFUDC which was incurred due to the longer period over which

construction continued. The Advocate's calculation of the escalation and AFUDC costs assumed that the Company would have incurred the same level of direct expenditures as actually occurred (excluding indirect costs), but would have incurred those costs earlier and ceased accruing AFUDC sooner. The Advocate contends that the Company's rebuttal of its costs of the delay must be rejected. The Advocate notes that the Commission has already found the delays to be imprudent. The Commission found the delays, not just the decision to delay, imprudent. The Advocate notes that in 1976, the Company lowered its five-year construction program by about $750,000,000. The Advocate further noted that with respect to the 1978 delay, the Company reduced its direct expenditures from 1978 to 1980 from the budget amount of $529,000,000 to $479,000,000. The Advocate disputes the Company's claim that Limerick Unit 1 construction could not have been completed and fuel loaded earlier than October, 1984. The Advocate charges that the Company's claimed completion date artificially inflated the manpower requirements and cost containment because it relied upon the as-built schedules incurred in the construction of the unit. According to the Advocate, the Company imposed actual as-built duration on all activities up until June of 1976. Thus, the civil/structural phase at the front of the construction was expanded, the start-up and testing phase at the back was expanded, and the middle was severely reduced in the amount of time that would have been available for the mechanical/electric work. Inclusion of these as-built activities assumes that the Company would have not done

anything differently if it had not been attempting to complete Limerick I construction and load fuel sooner than October 1984. The Advocate also disputes the Company's claimed adjustments to manpower densities. The Advocate points out that the Company's estimate of the required manpowered levels is higher than the Advocate's computed manpower levels because the Company has chose a shorter construction work time period available. The Advocate disputes the Company's claim that the NRC would have kept Limerick shut down for over two additional years even had the Company completed construction by mid-1982. The Advocate believes that the Company's analysis has concentrated on what actually happened, that is, how plant construction actually proceeded and how NRC licensing actually proceeded. The Advocate states that this exercise assumes that all NRC requirements were immutable; that is, the NRC would have imposed the same requirements on Limerick I if construction completed in 1982 as was the case for Limerick Unit I whose construction was completed in 1984. The Advocate submits that the Company's assumptions about the NRC licensing process are unrealistic. The Company has unrealistically asserted that the NRC would have been completely inflexible in licensing a Limerick I completed in 1982 due to the higher population around the plant and the licensing contentions found by the intervenors. With regard to the high population density issue, the Company cites to the requirement that a probabilistic risk assessment (PRA) and a subsequent severe accident risk analysis (SARA) be performed for Limerick and evaluated prior to licensing. The Company stated that even if

Limerick had been completed two years earlier, the NRC would have required a PRA, and an analysis of that PRA in the same manner and on the same schedule. The Advocate contends that the licensing of Limerick would not have been delayed until the PRA and the SARA had been fully reviewed by the NRC and litigated in the contested hearings. The Advocate bases this contention on the fact that such abbreviated review was performed on the Indian Point nuclear facility and the Zion nuclear facility.

ADMINISTRATIVE LAW JUDGE RECOMMENDATION

The Administrative Law Judge recommends the adoption of the position recommended by the Office of Consumer Advocate. The Judge felt that the Trial Staff's analysis was based on an in-service date which was hypothetical and unrelated to when Limerick 1 should or could have been placed in service. The Judge was not persuaded by the Company's claims that it could not have completed and placed into operations the unit prior to February, 1986. The Judge quantified the total adjustment necessary as 554.9 million dollars. This amount included the Advocate's proposed 386.8 million dollar direct delay costs, plus 140.6 million dollar Bechtel indirect costs and PECO's 27.5 million dollar indirect costs.

EXCESS CAPACITY

F- ALJ T- ALJ S- OCA

OFFICE OF CONSUMER ADVOCATE POSITION

The Office of Consumer Advocate recommends a reduction in the Company's allowable income available for return of $54,335,000 to reflect the disallowance of the excess capacity which results from the addition of Limerick Unit 1 and its common

facilities. The Advocate recommends that the Commission disallow an amount calculated to equal the common equity return on 450 megawatts of generating capacity of Limerick Unit 1. The Advocate believes that at least 450 megawatts of Limerick Unit 1's capacity are unnecessary for system reliability purposes.

The Advocate contends that the Company has prematurely retired 458 megawatts of usable and reliable combustion turbine capacity. The Advocate also points to the Company's early retirement of 336 megawatts of Southwark 1, 3 and 4 to demonstrate that all of Limerick Unit 1's capacity is excess capacity in 1986 and 1987.

The Advocate believes that its proposed disallowance of 450 megawatts is also supported by the Company's attempt to sell more than 450 megawatts of low cost baseload nuclear capacity at Salem Unit 2. The Advocate argues that ratepayers would benefit by more than $1.5 billion dollars if PECO retained the combustion turbines rather than adding 458 megawatts of Limerick Unit 1 to its rates. The Advocate believes that Limerick Unit 1 will not provide a current net economic benefit to ratepayers until 1994 at the earliest. The Advocate argues that if more reasonable assumptions were employed, Limerick Unit 1 would never produce accumulative net benefit to rates.

UTILITY USER'S COMMITTEE - UNIVERSITY OF PENNSYLVANIA POSITION

The Complainants state that they believe that the equity adjustment methodology employed by the Commission in dealing with the excess capacity in the most recent PP&L rate decision was entirely correct and they urge the Commission to follow such a procedure in this case. The Complainants also

suggested that testimony presented in this case supports an excess capacity adjustment to rate base for the test year of as much as $3,535,734,000 based on the actual benefits flowing from Limerick Unit 1 in the test year. The Complainants contend that Limerick Unit 1 is not of use in the public service for reliability purposes. They argue that existing capacity is sufficient for a number of years and would be much cheaper than new capacity. The Complainants argue that Limerick Unit 1 is only needed for capacity purposes in the late 1980s if other units are retired. The Complainants note that Limerick Unit 1 will not provide net economic benefits to ratepayers for the foreseeable future. The Complainants argue that it is clear from the analysis that Limerick 1 will be very expensive in its early years, as compared to its benefits and that plausible projections of plant performance, of operating cost levels and trends and of operating benefits would prevent Limerick 1 from ever saving money for the Company's customers.

PHILADELPHIA AREA INDUSTRIAL ENERGY USER'S GROUP POSITION

The Complainants contend that before the used and useful standard can be met by an investment of the magnitude of Limerick Unit 1, sound rate making principles would require that such a substantial investment be proven to be needed for system reliability and provide a net economic benefit to the utility's ratepayers over the life of the plant. Unless an investment meets these two criteria of the used and useful standard, ratepayers should not be forced to bear the entire risk of the investment once it begins providing electric service. The

Complainants' analysis of the capacity available on the Company's system has concluded that the Company does not begin to need the capacity of Limerick 1 until 1989. Therefore, the Complainants argue, at least between 1986 and 1989, the Company's ratepayers should not be forced to bear full responsibility for all costs associated with Limerick Unit 1. The Complainants argue that absent the retirement of some 962 MW of capacity in 1985 and 1986, the Company would possess a reserve capacity of approximately 43%. The Complainants note that the Company has stated that Limerick Unit 1 would produce lifetime net benefits ranging from 2.0 to 2.8 billion dollars for the Company's customers. However, according to the Complainants, by changing only one variable of the Company's life cycle cost of analysis, it has been determined that Unit 1 would produce a penalty of $600,000,000.

GOVERNOR'S ENERGY COUNCIL POSITION

The Governor's Energy Council's view of these excess capacity arguments are that utilities should be required to provide service through the least cost mix of supply options. This least cost mix should include Company owned generating stations, conservation and load management programs, and customer-owned generation. Massive retirement of less-expensive generation plant by the Company both in the recent past and in the near future, appear to the Council to be contrary to this principle of least-cost supply. The Council also notes that if the Commission sanctions the uneconomic retirement of units by not making the warranted

adjustments for excess capacity in this case, the implications could be far reaching. Such action could be interpreted to suggest that a utility should not maintain their economical units but could retire them before new large units enter service and thus avoid a penalty for excess capacity.

For these reasons, the Council supports the excess capacity adjustment advanced by the Office of Consumer Advocate in this case.

COMPANY POSITION

The Company contends that its total capacity with the inclusion of Limerick 1 and with certain scheduled and approve retirements is commensurate with the Company's projected requirement for peak demand plus a reasonable reserve margin based on the Company's 25% minimum required reserve. Therefore, according to the Company, Limerick 1 is used and useful and does not constitute excessive capacity. The Company contends that its use of a 25% minimum reserve margin is reasonable relative to its own system and to its PJM obligations.

The intervenor witnesses sought to include in the Company's calculation of its total capacity certain additional generating units which have already been retired. These additional units should not be included in the Company's total capacity calculation because a) they will not be reflected in the Company's rates during the time the rates will be in effect; b) their retirements were justified by system planning considerations endorsed by the Commission; c) their retirements were justified by the Company's need for additional base load

capacity, and d) their retirements were consistent with system reliability considerations. The Company states that the Richmond 9 Unit and the Southwark Units 1 and 2 have been retired primarily because they are old and inefficient steam units. The Company routinely has been projecting a 35 year nominal life for most of it fossil fueled steam units. Richmond 9 was 35 years old when retired and the Southwark Units were about 38 years old when retired. The Company states that this is not an accelerated retirement.

Intervenor witnesses contend that the 458 MW of combustion turbines should be included when determining the Company's total capacity because these units have been retired before the end of their nominal lives. The Company states that these units are being retired at the end of a useful life because they no longer serve the purpose for which they were installed and do not serve any other useful purpose on the Company's system. The Company notes that the Commission has endorsed the retirement of these units in several rate decisions. These combustion turbines were installed as a result of the Commission's concern about adequate reserve capacity margins following the November 1965 blackout of the northeast sector of the United States. The combustion turbine peaking capacity was installed as an emergency interim measure until the new base load capacity could be constructed and installed. The Company notes that these units are now infrequently operated and in the period from 1982 to 1985 the combustion turbines had an average operating rate of less than 1% of the time

The Company claims that its life-cycle analysis demonstrates that Limerick 1 will provide net benefits over its lifetime of 2.0 to 4.0 billion dollars. The Company disputes the life-cycle analysis presented by opposing parties and charges that key adverse assumptions contained in these studies are so extreme and so weakly supported by convincing evidence that the probability of their realization can not be relied upon in making a present determination of the rate base evaluation of Limerick 1. Specifically, the Company notes that the Advocate's estimations of life-cycle costs contain higher annual capital additions than proposed by the Company, lower fuel savings, including a five percent lower capacity factor and lower future fuel prices than predicted by the Company and finally, a lower avoided capacity charge due to the Advocate's estimate that 458 MW of otherwise retired combustion turbine will continue to be used through 1996. The Company believes that the life cycle cost estimates of the Utility Users Committee, University of Pennsylvania contain several flaws that should be rejected. The Company points out that this analysis included 1) the assumption of 100% of the common plant as an addition to unit 1; 2) a lower capacity factor for Limerick 1 (49% for the first five years and 57% thereafter) and a combination of life extensions at Richmond 9, Southwark 1 and 2, Delaware 7 and 8, Cromby 2 and Schuylkill 1 instead of the avoided capacity charges assumed by the Company; 3) this analysis included improbable low fuel savings; and 4) the analysis relied upon higher future escalation rates for capital additions and operating and maintenance costs. The Company

critizes the life-cycle analysis of the Philadelphia Area Industrial Energy User's Group and stated that it depends primarily on one incorrect assumption which, when corrected, shows that Limerick 1 produces net lifetime benefits. The Company disputes the discount rate employed by the Complainant in analyzing the life-cycle costs of the stations. The Company also disputes the use of improper avoided capacity charges in that the Complainant assumes no increase in real capacity charges and permanent availability of purchases of low cost energy from outside the PJM grid.

ADMINISTRATIVE LAW JUDGE RECOMMENDATION

The Judge made no adjustment for excess capacity because he believe that the record failed to substantiate any finding of excess capacity. The Judge accepted the Company's arguments that its retirement of certain oil-fired facilities does not constitute accelerated retirement and that the Commission had previously endorsed the retirement of certain combustion turbine generators. The Judge noted that the Company's total capacity is greater than its requirement for peak demand by 28% which is 3% higher than the Company's minimum required reserve of 25%. The Judge believe that this would drop to 2% in the second year and 1% by the fourth year after Limerick is in service. The Judge recommended that the Commission recognize that the additional capacity can not be added megawatt by megawatt. He stated that some reasonable increase in reserve capacity must be allowed before excess capacity comes into play.

F- AL5 T- AL5 S- AL5

11. MARK II

OFFICE OF CONSUMER ADVOCATE POSITION

The Office of Consumer Advocate proposes a $194,000,000 deduction to the Company's claimed rate base. The Advocate notes that due to problems resulting from the initial inadequacies of the Mark II containment design, the owners of nuclear plants which employed that design had to incur substantial costs to correct the design deficiencies of their plants. The Advocate alleges that the cause of the inadequacy in the Mark II design was General Electric's imprudent failure to adequately analyze the design and specify the forces that would occur in the containment. The Advocate submits that the costs which were incurred at Limerick due to the original improper design should not be passed on to ratepayers. The Advocate claimed that the basic problem with the Mark II containment was the inadequate load specification provided in its original design and had the containment and the equipment been built as originally specified, there is a substantial probability that safety-relief valve actuations would have caused damage. The Advocate believes that sufficient theoretical and experimental work should have been done to enable developing an acceptable Mark II design in the first place. General Electric's failure to do so, claims the Advocate, was unreasonable and imprudent. The Advocate points out that recently obtained GE documents indicate that there was reason to believe further study should be done because of exhibited hydro-dynamic loads seen in earlier tests.

GOVERNOR'S ENERGY COUNCIL POSITION

The Governor's Energy Council supports the disallowance recommended by the Office of Consumer Advocate of the costs incurred by the Company in the correction of the Mark II reactor containment design. The Council believes that it is improper for the Company to seek recovery of the Mark II costs from the ratepayers without first seeking recovery from General Electric, as have several other utilities with similar Mark II problems.

COMPANY POSITION

The Company contends that the complainants improperly seek to re-litigate a prior PUC finding that no imprudence exists in the Mark II containment design. The Company contends that this exact issue of alleged GE imprudence in the design of the Mark II containment had already been adjudicated by the Commission in a prior Pennsylvania Power and Light Company case. The Company notes that the Commission ruled that the evidence presented by the complainants in that case was insufficient to establish imprudence on the part of GE and rejected the complainants' proposed adjustment with respect to the Mark II containment problems. The Company noted that a series of tests conducted by GE failed to evidence significant hydrodynamic forces. The Company noted that certain hydrodynamic effects were identified in 1950's and 1960's testing. However, the Company now contends that 1) these hydrodynamic phenomena were not the same or similar to the hydro-dynamic phenomena investigated in the mid-1970's; and 2) these phenomena were judged by GE, the project contractor, the utility and the Atomic Energy Commission to have

been caused by factors that were not present in actual boiling water reactor containment operations. The Company cited a conclusion by the Nuclear Regulatory Commission that further study of these loads was mandated in order to provide adequate assurances of safety. The Company further disputes the Advocates' proposed level of adjustment. The Company believes that the incremental costs incurred due to correction of the Mark II design deficiencies totalled $55,000,000.

ADMINISTRATIVE LAW JUDGE RECOMMENDATION

The Administrative Law Judge concluded that based on the evidence in this record, there was no imprudency either by GE or the utility in connection with the design, redesign and rework relating to the Mark II containment as it effected Limerick 1. The Judge noted that this exact issue of alleged GE imprudence in design of the Mark II containment had already been adjudicated by the Commission in a prior Pennsylvania Power and Light Company case. The Judge further stated that he did not intend to adjudicate any claims against GE or others that may be litigated in civil proceedings upon evidence presented there. He now recommended that the Company and the Commission monitor such civil actions and upon their resolution, determine whether further action should be taken either by the Commission or the utility as a result.

CASH WORKING CAPITOL-UNCOLLECTIBLE ACCOUNTS

TRIAL STAFF POSITION

The Staff proposed an adjustment to eliminate uncollectible accounts from the Company's revenue lag used to determine the cash working capital requirement. The Staff stated that uncollectible accounts do not create an additional need for funds by the Company. Furthermore, the Staff stated all of the Company's operating expenses required to serve customers, including expenses to serve those customers who ultimately do not pay are included in the composition of the Commission's approved rates. The Staff notes that the Commission has considered and rejected the Company's arguments to include uncollectible expenses in allowable cash working capital computations.

COMPANY POSITION

The Company stated that in accordance with the Commission's order in its last electric rate proceedings, uncollectible account expense was removed from operating and maintenance expenses for the purposes of calculating a cash working capital requirement. The Company also noted that in accordance with the Commissions order in its prior gas rate proceedings, the Company's lead lag study included an analysis of customer payment patterns for a 123 day period and assumed that bills not paid within that period were paid immediately thereafter on the 124th day. The Company believes that its inclusion of uncollectible accounts in its revenue lag study is entirely appropriate in order to avoid an understatement in the

Company's case working capital requirements. The Company noted that its revenue lag study only reflected customer payments up to 123 days. The Company believes that in the case of uncollectible accounts it must wait 231 days until it receives any revenue for that service. If uncollectible accounts were not reflected in the Company's revenue lag study, the Company would not recover the carrying costs associated with uncollectible accounts after 123 days and thus would substantially under-recover its cash working capital requirement.

ADMINISTRATIVE LAW JUDGE RECOMMENDATION

The Judge made no specific finding

13. CASH WORKING CAPITAL - FEDERAL TAXES

TRIAL STAFF POSITION

The Staff noted that the statutory payment schedule for payment of federal taxes for the utility requires that federal income taxes be prepaid at ninety percent of the actual tax liability for the tax year. Pursuant to this requirement four prepayments of 22.5% of the liability may be made during the tax year with the remaining 10% to be paid by March 15 of the year.

The staff notes that the utility does not follow this tax payment schedule but has opted to increase the level of prepayment to three 25% payments with the fourth payment set at 15%.

The Staff noted that the Company chose this payment schedule in order to avoid a penalty situation. The Staff

contends however that PECO has not been close to a penalty situation for years and in fact has been able to forego some of the prepayment by its early prepayment schedule. The Staff contends that PECO's early payment schedule for Federal Income Tax taxes create a greater cash working capital requirement on the Company than would otherwise be needed under the statutory schedule.

OFFICE OF CONSUMER ADVOCATE POSITION

The Advocate contends that the utility's cash working capital claim should be reduced by $4,217,000 to reflect the statutory schedule of Federal Income Tax payments. The Advocate contends that the Company could pay its Federal Income Tax on a more efficient schedule without fear of penalty. The Advocate submits that the Company's cash working capital claim must be adjusted to reflect that legally authorized tax payment schedule. The Advocate claims that the utility could employ a penalty avoidance methodology allowed by the Internal Revenue Code.

COMPANY POSITION

The Company opposes the disallowance proposed by the Staff and Office of Consumer Advocate. The Company notes that the Internal Revenue Code requires that 90% of the Company's annual tax liability be paid by the end of the tax year in four equal installments of 22.5%. However, this does not mean that the statutory payment schedule should be used in the cash working capital study and it is not in fact the method used by the

Company in making its tax payments. Since it is impossible to foresee with total accuracy the actual tax liability which the Company will incur for the year at the time quarterly tax payments are due, the Company, in order to avoid tax penalties for under payment, pays more than the statutory 22.5% each quarter. The Company's payment schedule used in its tax lag study is three quarterly payments of 25% with a 15% last quarter payment. This reflects a prudent use of cash to avoid tax penalties. The Company notes that the Commission has examined this specific issue in prior rate proceedings and has endorsed the Company's payment schedule.

The Company also argues that should it employ the exception to the penalty provisions allowed by the Internal Revenue Code, there would be a substantial increase in estimated tax payments and a further increase in its cash working capital requirement.

ADMINISTRATIVE LAW JUDGE RECOMMENDATION

The Administrative Law Judge did not make a specific finding on this issue.

14. 15. CASH WORKING CAPITAL - AD VALORUM TAXES AND TAXES OTHER THAN INCOME

TRIAL STAFF POSITION

The Staff has proposed an adjustment to the Company's cash working capital claim to reflect the fact that the amount of

prepayment of these taxes are normally based upon actual prior year's tax liabilities rather than projected tax liabilities for the current tax year as had been reflected in the methodology employed in the Company's cash working capital claim. The Staff has developed a growth rate to apply to these taxes in order to determine, according to the Staff a more accurate estimate of the timing of the payments of the Company's projected future test year liabilities.

COMPANY POSITION

The Company opposes the employment of Staff's estimated growth rates for the calculation of the cash working requirements due to these taxes. The Company contends that there is no sound conceptional basis for the use of a growth factor in the development of lag days associated with the payment of these taxes. The Company believes this to be true because the use of a growth factor assumes a continuous, ongoing growth overtime, similar to the growth of funds invested in a savings account. This, the Company contends, is completely unrealistic in this instance. The Company notes that many discrete accounting events, such as the implementation of rate increases or changes in the tax rates have a significant effect on taxes and therefore it would be inappropriate to use a compound growth factor to provide any meaningful tax results. The Company submits that its claim for cash working capital is correct and was developed consistently with the methodology accepted by the Commission in previous Company rate proceedings.

ADMINISTRATIVE LAW JUDGE RECOMMENDATION

The Judge did not make a specific finding on this issue.

16. CASH WORKING CAPITAL - LATE PAYMENT CHARGES

TRIAL STAFF POSITION

The Staff has proposed to make a reduction to the Company's revenue lag for late payment charges received from customers. The Staff contends that this adjustment should be made because a double benefit occurs to the Company due to its use of an excessive number of lag days. The Staff contends that when a customer pays late, the Company is compensated for the revenue lag by the late payment charges. The Staff believes that a second benefit would occur because the Company is also claiming a cash working capital allowance for the lag days subsequent to the date the finance charge is applied.

