PECO STATEMENT NO. 22E

SOR
3-6-86
Hkg

R-850152

PENNSYLVANIA PUBLIC UTILITY COMMISSION
VS
PHILADELPHIA ELECTRIC COMPANY

DOCKET NO. R-850152

SUR-SURREBUTTAL TESTIMONY
OF
JOHN J. CARROLL

RE: NORMALIZED OUTAGE EXPENSE

MARCH 1986

SUR-SURREBUTTAL TESTIMONY OF JOHN J. CARROLL

Q. Please state your name and business address.

A. John J. Carroll, 2301 Market Street, Philadelphia, PA, 19101.

Q. Are you the same John J. Carroll who has previously supplied testimony in these proceedings?

A. Yes, I am.

Q. What is the purpose of your sur-surrebuttal testimony?

A. My sur-surrebuttal testimony will address Mr. Hosler's comments in Staff Statement DPH-2 about normalized outage expenses and Mr. Bleisweis' comments in OCA Statement 4A on the same subject.

Q. What comments do you have concerning Mr. Hosler's use of historic averages to develop a normalized level of future outage expense for PECO's fossil fuel units?

A. Mr. Hosler's adjustment is premised on the underlying assumption that selective averaging of historical data is a reasonable and accurate methodology for projecting future outage expense. In response to my concern expressed in my rebuttal testimony that a simple historic average will not fully reflect new programs instituted during the averaging period, Mr. Hosler claims he did use

the full expenses of the maintenance programs and did not exclude the expense of any major overhaul previously approved by the Commission. This comment completely misses the point. While Mr. Hosler did not directly exclude any costs, the early years of his five-year average data do not reflect recent programs initiated by the Company and approved by the Commission. Thus, the use of older data without adjustment to reflect newer programs will obviously understate future outage expense. For example, the Commission has included the Restoration Program for Eddystone No. 2 in its normalized maintenance expense allowance for the Company. This program was not even instituted in the year ending 6/30/81 and, therefore, the use of data for this year does not reflect the major overhaul program previously approved by the Commission. Also, during the five-year period examined by Mr. Hosler, Eddystone No. 1 unit experienced a full year of non-operation during which a major capital project was being undertaken. Maintenance expense obviously was abnormally low for this year yet Mr. Hosler includes this data in developing his "normalized" future outage expense.

Further, Mr. Hosler's use of historical expenses for outages prior to June 30, 1983 does not reflect the annual overhaul expenses associated with the SO2 removal

installations for Eddystone No. 1 and No. 2 units or Cromby No. 1. These expenses are ongoing normalized outage costs for the future and have been factored into PECO's request for normalized fossil outages and have been previously approved by the Commission.

Finally, my rebuttal testimony went to great lengths to explain why the use of the GNP-IPD was inappropriate to use for all PECO costs. Mr. Hosler, in his surrebuttal testimony, ignores the Company's objections to using the GNP-IPD. I will, for the record, state that all the objections listed in PECO Statement No. 22B about the use of a GNP-IPD for developing current year dollars also apply to its use by Mr. Hosler.

The Company's claim for normalized outage expense is based upon the allowance made by the Commission in the Company's last rate proceeding adjusted only for intervening inflation. In addition, the Company prepared and submitted a detailed analysis and a full accounting of its outage requirements and related expenses. Since the results of this analysis exceeded the Company's request for normalized fossil outage expenses by but 0.25%, the Company chose to continue with the level of expenses previously approved by the Commission.

Q. Mr. Hosler also addresses the use of three years of history and three and one-half years of budget in developing a normalized outage value for nuclear plants. Would you please comment on this approach?

A. Let me first do some simple math for the record. If a nuclear plant is to experience an end-of-cycle (refueling outage) every 18 months, then each of the four units discussed by Mr. Hosler (Peach Bottom No.'s 2 and 3 and Salem No.'s 1 and 2) should have expenses for four and one-third outages each, in the six and one-half year period he examined. If they do not, then the data relied upon by Mr. Hosler does not reflect a normalized level of outage expense. As set forth below, Mr. Hosler's data does not provide for a four and one-third outage per unit and, therefore, should be rejected.

For example, Peach Bottom No. 2 unit experienced a refueling outage from March 1984 to July 1985, the fiscal years ending 6/30/84 and 6/30/85. The prior outage was in the fiscal year ending 6/30/82 and a small portion of these expenses appear in the fiscal year ending 6/30/83. So far, we have 1+ outages. The next outage was forecast to be in the period between 7/1/86 and 12/31/86, that makes 2+ outages. The third full outage will not be until 1988, although at the time this budget and forecast

was prepared, it was shown as a late 1987 outage. The fourth outage will not be until the fiscal year ending 6/30/90. Since this fourth outage is beyond the time frame of Mr. Hosler's analysis, it is obvious that his analysis does not cover four and one-third outages for this unit. Similarly, the Peach Bottom 2 data relied upon by Mr. Hosler includes exactly four outages.