COMPANY POSITION

The Company opposes the Staff's proposed adjustment. The Company says that it does not receive a benefit from these late payment charges because it flows through to ratepayers all revenues recovered in the late payment charge. The Company contends that adoption of the Staff's proposal would improperly deny the Company any cash working requirement recovery for late paying customers and therefore should be rejected.

ADMINISTRATIVE LAW JUDGE RECOMMENDATION

The Administrative Law Judge made no specific findings.

17. SINKING-FUND DEPRECIATION PROPOSAL

PHILADELPHIA AREA ENERGY USERS GROUP POSITION

The complainants contend that the Commission should adopt a Sinking Fund Depreciation for Limerick Unit I. The Commission should take this action in order to ease the burden of the Company's ratepayers. The complainants note that the traditional use of a straight line depreciation will make the carrying cost of Limerick Unit I highest during its early years of operation when capital costs grossly outweigh potential benefits of forecasted fuel savings. The complainants note that a Sinking Fund Depreciation technique provides the Commission with a generally accepted accounting technique for easing the burden placed on the current ratepayers. Under the Sinking Fund Method the first year depreciation expense is computed so that the asset is fully depreciated by the time the asset leaves utility service. The annual rate of increase in the depreciation expense is referred to as the Sinking Fund rate and represents the rate of interest which might be earned on a depreciation reserve if that reserve were invested to provide the ultimate replacement for the asset. The effect of the Sinking Fund depreciation technique is to defer depreciation expense into the latter years of asset life when additional cash generation will be required to begin replacement process for the asset. The complainants suggest that the Commission adopt a 6% Sinking Fund rate which approximates the Company's projection of long-term rates of inflation. If the Sinking Fund rate matches the projected long-term rate of inflation, the complainants argue, customers pay the same amount of depreciation expense each year in real dollars.

Complainants note that the Commission employed a Sinking Fund methodology to recognized depreciation for Susquehanna Units I and II in prior Pennsylvania Power and Light Company rate proceedings.

GOVERNOR'S ENERGY COUNCIL POSITION

The Governor's Energy Council proposes the employment of a Sinking Fund Depreciation Methodology. Under the Sinking Fund method, the Council explains, the depreciation expense is reduced below the straight line level in the early years of the plant's life, but escalates annually, so that the total cost of the plant is recovered over its useful life.

The Council believes that this method results in total annual capital costs (depreciation plus return on net investment) being equalized over the life of the plant.

COMPANY POSITION

The Company contends that the Governor's Energy Council's Sinking Fund Depreciation proposal should be rejected because (1) the use of Sinking Fund Depreciation harms ratepayers because it results in the deferral of massive amounts of capital recovery to the end of the plant's life, thereby increasing the total capital cost of Limerick to ratepayers and the risk of capital recovery. The Company claims that the total lifetime capital revenue requirement for Limerick I is $6.6 billion higher under a Sinking Fund Depreciation than under straight line depreciation.

(2) Sinking Fund Depreciation may be found to be inconsistent with FASB71 because it violates the proposed amendment to FASB71 by deferring recovery costs beyond ten years.

The Company notes that Sinking Fund depreciation methods defer very large portions of the plant's capital recovery until the very end of the plant life and thereby create serious risk of non-recovery of the capital. The Company notes that the overall increase in costs to the ratepayers and the uncertainty of the collection of capital costs until late in the units life are the significant problems which the Company has with any Sinking Fund depreciation methodology for Limerick Unit 1.

ADMINISTRATIVE LAW JUDGE RECOMMENDATION

The Judge does not recommend the adoption of a Sinking Fund depreciation approach. He believed that the use of the Sinking Fund depreciation methodology would impose significant financial risks on the Company. He believed that the Sinking Fund depreciation method would also increase the revenue requirement associated with Limerick over its useful life. He noted that the situation with regard to the used and useful nature of Limerick 1 is not the same as that faced by the Commission in the prior Pennsylvania Power and Light Company rate proceedings.

18. PROFORMA REVENUES - WEATHER ADJUSTED SALES

Office of Consumer Advocate Position

The Advocate contends that the Company's proforma operating revenues should be increased by $11 million to reflect the weather-adjusted sales which occurred during the first five

months of the future test year. The Advocate contends that the Company's actual weather-adjusted sales during the test year to date have been significantly higher than the budget projection that the company made on the same weather-adjusted basis. The Advocate believes that in setting rates, it is necessary to use weather normalized sales figures in order to avoid giving too much weight to the particular weather in a given year.

The Advocate believes that the non-weather adjusted sales which have been below budget are essentially irrelevant.

Company Position

The Company has budgeted total weather-adjusted electric sales of 27,653,130 megawatt hours for the test year ended June 30, 1986. The Company noted that its actual sales for the first six months of the future test year were below budgeted sales. The Company opposes the Advocate's proposed adjustment to sales. The Company also notes that not only have their actual sales been below budgeted levels, but also actual revenues have been even more under the budgeted level of revenue.

Administrative Law Judge Recommendation

The ALJ adopts the Company's claimed proforma revenue level. The ALJ stated that while weather adjustment may be appropriate for comparison purposes, it is not proper when calculating a revenue requirement adjustment. The ALJ felt that it would be inappropriate to impute additional sales for rate-making purposes which never actually occurred. The ALJ also noted that the Advocate's adjustment incorrectly assumes that an increase in the Company's sales over the budgeted level would re-

suit in a commensurate increase in the company's revenues. The ALJ also felt that the Advocate's adjustment was incomplete in that it examined only sales levels and did not consider the comparison of actual to budgeted expense levels. The ALJ noted that PECO's operating income for the first six months of the future test year was $21.8 million below budget.

AMORTIZATION OF REPLACEMENT TRANSMISSION TUBES AT EDDYSTONE NO. 1

Company Position

The Company has included, in its test year claims for operating expenses, one-half of the cost of replacement of transmission tubes at Eddystone Unit No. 1. The total cost of this project is $3.04 million. The Company notes that the Commission, in past rate proceedings, has accepted the practice of permitting the recovery of maintenance expenditures for availability considerations on an as-spent basis.

The replacement of the transmission tubes at Eddystone unit was undertaken to preserve the availability of this generating unit. The Company objects to the Staff's proposed 10-year amortization and notes that the effect of amortizing an expense over ten years without a return on the unamortized balance is to disallow a substantial portion of an expense through the loss of time value of money.

Trial Staff Position

The Trial Staff recommends a 10-year amortization in lieu of the two-year amortization of these costs proposed by the Company. The Staff believes that this would be appropriate in view of the 22.9 year life span of the Eddystone Boilers.

Administrative Law Judge Recommendation

The ALJ recommends allowance of the Company's claim. He felt that the Staff's proposal to amortize these costs over a 10-year period in effect treated this expense as a capital item which should have been entitled to rate base inclusion. The ALJ also noted that in past rate proceedings the Commission has accepted the recovery of maintenance expenditures for availability considerations on an as-spent basis.

20,21,22. DECOMMISSIONING ACCRUALS FOR PEACH BOTTOM I, II AND III AND PEACH BOTTOM VI AND Salem

Company Position

The Company's present claim is to include Limerick Unit #1 and Peach Bottom Unit #1 in its decommissioning expense allowance and to adjust the decommissioning fund to reflect the current estimated total cost of decommissioning. The Company's total claim of $12,436,000 represents a $10,021,000 annual expense accrual and a $2,415,000 annual accrual reflecting a five-year amortization of an adjustment necessary to increase the decommissioning funds to reflect the current estimated total costs of decommissioning.

The Company based its decommissioning claims upon a detailed site-specific study which indicated that the total decommissioning costs for the nuclear portion of Peach Bottom,

Q0 F AUS T AUS S ALJ staff
21 AUS Q0 5yr amortization
22 AUS AUS ALJ

Salem and Limerick Unit #1 to be $272,908,000 in March 1984 dollars. The Company notes that no party in this proceeding has challenged the decommissioning study or its results. The Company has proposed a five-year amortization of the costs necessary to adjust the decommissioning reserve to the current estimated level based upon the new decommissioning study.

Such prior accrual corrections have been approved by the Commission in the Company's last three rate proceedings. In those cases, recovery of the prior accrual deficiency was allowed during the first year rates were in effect. The Company in this proceeding is seeking a five-year amortization because of the magnitude of the prior correction accrual and the fact that it was based upon the Company's first site-specific decommissioning cost study rather than on comparative analysis techniques as were prior claims.

The Company objects to the complainant's proposal to extend the amortization of the prior accrual correction over the remaining life of the generating station in lieu of the five-year amortization proposed by the Company. The Company believes that delaying the correction in the prior accruals is inconsistent with the goal of maintaining a fully funded current dollar decommissioning reserve and unfairly increases the level of cost responsibility to future ratepayers.

The Company noted that Peach Bottom Unit #1 is currently in a safe storage condition or "entombed". Final decommissioning of this unit cannot be completed, according to the Company, while Units II and III remain in operation because certain

of Unit 1 facilities are utilized in the operation of the Peach Bottom station as a whole. The Company is proposing that the decommissioning reserve fund for Peach Bottom 1 be accrued over the remaining life of Unit 1 and 111

Trial Staff Position

Trial Staff has proposed that the accrual of funds for decommissioning be extended over the service life of these units instead of to the license expiration date. The Staff believes that the license expiration date will be subject to possible extension at the Company's request. The Staff also believes that the reserve efficiency of the decommissioning fund should be amortized over the remaining life of these units as opposed to the five-year amortization period claimed by the Company.

The Staff contends that this reserve deficiency has developed as the result of a reevaluation of decommissioning fund needs, as well as inadequate earnings of the fund historically to keep pace with the cost increases determined by that reevaluation. The Staff does not believe that this liability is the responsibility of any particular group of ratepayers and that to charge only current ratepayers for this expense would be unfair.

The Staff opposes the Company's claim for decommissioning fund expense for Peach Bottom Unit #1. Staff notes that this Unit was built through the efforts of a consortium which included the Company and 52 other companies. Each member of this group contributed funds toward the design and construction of the Unit. The objective of the participating companies was to obtain technical knowledge, information and

experience and training in the design, construction, maintenance and operations of a nuclear power plant. The Staff noted that the Unit was retired in 1974 and placed in a safe storage condition. Final decommissioning will be completed at the same time as the decommissioning of Peach Bottom Units II and III. The Staff notes that Unit I has not provided service for 12 years and has not been a used and useful plant for current ratepayers. Staff believes that a delay on the Company's part in seeking a decommissioning fund for this Unit has resulted in an unreasonable burden on current ratepayers and is inconsistent with the Company's own position on the collection of the reserve deficiency.

Staff believes that the Company's ratepayers should not be required to bear the sole burden for the decommissioning of the Unit where so many other companies benefited from its construction and operation.

Office of Consumer Advocate Positions

The Advocate contends that the Company's expense claim of $691,000 per year to pay for a second decommissioning of Peach Bottom I should be denied at this time. The Advocate notes that the Unit is currently in a safe storage condition and that ratepayers have already paid for one decommissioning of this plant. The Advocate believes that the Company has not shown why other parties who benefited from the Peach Bottom Unit in operation should not also share the responsibility of the costs of this second decommissioning.

Administrative Law Judge Recommendation

The ALJ adopts the adjustment to disallow the claimed $691,000 for the decommissioning of Peach Bottom Unit #1. The ALJ believed that if additional decommissioning of Unit #1 should be necessary, then other joint owners of Units II and III should be required to contribute to the decommissioning. The ALJ did not believe that the Company had met its burden of proof regarding this specific claim. The ALJ adopts the Company's proposed decommissioning expenditures for Peach Bottom Units II and III and Salem Units I and II. The ALJ found that the Company's annual decommissioning claims, based on the expiration of the licenses of these units was reasonable. He believed that suggestions of extensions of the useful lives of these plants beyond their license period was speculative. The ALJ agreed with the Staff's proposal to extend the amortization of the reserve deficiency in lieu of the Company's proposed five-year amortization.

231 CUSTOMER ACCOUNTS EXPENSE

Trial Staff Position

The Trial Staff recommends a reduction in the Company's claimed customer accounting expenses of $17,633,000. The Staff's proposed adjustment is based upon an examination of the aggregate level of customer accounting expense on a per-customer basis for the 12-month period ended December 31, 1984 for five metropolitan areas. The Staff studied reported data for the cities of Chicago, Baltimore, Detroit, Boston and New York City. Based upon the analysis of comparable expenses for other utilities serving these cities, the Staff estimates that the Company's

claimed expense level is excessive. The Staff notes that while there may be some discrepancies on a company-to-company basis, it is unlikely that these discrepancies would be of a major nature. Based upon the Staff's analysis, the Staff has concluded that the Company's claimed expense levels are excessive and should be reduced.

COMPANY POSITION

The Company opposes the Staff's adjustment to customer accounting expenses. The Company believes that Staff's adjustment is fundamentally flawed in both theory and in practice. The Company contends that there has been no showing that a higher level of customer account expense is unreasonable or inappropriate. The Company believes that the Staff's analysis failed to take into account the significant differences between the Company and other utilities. The Company contends that there are substantial variations in the billing practices and legal requirements among the jurisdictions in which the utilities utilized by the Staff are located. The Company also noted that there are significant differences in the accounting practices of the companies involved in the Staff's analysis. Furthermore, the Company noted that its cost per customer were significantly below two utilities in the Staff's analysis and only slightly above two of the other utilities involved.

ADMINISTRATIVE LAW JUDGE RECOMMENDATION

The Administrative Law Judge did not adopt the Trial Staff's proposed adjustment. He stated that in his opinion, the Staff's procedure is a simplistic, unreliable and unreasonable mathematical computation.

PECO'S CLAIM FOR OUTAGE EXPENSE

COMPANY POSITION

The Company states that the development of normalized production plant operating and maintenance expenses begins with the Company's 1985-1986 budget. As in prior Company rate proceedings, certain adjustments were made to the budgets for rate making purposes. Specifically, the budget was adjusted to reflect known changes which have occurred since it was prepared in the fall of 1984 to eliminate atypical expenses which will occur in the future test year and to establish a normalized level of operation and maintenance expense.

The Company's claim is for normalized outage expenses and is designed to recover a level of expenses necessary to perform the major inspections, preventative maintenance and refueling expenses at the various generating stations. The Company's claim in this proceeding is identical to its claim approved by the Commission in the Company's past rate proceedings, adjusted only for intervening inflation. The Company objects to the proposed adjustment of the Commission Trial Staff because the Company believes that it is based on historical averages which reflected abnormal and unusual operating conditions at the Salem and Peach Bottom stations. The Company states that its claim for the Limerick operating and maintenance operating expenses was based on the actual experience at the Peach Bottom generating station which is an operating station to Limerick 1A. The Company contends that the use

of historical averages in order to determine a reasonable allowance for outage expenses fails to fully reflect the costs associated with new programs added by the utility and approved by the Commission during the preceding five-year period.

TRIAL STAFF POSITION

The Trial Staff recommends an adjustment to the Company's power plant outage expenses. The Staff notes that the Company's claim was not based upon an actual review of experience but was determined by examining the amount of outage expense allowed for nuclear and fossil fuel units by the Commission in the last rate case and adjusting that allowance to reflect intervening inflation. The Staff contends that a normalized expense without any benefit in reality clearly lacks credibility.

In examining the allowable expenses for the Peach Bottom and Salem units, the Staff reviewed the last three historic years plus the Company's budgeted amounts for expenses for the next three years. With regard to Limerick's operating expenses, the Staff recognized that Limerick had no history of its own to be examined for purposes of projecting future expense levels. Therefore, the Staff computed the normalized amount of expense by taking the Company's budget amounts for the first two refueling outages and dividing them by three years. With regard to the Company's fossil units, the Staff examined the Company's five-year historical expense level and found that the year ended June, 1981 was much lower than the other years. The Staff adjusted the five-years' historical data by removing the high and low years (June, 1981 and June, 1983). An allowance for inflation was made

to the historical levels and the remaining three-years were averaged. The Staff's total adjustment to the Company's outage expenses is a reduction of $5,494,000.

OFFICE OF CONSUMER ADVOCATE POSITION

The Advocate contends that the Company's operating and maintenance outage expenses should be adjusted downward by $646,000 to reflect lower and more accurate estimations of inflation. The Advocate contends that in developing its operating and maintenance claim, the Company used inflation factors of 5.25% for 1985 and 6.4% for 1986. The Advocate believes that the Company applied the inflation factors to its nuclear and fossil plant outage expenses. The Advocate submits that, because these inflation factors are excessive, this claim must be adjusted downward. The Advocate notes that ILAIS not proposing an adjustment to the base level of these outage expenses but instead is proposing to adjust only the inflation factors apply to these costs. The Advocate believes that the Company's inflation factors are clearly inappropriate in light of current levels of inflation and the Commission's decision in the Company's last rate case. The Advocate contends that the Company's inflation factors inappropriately include only PECO - specific wage inflation rates. The Advocate noted that in the last base rate case, the Commission found that use of a PECO specific inflation factor was inappropriate. The Advocate believes that the gross national product implicit price deflator is the proper inflation rate for use in this case. The Advocate proposes that an inflation rate of 3.5% for both 1985 and 1986 be

employed.

ADMINISTRATIVE LAW JUDGE RECOMMENDATION

The Judge recommends adoption of the Company's claimed expenses. The Judge specifically agreed with the Company's methodology for calculating the projected outage expenses at Limerick based upon the actual experience at the Peach Bottom units. The Judge also felt that the Staff's use of historical averages failed to fully reflect the costs associated with new programs added to the Company and approved by the Commission. The Judge believed that these historical averages could also contain unusual or abnormal data.

WAGE EXPENSE CLAIM

COMPANY POSITION

The Company has claimed future test year labor costs which have been adjusted to reflect the actual (5.4%) of the August 1, 1985 increase in wages and benefits. The Company's claim analyzes the effect of these increases which were not fully reflected in the 1985 - 1986 budget period. The Company's claim for wage and benefits expense has not included and does not reflect the impact of the anticipated August 1, 1986 wage and benefit increase which will be effective one month after the rates established in this proceeding become effective. The Company notes that its total wage and benefit expense claim reflects a number of components including the number of employees, level of overtime, and the amount of contract labor. The Company states that over the last three year period the

actual payroll expense exceeded the budgeted payroll expense by

TRIAL STAFF POSITION

The Trial Staff has proposed that an adjustment be made to the Company's claimed wage expense because the Staff believes that the number of employees which the Company claims it will employ by the end of the future test year is overstated by 331. The Staff compared the number of actual and budgeted employees during the first five months of the future test year and determined that the average monthly difference between the number of budgeted and the actual number of employees was 354. The Staff analyzed the Company's experiences for the years 1983 - 1985 and determined that the average annual percentage of employes under budget was 3%. The Staff proposed that the expenses associated with 331 positions, which is 3% of the average number of employees budgeted for the future test year, be disallowed. The total wage expense disallowance determined by the Staff was $4,590,000. The Staff noted that the Commission had adopted an adjustment similar to the one proposed by the Staff in a prior rate proceeding involving a different electric utility.

ADMINISTRATIVE LAW JUDGE RECOMMENDATION

The Administrative Law Judge found that the Company's wage claim expense was reasonable. He believed that after a review of all the circumstances, the Staff's consideration of only one aspect of the Company's wage expense did not present the full picture. He noted that the Company's total wage expense over the last three years appeared to be consistent.

26. AMORTIZATION OF INVESTMENTS OF CERTAIN FAILED URANIUM VENTURES

COMPANY POSITION

The Company seeks to recover over a five-year period, the losses it incurred on two nuclear supply projects: 1) Salem Nuclear Fuel Commitments, Sequoyoh and Homestake Uranium Mining Projects, and the Lee Mine Project. The Sequoyoh portion of the Salem Nuclear Fuel Commitments was terminated effective September 15, 1985 and the Homestake portion on December 26, 1985. The Company wrote off its investment in the Lee Mine Project in November, 1985 pursuant to an agreement with its joint owner (Quivira Mining Company). The Company contends that its expenditures on these projects were reasonably devoted to provide continued public utility service to its customers and that changed circumstances prevented completion of the projects. The Company believes that its expenditures on these uranium mining projects were part of its overall cost of providing utility service to the public and are therefore recoverable under Pennsylvania law.

OFFICE OF CONSUMER ADVOCATE POSITION

The Advocate contends that the Company's expense claim should be adjusted downward by $2,445,000 to deny the amortization of the Company's investment in three uranium mines which never served the ratepayers. The Advocate opposes these amortization claims in their entirety because these mines have

never provided service to ratepayers and therefore are not used and useful. The Advocate states that the mining ventures in question are not now and have never been used or useful.

ADMINISTRATIVE LAW JUDGE RECOMMENDATION

The Judge found that the amortization of the Company's investments in these projects is proper and reasonable. The Judge noted that the utility rates generally reflect all prudent and reasonable costs. The Judge found that the Company's investment in these uranium mining projects were part of its overall cost to providing utility service to the public and are therefore recoverable.

27. AMORTIZATION OF TEN-YEAR INVESTMENT IN THE HEATON-BYBERRY LINE (TRANSMISSION)

COMPANY POSITION

The Company has claimed a five-year amortization of the abandoned engineering costs associated with the Heaton-Byberry Transmission Line. While the Company has not expended funds on this project since 1976, the Company's electric engineering division only recently determined that the line would not be built and requested that the costs be charged to abandoned engineering. The Company notes that this entry was one of the adjusting entries offered by the Commission's Bureau of Audits in its recently completed property record audit. This is the first proceeding after the write off in which the Company has had an opportunity to claim an amortization for this unrecovered cost.

OFFICE OF CONSUMER ADVOCATE POSITION

The Advocate contends that since the Heaton-Byberry line has never been used or useful in providing utility service, the Company's claim of $89,000 per year to amortize its costs should be denied. Because this project has never served ratepayers and has not been pursued for the last ten years, the Advocate submits that this amortization should be denied. The Advocate believes that the ratepayer should not be required to reach back ten years for recognition of expenditures for a project that never came to fruition. The Advocate submits that the used and useful doctrine governs here.

ADMINISTRATIVE LAW JUDGE RECOMMENDATION

The Administrative Law Judge recommends the adoption of the Company's proposed amortization. The Judge found that the line was proposed and designed to provide service to PECO's ratepayers. The Judge believed that it is reasonable to expect that the Company will continue to access, from time to time the continued need for such projects, as ratepayer requirements are changed by subsequent events or conditions. The Judge did not believe that the Company should be penalized for adjusting its operations for failing to meet efficient operation.

28. SALEM-I MANAGEMENT EVALUATION

COMPANY POSITION

The Company has claimed a two-year amortization of its share of $7,283,000 of the $17 million cost of the Salem I Management Evaluation Program. The Company submits that the Salem Management Evaluation was a reasonable and prudent program

which improved the operation at the Salem station and thus provided benefits to Company ratepayers. The Company notes that while the original impetus for the evaluation was the Salem-I circuit breaker incident, the scope of the evaluation went far beyond a review of the procedures related to this incident. The evaluation covered all aspects of operations and management at the Salem Station and resulted in significant improvements in the operations and commensurate benefits to the Company's customers.

TRIAL STAFF POSITION

The Trial Staff recommends that the Company's claim for the Salem Management Evaluation Program be reduced by $3,484,000. The Staff has recommended that the Company's test year claim be adjusted to reflect only a three year amortization of the Company's share of the amount paid to Management Analysis Company, the consulting firm hired by Public Service Electric and Gas Company to develop an action plan for the management of the Salem Nuclear facility. The Staff notes that the original impetus for the study was the fact that the Nuclear Regulatory Commission questioned the competence of the management of the Salem unit.

The Staff believes that this raises a serious question with respect to the prudency on management's part. The Staff argues that this speaks against requiring ratepayer payment for the cost of the study. The Staff has not proposed a total disallowance but instead is recommending that only those costs attributable to the outside consultant be recovered.

The Staff contends that the Company failed to adequately justify the reasonableness of the remaining costs.

OFFICE OF CONSUMER ADVOCATE POSITION

The Advocate contends that RECO should not be allowed to amortize costs of a management audit undertaken in response to the Salem I breaker incident. The Advocate notes that the program in question was carried out between March and August of 1983. The Advocate recommends that this claim be rejected in its entirety because the ratepayers are not to bear this expense.

The Advocate contends that the Salem Management Evaluation Program costs resulted from a failure of the utility to maintain proper management. The Advocate argues that just as the Commission disallowed imprudently incurred replacement power costs due to this circuit breaker incident the Commission should also disallow the costs of the resultant management evaluation program. The Advocate notes that such an audit is not part of the Company's normal operating procedures which the ratepayers ordinarily support. The Advocate also contends that these costs could be considered nonrecurring expenses which may not generally be recovered from ratepayers. The Advocate further states that recovery of these expenses would constitute impermissible retroactive rate making.

ADMINISTRATIVE LAW JUDGE RECOMMENDATION

The Administrative Law Judge adopts the adjustment also proposed by the Office of Consumer Advocate. The Judge found that while it may be true that the audit was a prudent and

reasonable program, it was made necessary by the imprudent and unreasonable operation at the plant. The Judge noted that the audit was not part of the Company's normal operating procedures which ratepayers normally support but was undertaken under the impetus of the Salem breaker incident and the NRC's questioning of the operators management in the wake of that incident. The Judge found that the costs of these programs constituted a nonrecurring expenses which should not be recovered from ratepayers.

29. LIMERICK II INVESTIGATION COSTS

F- CO. T- CO. S- ALJ

COMPANY POSITION

The Company seeks to recover the costs incurred in the Limerick II investigation over a five year period, commencing with the effective date of the rates set in this proceeding. The Company notes that the Limerick II investigation was initiated by Commission order for the purpose of gathering information to allow the Commission to make a reasonable decision on the continued construction or cancellation of Limerick II. The Company states that its claim for the Limerick II investigation costs in these proceedings follows the Commission's precedent in allowing the amortization of the Company's most recent ECR costs.

The Company contends that it would be unfair to require it to capitalize the costs of this investigation with the costs of the second unit after the Company had accepted the Commission's costs containment program.

OFFICE OF CONSUMER ADVOCATE POSITION

The Advocate believes that the costs of the Limerick II investigation should not be recovered from current ratepayers. The Advocate believes that the costs of the Limerick II proceeding should be included in the costs of Unit II. The Advocate believes that it would be inequitable in this case to allow collection of these costs from current ratepayers because the plant does not serve them now but may serve others in the future.

The Advocate believes that the capitalization of these costs is fair to both current and future ratepayers.

ADMINISTRATIVE LAW JUDGE RECOMMENDATION

The Administrative Law Judge recommends the adoption of the Office of Consumer Advocate's proposed disallowance of the amortization of these costs. The Judge believed that the issue at hand involved "when" the costs of the Limerick II investigation should be recovered from ratepayers. He believed that it would be inappropriate to ask current ratepayers to recover these costs when the plant may serve only future ratepayers several years from now.

30. KEYSTONE ALLIANCE ADJUSTMENT

TRIAL STAFF POSITION

The Trial Staff contends that pursuant to the Commission's order at C-78080459, the Company's claim for certain expenses relating to nuclear information, education and advertising must be disallowed. The Staff proposes that the Company's claimed expenses be reduced by $5,931,000.

It is the Staff's position that the Commission's February 18, 1986 order listed the activities which the Commission believed to be not properly recoverable from ratepayers. The Staff's adjustment reflects the Company's enumeration of the items listed in the Commission's order.

OFFICE OF CONSUMER ADVOCATE POSITION

The Advocate believes that the Commission's Keystone Alliance Order requires that the Company's expenses be reduced by $4,117,000. The Advocate notes that the Commission has entered a tentative amended order in the Keystone Alliance case which clarified an order and opinion entered September 4, 1985. The Commission's tentative order stated that "On an annual basis, the amount of $4,723,000 is the correct expense disallowance to be refunded to PECO customers relative to the base rates currently in effect."

The Advocate's proposed adjustment reflects the Advocate's understanding of the Commission's original order and the indication of the Commission intent given in the tentative amended order. The Advocate's proposed disallowance involves three adjustments to the Company's claim. First, $2,644,672 in expenses for the future test year must be disallowed. Second, $2,095,490 collected under rates set at R-822291 should be refunded to ratepayers, under a three-year amortization, which results in a $698,497 expense reduction. Third, at least $2,326,412 from rates set at R-842590 should be refunded, for a $773,471 expense reduction over a three-year amortization period.

COMPANY POSITION

The Company opposes the adjustments proposed by the Staff and the Advocate. The Company believes that both adjustments are seriously overstated and should be reduced. The Company states that expenses allowed in its most recent rate cases (R-822291 and R-842590) should not be refunded. The Company contends that this would be a retroactive disallowance of expenses which had been approved by the Commission. Such retroactive disallowances are illegal according to the Company. The Company states that the rates established in the prior rate cases were the subject of final Commission orders and were not appealed on these issues. Therefore, they are "Commission-made rates" and not subject to refund as a matter of law. The Company notes, furthermore, that it had not achieved the allowed rate of return deemed to have been just and reasonable during the period that these rates were in effect and therefore, a refund cannot be ordered in this proceeding. The Company contends that the Complainants' adjustments erroneously include a disallowance for the Company's contribution through EEI to the Three Mile Island cleanup project. The Commission specifically allowed recovery of these costs in the Company's last rate case at R-842590.

The Company also believes that the Complainants' quantification of the revenue impact of the expense allowances in the case docketed at R-842590 are in error because they include the costs listed in paragraph 13 of the Commission's tentative amended order. The Company states that ordering paragraph 13 merely requires the Company to list certain payments. The Company believes that paragraph 13 does not disallow recovery of

these payments but only required the Company to submit data on the payments in future rate cases and produce evidence of the benefit provided to ratepayers by these expenditures. The Company contends that the amounts at issue should be adjusted to reflect the current staffing of the Company's corporate communications operations. Further, the Company believes that the costs at issue should be adjusted to allow for the collection of the TMI cleanup claims. If these adjustments were made, the Company contends that the appropriate amounts at issue would be $1,011,084 for Docket R-822291, $873,208 for Docket R-842590 and $741,012 for the current test year.

ADMINISTRATIVE LAW JUDGE RECOMMENDATION

The Judge recommended a total disallowance to the Company's test year expenses of $4,382,623. This constituted a disallowance of the Company's future test year expense claim of $2,644,672 less the Judge's ruling pertaining to the EEI membership dues. The net adjustment for the future test year was $2,174,672. The Judge further adopted the proposals of the Office of Consumer Advocate pertaining to the refunds for the prior two rate proceedings. The total of these two disallowances employed by the Judge was $4,415,902. The Judge recommended amortizing this amount over a two-year period or a disallowance of $2,207,951 on an annual basis. The Judge's net ruling results from the addition of the two-year amortization of $2,207,951 and the disallowance of the future test year expenses of $2,174,672.

31. TRANSMISSION LINE CWIP REFUND (R-822289)

F- ALJ T- ALJ S- ALJ

OFFICE OF CONSUMER ADVOCATE POSITION

only if Joint Petition is issued

The Advocate requests that the Commission adopt its Tentative Order dated May 2, 1986 at R-822291 as a final order.

The Commission's Tentative Order concluded that the record did not support a finding that the transmission plant at issue was unqualified as safety related construction work in progress. The Advocate computed the proposed refund, including interest, to be $5,493,807.

COMPANY POSITION

The Company opposes the proposed adjustment on the grounds that the Commission's tentative order is still outstanding. The Company noted that the Advocate in their reply exceptions to the tentative order had agreed with the Company that the Commission should adopt an $880,000 addition to the Company's plant in service claim and a corresponding $65,000 addition to its depreciation expense in R-850152. These offsets and others proposed by the Company would reduce the amount of the refund to $2,937,000 which if amortized over a two-year period produces an adjustment to rates of $1,468,500.

ADMINISTRATIVE LAW JUDGE RECOMMENDATION

The Administrative Law Judge agrees with the proposal of the Advocate. He conditionally reduced the Company's rate claim by a two-year amortization of the $5,493,807 proposed by the Advocate. The Judge thus recommended a reduction in expenses of $2,747,000.

NORMALIZATION OF CONSTRUCTION-OVERHEADS

COMPANY POSITION

The Company states that in accordance with Commission orders in its last four rate proceedings, the Company has normalized federal and state tax reductions attributable to pension costs and payroll and realty taxes related to construction work and progress. The Company states that these costs are not paid by current ratepayers, but rather they are recorded as construction work and progress and will be paid by future ratepayers over the life of the underlying facilities when they are placed in service. The Company notes that these expenses are currently deductible for federal income tax purposes. In order to provide the tax benefits to the ratepayers who will be pay the underlying expense, the Company had normalized these tax benefits so that they will be flowed through to the ratepayers who pay the underlying expense over the life of the particular plant. The Company believes that this treatment is more equitable as between present and future ratepayers, as it assigns the tax deduction to the ratepayer class who must defray the underlying expense. The Company stated that flow through of the tax benefits of these overhead charges and the proposed five-year amortization of the prior accumulated deferred charges would have a serious impact upon the Company's cash flow and cause further deterioration in the Company's financial condition and its ability to attract capital.

TRIAL STAFF POSITION

The Trial Staff believes that the Commission in this case should deny the Company's current normalization claim. The Staff stated that ratepayers should not be required to provide

additional capital to the utility under the guise of income taxes, where such capital can be acquired in the marketplace. The Staff also believes that the accumulated deferred taxes on capitalized overheads, exclusive of the claim of the future test year should be returned to the ratepayers over a five-year amortization period. The Staff believes that because the overheads are expensed and not capitalized for tax return purposes, there is no logical reason to associate the future expenditures as assets in construction work in progress or rate base, but rather with the tax reduction taken from the return. The Staff notes that a recent Supreme Court decision in which the court stated that normalization of state taxes violates the long-standing doctrine of "actual taxes paid."

OFFICE OF CONSUMER ADVOCATE

The Advocate contends that the Company's claim for deferred taxes relative to capitalized pensions, taxes, and benefits should be denied, and that the accumulated balance for such deferred taxes should be refunded to ratepayers. The Advocate notes that normalization of these tax expenses is not required by the internal revenue code and that these deferred taxes are not actual tax expenses. The Advocate submits that they should not be reflected for rate making purposes and believes that to do so would be a direct contravention of the Pennsylvania Supreme Court's decision in BARASCH v. PA PUC 507 PA. 496, 492 A. 2D 94 (1985). The Advocate notes that in a prior rate case for another electric utility the Commission specifically directed the flow through of the state tax benefits

to ratepayers pertaining to the normalization of capitalized overheads.

ADMINISTRATIVE LAW JUDGE RECOMMENDATION

The Administrative Law Judge recommends the adoption of the adjustment proposed by the Trial Staff and Office of Consumer Advocate. The Judge noted that the applicable rule on this issue was clearly stated by the Commission in a prior Metropolitan-Edison rate case (R-842770).

33. DEFERRED STATE INCOME TAXES (FIVE-YEAR AMORTIZATION RESERVE)

F- AUS T- AUS S- AUS

TRIAL STAFF POSITION

The Trial Staff recommends a five-year amortization of the previously deferred state income taxes in order to refund them to ratepayers. The Staff contends that the five-year amortization is appropriate because 1) it provides a greater probability of returning the funds to the ratepayers who are originally paid these funds; 2) it provides the greatest benefit to the ratepayer over the reasonably near future, in absolute dollars, and the long-term future, on a present value basis; 3) it resembles the five-year amortization procedure that the Commission has recognized as appropriate for returning excess deferred federal income taxes. The Staff noted that the Commission made a similar finding in a recent Bell Telephone rate proceeding.

OFFICE OF CONSUMER ADVOCATE

The Advocate recommends that the Company's tax expenses be reduced by $5,658,000 to reflect a five-year amortization of

the deferred state income tax balance. The Advocate believes that this balance or accumulated deferred state taxes should be refunded to ratepayers. The Advocate notes that in the Company's last base rate case, the Commission ordered the Company to flow through all the benefits of tax timing differences for state income taxes. Thus the Company will no longer be collecting additional state income tax deferrals and therefore, the Advocate submits there is no further need for this balance to be maintained.

COMPANY POSITION

The Company contends that it should be allowed to continue to flow back to ratepayers these deferred taxes over the life of the particular property involved. The Company believes that this would be in accordance with the Commission's prior orders pertaining to this issue. The Company argues that neither rate making policy nor anything in the recent Supreme Court's opinion involving flow through of accelerated depreciation for state income tax purposes requires the amortization of these deferred tax balances.

ADMINISTRATIVE LAW JUDGE RECOMMENDATION

The Administrative Law Judge recommends the adoption of a five-year amortization of these deferred taxes.

CONSOLIDATED TAX SAVINGS

OFFICE OF CONSUMER ADVOCATE POSITION

The Advocate contends that tax savings resulting from the use of a consolidated tax return must be reflected in the Company's rates. The Advocate recommends a reduction in the

Company's tax expense of $342,000. The Advocate argues that the Philadelphia Electric Company files a consolidated federal income tax return in which the incomes of other subsidiaries are combined with the income of the electric division. The Advocate contends that under a recent Supreme Court decision, the savings accruing to regulated companies from consolidation of tax returns must be reflected in rates. The record in this case indicates that the Company will receive tax savings from its consolidated return in the future test year. The Eastern Pennsylvania Exploration Company, a subsidiary, has had negative taxable income in each of the last five years. The Advocate's analysis allocates the tax savings generated by the Company's subsidiaries which showed a loss in both in 1983 and 1984, to those subsidiaries which showed positive taxable income in 1984. The allocation is based on the percentage each such positive income subsidiary contributed to the total income of all positive income subsidiaries in 1984.

TRIAL STAFF POSITION

The Trial Staff submits that the methodology employed by the Advocate is flawed. It is the Staff's belief that the only appropriate method to be used to allocate potential consolidated tax savings is the pour-over or United Gas Pipeline method. This method calculates potential savings on an average basis determined from actual tax returns. It then uses the calculated average loss to offset taxable income in the non-regulated sector. This insures that there is no confiscation of non-regulated sector benefits by the utility sector, unlike the

methodology employed by the Advocate. Once the non-regulated investors have been given the benefit of the full utilization of available losses, the remaining losses are then available to allocate and offset the tax claims of the utilities. The Staff notes that its proposed methodology has been utilized extensively by the Commission in recent rate decisions. The Staff argues that in this case, had this allocation method be employed there would not have been a significant tax savings to allocate.

COMPANY POSITION

The Company opposes the recognition in rates of the estimated consolidated tax savings. The Company noted that the Commission has repeated refused to adopt the consolidated tax savings adjustments in the Company's electric rate proceedings while recently adopting such an adjustment in a gas proceeding. The Company argues that the basis for the Advocate's proposed adjustment relates to the tax losses of the Eastern Pennsylvania Exploration Company which is a wholely owned subsidiary of the utility and is a partner with one or more subsidiaries of other utility companies in five joint ventures engaged in natural gas exploration and drilling. Thus the Company argues even if an adjustment were appropriate, it would be attributed to the gas operations of the Company to reflect the fact that this venture is solely related to the development of gas supplies for the Company's gas operations. The Company also argues that its current gas rates already reflect $432,000 of consolidated tax savings adjustment and therefore, no further adjustment is appropriate in these proceedings.

ADMINISTRATIVE LAW JUDGE RECOMMENDATION

the Advocate's proposed adjustments. The Judge stated that tax savings resulting from a consolidated return must be reflected in the Company's rates in accordance with a recent Supreme Court decision.

35. SALEM TAX BENEFITS F- ALS T- ALS S- ALS

OFFICE OF CONSUMER ADVOCATE POSITION

The Advocate believes that the Company must continue to amortize to ratepayers the profit which it received by selling the Salem 2 tax benefits. The Advocate stated that in the last Company base rate case, the Commission directed the Company to amortize to ratepayers a 6.9 million dollar payment the Company received from the Hercules Corporation as part of the sale of tax benefits from Salem Unit 2. The Commission had required a fifteen-year amortization period. In addition, the unamortized balance was to be removed from the rate base because it did not represent investor-supplied funds. The Advocate contends that this issue was fully litigated and thoroughly considered by the Commission in the last rate case. Furthermore, the Advocate notes that the Company did not appeal the Commission's decision on this issue. Accordingly, the Advocate submits that there is no basis for reconsideration of the Commission's decision in this case.

COMPANY POSITION

The Company opposes the continued amortization of the 6.9 million dollars at issue. The Company contends that the Advocate's sole basis for this adjustment was the citation to the

an adjustment. The Company respectfully requests that the Commission reconsider its adjustment which the Company believes is in error. The Company notes that the 6.9 million dollars it received was not a profit but represented the time value of money difference associated with the receipt of tax benefits over fifteen years under the terms of the sale as opposed to the ten-year period over which the benefits would have been received had the Company not sold them. The Company contends that the 6.9 million dollar payment was not a profit but was meant to compensate the Company for the lost time value of money. The Company further argues that it should be recognized that the Salem 2 tax benefits were sold during a period of time that the output of Salem 2 was sold to Jersey Central Power and Light Company. At that time, Salem Unit 2 was not included in the Company's base rates. The Company argues that since the benefits were sold when ratepayers were not paying for the plant, it would be inequitable to give ratepayers the benefit of a sale which occurred while they were not paying the underlying costs of Salem 2.

ADMINISTRATIVE LAW JUDGE RECOMMENDATION

The Administrative Law Judge recommends the adoption of the Advocate's position. The Judge cited the Commission's ruling in the last PECO base rate proceedings.

Public Meeting of June 26, 1986

DISSENTING OPINION OF COMMISSIONER BILL SHANE

DOCUMENT FOLDER

RE: Pa. PUC v. Philadelphia Electric Company
R-850152
JUN-86-OSA-57

The most positive thing I can say about today's ruling is that decisions of this ilk are becoming the exception instead of the rule. The Commission has rejected arguments for an excess capacity adjustment and for a guarantee of the projected fuel savings from Limerick I. It has decreased the imprudency adjustment recommended by the Administrative Law Judge, thus increasing the cost to be borne by the customers. It has granted PECO an equity return of 14.75%, as opposed to the 14.25% recommended by the ALJ. In short, the Commission has departed from the policy of sharing risks between ratepayers and stockholders; instead it has heaped all of the risks on the ratepayers. For this reason, I dissent.

No utility needs the discipline of bearing its own risks more than PECO. In 1970, PECO estimated the cost of Limerick I and 100% of common plant at $344 million, but the cost at completion in 1985 was $3.8 billion, an increase of over 1000%! Even after reducing this amount to allow for only 50% of common plant and to reflect PECO's imprudent decisions to delay construction in 1976 and 1978, ratepayers are being forced to pay $2.8 billion for Limerick I. Why should the ratepayers bear the risk of this disastrous price increase? It was PECO's decision to build nuclear plants; therefore, PECO should bear some of the risk of that decision.

Of course, the Company will argue that the Limerick plants are necessary to meet the needs of its customers; that it really has the best interests of its customers at heart. This argument is disputed vigorously by the customers themselves. PECO's efforts to gain approval for completion of Limerick II and to increase its rates to pay for Limerick I have been opposed by groups representing every class of customer. A more plausible explanation for the Company's strategy is that it can increase its profits by increasing its rate base*/, and that the Company's management has a pro-nuclear bias. While most observers of the electric utility industry emphasize the importance of flexibility in planning to meet future electric demand, PECO stubbornly marches ahead with its plans to build base-load nuclear plants. The attitude of PECO's management is reflected in a recent article by James L. Everett, the Chairman of the Board and Chief Executive Officer of the Company ("A Letter to Thomas Alva Edison," Public Utilities Fortnightly, Vol. 116, No. 12, December 12, 1985). Mr. Everett extols the virtues of base-load plants while decrying the supposed shortsightedness of residential and industrial customers, regulators, the financial community, and anyone else who will have to pick up the tab for the plants. Nowhere does the article mention alternative energy production (from cogenerators and small power producers) or energy conservation as options for supplementing base-load plants. PECO is pursuing the riskiest course of action and the Commission is loading this risk on the Company's ratepayers.