Since the cost associated with outage extensions and unusual projects have been removed from the normalized level of expenses and since normalized means just that, history does not always reflect normal conditions and, therefore, Mr. Hosler's statistics and approach should not be adopted.

With regard to the outage expenses for Limerick No. 1 unit, Mr. Hosler chooses to use forecasted values 3 and 4 years in the future made by station personnel who have never experienced an outage at their new plant. I stress 3 and 4 years because these are not part of the Company's official budget but are forecasted values. These values are subject to review and update as experience is gained and the time period falls within the official budget time. Because of this lack of actual experience, all projections for Limerick O&M, including normalized outage

expenses, were based on experience at Peach Bottom, an operating sister station.

Q. Mr. Bleiweis apparently does not accept the Company's approach to developing normalized outage expenses. Would you please comment.

A. Mr. Bleisweis in his testimony addressed the use of PECO's inflation factor to adjust the Commission approved expenses to test year levels. He used an estimate of GNP-IPD for his adjustment. In my rebuttal testimony, I agreed that the original inflation factor was probably too high based upon subsequent experience. In adjusting the inflation factor, I applied the actual wage increases granted by Philadelphia Electric Company to labor costs and applied a GNP-IPD (the composite of all witnesses GNP-IPD) which was actually lower than that suggested by Mr. Bleiweis for the non-labor portion of costs. This resulted in the revised values shown for PECO on Mr. Bleiweis' Schedules 12, 12a and 12b. I gather that Mr. Bleiweis continues to believe that using a national GNP-IPD to reflect inflation for all work done at Philadelphia Electric on its plants by its employees and selected contractors working in this area is more appropriate. In response, I would only note that the PECO wage increase is a known amount, not a projection,

and has not been challenged by any party and should be employed in developing a normalized level of outage expense. The effect of Mr. Bleiweis' adjustment is to disallow a portion of a wage increase which no party has challenged in this proceeding.

Q. Does this conclude your sur-surrebuttal testimony?

A. Yes, it does.

PECO Statement No. 18C

sgm 3-6-86

#69

R-850152

PENNSYLVANIA PUBLIC UTILITY COMMISSION

vs.

PHILADELPHIA ELECTRIC COMPANY

DOCKET NO. R-850152

REBUTTAL TESTIMONY OF THOMAS P. HILL, JR.

ON NON-LIMERICK

REVENUE, EXPENSE AND RATE BASE ADJUSTMENTS

AND PRESENTATION OF A

FINAL ACCOUNTING EXHIBIT

FEBRUARY 1986

Q. Are you the same Mr. Hill who has previously filed direct and supplemental testimony in this proceeding?

A. Yes. I have submitted direct testimony with the Company's initial filing on September 27, 1985, in Statement No. 18, and have also submitted supplemental testimony in Statements No. 18A and 18B.

Q. What is the purpose of your rebuttal testimony?

A. My testimony responds to portions of the non-Limerick revenue, expense and rate base testimony filed by opposing parties on February 9, 1986, specifically, the testimony of Staff Witnesses Jones and Laudenslager, to portions of testimony submitted by Staff Witnesses Weakley and Prego, and portions of testimony of Consumer Advocate Witness Bleiweis and General Service Administration Witness Kelly. In addition, I am submitting the Company's Final Accounting Exhibit TPH-2A representing the Company's total claim in this proceeding reflecting all adjustments submitted by Company witnesses which revise or update the initial Exhibit TPH-2 submitted on September 27, 1985.

Q. What comments or responses do you have to the testimony submitted by Trial Staff Witness Mr. Charles Weakley?

A. Mr. Weakley has proposed three adjustments to the Company's claim for operating and maintenance expenses. Specifically, Mr. Weakley has proposed an adjustment to the Company's claimed level of wages and benefits, an adjustment to modify certain of the Company's claimed operating expenses for the effects of inflation and

finally, a proposal to amortize certain expenses associated with our Eddystone Unit No. 1 coal facility. I will be responding to Mr. Weakley's wage adjustment and portions of his inflation adjustment and Mr. Carroll will be responding to the remaining portions of Mr. Weakley's testimony.

Q. Do you concur with Mr. Weakley's conclusion that wage expenses for the test year are overstated by approximately $4.6 million?