I am optimistic, however, that in the future PECO will be required to bear more of the risk of its decisions. The PUC "Sunset Bill" (House

---

*/ See Averch & Johnson, Behavior of the Firm Under Regulatory Constraint, 52 Am. Econ. Rev. 1052 (1962).

Bill 1639), if enacted in its most recent form, would create a presumption that a base-load plant is excess capacity unless it is "used and useful" to meet demand and it produces net-economic benefits during the test year or within a reasonable period following the test year. Since even the Company concedes that Limerick I will not produce net-economic benefits for at least 20 years (OCA Exceptions, P. 19), this language would, it it were law, require an excess capacity adjustment in this case. The excess capacity amendment would give some protection to ratepayers when PECO seeks to include Limerick II in rates, and it might even reverse today's decision if it is made retroactive. In addition, the Sunset Bill contains language requiring the Commission to consider "performance factors" in setting rates. The Commission would be required to examine the efficiency and cost-effectiveness of PECO's generating capacity, whether PECO has encouraged energy supply alternatives such as conservation, cogeneration, and small power production, and whether PECO has acted to contain the costs of constructing new generating units. It makes sense to base PECO's rates upon its performance instead of upon the extravagance of its construction program.

I would also consider allowing competition as a means of regulating PECO more effectively. The Commission has had some experience with competition in the telephone and natural gas industries. This competition could take the form of allowing customers to switch from PECO to another utility or requiring PECO to wheel power from alternative energy producers to customers. PECO's stockholders, not its ratepayers, should bear the brunt of any losses which the Company might suffer due to competition.

My message to PECO's customers is that I share your dissatisfaction with today's decision. We can at least hope that the decision generates greater momentum for utility reform in Pennsylvania, though I doubt that will comfort you much when you get your electric bill.

Bill Shane

BILL SHANE
COMMISSIONER

DATED: June 26, 1986

ORIGINAL

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

RECEIVED
JUL1 1986
SECRETARY'S OFFICE
Public Utility Commission

PETITION FOR RECONSIDERATION

Pursuant to 52 Pa. Code Section 5.572, Utility Users Committee/University of Pennsylvania (UUC/UP) hereby Petitions this Honorable Commission to reconsider its Opinion and Order entered June 27, 1986, in the above captioned proceeding and in support hereof set forth the following:

REQUEST I

1. At pages 152-153, the Commission correctly observed that there is merit in allocating portions of production and transmission plant on an energy basis.

2. The Commission further directed that in PECO's next general rate increase filing, PECO develop its cost of service study based upon the Peak and Average Demand Method and use

DOCUMENT FOLDER
DOCKETE
JUL 2 1986

the results of that study to test the reasonableness of its proposed revenue allocation.

3. The issue of the energy allocation of production and transmission plant was fully litigated in this proceeding involving many parties.

4. The present record sufficiently supports the adjustment of PECO's rates to reflect the Average and Excess Method as part of the compliance filing in this case.

WHEREFORE, UUC/UP submit that the Commission erred in failing to direct that the Company use the results of the Peak and Average methodology in filing rates resulting from this Order and urge the Commission, upon reconsideration to so direct PECO.

REQUEST II

5. UUC/UP hereby adopt by reference and incorporate Paragraphs 1-7 of the Petition for Reconsideration of the Office of Consumer Advocate dated June 27, 1986.

WHEREFORE, UUC/UP respectfully requests that the Commission reconsider its Opinion and Order on the issue of excess

capacity and to adjust PECO's rates to reflect the incontestable fact that Limerick I will provide no economic benefit to ratepayers for the forseeable future, if ever.

Respectfully submitted,

WIDOFF REAGER SELKOWITZ & ADLER, P.C.

Mark P. Widoff

Larry B. Selkowitz
Attorneys for UUC/UP

DATED: June 30, 1986

CERTIFICATE OF SERVICE

I hereby certify that I caused a true and correct copy of the foregoing document, Petition for Reconsideration, on behalf of Utility User's Committee/ University of Pennsylvania ("UUC/UUP) to be placed in the United States Mail, first class, postage prepaid, to the individuals listed below:

Honorable Joseph P. Matuschak
Administrative Law Judge
Pennsylvania Public Utility Commission
Room 1212, Pittsburgh State Office Bldg.
Pittsburgh, PA 15222

Marlane R. Chestnut, Esquire
Veronica Smith, Esquire
Daniel P. Delaney, Esquire
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17120

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

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

Susan Perkins Weston, Esquire
Scott Rubin, Esquire
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

John Hanger, Esquire
Community Legal Services
3638 North Broad Street
Philadelphia, PA 19140

Zori G. Ferkin, Esquire
Eleventh Floor
300 North Second Street
Harrisburg, PA 17101

Mildred E. V. Pitts, Esquire
Office of General Counsel
18th and F Streets, N.W.
Washington, D.C. 20405

Charles Rainey, Jr., Esquire
Assistant City Solicitor
City of Philadelphia
One Reading Center, 5th Floor
1101 Market Street
Philadelphia, PA 19107

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

Earle H. O'Donnell, Esquire
1666 K Avenue, N.W.
Washington, D.C. 20006

Senator Clarence D. Bell
State Capitol
Harrisburg, PA 17120

William T. Hawke
Malatesta, Hawke, McKeon & Morris
212 Locust St.
P..O. Box 12110
Harrisburg, PA 17108

Patricia J. Gustin, Esq.
Pennsylvania Public Utility
Commission
P.O. Box 3265
Harrisburg, PA 171120

Alan R. Squires, Esq.
Greenstein, Gorelick,
Price, Silverman & Laveson
900 Two Penn Center Plaza
Philadelphia, PA 19102

Stephen Bosch, Esq.
450 Carnell Hall
Broad St. & Montgomery Ave.
Philadelphia, PA 19122

Bernard A. Ryan, Jr., Esq.
Dechert Price & Rhoads
800 N. Third Street
Harrisburg, PA 17102

Nancy Schuster, Esq.
1 Pond Street
Bristol, PA 19007

Wayne L. Emery, Esq.
Kenneth R. Pepperney, Esq.
Rafael Caminero, Esq.
600 Grant Street, Rm. 1580
Pittsburgh, PA 15230

Martha Bush, Esq.
237 S. Melville Street
Philadelphia, PA 19139

Roger Clark, Esquire
Governors Energy Counsel
300 North Second St.
Harrisburg, PA 17101

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

Larry B. Selkowitz, Esq.

Dated: July 11, 1986

LAW OFFICES

GREENSTEIN, GORELICK, PRICE, SILVERMAN & LAVESON

900 TWO PENN CENTER PLAZA

PHILADELPHIA, PA. 19102

215-564-3880

DANIEL S. GREENSTEIN
NATHANIEL BUDIN
CHARLES H. LAVESON
ARTHUR SILVERMAN
LEONARD L. ETTINGER
ALAN R. SQUIRES
I. LEONARD HOFFMAN
MARTIN TECHNER
ANDREW S. ROSS
DEBORAH E. KOLODNER*
ALEX J. MURLAND

JAMES L. PRICE
MORTON S. GORELICK
JOHN P. QUINN
ROBERT S. COHEN
J. RICHARD GREENSTEIN
WILLIAM GOLDSTEIN
JON M. ADELSTEIN
ROBERT C. NATHAN
JON J. BELISONZI*
CAREY SCHWARTZ ROSEMAN
RICHARD T. MULCAHEY, JR.

*ALSO MEMBER NEW JERSEY BAR

ISAAC RICHMAN
1938-1965

SIGMUND H. STEINBERG
1924-1978

PAUL M. GOLDSTEIN
1933-1983

ASSOCIATED WITH
MANYA L. KAMERLING
24 WILKINS PLACE
P. O. BOX 456
HADDONFIELD, NJ 08033

609-795-7871

July 3, 1986

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

RECEIVED
JUL 7 1986
SECRETARY'S OFFICE
Public Utility Commission

Attn: Jerry Rich, Secretary

Re: Philadelphia Electric Company Rate Case
Docket No.: R-850152

Dear Mr. Rich:

On behalf of the Pennsylvania Business Utility Users Group, I am enclosing herein an original and two copies of the Petition for Reconsideration in regard to the above captioned matter. Copies of same have been served upon all parties of record pursuant to the Certificate of Service attached thereto.

Kindly acknowledge receipt of the enclosures by signing a 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:kag

Enclosure

cc: Robert Buzbee
Robert A. DiFillipo, Esquire

DOCUMENT FOLDER

RECEIVED
JUL 1986
SECRETARY'S OFFICE
Public Utility Commission

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

DOCKETED
JUL 7 - 1986

PETITION FOR RECONSIDERATION

AND NOW, comes the Pennsylvania Business Utility Users Group, ("PBUUG"), by their attorneys, Alan R. Squires, Esquire, Greenstein, Gorelick, Price, Silverman & Laveson, pursuant to 52 Pa. Code Section 5.572, and hereby petitions this Honorable Commission to reconsider its Opinion and Order entered June 27, 1986 in the above captioned proceeding and, in support thereof, respectfully avers as follows:

1. The Commission noted (at p.152) that there may be merit in allocating a portion of the production and transmission costs on an energy basis.

2. The Commission thereafter directed PECO, for the purpose of its next general rate increase filing, to develop its cost of service study based upon the Peak and Average Demand Method and to use the results of that study to test the reasonableness of its proposed revenue allocation.

3. Based upon these findings of the Commission, PBUUG joins in the Petition for Reconsideration filed by UUC/UP and

DOCUMENT FOLDER

hereby adopts by reference and incorporates said Petition for Reconsideration.

WHEREFORE, PBUUG respectfully requests that the Commission reconsider its Opinion and Order on the issue of excess capacity and to adjust PECO's rate to reflect the fact that Limerick I will provide no economic benefit to the rate payers of Philadelphia.

Respectfully submitted,

GREENSTEIN, GORELICK, PRICE,
SILVERMAN & LAVESON

BY: Alan R. Squires
ALAN R. SQUIRES
Attorneys for PBUUG

Date: July 3, 1986

CERTIFICATE OF SERVICE

I hereby certify that I caused a true and correct copy of the foregoing document, Petition for Reconsideration, on behalf of Philadelphia Business Utility Users Group, (PBUUG) to be placed in the United States Mail, first class, postage prepaid, to the individuals listed below:

Honorable Joseph P. Matuschak
Administrative Law Judge
Pennsylvania Public Utility Commission
Room 1212, Pittsburgh State Office Building
Pittsburgh, PA 15222

Marlane R. Chestnut, Esquire
Veronica Smith, Esquire
Daniel P. Delaney, Esquire
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17120

Larry B. Selkowitz, Esquire
Widoff, Reager, Selkowitz & Adler, P.C.
127 State Street
P.O. Box 1547
Harrisburg, PA 17105

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

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

Susan Perkins Weston, Esquire
Scott Rubin, Esquire
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

John Hanger, Esquire
Community Legal Services
3638 North Broad Street
Philadelphia, PA 19140

Zori G. Ferkin, Esquire
Eleventh Floor
300 North Second Street
Harrisburg, PA 17101

Mildred E. V. Pitts, Esquire
Office of General Counsel
18th and F Streets, N.W.
Washington, D.C. 20405

Charles Rainey, Jr., Esquire
Assistant City Solicitor
City of Philadelphia
One Reading Cente, 5th Floor
1101 Market Street
Philadelphia, PA 19107

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

Earle H. O'Donnell, Esquire
1666 K Avenue, N.W.
Washington, D.C. 20006

Senator Clarence D. Bell
State Capitol
Harrisburg, PA 17120

William T. Hawke
Malatesta, Hawke, McKeon & Morris
212 Locust Street
P.O. Box 12110
Harrisburg, PA 17108

Patricia J. Gustin, Esquire
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17120

Stephen Bosch, Esquire
450 Carnell Hall
Broad Street & Montgomery Avenue
Philadelphia, PA 19122

Bernard A. Ryan, Jr., Esquire
Dechert, Price & Rhoades
800 N. Third Street
Harrisburg, PA 17102

Nancy Schuster, Esquire
1 Pond street
Bristol, PA 19007

Wayne L. Emery, Esquire
Kenneth R. Pepperney, Esquire
Rafael Caminero, Esquire
600 Grant Street, Rm. 1580
Pittsburgh, PA 15230

Martha Bush, Esquire
237 S. Melville Street
Philadelphia, PA 19139

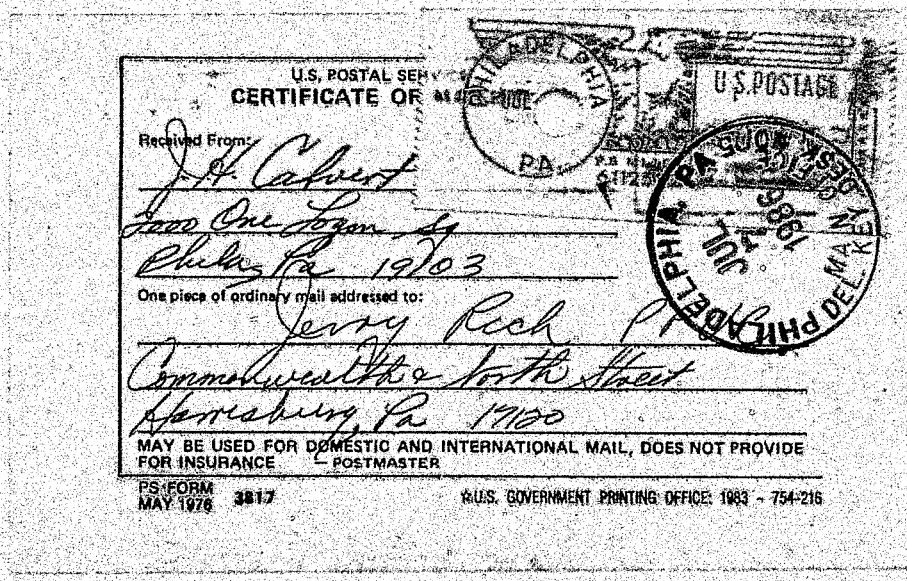
Roger Clark, esquire
Governors Energy Counsel
300 North Second Street
Harrisburg, PA 17101

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

GREENSTEIN, GORELICK, PRICE,
SILVERMAN & LAVESON

BY: Alan R. Squires
ALAN R. SQUIRES
Attorney for PBUG

Date: July 3, 1986



U.S. POSTAL SERVICE
CERTIFICATE OF MAILING

Received From:

J.H. Calvert
Two One Logan Sq
Phila Pa 19103

One piece of ordinary mail addressed to:

Jerry Rich PA
Commonwealth & North Street
Harrisburg, Pa 17120

MAY BE USED FOR DOMESTIC AND INTERNATIONAL MAIL, DOES NOT PROVIDE FOR INSURANCE — POSTMASTER

PHILADELPHIA PA
JUL 14 1983

U.S. POSTAGE

PS FORM 3817
MAY 1978

☆U.S. GOVERNMENT PRINTING OFFICE: 1983 – 754-216

MORGAN, LEWIS & BOCKIUS
COUNSELORS AT LAW
2000 ONE LOGAN SQUARE
PHILADELPHIA, PENNSYLVANIA 19103
TELEPHONE: (215) 963-5000
CABLE ADDRESS: MORLEBOCK
TELEX: 83-1315

WASHINGTON
NEW YORK
LOS ANGELES

MIAMI
HARRISBU
LONDON

JAY H. CALVERT, JR.
DIAL DIRECT (215) 963-5462

ORIGINAL

July 7, 1986

RECEIVED

JUL 7 1986

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 for filing with the Commission the original and three (3) copies of the Answer of Philadelphia Electric Company to the Petition for Reconsideration of the Office of Consumer Advocate.

As the Certificate of Service indicates, copies of the Company's Answer have been served on all parties of record.

Sincerely,

Jay H. Calvert, Jr.

DOCUMENT FOLDER

/paa
Encl.
cc: The Honorable Joseph P. Matuschak
All Parties of Record

CERTIFICATE OF SERVICE

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

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

David M. Kleppinger, Esquire
100 Pine Street
Harrisburg, PA 17120

Roger E. Clark
Governor's Energy Council
P.O. Box 8010
300 N. 2nd Street
Harrisburg, PA 17105

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

Michael J. Ettner, Esquire
Information Resources & Utilities Division
General Services Administration
Room 4002
18th and F Streets, N.W.
Washington, DC 20405

Charles E. Rainey, Jr., Esquire
Municipal Services Building
Law Department, 15th Floor
Philadelphia, PA 19102

Nancy Schuster, Esquire
1 Pond Street
Bristol, PA 19007

Veronica Smith, Esquire
Pennsylvania Public Utility Commission
Room G-19
North Office Building
Harrisburg, PA 17108

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

Mark P. Widoff, Esquire
Widoff, Reager, Selkowitz & Adler
129 State Street
Harrisburg, PA 17101

Michael Browne, Esquire
Reed, Smith, Shaw & McClay
1600 Avenue of the Arts Building
Broad and Chestnut Streets
Philadelphia, PA 19107

Wayne L. Emery, Esquire
Kenneth R. Pepperney, Esquire
Rafael Caminero, Esquire
600 Grant Street, Rm. 1580
Pittsburgh, PA 15230

Alan R. Squires, Esquire
Greenstein, Gorelick, Price,
Silverman & Laveson
900 Two Penn Center Plaza
Philadelphia, PA 19102

Martha Bush, Esquire
Pa. Energy Ratepayers Coalition
Philadelphia, PA 19139

Bernard A. Ryan, Jr., Esquire
Dechert Price & Rhoads
800 N. Third Street
Harrisburg, PA 17102

William T. Hawke, Esquire
Joseph J. Malatesta, Esquire
Malatesta, Hawke, McKeon & Morris
212 Locust Street
P.O. Box 12110
Harrisburg, PA 17108

Dated this 7th day of July, 1986.

Thomas T. Loder
Counsel for Philadelphia
Electric Company

ORIGINAL

RECEIVED
JUL 7 1986
SECRETARY'S OFFICE
Public Utility Commission

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

DOCKET
JUL 10 1986

ANSWER OF PHILADELPHIA ELECTRIC COMPANY
ELECTRIC COMPANY TO PETITION FOR RECONSIDERATION
OF THE OFFICE OF CONSUMER ADVOCATE

The Philadelphia Electric Company (the "Company"), by its attorneys, herewith answers the Petition of the Office of Consumer Advocate for Reconsideration of the Opinion and Order of the Pennsylvania Public Utility Commission ("Commission"), entered June 27, 1986, in the above-captioned proceeding. In support of its Answer, the Company respectfully represents as follows:

DOCUMENT
FOLDER

1. Denied as stated. The Company strenuously objects to the OCA's Petition in view of the well-established standard that the Commission will exercise its discretion to rescind or amend an order only if the petition raises:

> New and novel arguments, not previously heard, or considerations which appear to have been overlooked or not addressed by the Commission.

Pa. P.U.C. v. Pennsylvania Power and Light Co., 58 Pa. P.U.C. 81, 84 (Nov. 22, 1983); Pa. P.U.C. v. Duquesne Light Co., 58 Pa. P.U.C. 737, 738 (Nov. 16, 1984); see Baltimore and Ohio Railroad

v. Pa. P.U.C., 77 Pa. Cmwlth. 381, 465 A.2d 1326 (1983). This Commission's June 27, 1986 Order ("June 27th Order") fully addresses, and clearly decides against the OCA, all of the issues raised by the OCA's Petition.

2. Denied. This Commission did not overlook and, indeed, specifically considered and addressed the issues relating to the economic benefit provided by Limerick 1 in its June 27th Order. As the Order states, the OCA previously asserted in its Exceptions to the ALJ's Recommended Decision that "the Recommended Decision has ignored [OCA's] Limerick life cycle analyses which purport to show that the unit will produce no positive benefit over its useful life." June 27th Order, p. 37. This Commission rejected the OCA's Exceptions and adopted ALJ Matuschak's recommendation on excess capacity. In reaching its decision, the Commission considered the need for Limerick 1, the economic benefit analyses performed by all of the parties and the numerous other factors suggesting the benefits provided by Limerick 1. Id. at 34-37.

3. Admitted in part; denied in part. The Company admits that Limerick 1's economic costs and benefits were addressed by the parties to the proceeding concluded by this Commission's June 27th Order. This Commission expressly held in its June 27th Order that the "assumptions and speculative projections which can be the subject of much disagreement" in

economic benefit analyses supported its conclusion that an excess capacity adjustment is not appropriate on the basis of such analyses alone. June 27th Order, p. 37. This Commission considered the economic benefit issues and adopted the ALJ's conclusion that there simply was no justification for an excess capacity adjustment. The Company denies that the economic cost and benefit projections presented in the recently concluded proceeding are "a critically important issue which must be decided by the Commission before it can be properly determined whether all or part of Limerick 1 constitutes excess generating capacity." OCA Petition for Reconsideration, p. 2.

The OCA's assertion that the Commission's Order does not elaborate at length on the relative strengths and weaknesses of the economic benefit analyses lacks merit. It is well settled that the Commission is not required to provide a lengthy discussion of every issue raised by every party in a proceeding. For example, the Commonwealth Court rejected an assertion similar to that raised by the OCA here in UGI Corp. v. Pa. P.U.C., 49 Pa. Cmwlth. 69, 91-92, 410 A.2d 923, 934-35 (1980). In UGI, the Commonwealth Court found that it was not necessary for the Commission to make lengthy and detailed analyses of every point raised in the proceeding and stated that:

> . . . on each of the points the Commission was faced simply with a choice of actions, each fully explained in the record and the Commission's choice in each case amounted to

> an implicit acceptance of the thesis of the party which prevailed and a rejection of the contentions of the loser.

This Commission considered and discussed all of the issues raised in the OCA's Petition for Reconsideration in its June 27th Order. June 27th Order pp. 34-37.

4-5. Denied as stated. PECO submitted extensive evidence, which was summarized in its Briefs and Exceptions, that the economic benefit analyses presented by opposing parties in the recently concluded proceeding are highly unrealistic and unreliable, and, more importantly, that the need for, and the substantial and definite benefits derived from, the addition of Limerick 1 to PECO's electric generation system provide the most reliable measure of Limerick 1's value to PECO's customers.1/

6-7. Denied. OCA again attempts to relitigate issues that: (a) have been extensively argued before the ALJ and this Commission; and (b) the Recommended Decision and this Commission's June 27th Order clearly considered and decided against the OCA and in favor of the Company.2/

1/ See PECO Initial Brief pp. 5033 to 37, 5-53 to 64 and Appendix D; PECO Reply brief, pp. 5-7 to 8, 5-24 to 32; PECO Reply Exceptions, pp. 29-33.

2/ PECO Initial Brief, pp. 5-33 to 37; PECO Reply Brief, pp. 507 to 8; PECO Reply Exceptions, pp. 29-30.

CONCLUSION

In conclusion, the OCA's Petition for Reconsideration raises nothing new but seeks instead to be heard once again on issues specifically considered and decided against the OCA by the ALJ and this Commission in a proceeding which is now concluded. As such, the OCA's Petition for Reconsideration is clearly frivolous. The Petition for Reconsideration appears to be a thinly-disguised attempt to transform a finally concluded rate proceeding into a "pending" proceeding. The apparent purpose of such a ploy is a hope that this otherwise closed proceeding can be brought within the purview of recently proposed legislation relating to excess capacity. Whether or not the proposed legislation is enacted, the OCA's Petition is clearly improper and should be denied. This proceeding is closed, a final order has been issued by this Commission, and the OCA's Petition presents absolutely no new or novel arguments not previously heard.

WHEREFORE, the Philadelphia Electric Company respectfully requests that this Commission deny the OCA's Petition for Reconsideration.

Respectfully submitted,

Robert H. Young
Jay H. Calvert, Jr.
Walter R. Hall, II
David B. MacGregor

Counsel for Philadelphia Electric Company

OF COUNSEL:

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

MORGAN, LEWIS & BOCKIUS
2000 One Logan Square
Philadelphia, PA 19109

Dated: July 7, 1986

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

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
ELIZABETH A. DOUGHERTY
ALAN R. BOYNTON, JR.
GARY F. YENKOWSKI
DIANE M. TOKARSKY
JAMES J. DODD-O

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

DAVID M. WALLACE
1942-1967

RETIRED PARTNERS

HARRY H. FRANK
JAMES H. BOOSER
JAMES W. HAGAR
JAMES H. KING

OF COUNSEL

GILBERT NURICK
EDWARD C. FIRST, JR.
ROBERT H. GRISWOLD
JEFFERSON C. BARNHART
SAMUEL A. SCHRECKENGAUST, JR.

July 9, 1986

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

RECEIVED

JUL 9 1986

SECRETARY'S OFFICE
Public Utility Commission

Jerry Rich, Secretary
Pennsylvania Public Utility Commission
Room B-18 - New Filing Section
P. O. Box 3265
Harrisburg, PA 17120

DOCUMENT FOLDER

Dear Secretary Rich:

Enclosed for filing with the Commission please find the original and three (3) copies of the Answer Of Philadelphia Area Industrial Energy Users Group (PAIEUG) To Utility Users Committee/University of Pennsylvania And Pennsylvania Business Utility Users Group Petitions For Reconsideration in the above-captioned Docket. All parties of record have been provided with copies as evidenced by the attached Certificate of Service.

Very truly yours,

McNEES, WALLACE & NURICK

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. :
Philadelphia Electric Company : Docket No. R-850152

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
Joseph P. Matuschak
PA Public Utility Commission
97 East Main Street
Uniontown, PA 15401

Marlane R. Chestnut, Asst. Counsel
Veronica A. Smith, Asst. Counsel
Daniel P. Delaney, Deputy Counsel
Pa Public Utility Commission
Law Bureau
Room G-18 - North Office Bldg.
P. O. Box 3265
Harrisburg, PA 17120

Charles A. Smetak, Chief,
Bureau of Rates
PA Public Utility Commission
Room 200 - North Office Bldg.
P. O. Box 3265
Harrisburg, PA 17120

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

Reed Smith Shaw & McClay
Attn: Robert B. Hoffman, Esquire
P. O. Box 11844
300 North Second Street
Harrisburg, PA 17101-1303

William E. Zeiter, Esquire
Counsel for Philadelphia Electric Com
Morgan, Lewis & Bockius
Attn: Robert H. Young, Esquire
J. H. Clavert, Jr., Esquire
Frederick H. Knight, Esquire
David B. MacGregor, Esquire
2000 One Logan Square
Philadelphia, PA 19101

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

Janet Parrish, Esquire
Community Legal Services Energy Proje
3638 North Broad Street
Philadelphia, PA 19140

Zori G. Gerkin, Chief Counsel
Roger E. Clark, Esquire
Governor's Energy Council
300 N. Second Street - 11th Floor
P. O. Box 8010
Harrisburg, PA 17101

Reed Smith Shaw & McClay
Attn: Michael L. Browne, Esquire
J. Tomlinson Fort, Esquire
J. Thomas Morris, Esquire
1600 Avenue of the Arts Building
Broad & Chestnut Streets
Philadelphia, PA 19107

Alan R. Squires, Esquire
Greenstein, Forelick, Price
Silverman & Laveson
900 Two Penn Center Plaza
Philadelphia, PA 19102

Martha W. Bush, Esquire
MB4 Associates
237 S. Melville Street
Philadelphia, PA 19139

William T. Hawke, Esquire
Malatesta, Hawke, McKeon & Morris
212 Locust Street
P. O. Box 12110
Harrisburg, PA 17108

Sutherland, Asbill & Brennan
Attn: Earle H. O'Donnell, Esquire
Merrill L. Kramer, Esquire
1666 K Street, NW
Suite 800
Washington, DC 20006-2803

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

Widoff, Reager, Selkowitz & Adler PC
Attn: Mark P. Widoff, Esquire
Larry B. Selkowitz, Esquire
129 State Street
Harrisburg, PA 17101

General Services Administration
Attn: Michael J. Ettner, Esquire
Office of General Counsel
Washington, DC 20405

Dechert, Price & Rhoads
Attn: Bernard A. Ryan, Jr., Esquire
800 North Third Street
Harrisburg, PA 17102

City of Philadelphia
Attn: Charles E. Rainey, Jr.
Assistant City Solicitor
Law Department - 15th Floor
Municipal Services Building
Philadelphia, PA 19102-1692

David M. Kleppinger

Dated this 9th day of JULY, 1986, at Harrisburg, PA

ORIGINAL

RECEIVED

JUL 9 1986

SECRETARY'S OFFICE
Public Utility Commission

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

DOCKETED

JUL 10 1986

ANSWER OF
PHILADELPHIA AREA INDUSTRIAL ENERGY USERS GROUP
TO UTILITY USERS COMMITTEE/UNIVERSITY OF PENNSYLVANIA
AND
PENNSYLVANIA BUSINESS UTILITY USERS GROUP
PETITIONS FOR RECONSIDERATION

DOCUMENT FOLDER

Pursuant to the provisions of 52 Pa. Code §5.572(c) the Philadelphia Area Industrial Energy Users Group (PAIEUG) hereby Answers and Opposes the Petitions For Reconsideration (Request I) as filed by the Utility Users Committee/University of Pennsylvania (UUC/UP) on July 1, 1986 and by the Pennsylvania Business Utility Users Group (PBUUG) on July 3, 1986. PAIEUG urges the Commission to deny the UUC/UP Petition For Reconsideration regarding Request #1 which urges the Commission to utilize a peak and average cost-of-service study methodology for the development of PECo's rates. In support of this Answer opposing these Petitions For Reconsideration, PAIEUG states as follows:

1. At page 2 of the Petition For Reconsideration, UUC/UP states:

"4. The present record sufficiently supports the adjustment of PECO's rates to reflect the Average and Excess Method as part of the compliance filing in this case."

Other than the average and excess study submitted by PECo as part of its original filing requirements, no other party has presented an average and excess cost-of-service study or argued that such a study was appropriate for either distributing the proposed increase among the customer classes or for designing PECo's rates. Therefore, we assume that UUC/UP intended to state a "peak and average" methodology in order to be consistent with its concluding statement that the Commission erred in failing to direct the Company to use the results of a peak and average method in filing rates. Clearly, the present record does not sufficiently support the adjustment of PECo's rates to reflect the average and excess method which has not been supported by any party to the proceeding.

2. Similar to the situation concerning an average and excess method, the parties who have sponsored the peak and average cost-of-service study methodologies in this proceeding have utilized such studies for developing their positions regarding the distribution of the proposed increase among customer classes. These parties have <u>not</u> specifically testified to the appropriateness or inappropriateness of utilizing the results of a peak and average methodology for designing individual rate schedules like Rate HT.

Due to the inter-relationship between cost-of-service study results and the design of Rate HT, PECo and PAIEUG have consistently argued against the use of energy-based allocations of production and transmission plant when designing large industrial rate schedules like Rate HT. The devastating impacts on the HT tail block have already been addressed in PECo and PAIEUG Briefs in prior pleadings and will not be reiterated here. Suffice it to say that even if the Commission finds that a peak and average cost-of-service study method is appropriate for determining the reasonableness of a proposed revenue allocation (a finding with which PAIEUG also disagrees), it simply does not follow that the results of that study should also be utilized for rate design purposes.

3. Commission adoption of a peak and average method for filing rates in this proceeding would be inconsistent with other portions of its Final Order concerning HT rate design. (See, Final Order, pp.161-164). Again, due to the inter-relationship between cost-of-service study methodology and HT rate design, the Commission cannot consistently adopt PECo's rate design philosophy for Rate HT along with an energy-based allocation of production and transmission plant. PAIEUG addressed the inconsistency of this position in its direct testimony and Main Brief in this proceeding.

For the foregoing reasons, PAIEUG recommends that the Commission deny the UUC/UP and PBUUG Petitions For Reconsideration (Request 1) and refuse to utilize a peak and average cost-of-service study methodology for the development of PECo's rates.

Respectfully submitted,

By David M. Kleppinger

David M. Kleppinger
McNEES, WALLACE & NURICK
100 Pine Street
P. O. Box 1166
Harrisburg, PA 17108-1166
Telephone: (717) 232-8000

COUNSEL TO: PHILADELPHIA AREA INDUSTRIAL ENERGY USERS GROUP

Dated: July 11, 1986

ORIGINAL

REED SMITH SHAW & McCLAY

1600 AVENUE OF THE ARTS BUILDING
BROAD AND CHESTNUT STREETS
PHILADELPHIA, PA 19107-4616

PITTSBURGH, PA
WASHINGTON, DC
HARRISBURG, PA
McLEAN, VA

REED SMITH & CHAPIN
DELRAY BEACH, FL

FAX 215-875-4337

WRITER'S DIRECT DIAL NUMBER

(215) 875-4312

July 9, 1986

RECEIVED
JUL 10 1986
SECRETARY'S OFFICE
Public Utility Commission

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

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

Dear Secretary Rich:

Enclosed please find for filing the original and three (3) copies of the Reply of Southeastern Pennsylvania Transportation Authority and the National Railroad Passenger Corporation to the Petitions for Reconsideration of the Utility Users Committee/ University of Pennsylvania and the Pennsylvania Business Utility Users Group.

Very truly yours,

J. Thomas Morris

J. Thomas Morris

JTM:ctr

Enclosure

cc: The Honorable Joseph P. Matuschak
All Parties of Record

DOCUMENT
FOLDER

CERTIFICATE OF SERVICE

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

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

David M. Kleppinger, Esquire
100 Pine Street
Harrisburg, PA 17120

Roger E. Clark
Governor's Energy Council
P. O. Box 8010
300 N. 2nd Street
Harrisburg, PA 17105

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

Michael J. Ettner, Esquire
Information Resources & Utilities Division
General Services Administration
Room 4002
18th and F Streets, N.W.
Washington, DC 20405

Charles E. Rainey, Jr., Esquire
Municipal Services Building
Law Department, 15th Floor
Philadelphia, PA 19102

Nancy Schuster, Esquire
1 Pond street
Bristol, PA 19007

Veronica Smith, Esquire
Pennsylvania Public Utility Commission
Room G-19
North Office Building
Harrisburg, PA 17108

Earle H. O'Donnell, Esquire
Merrill L. Kramer, Esquire
Sutherland, Asbill & Brennan
1666 K Street, N.W.
Washington, DC 20006-2803

Mark P. Widoff, Esquire
Widoff, Reager, Selkowitz & Adler
129 State Street
Harrisburg, PA 17101

Thomas T. Loder
Morgan, Lewis & Bockius
2000 One Logan Square
Philadelphia, PA 19103

Wayne L. Emery, Esquire
Kenneth R. Pepperney, Esquire
Rafael Caminero, Esquire
600 Grant Street, Rm. 1580
Pittsburgh, PA 15230

Alan R. Squires, Esquire
Greenstein, Gorelick, Price,
Silverman & Laveson
900 Two Penn Center Plaza
Philadelphia, PA 19102

Martha Bush, Esquire
Pa. Energy Ratepayers Coalition
Philadelphia, PA 19139

Bernard A. Ryan, Jr., Esquire
Dechert Price & Rhoads
800 N. Third Street
Harrisburg, PA 17102

William T. Hawke, Esquire
Joseph J. Malatesta, Esquire
Malatesta, Hawke, McKeon & Morris
212 Locust Street
P. O. Box 12110
Harrisburg, PA 17108

Dated this 9th day of July, 1986.

J. Thomas Morris
Counsel for SEPTA and Amtrak

RECEIVED
JUL 10 1986
SECRETARY'S OFFICE
Public Utility Commission

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

REPLY OF SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY AND THE NATIONAL RAILROAD PASSENGER CORPORATION TO PETITIONS FOR RECONSIDERATION

The Southeastern Pennsylvania Transportation Authority, ("SEPTA"), and the National Railroad Passenger Corporation ("AMTRAK") hereby answer the Petitions for Reconsideration of the Utility Users Committee/University of Pennsylvania ("UUC/UP") and the Pennsylvania Business Utility Users Group ("PBUUG") on the issue of the allocation of production and transmission plant costs as follows:

1. The UUC/UP and PBUUG have petitioned the Commission to reconsider its decision not to implement in the compliance filing in this case the results of an allocation of production and transmission plant costs on the basis of a "Peak and Average" cost of service study.

2. The UUC/UP and PBUUG have not raised any new or novel arguments or any considerations not addressed by the Commission. Therefore, these parties have raised no grounds to warrant reconsideration of the Commission's decision to delay implementation

DOCUMENT FOLDER
DOCKETED
JUL 11 1986

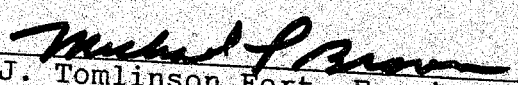
of an energy-based cost allocation method, and the petitions of these parties should be denied.

WHEREFORE, SEPTA and AMTRAK request that the Commission deny the Petitions of the Utility Users Committee/University of Pennsylvania and the Pennsylvania Business Utility Users Group for Reconsideration of the Commission's decision to delay implementation of an energy-based allocation of production and transmission plant costs.

Respectfully submitted,

REED SMITH SHAW & McCLAY

BY:



J. Tomlinson Fort, Esquire
Michael L. Browne, Esquire
Franklin L. Kury, Esquire
J. Thomas Morris, Esquire

1600 Avenue of the Arts Building
Broad and Chestnut Streets
Philadelphia, PA 19107

Of Counsel:
Vincent J. Walsh, Jr., Esquire
Senior Counsel
Southeastern Pennsylvania
Transportation Authority

Frederick C. Ohly, Esquire
Associate General Counsel
National Railroad Passenger
Corporation

COMMONWEALTH OF PENNSYLVANIA

ORIGINA

RECEIVED

JUL 10 1986

SECRETARY'S OFFICE
Public Utility Commissio

OFFICE OF CONSUMER ADVOCATE
1425 Strawberry Square
Harrisburg, Pennsylvania 17120

DAVID M. BARASCH
Consumer Advocate

(717) 783-504

July 10, 1986

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 for filing please find an original and three (3) copies of the Office of Consumer Advocate's Supplemental Petition For Reconsideration in the above-docketed proceeding.

As per attached Certificate of Service, copies have been served upon all parties of record.

Very truly yours,

Scott J. Rubin
Assistant Consumer Advocate

Enclosure
3200P

cc: All parties of record

DOCUMENT
FOLDER

CERTIFICATE OF SERVICE

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

I hereby certify that I am this 10th day of July, 1986, serving either in person or by first class mail the foregoing document, Supplemental Petition For Reconsideration, in the above-captioned proceeding.

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

Raymond Williams
Philadelphia Electric Company
Electric Division
2301 Market Street
Philadelphia, PA 19101

Marlane R. Chestnut
Veronica A. Smith
Daniel Delaney
Assistant Counsels
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17120

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

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

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

Barry M. Hartman
Office of General Counsel
P.O. Box 11775
Harrisburg, PA 17108

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

Allie B. Latimer
Charles V. Curcio
Mildred E. V. Pitts
General Service Administration
18th & F Streets, N.W.
Washington, DC 20405

Larry Selkowitz, Esq.
Widoff, Reager, Selkowitz, Adler
129 State Street
Harrisburg, PA 17102

Charles E. Rainey, Jr., Esq.
Assistant City Solicitor
Law Department
15th Floor, Municipal
Services Building
Philadelphia, PA 19102-1692

Hon. Clarence D. Bell
Senate of Pennsylvania
Senate Post Office
Harrisburg, PA 17120

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

Alan R. Squires, Esq.
Greenstein, Gorelick, Price,
Silverman & Laveson
900 Two Penn Center Plaza
Philadelphia, PA 19102

Robert A. DiFilippo
555 East Lancaster Avenue
St. Davids, PA 19087

Michael L. Browne, Esq.
J. Tomlinson Fort, Esq.
J. Thomas Morris, Esq.
Reed, Smith, Shaw & McClay
1600 Avenue of the Arts Building
Broad & Chestnut
Philadelphia, PA 19107

Ms. Martha W. Bush
PA Energy Ratepayers Coalition
237 S. Melville Street
Philadelphia, PA 19139

Bernard A. Ryan, Jr., Esq.
Dechert, Price & Rhoads
800 North Third Street
Harrisburg, PA 17102

Earle H. O'Donnell, Esq.
Merrill L. Kramer, Esq.
Sutherland, Asbill & Brennan
1666 K Street, N.W., Suite 800
Washington, D.C. 20006-2903

Kenneth R. Pepperney, Esq.
Rafael Caminero, Esq.
United States Steel Corporation
600 Grant Street, Room 1580
Pittsburgh, PA 15230

Stephen Bosch, Esq.
450 Carnell Hall
Temple University
Broad Street & Montgomery Avenue
Philadelphia, PA 19122

William T. Hawke, Esq.
Joseph J. Malatesta, Esq.
Malatesta, Hawke, McKeon & Morris
212 Locust Street
P.O. Box 12110
Harrisburg, PA 17108

James A. Carrodi, Deputy Counsel
and Vice President
Scott Paper Company
Scott Plaza
Philadelphia, PA 19113

Nancy Schuster, Esq.
One Pond Street
Bristol, PA 19007

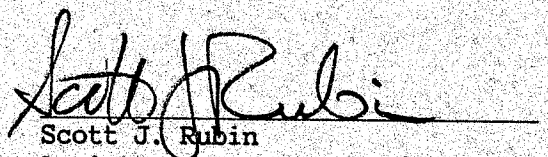
Robert D. Luss
P.O. Box 699
Armand Hammer Blvd.
Pottstown, PA 19464

Anthony G. Tummarello
P.O. Box 4020 River Park
Darien, CT 06820

Hon. F. Joseph Loeper
Senate of Pennsylvania
Senate Post Office
Harrisburg, PA 17120

George T. Miller, Esq.
3400 Center Square West
1500 Market Street
Philadelphia, PA 19102

Roger E. Clark, Esq.
Governor's Energy Council
P.O. Box 8010
Harrisburg, PA 17105



Scott J. Rubin
Assistant Consumer Advocate

ORIGINAL
RECEIVED
JUL 10 1986
SECRETARY'S OFFICE
Public Utility Commissio

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

DOCKETED
JUL 11 1986

DO NOT FOLDER

SUPPLEMENTAL PETITION FOR RECONSIDERATION

Pursuant to 52 Pa. Code §5.572, the Office of Consumer Advocate ("OCA") hereby supplements its Petition for Reconsideration of June 27, 1986, in the above-captioned proceeding and avers as follows:

1. On June 27, 1986, the OCA filed a Petition for Reconsideration of the Commission's Opinion and Order of June 27, 1986, in the above-captioned proceeding, requesting the Commission to reconsider its decision concerning whether all or part of Limerick 1 constitutes excess generating capacity.

2. On July 1, 1986, the Utility Users Committee/University of Pennsylvania (UUC/UP) filed a Petition for Reconsideration of the same Opinion and Order, requesting, inter alia, a reconsideration of the same issue.

3. On July 10, 1986, Governor Dick Thornburgh signed into law an Act which amended the Public Utility Code, 66 Pa.C.S. §101, et seq. ("the Code"), by incorporating the provisions of House Bill 1639.

4. Section 9 of the Act added inter alia, Section 1323 to the Public Utility Code, 66 Pa.C.S. §1323. Section 1323 reads, in its entirety, as follows:

> §1323. Procedures for new electric generating capacity.
>
> (a) Excess capacity costs.--Whenever a public utility claims the costs of an electric generating unit in its rates for the first time and the commission finds that the unit results in the utility having excess capacity, the commission shall disallow from the utility's rates, in the same proportion as found to be excess capacity:
>
> (1) the return on specific unit or units of any excess generating reserve;
>
> (2) the return on the average net original cost per megawatt of the utility's generating capacity; or
>
> (3) the equity investment in the new unit.
>
> In addition to the disallowances set forth in this subsection, the commission may disallow any other costs of the unit or units which the commission deems appropriate. For the purposes of this section, a rebuttable presumption is created that a unit or units or portion thereof shall be determined to be excess unless found to be needed to meet the utility's customer demand plus a reasonable reserve margin in the test year or the year following the test year, or, if it is a base load unit, it is also found to produce annual economic benefits which will exceed the total annual cost of the plant during the test year or within a reasonable period following the test year.
>
> (b) Units which are out of service.--Whenever an electric generating unit, determined by the commission to be a base load unit, is first claimed in the rates of a public utility and the unit is out of service at the time that the commission makes its final decision in the case in which the unit's costs are claimed, the commission shall make either of the following adjustments:

(1) exclude from the utility's rates all costs associated with the unit; or

(2) for a period of one year from the date of the final decision, require that the utility shall guarantee at least the level of either generation or energy savings, whichever produces the rate or rates most advantageous to the ratepayer, that the utility had estimated would be produced by the unit in the first year of its operation.

An adjustment shall be made under this subsection regardless of whether or not the new base load unit had been in service during or at the end of the test year used in the proceeding.

(c) Other powers and duties preserved.--This section shall not be construed to diminish the powers and duties of the commission under any other provision of law to reduce rates because of excess capacity or any other reason, provided that in determining whether a base load unit, which was in commercial operation for at least one year prior to the effective date of this section, results in a public utility having excess capacity, cogeneration, for which an agreement has been entered into by the public utility within three years after the inservice date of the base load unit, shall not be considered by the commission in determining the reserve margins or economic benefits resulting from the base load unit for the first five years after the date of the cogeneration agreement.

(d) Record evidence.--Any adjustments to rates made under this section shall be made on the basis of specific findings upon evidence of record, which findings shall be set forth explicitly, together with their underlying rationale, in the final order of the commission.

5. Section 19 of the Act provides that "66 Pa.C.S. §1323 (relating to procedures for new electric generating capacity) shall be applicable to all cases pending before the Commission."

6. Section 20 of the Act provides that, with the exception of certain amendments to Sections 305, 306, and 308 of the Code, "this act shall take effect immediately."

7. The OCA submits that Section 1323 is applicable to this proceeding.

8. Specifically, the OCA submits that a number of factors demonstrate that this proceeding was "pending before the Commission" on July 10, 1986, the effective date of the Act.

a. This matter was pending before the Commission as a result of the OCA having petitioned for reconsideration on June 27, 1986, and the UUC/UP having petitioned for reconsideration on July 1, 1986. There can be no question that those Petitions, which raised issues of excess capacity similar to those addressed in Section 1323, were pending before the Commission on the effective date of the Act.

b. Even if there had not been pending Petitions for Reconsideration, this matter would still have been pending before the Commission on the effective date of the Act.

(i) A case is considered to be "pending" until its final disposition on appeal. As the Commonwealth Court has stated:

> Pendency is the state of an action after it has been begun and before the final disposition of it. The action in the instant case had been finally disposed of and concluded on June 28, 1980, following the end of the appeal period applicable to the lower court's decree absolute of May 29, 1980.

Groff v. Township of Ulster, 65 Pa. Commw. 584, 587, 442 A.2d 1255, 1256 (1982). See also Cohen v. Jenkintown Cab Co., 300 Pa. Super. 528, 446 A.2d 1284 (1982); 42 Pa.C.S. §9544 (defining "finally litigated" under the Post Conviction Hearing Act). Clearly, this case will be pending until all post-hearing petitions and appeals have been litigated. See, e.g., Williams v. State Board of Control, 62 Cal. App. 3d 960, 965, 133 Cal. Rptr. 539, 542 (1976) ("An action is deemed pending only from the

time of its commencement until its final determination on appeal, or until the time for appeal has passed ..."); In re Custody of Rector, 39 Colo. App. 111, 565 P.2d 950, 952 (1977) ("a civil case is deemed 'pending' until final determination on appeal"); Bull v. Bull, 109 Mich. App. 328, 311 N.W.2d 768, 775 (1981). Since this case was pending and the jurisdiction of the courts had not attached as of the effective date of the Act, this case must have been pending before the Commission when the Act was signed by the Governor.

(ii) Courts have held that a case is pending before the trial court during the time when a motion for new trial or petition for reconsideration can be filed, and that the case remains pending before the trial court until the final disposition of the motion or petition. See, e.g., Ross v. Griffin, 210 Ga. 22, 77 S.E.2d 523 (1953); Naki v. Hawaiian Electric Co., 50 Haw. 85, 431 P.2d 943 (1967); Nolan v. Auto Transporters, 226 Kan. 176, 597 P.2d 614 (1979); Commonwealth v. Powers, 488 N.E.2d 430 (Mass. App. 1986); Staab v. Thoreson, 579 S.W.2d 414 (Mo. App. 1979); Versch v. Tichota, 220 N.W.2d 8 (Neb. 1974); Jolley v. Martin Bros. Box Co., 158 Ohio St. 416, 109 N.E.2d 652 (1952). See also 4 C.J.S. Appeal & Error §106 ("In most jurisdictions, there is no final judgment or decree, for the purposes of an appeal, as long as the cause is still under the control of the trial court by reason of the pendency of a motion for a new trial, for rehearing, to set the judgment aside, or otherwise.").

In addition, the Pennsylvania Supreme Court has noted that an action is final in a court only when an order "terminate[s] the litigation between the parties to the suit by precluding the party from

further action in that court." Middleberg v. Middleberg, 427 Pa. 114, 115, 233 A.2d 889, 890 (1967). Accord Peterson v. Philadelphia Suburban Transportation Co., 435 Pa. 232, 255 A.2d 577 (1969); Dash v. Wilap Corp., 343 Pa. Super. 584, 495 A.2d 950 (1985).

The OCA submits that under the reasoning of these cases, this matter would be pending before the Commission at least until either the time for requesting reconsideration (15 days) or the time for filing an appeal (30 days) elapsed after the entry of the Commission's final order. The effective date of the Act was 13 days after the entry of the Commission's Order.

The OCA submits, therefore, that this case was "pending before the Commission" on the effective date of the Act. The provisions of Section 1323 of the Code, therefore, must be applied to this case.

9. Applying Section 1323(a) of the Code to this case requires the Commission to reconsider the issue of whether the inclusion of Limerick 1 in PECO's rates results in PECO ratepayers being charged for excess capacity. Specifically, Section 1323(a) establishes a rebuttable presumption that a new generating unit is excess capacity unless it can be demonstrated that the unit is needed "to meet the utility's customer demand plus a reasonable reserve margin in the test year or the year following the test year." If the unit is a base load unit (as is Limerick 1), the unit must "also [be] found to produce annual economic benefits which will exceed the total annual cost of the plant during the test year or within a reasonable period following the test year." 66 Pa.C.S. §1323(a).

10. The Commission's Order of June 27, 1986, does not address these standards and must be reconsidered in order to reflect a full consideration of the standards for excess capacity set forth in Section 1323. See Order at 34-37.

11. The OCA submits that when these standards are used by the Commission, at least 450 megawatts of Limerick 1 would be found to be excess capacity. Specifically, as the OCA has previously noted in its pleadings to the Commission, Limerick 1 does not now, and will not until 1994 at the earliest, "produce annual economic benefits which will exceed the total annual cost of the plant." (66 Pa.C.S. §1323(a)). See OCA Main Brief at IV-23 to IV-44, OCA Reply Brief at IV-16 to IV-20, OCA Exceptions at 18-21, and OCA Petition for Reconsideration of June 27, 1986.

Further, the ability of Limerick 1 to produce an economic benefit as early as 1994 is dependent upon the acceptance of PECO's numerous, highly optimistic assumptions. When these assumptions are replaced with more reasonable ones, Limerick 1 will not show a net benefit, on an annual basis, until at least 1995 (and will not consistently demonstrate such a benefit until at least 2001). See id.

12. The OCA submits that Limerick 1 will not produce a net economic benefit -- even under PECO's assumptions -- "during the test year or within a reasonable period following the test year," as required by Section 1323(a).

The OCA submits that Limerick 1 will not show an economic benefit within a "reasonable" time under the meaning of Section 1323. In considering similar economic analyses in Pa. Power and Light Co. v. Pa.

PUC, 67 PUR 4th 30 (1985), the Commission held that a baseload nuclear plant which was not needed for reliability and would not produce an annual net benefit "until the next decade" was not "useful" to current ratepayers. Id. at 44. The Commission then quoted with approval the following statement of ALJ Klovekorn in the previous PP&L case: "The only certainty is that any benefits will first occur on an annual basis well after the rates set here are just a dim memory." Id. The OCA submits that precisely the same is true in the present case and that, therefore, Limerick will not produce annual net benefits within a "reasonable" time.

13. The OCA submits that the magnitude of the economic detriment to ratepayers is such that PECO should be denied a return on equity on at least 450 megawatts of Limerick 1 capacity. See Section 1323(a)(3). PECO's own analysis (including Limerick 1 and 50 percent of common plant) shows the following net costs and benefits associated with Limerick 1, on an annual basis, for the next nine years:

(million nominal $)

YEAR	TOTAL COSTS	TOTAL BENEFITS	NET BENEFIT (COST)
1986	$857.52	$231.39	($626.13)
1987	$830.85	$274.82	($556.03)
1988	$811.59	$306.68	($504.91)
1989	$801.44	$466.39	($335.05)
1990	$779.64	$435.14	($344.50)
1991	$764.54	$482.64	($281.90)
1992	$750.82	$651.57	($99.25)
1993	$736.01	$607.75	($128.26)
1994	$716.51	$838.16	$121.65
TOTAL	$7,048.92	$4,294.54	($2,754.38)

GEC Exh. 3, item 1, page 2. In addition, the OCA presented an analysis

showing that 450 megawatts of Limerick's capacity was more than $1.5 billion more costly to ratepayers than an equivalent amount of other capacity which was available to PECO for the next decade, but which was being prematurely retired by PECO. See OCA Main Brief at IV-21 to IV-23.

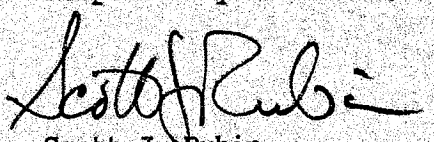
As the OCA has argued previously, such an enormous detriment can be adequately addressed only through the denial of an equity return on at least 450 megawatts of Limerick 1 capacity. See OCA Main Brief at IV-44 to IV-48. Further, the OCA would note that this same remedy was used by the Commission for Pennsylvania Power and Light Company's Susquehanna Unit 2. Pa. Power and Light Co. v. Pa. PUC, supra, 67 PUR 4th at 45 (1985).

14. Finally, the OCA would note that this issue was fully litigated and briefed by the parties. See, e.g., PECO Main Brief at 5-46 to 5-62 and Appendix D, OCA Main Brief at IV-23 to IV-44, PAIEUG Main Brief at 28-35, UUC/UP Main Brief at 15-27, and subsequent briefs, exceptions, and reply exceptions of these parties. The OCA, therefore, does not believe that additional evidentiary hearings are necessary on this issue. Nevertheless, the OCA also recognizes that Section 1323 sets forth a statutory standard which the Company may request the right to address in further hearings or arguments. The OCA respectfully reserves the right to participate fully in any further proceedings on this matter if such are ordered by the Commission.

WHEREFORE, the Office of Consumer Advocate respectfully requests Your Honorable Commission to reconsider its Order of June 27, 1986, for the reasons set forth in its Petition for reconsideration and in light of

the provisions of Section 1323 of the Public Utility Code, and to find that at least 450 megawatts of Limerick 1 constitute excess capacity. Such a finding should be implemented through a denial of a return on equity on at least 450 megawatts of Limerick 1 capacity.

Respectfully submitted,



Scott J. Rubin
Irwin A. Popowsky
Assistant Consumer Advocates

David M. Barasch
Consumer Advocate

DATED: July 10, 1986

CITY OF PHILADELPHIA

LAW DEPARTMENT
15th Floor, Municipal Services Building
Philadelphia, Pa. 19102 – 1692
686-5251

HANDSEL B. MINYARD
City Solicitor

FEDERAL EXPRESS MAIL

July 10, 1986

Mr. Jerry Rich
PA Public Utility Commission
Room B-18, North Office Bldg.
New Filing Section
Secretary's Bureau
Commonwealth and North Streets
Harrisburg, PA 17120

RECEIVED
JUL 11 1986
SECRETARY'S OFFICE
Public Utility Commission

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

Dear Secretary Rich:

Enclosed for filing please find an original and three copies of the City of Philadelphia's Petition for Reconsideration in the above captioned matter. As per the attached Certificate of Service, copies have been served upon all parties of record.

Sincerely,

Charles E. Rainey, Jr.

CHARLES E. RAINEY, JR.
Assistant City Solicitor

DOCUMENT FOLDER
JUL 2 1986

/R
3150P
Enclosure
cc: All Parties of Record

DOCUMENT FOLDER

CERTIFICATE OF SERVICE

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

I hereby certify that I am, this 10th day of July, 1986, serving by first class mail, the foregoing document, Petition for Reconsideration, in the above captioned proceeding.

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

Raymond Williams
Philadelphia Electric Co.
Electric Division
2301 Market Street
Philadelphia, PA 19101

Marlane R. Chestnut
Veronica A. Smith
Daniel Delaney
Assistant Counsels
PA Public Utility Commission
PO Box 3265
Harrisburg, PA 17120

Edward G. Bauer, Jr., Esq.
Vice President
Philadelphia Electric Company
Philadelphia, PA 19101

David M. Kleppinger, Esq.
Edward J. Riehl, Esq.
McNees, Wallace & Nurick
PO Nox 1166
Harrisburg, PA 17108-1166

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

Franklin L. Kury, Esq.
Reed, Smith, Shaw & McClay
300 North Second Street
PO Box 11844
Harrisburg, PA 17108

Barry M. Hartman
Office of General Counsel
PO Box 11775
Harrisburg, PA 17108

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

Allie B. Latimer
Charles V. Curcio
Mildred E.V. Pitts
General Service Administration
18th and F. Streets, N.W.
Washington, D.C. 20405

Larry Selkowitz, Esq.
Widoff, Reager, Selkowitz, Adler
129 State Street
Harrisburg, PA 17102

Hon. Clarence D. Bell
Senate of Pennsylvania
Senate Post Office
Harrisburg, PA 17120

Scott C. Penwell, Esq.
Duane Morris & Heckscher
203 Pine Street
PO Nox 1003
Harrisburg, PA 17108-1003

William T. Hawke, Esq.
Joseph J. Malatesta, Esq.
212 Locust Street
PO Box 12110
Harrisburg, PA 17108

Alan R. Squires, Esq.
Greenstein, Gorelick, Price,
Silverman & Laveson
900 Two Penn Center Plaza
Philadelphia, PA 19102

Robert A. DiFilippo
555 E. Lancaster Avenue
St. Davids, PA 19087

Michael A. Browne, Esq.
J. TOmlinson Fort, Esq.
J. Thomas Morris, Esq.
Reed, Smith, Shaw & McClay
1600 Avenue of the Arts Bldg.
Philadelphia, PA 19107

Ms. Martha W. Bush
PA Energy Ratepayers Co.
237 S. Melville Street
Philadelphia, PA 19139

Bernard A. Ryan, Jr., Esq.
Dechert, Price & Rhoads
800 North Third Street
Harrisburg, PA 17102

Earl H. O'Donnell, Esq.
Merrill L. Kramer, Esq.
1666 K Street, N.W.
Washington, D.C. 20006-2903

Kenneth R. Pepperney, Esq.
Rafael Caminero, Esq.
U.S. Steel Corp.
600 Grant Street, Rm. 1580
Pittsburgh, PA 15230

Stephen Bosch, Esq.
450 Carnell Hall
Temple University
Broad St. & Montgomery Ave.
PhiladelphiA, PA 19122

James A. Carrodi, Deputy Counsel
and Vice President
Scott Paper Company
Scott Plaza
Philadelphia, PA 19113

Nancy Schuster, Esq.
One Pond Street
Bristol, PA 19007

Robert D. Luss
PO Box 699
Armand Hammer Blvd.
Pottstown, PA 19564

Anthony G. Tummarello
PO Nox 4020
River Park
Darien, CT 06820

Hon. F. Joseph Loeper
Senate of Pennsylvania
Senate Post Office
Harrisburg, PA 17120

George T. Miller, Esq.
3400 Centre Square West
1500 Market Street
Philadelphia, PA 19102

Roger E. Clark, Esq.
Zorie G. Perkin, Esq.
Governor's Energy Council
PO Box 8010
Harrisburg, PA 17105

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

Charles E. Rainey, Jr.

CHARLES E. RAINEY, JR.
Assistant City Solicitor
ATTORNEY FOR CITY OF
PHILADELPHIA

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

JUL 11 1986
SECRETARY'S OFFICE
Public Utility Commission

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
v.	:	DOCKET NO. R-850152
PHILADELPHIA ELECTRIC COMPANY	:	

PETITION FOR RECONSIDERATION

Pursuant to 52 Pa.Code §5.572, the City of Philadelphia ("City") petitions the Pennsylvania Public Utility Commission ("PUC" or "Commission") to reconsider its Opinion and Order entered June 27, 1986, in the above-captioned proceeding, and in support thereof states as follows:

1. The PUC ordered the Philadelphia Electric Company ("PECO" or "Company") to collect the revenues deferred during the first two years of the phase-in period in years four (4) through six (6). Order at 143, 167.

2. The PUC failed to address the issue of whether PECO is allowed to go beyond the sixth year if necessary in order to collect all deferred revenues assigned to each customer class.

3. PECO's compliance tariff assumes that the Company may go beyond the sixth year in collecting the deferred balance. PECO Compliance Tariff, "Unrecovered Revenue Collective Rider" at "first revised page No. 55A."

DOCUMENT FOLDER

DOCKETED
JUL 14 1986

4. The Administrative Law Judge also failed to address the issue as stated in Paragraph 2 above and the City filed Exceptions thereto. See, City Exceptions at 3. The Governor's Energy Counsel ("GEC") also filed Exceptions with regard to this issue. GEC Exceptions at 7-8.

5. To guarantee PECO recovery of all PUC-allowed revenues would be unprecedented. City Main Brief at 36; City St. No. 2 at 72.

6. Utilities are provided an opportunity and not a guarantee of recovering PUC-approved rates. City Main Brief at 36; PUC v. Philadelphia Electric Company, R-822291 (November 23, 1983) mimeo at 20.

7. Utilities are not allowed to "reach-back" and collect additional revenues if the revenues they achieve prove to be insufficient. City Main Brief at 36; City St. No. 2 at 68; Green v. PUC, 473 A.2d 209, 217-18 (Pa.Commw. 1984); Pennsylvania Gas & Water Company v. PUC, 470 A.2d 1066, 79 Pa.Commw. 416 (1984).

8. The PUC sets rates on a prospective and not a retrospective basis. Id.

9. If the PUC fails to hold PECO to a fixed revenue recovery period, ratepayers who choose to conserve energy and thereby decrease their electric bills in years four through six will be penalized. City Main Brief at 36. They would be forced to pay-out those savings resulting from their conservation efforts to PECO beyond the sixth year in order to extinguish totally the deferred balance. City Main Brief at 36; City Exceptions at 3.

WHEREFORE, the City of Philadelphia respectfully petitions the Pennsylvania Public Utility Commission to reconsider its Opinion and Order and to clearly prohibit PECO from going beyond the sixth year in collecting deferred revenues.

Respectfully submitted,

Charles E. Rainey, Jr.

CHARLES E. RAINEY, Jr.
Assistant City Solicitor

Dated: July 11, 1986

HANDSEL B. MINYARD
City Solicitor

KATHYRN S. LEWIS
Chief Deputy City Solicitor

PAMELA FOA
Divisional Deputy City Solicitor

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

July 11, 1986

IN REPLY PLEASE
REFER TO OUR FILE

R-850152
R-850152C001
through
R-850152C014

To All Parties of Record:

Pennsylvania Public Utility Commission
v.
Philadelphia Electric Company

This is to advise that page 167 of the Commission's Opinion and Order entered June 27, 1986, in the above captioned case, is corrected to reflect the proper income available for return of $735,615,000 and annual electric operating revenues of $2,852,790,000. These corrected income and revenue levels are consistent with Table I attached to the Opinion and Order.

These corrections will not affect the rates filed by the Philadelphia Electric Company since its compliance filing is based on the above corrected figures.

A copy of revised page 167 of the Opinion and Order is attached.

Very truly yours,

Jerry Rich
Secretary

DOCUMENT FOLDER

DOCKETED
JUL 14 1986

XI. CONCLUSION

In accordance with our resolution of the issues in this proceeding, we conclude that PECO is entitled to an opportunity to earn income available for return of $735,615,000 applicable to its electric operations. PECO is authorized to establish rates designed to produce $2,852,790,000 in annual electric operating revenues. The increase in annual operating revenues herein authorized is $350,797,000 which is to be phased in over a three year period; THEREFORE,

IT IS ORDERED:

1. That Philadelphia Electric Company not place into effect the rates contained in Supplement No. 15 to its Tariff Electric-Pa. P.U.C. No. 26, the same having been found to be unjust, unreasonable and, therefore, unlawful.

2. That Philadelphia Electric Company is hereby authorized to file tariffs or tariff supplements containing rates, provisions, rules and regulations, consistent with our findings herein, designed to produce annual operating electric revenues of not in excess of $2,852,790,000, exclusive of revenues to be derived from the State Tax Adjustment Surcharge revenues; provided however, that the $350,797,000 annual revenue increase herein authorized must be phased-in over a three year period, with deferred revenues being recovered in the fourth, fifth and sixth year.

3. That said tariffs or tariff supplements may be filed upon less than statutory notice, and, pursuant to the provisions of 52 Pa. Code §3.32(b), the tariffs or tariff supplements may be filed to be effective for service rendered on and after the date of entry of this Opinion and Order.

U.S. POSTAL SERVICE

CERTIFICATE OF MAILING

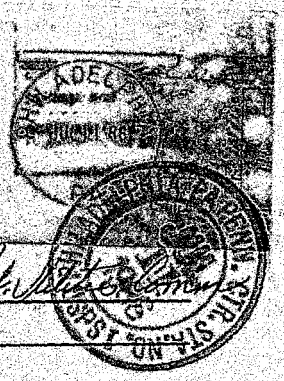
Received from:

Stewart W. Hasson
3000 One Logan Square
Philadelphia, PA 19103

One piece of ordinary mail addressed to:

Jerry Feich, Sec. Comm. Pub. Utility Comm.
P.O. Box 3265
Harrisburg, Pa 17120

MAY BE USED FOR DOMESTIC AND INTERNATIONAL MAIL. DOES NOT PROVIDE FOR INSURANCE —POSTMASTER



PS FORM 3817
MAY 1976

☆ U.S. Government Printing Office: 489-224

WASHINGTON
NEW YORK
LOS ANGELES

MORGAN, LEWIS & BOCKIUS
COUNSELORS AT LAW
2000 ONE LOGAN SQUARE
PHILADELPHIA, PENNSYLVANIA 19103
TELEPHONE: (215) 963-5000
CABLE ADDRESS: MORLEBOCK
TELEX: 83-1315

MIAMI
HARRISBU
LONDON

WALTER R. HALL II
DIAL DIRECT (215) 963-5700

July 11, 1986

RECEIVED
JUL 11 1986
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 for filing with the Commission the originals and three (3) copies of the Answers of Philadelphia Electric Company to the Petition for Reconsideration of Utility Users Committee/University of Pennsylvania and the Petition for Reconsideration of Pennsylvania Business Utility Users Group in the above-referenced proceedings.

As the attached Certificate of Service indicates, copies of the Company's Answers have been served on all parties of record.

DOCUMENT FOLDER

Sincerely,

Walter R. Hall, II

/paa
Encl.
cc: The Honorable Joseph P. Matuschak
All Parties of Record

CERTIFICATE OF SERVICE

I hereby certify that I have on this day served true copies of the aforementioned documents upon the following parties of record in accordance with requirements of 52 Pa. Code §1.54.

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

David M. Kleppinger, Esquire
100 Pine Street
Harrisburg, PA 17120

Roger E. Clark
Governor's Energy Council
P.O. Box 8010
300 N. 2nd Street
Harrisburg, PA 17105

Scott Rubin, Esquire
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

Michael J. Ettner, Esquire
Information Resources & Utilities Division
General Services Administration
Room 4002
18th and F Streets, N.W.
Washington, DC 20405

Charles E. Rainey, Jr., Esquire
Municipal Services Building
Law Department, 15th Floor
Philadelphia, PA 19102

Nancy Schuster, Esquire
1 Pond Street
Bristol, PA 19007

Veronica Smith
Pennsylvania Public Utility Commission
Room G-19
North Office Building
Harrisburg, PA 17108

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

Mark P. Widoff, Esquire
Widoff, Reager, Selkowitz & Adler
129 State Street
Harrisburg, PA 17101

Michael Browne, Esquire
Reed, Smith, Shaw & McClay
1600 Avenue of the Arts Building
Broad and Chestnut Streets
Philadelphia, PA 19107

Wayne L. Emery, Esquire
Kenneth R. Pepperney
Rafael Caminero, Esquire
600 Grant Street, Rm. 1580
Pittsburgh, PA 15230

Alan R. Squires, Esquire
Greenstein, Gorelick, Price,
Silverman & Laveson
900 Two Penn Center Plaza
Philadelphia, PA 19102

Martha Bush, Esquire
237 S. Melville Street
Philadelphia, PA 19139

Bernard A. Ryan, Jr., Esquire
Dechert Price & Rhoads
800 N. Third Street
Harrisburg, PA 17102

William T. Hawke, Esquire
Joseph J. Malatesta, Esquire
Malatesta, Hawke, McKeon & Morris
212 Locust Street
P.O. Box 12110
Harrisburg, PA 17108

Stuart W. Fraser

Stuart W. Fraser

Counsel for Philadelphia
Electric Company

DATED: July 11, 1986

RECEIVED
JUL 11 1986
SECRETARY'S OFFICE
Public Utility Commission

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

ANSWER OF PHILADELPHIA ELECTRIC COMPANY
TO THE PETITION FOR RECONSIDERATION
OF THE
PENNSYLVANIA BUSINESS UTILITY USERS GROUP

NOW COMES Philadelphia Electric Company ("PECO" or the "Company"), by its attorneys, and herewith answers the Petition of the Pennsylvania Business Utility Users Group ("PBUUG") for Reconsideration of the Opinion and Order of the Pennsylvania Public Utility Commission (the "Commission"), entered June 27, 1986, in the above-captioned proceeding. In support thereof, the Company respectfully represents the following:

1.-2. Admitted.

3. Denied. Inasmuch as PBUUG's Petition simply joins, adopts, and incorporates by reference the Petition for Reconsideration of the Utility Users Group/University of Pennsylvania ("UUC/UP"), PECO hereby adopts and incorporates by reference its Answer to the Petition for Reconsideration of UUC/UP. For the reasons set forth in that Answer, the Petition for Reconsideration of PBUUG should be denied.

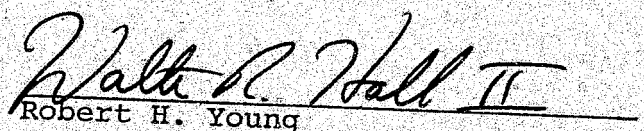
DOCUMENT FOLDER

DOCKETED
JUL 15 1986

In addition, because of the inconsistency between the numbering paragraphs and the prayer for relief of PBUUG's Petition and to the extent that the Petition of PBUUG raises the issue of excess capacity, the Company hereby adopts and incorporates by reference its Answer to the Petition for Reconsideration of the Office of Consumer Advocate, filed with the Commission on July 7, 1

WHEREFORE, for the reasons set forth in its Answer to the Petition for Reconsideration of UUC/UP, the Company requests that the Commission deny PBUUG's Petition for Reconsideration.

Respectfully submitted,



Robert H. Young
Jay H. Calvert, Jr.
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: July 11, 1986

RECEIVED
JUL 11 1986
SECRETARY'S OFFICE
Public Utility Commission

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

ANSWER OF PHILADELPHIA ELECTRIC COMPANY
TO PETITION FOR RECONSIDERATION
OF THE
UTILITY USERS COMMITTEE/UNIVERSITY OF PENNSYLVANIA

NOW COMES Philadelphia Electric Company ("PECO" or the "Company"), by its attorneys, and herewith answers the Petition of the Utility Users Committee/University of Pennsylvania ("UUC/UP") for Reconsideration of the Opinion and Order of the Pennsylvania Public Utility Commission (the "Commission") entered June 27, 1986, in the above-captioned proceeding as follows:

1. Denied. In its Opinion and Order, entered June 27, 1986 (the "June 27 Order"), the Commission observed that "there may be merit in allocating a portion of the production and transmission costs on an energy basis." (June 27 Order at 152; emphasis added). The Commission also noted that "keeping in mind the limited purpose for which we use cost of service study results, we will not approve any particular methodology in this proceeding." (June 27 Order at 153).

DOCUMENT FOLDER

DOCKETED
JUL 15 1986

2. Denied as stated. Although the Commission did direct PECO to develop a cost of service study based upon the peak and average demand method in its next general rate filing and to employ that study to test the reasonableness of the proposed revenue allocation, the Company is also free to develop and present a study based upon the 4CP method for the Commission's consideration.

3. Admitted. Indeed, this issue was fully litigated and was addressed and decided against UUC/UP in the Commission's June 27 Order. Thus, UUC/UP's Petition for Reconsideration fails to state a legally sufficient ground upon which reconsideration can be granted and should therefore be denied.

The standard for reconsideration of a final Commission order is well established. In many recent cases, the Commission has stated that it will exercise its discretion to rescind or amend an order only if the petition raises:

> "new and novel arguments, not previously heard, or considerations which appear to have been overlooked or not addressed by the Commission."

The Commission has also stated that in a Petition for Reconsideration, "parties ... cannot be permitted, by a second motion to review and reconsider, to raise the same questions which were specifically considered and decided against them." See, e.g., Pa. P.U.C. v. Pennsylvania Power & Light Co., 58 Pa. P.U.C. 737, 738 (Nov. 16, 1984); Duick v. Pa. Gas & Water Co., C-R0597001, Order at 6 (Jan. 4, 1983); Pa. P.U.C. v. Duquesne

Light Co., 58 Pa. P.U.C. 81, 84 (Nov. 22, 1983). See also Baltimore & Ohio Railroad v. Pa. P.U.C., 77 Pa. Cmwlth. 381, 465 A.2d 1326 (1983).

The Petition of UUC/UP does not present or allege any new or novel arguments previously overlooked by the Commission in its June 27 Order and fails on its face to meet the Commission's standard for reconsideration. In four brief, one sentence paragraphs, the UUC/UP Petition simply restates in summary form the positions previously presented with respect to cost allocation and rate design issues in the rate case and which were rejected by the Commission.

4. Denied. The Commission's rejection of UUC/UP's proposal and its decision to adopt an "across-the-board" class revenue allocation without adopting any particular cost of service methodology are appropriate and reasonable for the following reasons:

(a) UUC/UP did not present a fully developed cost of service study based on a peak and average method in the recently concluded rate proceeding. The study submitted by UUC/UP failed to allocate the costs among the rate classes and to show the impact of its methodology on class rates of return and class revenue allocations.

(b) The Commission has repeatedly stated that cost of service is only a factor to be considered and has a limited role in establishing just and reasonable rates. "A cost of

service study is one of the most subjective elements in any rate case . . . . Cost of service studies are more accurately characterized as an engineering art." Pa. P.U.C. v. Duquesne Light Co., Docket No. R-821945, Order at 73. Other factors such as the economic impact of the rate increase and the principle of rate continuity and gradualism, as described by the Commission in its decision, are of equal importance in revenue allocation decisions and supports the Commission's adopted allocation. Id. See also Pa. P.U.C. v. Philadelphia Electric Co., Docket No. R-822291, Order at 64 (Nov. 23, 1983); Pa. P.U.C. v. Pa. Power & Light Co., 55 PUR4th 185 (1983). In addition, all parties, except UUC/UP, agreed or acquiesced to the Commission's adopted approach to allocate the rate increase on an across-the-board basis, including fuel costs and as respects the design methodology of rates HT and PD (see PECO St. No. 24A, pp. 4-6). Thus, it was entirely appropriate for the Commission to have adopted no particular cost of service methodology in the recently concluded Limerick 1 rate proceeding.

(c) Finally, the Commission's decision to defer possible implementation of a peak and average cost of service methodology was in accord with past Commission practice with respect to cost of service and other studies utilized in rate proceedings. For example, in the Company's last rate case (R-842590), the Commission directed PECO to prepare a cost of service study for SEPTA/AMTRAK for presentation in its next rate filing. (Order at 145). Similarly, in Pa. P.U.C. v. UGI, Corp.

- Gas Division, Docket No. R-821899, Order at 45-46, the Commission deferred, until UGI's next rate filing, the implementation of a cost of service methodology proposed by the OCA in that case. In addition, in numerous instances, the Commission has directed utilities to prepare depreciation and lead-lag studies for use in future rate filings. Thus, given the limited purpose of a cost of service study (as described in subparagraph 4(b)) and the Commission's practice of ordering studies for use in future rate cases, the Commission's direction in the Limerick 1 rate case was entirely reasonable and appropriate.

5. Denied. The Company hereby adopts and incorporates by reference the Answer of Philadelphia Electric Company to the Petition for Reconsideration of the Office of Consumer Advocate, filed with the Commission on July 7, 1986.

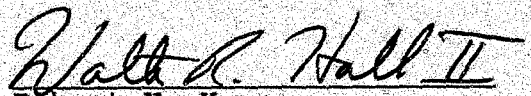
CONCLUSION

In conclusion, UUC/UP's Petition for Reconsideration raises nothing new but seeks instead to be heard once again on issues specifically considered and decided against UUC/UP by the ALJ and the Commission in a proceeding which is now concluded. As such, UUC/UP's Petition for Reconsideration is clearly frivolous. The Petition for Reconsideration appears to be a thinly-disguised attempt to transform a finally concluded rate proceeding into a "pending" proceeding. The apparent purpose of such a ploy is a hope that this otherwise closed proceeding can

be brought within the purview of the recently enacted legislation relating to excess capacity. This proceeding is closed, a final order has been issued by the Commission, and UUC/UP's Petition presents absolutely no new or novel arguments not previously heard and is thus clearly improper and should be denied.

WHEREFORE, for the reasons stated above and in PECO's Answer to the Petition for Reconsideration of the Office of Consumer Advocate, the Company respectfully requests that the Commission deny UUC/UP's Petition for Reconsideration.

Respectfully submitted,



Robert H. Young
Jay H. Calvert, Jr.
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: July 11, 1986

Pittsburgh, [illegible]5230

ORIGINAL

RECEIVED
JUL 15 1986
SECRETARY'S OFFICE
Public Utility Commission

USX

July 14, 1986

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

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

Dear Secretary Rich:

Enclosed please find for filing the original and three (3) copies of the Reply of USX Corporation to the Petition for Reconsideration of the Utility Users Committee/University of Pennsylvania and the Pennsylvania Business Utility Users Group.

Very truly yours,

Kenneth R. Pepperney

Kenneth R. Pepperney

/pwg

Enclosure

cc: The Honorable Joseph P. matuschak
All Parties of Record

DOCUMENT FOLDER

Marathon Oil Company
USS Inc.
U.S. Diversified Group
Texas Oil & Gas Corp.

JUL 15 1986
SECRETARY'S OFFICE
Public Utility Commission

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

REPLY OF USX CORPORATION
TO PETITIONS FOR RECONSIDERATION

USX Corporation ("USX") hereby answers the Petitions for Reconsideration filed by the Utility Users Committee/ University of Pennsylvania ("UUC/UP") and the Pennsylvania Business Utility Users Group ("PBUUG") in the above-captioned proceeding, as follows:

1. The UUC/UP, on July 1, 1986, and PBUUG, on July 3, 1986, petitioned the Commission to reconsider its decision not to implement in this case a revenue allocation based upon a "Peak and Average" cost of service study.

2. The undersigned is lead counsel in this case for USX and was out of the office on vacation from July 4, 1986 through July 13, 1986. Accordingly, he was not aware of the filing of said petitions and was unable to prepare this answer until today. No prejudice would result to the petitioners or any other party by allowing USX to file this answer beyond the the (10) day period provided by Rule 5.572 (c).

---

* United States Steel Corporation ("USS") was a party to this proceeding. Effective July 9, 1985, USS changed its name to USX by means of the merger of USX, a wholly-owned subsidiary, into USS.

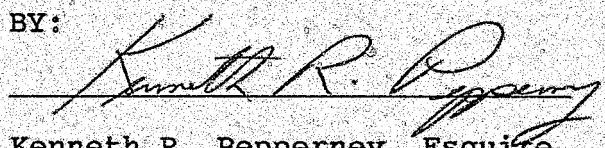
DOCKETED
JUL 15 1986

DOCUMENT
FOLDER

3. The UUC/UP and PBUUG have not raised any new or novel arguments or any considerations not addressed already by the Commission. They have given no reason for the Commission to change its decision to defer implementation of the Peak and Average cost allocation method. Their petitions should be denied.

WHEREFORE, USX respectfully requests that the Commission permit the filing of this answer and deny the petitions for reconsideration of the UUC/UP and PBUUG.

Respectfully submitted,

BY: 

Kenneth R. Pepperney, Esquire

Attorney for USX Corporation

CERTIFICATE OF SERVICE

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

John Hanger, Esquire
Community Legal Services, Enery Project
3638 North Broad Street
Philadelphia, PA 19140

David M. Kleppinger, Esquire
100 Pine Street
Harrisburg, PA 17120

Roger E. Clark
Governor's Energy Council
P.O. Box 8010
300 N. 2nd Street
Harrisburg, PA 17105

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

Michael J. Ettner, Esquire
Information Resources & Utilities Division
General Services Administration
Room 4002
18th and F Street, N.W.
Washington, DC 20405

Charles E. Rainey, Jr., Esquire
Municipal Services Building
Law Department, 15th Floor
Philadelphia, PA 19102

Nancy Schuster, Esquire
1 Pond Street
Bristol, PA 19007

Veronica Smith, Esquire
Pennsylvania Public Utility Commission
Room G-19
North Office Building
Harrisburg, PA 17108

Earle H. O'Donnell, Esquire
Merrill L. Kramer, Esquire
Sutherland, Asbill & Brennan
1666 K. Street, N.W.
Washington, DC 2006-2803

Mark P. Widoff, Esquire
Widoff, Reager, Selkowitz & Adler
129 State Street
Harrisburg, PA 17101

Thomas T. Loder
Morgan, Lewis & Bockius
2000 One Logan Square
Philadelphia, PA 19103

J. Thomas Morris, Esquire
Reed Smith Shaw & McClay
1600 Avenue of the Arts Building
Broad and Chestnut Streets
Philadelphia, PA 19107-4616

Alan R. Squires, Esquire
Greenstein, Gorelick, Price,
Silverman & Laveson
900 Two Penn Center Plaza
Philadelphia, PA 19102

Martha Bush, Esquire
Pa. Energy Ratepayers Coalition
Philadelphia, PA 19139

Bernard A. Ryan, Jr., Esquire
Dechert Price & Rhoads
800 N. Third Street
Harrisburg, PA 17102

William T. Hawke, Esquire
Joseph J. Malatesta, Esquire
Malatesta, Hawke, McKeon & Morris
212 Locust Street
P.O. Box 12110
Harrisburg, PA 17108

Dated this 14th day of July, 1986.

Kenneth R. Pepperney
Attorney for USX Corporation

ORIGINAL

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

RECEIVED
JUL 15 1986
SECRETARY'S OFFICE
Public Utility Commission

July 15, 1986

DOCUMENT FOLDER

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 for filing please find an original and three copies of the Governor's Energy Council's Petition For Reconsideration in the above-docketed proceeding.

Because of a technical problem with our word processing equipment, this Petition is being filed one day late. I request that the Petition be accepted under 52 Pa. Code §1.2.

As per attached Certificate of Service, copies have been served upon all parties of record.

Very truly yours,

Roger E. Clark

Roger E. Clark
Chief Counsel

Enclosure

cc: All parties of record

CERTIFICATE OF SERVICE

I hereby certify that I have this 15th day of July, 1986, served a copy of the Petition for Reconsideration of the Governor's Energy Council in Docket No. R-850152 upon the following by first class mail (postage prepaid) or hand delivery.

David B. MacGregor, Esq.
William E. Zeiter, Esq.
Morgan, Lewis & Bockius
2000 One Logan Square
Philadelphia, PA 19103

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

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

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

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

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

Michael L. Browne
J. Tomlinson Fort
J. Thomas Morris
Reed Smith Shaw & McClay
1600 Avenue of the Arts Bldg.
Broad & Chestnut Streets
Philadelphia, PA 19107

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

Kathryn S. Lewis, Esq.
Charles E. Rainey, Esq.
City of Philadelphia
15th Floor
Municipal Services Bldg.
Philadelphia, PA 19102-1692

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

Mark Widoff, Esq.
Widoff, Reager, Selkowitz
and Adler
129 State Street
Harrisburg, PA 17101

Alan R. Squires, Esq.
900 Two Penn Center
Philadelphia, PA 19102

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

Stephen Bosch
Associate Counsel
Temple University
450 Carnell Hall
Broad Street & Montgomery Ave.
Philadelphia, PA 19122

Robert A. DiFilippo, Esq.
555 East Lancaster Avenue
St. Davids, PA 19087

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

James A. Corrodi, Deputy Counsel
and Staff Vice President
Scott Paper Company
Scott Plaza
Philadelphia, PA 19113

Bernard A. Ryan, Jr., Esq.
Dechert, Price & Rhoads
800 North Third Street
Harrisburg, PA 17102

Nancy Schuster, Esq.
One Pond Street
Bristol, PA 19102

Scott C. Penwell, Esq.
Duane, Morris & Heckscher
P.O. Box 1003
Harrisburg, PA 17108

Rafael Caminero, Esq.
Room 1501
600 Grant Street
Pittsburgh, PA 15230

William T. Hawke, Esq.
Joseph J. Malatesta, Esq.
Malatesta, Hawke, McKeon
& Morris
P.O. Box 12110
Harrisburg, PA 17108

Martha W. Bush, Esq.
237 S. Melville Street
Philadelphia, PA 19139

Roger E Clark

Roger E. Clark
Chief Counsel

Dated: July 15, 1986

JUL 15 1986
SECRETARY'S OFFICE
Public Utility Commissio

BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	)	
	)	
v.	)	
	)	R - 850152
Philadelphia Electric Company	)	
	)	

JUL 1 0 1986

PETITION FOR RECONSIDERATION
BY THE
GOVERNOR'S ENERGY COUNCIL

DOCUMENT
FOLDER

The Governor's Energy Council, a party in the above-captioned case, petitions the Commission under 52 Pa. Code §5.572 for reconsideration of its Opinion and Order entered on June 27, 1986 in the above-captioned case. The GEC seeks reconsideration of the portion of the Opinion and Order on pages 34-37 which addresses the issue of excess capacity. In support of its petition, the GEC asserts the following:

1. Act No. 114 of 1986 (the PUC Sunset legislation) was signed into law by the Governor on July 10, 1986. Section 9 of the Act amends the Public Utility Code by adding §1323 entitled "Procedures for new electric generating capacity."

2. Section 19 of Act No. 114 of 1986 states that "66 Pa.C.S. §1323 (relating to procedures for new electric generating capacity) shall be applicable to all cases pending before the commission." Because of the Petition for Reconsideration filed by the Office of Consumer Advocate on June 27, 1986, and for other legal reasons, the GEC asserts that this case is still pending before the Commission and that 66 Pa.C.S. §1323 must be applied to this case.

3. As required in 66 Pa.C.S. §1323(a), the Commission shall make an adjustment in a utility's rates if it finds that the utility has excess capacity as a result of the new generating capacity. The same section defines the determination of excess capacity:

> ... For purposes of this section, a rebuttable presumption is created that a unit or units or portion thereof shall be determined to be excess unless found to be needed to meet the utility's customer demand plus a reasonable reserve margin in the test year or the year following the test year, or, if it is a base load unit, it is also found to produce annual economic benefits which will exceed the total annual cost of the plant during the test year or within a reasonable period following the test year.

Under this new law, the burden of proof that a new facility is not excess capacity rests with the utility. A utility can overcome the presumption that a new base load unit is excess capacity if it can show that the unit is needed to meet customer demand and will yield economic benefits within a reasonable period of time. The statutory language "reasonable period following the test year" was not enacted to impede the

construction of new facilities needed to meet service demands, but rather to ensure that new units are economical.

4. Neither the Recommended Decision nor the Commission's Opinion and Order made any finding that Limerick Unit No. 1 will produce annual economic benefits in excess of annual costs during the test year or within a reasonable period following the test year. In point of fact, the Opinion and Order, at page 37, rejects the importance of economic life cycle analysis, stating "[w]e are inclined to agree with PECO that such studies are not directly relevant to our inquiry..."

5. The GEC contends that §1323 requires the Commission to consider such economic analysis and to make affirmative findings that the new base load units satisfy the economic benefit requirement of §1323.

6. Limerick Unit No. 1 will not produce annual economic benefit for the ratepayers until far into the future. The evidence presented by the parties disagreed when the unit would produce its first positive annual economic benefit and when the unit would consistently produce annual benefits, but all parties, including the Company, were in agreement that Limerick Unit No. 1 would not produce annual economic benefits until well into the next decade. The testimony of the Governor's Energy Council and the other parties which proposed phase-in plans to match rates with benefits recognized that the economic benefits of Limerick Unit No. 1 would not occur until unreasonably far in the future.

7. The GEC contends that the evidence presented in this case shows that Limerick Unit No. 1 will not satisfy the statutory requirement that a unit produce annual economic benefits in excess of annual costs during the test year or withi a reasonable period following the test year.

WHEREFORE the GEC petitions the Commission to reconsider those portions of its decision which address the issue of excess capacity and to modify the Opinion and Order to comply 66 Pa.C.S. §1323.

Respectfully submitted,

Governor's Energy Council
by:

Roger E. Clark

Roger E. Clark
Chief Counsel

Governor's Energy Council
300 North Second Street
P.O. Box 8010
Harrisburg, PA 17105
(717) 783-9981

July 14, 1986

WIDOFF REAGER SELKOWITZ & ADLER, PC
ATTORNEYS AND COUNSELORS AT LAW
127 STATE STREET
POST OFFICE BOX 1547
HARRISBURG, PENNSYLVANIA 17105
717-234-1383

THEODORE A. ADLER*
DAVID W. REAGER
LARRY B. SELKOWITZ
MARK P. WIDOFF**
MARY CATHERINE FRYE
~~PAMELA BISHOP SARVEY~~

OF COUNSEL
RONALD G. LENCH, PC

*Admitted to D. C. Bar
**Admitted to Mass. Bar

1104 FERNWOOD AVENUE
CAMP HILL, PA 17011
717-763-1383

ASSOCIATED FIRM:
HAROLD R. BERK ASSOCIATES
3030 PSFS BUILDING
12 S. TWELFTH STREET
PHILADELPHIA, PA 19107-3939
(215) 925-2051

ORIGINAL

July 16, 1986

DOCUMENT FOLDER

RECEIVED
JUL 16 1986
SECRETARY'S OFFICE
Public Utility Commission

Mr. Jerry Rich, Secretary
Pennsylvania Public Utility Commission
North Office Building
Harrisburg, PA 17120

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

Dear Mr. Rich:

Enclosed for filing with the Commission is an original and nine (9) copies of the Supplemental Petition for Reconsideration on behalf of Utility User's Committee/University of Pennsylvania.

Very truly yours,

Mark P. Widoff

MPW/rlc
Enclosures

cc: Honorable Joseph P. Matuschak w/encl.
All parties w/encl.

ORIGINAL
RECEIVED
JUL 16 1986
SECRETARY'S OFFICE
Public Utility Commission

BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
vs.	:	
PHILADELPHIA ELECTRIC COMPANY	:	DOCKET NO. R-850152

DOCUMENT FOLDER

SUPPLEMENTAL PETITION FOR RECONSIDERATION

DOCKETED
JUL 16 1986

Pursuant to 52 Pa. Code Section 5.572, Utility Users Committee/University of Pennsylvania (UUC/UP), hereby supplements its Petition for Reconsideration of June 30, 1986, in the above-captioned proceeding and avers as follows:

1. On June 30, 1986, the UUC/UP filed a Petition for Reconsideration of the Commission's Opinion and Order of June 27, 1986, in the above-captioned proceeding, requesting the Commission to reconsider its decision concerning whether all or part of Limerick 1 constitutes excess generating capacity.

2. On July 10, 1986, the Office of Consumer Advocate (OCA) filed a Supplemental Petition for Reconsideration of the same Opinion and Order, requesting, inter alia, a reconsideration of the same issue.

3. UUC/UP hereby adopts by reference and incorporates Paragraphs 1-14 of the Supplemental Petition for Reconsideration of the Office of Consumer Advocate dated July 10, 1986.

WHEREFORE, UUC/UP respectfully requests that the Commission reconsider its Opinion and Order of June 27, 1986, for the reasons set forth in their Petition for Reconsideration and in light of the provisions of Section 1323 of the Public Utility Code, and to find that at least 450 megawatts of Limerick 1 constitute excess capacity.

Respectfully submitted,

WIDOFF REAGER SELKOWITZ & ADLER, PC

By: _____
Mark P. Widoff

_____
Larry B. Selkowitz

Attorneys for UUC/UP

Dated: July 16, 1986

CERTIFICATE OF SERVICE

I hereby certify that I caused a true and correct copy of the foregoing document, Supplemental Petition for Reconsideration, on behalf of the Utility User's Committee/ University of Pennsylvania ("UUC/UP") to be placed in the United States Mail, first class, postage prepaid, to the individuals listed below:

Honorable Joseph P. Matuschak
Administrative Law Judge
Pennsylvania Public Utility Commission
Room 1212, Pittsburgh State Office Bldg.
Pittsburgh, PA 15222

Marlane R. Chestnut, Esquire
Veronica Smith, Esquire
Daniel P. Delaney, Esquire
Pennsylvania Public Utility Commission
P. O. Box 3265
Harrisburg, PA 17120

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

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

Susan Perkins Weston, Esquire
Scott Rubin, Esquire
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

John Hanger, Esquire
Community Legal Services
3638 North Broad Street
Philadelphia, PA 19140

Zori G. Ferkin, Esquire
Eleventh Floor
300 North Second Street
Harrisburg, PA 17101

Mildred E. V. Pitts, Esquire
Office of General Counsel
18th and F Streets, N.W.
Washington, D.C. 20405

Charles Rainey, Jr., Esquire
Assistant City Solicitor
City of Philadelphia
One Reading Center, 5th Floor
1101 Market Street
Philadelphia, PA 19107

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

Earle H. O'Donnell, Esquire
1666 K Avenue, N.W.
Washington, D.C. 20006

Senator Clarence D. Bell
State Capitol
Harrisburg, PA 17120

William T. Hawke, Esquire
Malatesta, Hawke, McKeon & Morris
212 Locust Street
P. O. Box 12110
Harrisburg, PA 17108

Patricia J. Gustin, Esquire
Pennsylvania Public Utility Commission
P. O. Box 3265
Harrisburg, PA 17120

Alan R. Squires, Esquire
Greenstein, Gorelick,
Price, Silverman & Laveson
900 Two Penn Center Plaza
Philadelphia, PA 19102

Stephen Bosch, Esquire
450 Carnell Hall
Broad St. & Montgomery Avenue
Philadelphia, PA 19122

Bernard A. Ryan, Jr., Esquire
Dechert Price & Rhoads
800 N. Third Street
Harrisburg, PA 17102

Nancy Schuster, Esquire
1 Pond Street
Bristol, PA 19007

Wayne L. Emery, Esquire
Kenneth R. Pepperney, Esquire
Rafael Caminero, Esquire
600 Grant Street, Rm. 1580
Pittsburgh, PA 15230

Martha Bush, Esquire
237 S. Melville Street
Philadelphia, PA 19139

Roger Clark, Esquire
Governor's Energy Counsel
300 North Second Street
Harrisburg, PA 17101

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

Mark P. Widoff, Esq.

Dated: July 16, 1986

ORIGINAL

WASHINGTON
NEW YORK
LOS ANGELES

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

MIAMI
HARRISBURG
LONDON

July 22, 1986

RECEIVED
JUL 22 1986
SECRETARY'S OFFICE
Public Utility Commission

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

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

DOCUMENT FOLDER

Dear Secretary Rich:

Please find enclosed for filing with the Commission the original and three (3) copies of the Answer of Philadelphia Electric Company to Supplementary Petition for Reconsideration of the Utility Users Committee/University of Pittsburgh.

As the Certificate of Service indicates, copies of the Company's Answer have been served on all parties of record.

Sincerely,

Jay H. Calvert, Jr. (oc)

Jay H. Calvert, Jr.

sc
enclosures
cc: The Honorable Joseph A. Matuschak (w/encl.)
All Parties of Record (w/encl.)

RECEIVED
JUL 22 1986
SECRETARY'S OFFICE
Public Utility Commission

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

PHILADELPHIA ELECTRIC COMPANY

Docket No. R-850152

DOCUMENT FOLDER

DOCKETED
JUL 23 1986

ANSWER OF PHILADELPHIA ELECTRIC COMPANY TO SUPPLEMENTAL PETITION FOR RECONSIDERATION OF THE UTILITY USERS COMMITTEE/UNIVERSITY OF PENNSYLVANIA

NOW COMES Philadelphia Electric Company ("PECO" or the "Company"), by its attorneys, and herewith files its Answer to the Supplemental Petition of the Utility Users Committee/ University of Pennsylvania ("UUC/UP") for Reconsideration of the Opinion and Order of the Pennsylvania Public Utility Commission (the "Commission"), entered June 27, 1986, in the above-captioned proceeding. In support of its Answer, the Company respectfully represents the following:

1. Admitted. The UUC/UP filed a Petition for Reconsideration of the Commission's Opinion and Order of June 27, 1986, in the above-captioned proceeding, which petition was strenuously opposed by the Company on the grounds that the Commission's decision had fully addressed, and clearly decided against the UUC/UP, all the issues raised by the UUC/UP's petition. The Company noted that in view of the fact that the arguments presented in the UUC/UP's petition had been expressly

rejected by the Commission, and because the rate proceeding had been properly closed by the final Commission Order of June 27, 1986 (the "June 27 Order"), the UUC/UP's petition was clearly frivolous and improper and, as such, should be denied.

2. Admitted. The Company has strenuously opposed the OCA's Supplemental Petition for Reconsideration. See Answer of Philadelphia Electric Company to Supplemental Petition for Reconsideration of the Office of Consumer Advocate ("Answer to OCA Supplemental Petition").

3. PECO hereby incorporates by reference Paragraphs 1-14 of the Answer to OCA Supplemental Petition.

WHEREFORE, the Philadelphia Electric Company respectfully requests that this Commission deny the UUC/UP Supplemental Petition for Reconsideration for both the procedural and substantive reasons stated in PECO's Answer to the OCA Supplemental Petition.

Respectfully submitted,

Jay H. Calvert, Jr. (oc)

Robert H. Young
Jay H. Calvert, Jr.
Walter R. Hall, Jr.
David B. McGregor

Counsel for Philadelphia Electric Company

OF COUNSEL:

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

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

Dated: July 22, 1986

CERTIFICATE OF SERVICE

I hereby certify that I am on this day serving copies of the aforementioned documents on all parties of record:

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

David M. Kleppinger, Esquire
100 Pine Street
Harrisburg, PA 17120

Roger E. Clark
Governor's Energy Council
P.O. Box 8010
300 N. 2nd Street
Harrisburg, PA 17105

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

Michael J. Ettner, Esquire
Information Resources & Utilities Division
General Services Administration
Room 4002
18th and F Streets, N.W.
Washington, DC 20405

Charles E. Rainey, Jr., Esquire
Municipal Services Building
Law Department, 15th Floor
Philadelphia, PA 19102

Nancy Schuster, Esquire
1 Pond Street
Bristol, PA 19007

Veronica Smith
Pennsylvania Public Utility Commission
Room G-19
North Office Building
Harrisburg, PA 17108

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

Mark P. Widoff, Esquire
Widoff, Reager, Selkowitz & Adler
129 State Street
Harrisburg, PA 17101

Michael Browne, Esquire
Reed, Smith, Shaw & McClay
1600 Avenue of the Arts Building
Broad and Chestnut Streets
Philadelphia, PA 19107

Wayne L. Emery, Esquire
Kenneth R. Pepperney
Rafael Caminero, Esquire
600 Grant Street, Rm. 1580
Pittsburgh, PA 15230

Alan R. Squires, Esquire
Greenstein, Gorelick, Price,
Silverman & Laveson
900 Two Penn Center Plaza
Philadelphia, PA 19102

Martha Bush, Esquire
237 S. Melville Street
Philadelphia, PA 19139

Bernard A. Ryan, Jr., Esquire
Dechert Price & Rhoads
800 N. Third Street
Harrisburg, PA 17102

William T. Hawke, Esquire
Joseph J. Malatesta, Esquire
Malatesta, Hawke, McKeon & Morris
212 Locust Street
P.O. Box 12110
Harrisburg, PA 17108

Dated: July 22, 1986

Jay H. Calvert, Jr. (oc)
Jay H. Calvert, Jr.
Counsel for Philadelphia
Electric Company

ORIGINAL

MORGAN, LEWIS & BOCKIUS
COUNSELORS AT LAW
2000 ONE LOGAN SQUARE
PHILADELPHIA, PENNSYLVANIA 19103
TELEPHONE: (215) 963-5000
CABLE ADDRESS: MORLEBOCK
TELEX: 83-1315

WASHINGTON
NEW YORK
LOS ANGELES

MIAMI
HARRISBURG
LONDON

July 23, 1986

RECEIVED
JUL 23 1986
SECRETARY'S OFFICE
Public Utility Commission

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

DOCUMENT
FOLDER

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

Dear Secretary Rich:

Please find enclosed for filing with the Commission the original and three (3) copies of the Answer of Philadelphia Electric Company to City of Philadelphia's Petition for Reconsideration.

As the Certificate of Service indicates, copies of the Company's Answer have been served on all parties of record.

Sincerely,

David B. MacGregor

David B. MacGregor

sc
enclosures
cc: The Honorable Joseph A. Matuschak (w/encl.)
All Parties of Record (w/encl.)

RECEIVED
JUL 23 1986
SECRETARY'S OFFICE
Public Utility Commission

BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

ANSWER OF PHILADELPHIA ELECTRIC COMPANY
TO CITY OF PHILADELPHIA PETITION FOR RECONSIDERATION

NOW COMES, Philadelphia Electric Company ("PECO or the Company"), by its attorneys, and files herewith its Answer to the City of Philadelphia Petition for Reconsideration as follows:

1. Denied as stated. The Commission adopted the phase-in plan proposed by the ALJ, who adopted the Company's phase-in proposal. Order, pp. 143-45.

2. Denied. PECO's proposal was precisely described by the Commission at page 138 of its final Opinion and Order, as follows:

JUL 24 1986

DOCUMENT FOLDER

> "The Company proposes to implement the phase-in plan by filing rates designed to produce the total approved rate increase with adjustment factors for each block of each rate to reflect the phase-in. These adjustment factors will be used to compute billings during years one and two. The Company will also compute the difference between the amount actually billed by application of the adjustment factors and the amount that would have been billed without a phase-in and record the difference as unrecovered revenue. The collection of unrecovered revenue will begin in the fourth year with a specific unrecovered revenue

factor applicable to each rate block. The Company will precisely track the recovery of revenue from each rate class and cease application of the factor when recovery is complete, thus assuring that the appropriate amount of unrecovered revenue will be collected from each rate classification. (PECO St. 17, pp. 6-8)

3. Denied as stated. PECO's phase-in plan as reflected in its compliance filing is designed to recover deferred revenues over a three-year period. However, the recovery of deferred revenues will be tracked precisely to assure that the appropriate amount is collected from each rate class. The actual recovery period for a specific rate class may be more or less than three years.

4. Denied. The issue of the appropriate phase-in and phase-out mechanics was fully litigated during the course of the Limerick 1 rate proceeding. The City's Petition improperly seeks to reconsider issues fully litigated in the Limerick 1 rate proceeding and, therefore, should be denied.

In further answer, during the Limerick 1 rate proceeding, several opposing parties asserted that the Company's phase-in plan improperly sought to guarantee recovery of deferred revenue. This is not the case. The amount of revenue deferred is not guaranteed, rather it will vary with sales levels during the first two years rates are in effect. The amount deferred will be the amount the Company would have actually collected had there been no phase-in. The Company does

propose to collect the precise amount deferred to avoid any harm to ratepayers or shareholders. This proposal is consistent with existing ratemaking principles employed in the Energy Cost Rate and Gas Cost Rate. Moreover, as explained in the Company's Initial Brief (pp. 2-45 to 2-46, n. 8), given the anticipated increases in sales during the phase-out period, it is more likely that the deferred revenue will be recovered in less than three years than more than three years. Therefore, the Company's proposal to precisely track recovery of deferred revenues will, in all likelihood, operate to the substantial benefit of ratepayers and was properly approved by the Commission/

5. Denied. The Company's proposal to precisely track recovery of deferred revenues is identical in concept to the refund/recoupment provisions of the Energy Cost Rate and Gas Cost Rate.

6. Admitted, and the company's phase-in plan is fully consistent with this principle.

7. Denied as stated. Recovery of revenues from prior periods is discretionary with the Commission. See e.g., Pa. P.U.C. v. UGI Corp., 49 Pa. Commwlth Ct. 69, 410 A.2d 923 (1980).

8. Admitted, and the Company's phase-in plan is fully consistent with this principle as it places PECO and its ratepayers in the same position they would have occupied had there been no phase-in.

9. Denied. The revenue deferred under the phase-in plan will be precisely tracked to assure no over or under collection. Contrary to the City's argument, the phase-in plan is applied to customer classes, not individual customers. Individual customers who conserve electricity will not be penalized under the Company's plan. Rate classes will pay only the amount deferred, no more and no less, and will therefore be in the same position they would have occupied had there been no phase-in.

WHEREFORE, for the foregoing reasons PECO respectfully requests that the City's Petition for Reconsideration be denied.

David B MacGregor

Jay H. Calvert, Jr.
Walter R. Hall, II
David B. MacGregor
Counsel for Philadelphia
Electric Company

Of Counsel:

Edward G. Bauer, Jr., Esq.
Philadelphia Electric Company
2301 Market Street
Philadelphia, PA 19103

Morgan, Lewis & Bockius

July 23, 1986

CERTIFICATE OF SERVICE

I hereby certify that I am on this day serving copies of the aforementioned documents on all parties of record:

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

David M. Kleppinger, Esquire
100 Pine Street
Harrisburg, PA 17120

Roger E. Clark
Governor's Energy Council
P.O. Box 8010
300 N. 2nd Street
Harrisburg, PA 17105

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

Michael J. Ettner, Esquire
Information Resources & Utilities Division
General Services Administration
Room 4002
18th and F Streets, N.W.
Washington, DC 20405

Charles E. Rainey, Jr., Esquire
Municipal Services Building
Law Department, 15th Floor
Philadelphia, PA 19102

Nancy Schuster, Esquire
1 Pond Street
Bristol, PA 19007

Veronica Smith
Pennsylvania Public Utility Commission
Room G-19
North Office Building
Harrisburg, PA 17108

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

Mark P. Widoff, Esquire
Widoff, Reager, Selkowitz & Adler
129 State Street
Harrisburg, PA 17101

Michael Browne, Esquire
Reed, Smith, Shaw & McClay
1600 Avenue of the Arts Building
Broad and Chestnut Streets
Philadelphia, PA 19107

Wayne L. Emery, Esquire
Kenneth R. Pepperney
Rafael Caminero, Esquire
600 Grant Street, Rm. 1580
Pittsburgh, PA 15230

Alan R. Squires, Esquire
Greenstein, Gorelick, Price,
Silverman & Laveson
900 Two Penn Center Plaza
Philadelphia, PA 19102

Martha Bush, Esquire
237 S. Melville Street
Philadelphia, PA 19139

Bernard A. Ryan, Jr., Esquire
Dechert Price & Rhoads
800 N. Third Street
Harrisburg, PA 17102

William T. Hawke, Esquire
Joseph J. Malatesta, Esquire
Malatesta, Hawke, McKeon & Morris
212 Locust Street
P.O. Box 12110
Harrisburg, PA 17108

David B MacGregor
David B. MacGregor

July 23, 1986