A. No. Mr. Weakley proposes an adjustment to wages and benefits based solely upon a differential in the actual and budgeted number of employees for Philadelphia Electric Company as compared to the three-year period ended June 30, 1985 (i.e. 3%). While Mr. Weakley's calculations concerning number of employees is mathematically correct, the conclusion that wage expenses for the test year are overstated is incorrect. Schedule 1, attached to my rebuttal testimony, summarizes actual total Company payroll and budgeted total Company payroll for the first six months of the future test year. As this schedule indicates, actual payroll exceeds budgeted payroll by $1,444,515 or 0.6% of budget. The Company recognizes that actual September payroll is high due to additional overtime required for service restoration associated with Hurricane Gloria. However, even after removing payroll expenses associated with additional September overtime, actual total Company payroll expressed on an adjusted basis still exceeds budgeted payroll for the first six months of the

future test year by $296,044, or 0.13% of budget.

In addition, I have attached Schedule 2 to my rebuttal testimony which compares actual to budget payroll for the Company for each of the 12-month periods ended June 1983, June 1984 and June 1985, i.e. the three-year period examined by Witness Weakley. As this comparison shows, on a composite basis for the three-year period utilized by Mr. Weakley as the basis for his adjustment, actual payroll is almost identical to those dollars budgeted and in fact actual payroll exceeds budgeted payroll by 0.017%. Only during the twelve-month period ended June 1983 does the Company's budget payroll exceed actual, and by only 1.37%. In each of the two subsequent twelve-month periods ended June 1984 and June 1985, actual payroll for Philadelphia Electric Company exceeded budget estimates. Both Schedules 1 and 2 show quite conclusively that the Company is extremely accurate in projecting total payroll expenses for the budget.

What Mr. Weakley's analysis of employees fails to recognize is that total number of employees is not an accurate or complete measure of payroll expenses for Philadelphia Electric Company. In addition to regular time dollars, payroll expenses include overtime dollars which are a significant portion of the Company's total payroll expense. As I have stated during cross-examination of my direct testimony, it is necessary to incur additional overtime expense in order to provide service to our

customers. When the total employment of the Company falls below budgeted projections, additional dollars of overtime are required to perform these services. Since the Company's ratemaking claim is based upon total payroll expenses, including both regular time and overtime, the only valid comparison for ratemaking purposes must include the Company's labor requirements expressed in terms of total payroll dollars. Based on actual payroll experience for the first six months of the test year, it is evident that the Company's claim is reasonable and accurate for ratemaking purposes in this proceeding.

Q. What comments do you have regarding Mr. Weakley's proposed adjustment to operating expenses for a change in inflation rate?

A. My testimony concerning Mr. Weakley's inflation adjustment is directed at his calculation and use of the inflation rate and its specific application to Accounts No. 902, 903 and 920. Mr. Carroll will discuss the specific inflation adjustment for Accounts 500 through 556.

Q. Has Mr. Weakley properly accounted for inflation with the use of a 5.8% corporate inflation rate?

A. No. To begin, the Company did not employ a 5.8% corporate inflation rate in preparing its budget or the future test year ended June 30, 1986. As Mr. Solecki states in his direct testimony, the corporate inflation factors utilized were 5.25% for 1985 and 6.4% for 1986. In addition, Mr. Solecki indicates that these inflation factors "are to be

used in the budget preparation only in the absence of known cost changes".

It is important to note that the Company's corporate inflation factor is based on two elements, as shown in Mr. Solecki's direct testimony. Specifically, the Company's corporate inflation factor is a weighted average of estimates for the GNP implicit price deflator and wage rates, specifically those applicable to PECo labor. The Company's inflation rate is an arthimetic average of these two estimates. The Company does not argue that the GNP implicit price deflator is an unreasonable estimate for overall general inflation. However, the deflator itself does not contain sufficient weighting of Philadelphia Electric Company specific labor costs which are a major component of our operating expenses.

The purpose of developing a Philadelphia Electric Company corporate inflation rate is to have a uniform factor which can be utilized by each budget responsible area to project future costs to the Company in the absence of known cost changes. The Company's corporate inflation rate is not synonmous with a general inflation as described solely by the GNP implicit price deflator. Our corporate inflation rate seeks to develop a uniform method for reflecting escalation in labor and material costs for specific PECo expenses.

If it is the purpose of Mr. Weakley's adjustment to eliminate or to adjust operating expenses for the Company's

inflation component as measured by the GNP deflator, it is totally improper to apply this technique to any labor-related operating expenses, since the total level of labor expenses claimed by the Company for the test year is presented on page D-5 of Exhibit TPH-2A. This claim reflects the estimated level of wages for the future test year including the Company's actual 5.4% general wage increase effective August 1, 1985, and no witness has challenged this figure. I should further note that all wage expense within the Company's operating expense accounts utilized by Mr. Weakley reflect an estimated general wage increase of 5.5% which is subsequently adjusted on page D-5 of Exhibit TPH-2A to reflect the actual general wage increase of 5.4%. Therefore, Mr. Weakley's adjustment proposes disallowance of labor expense that the Company has already eliminated by the D-5 adjustment.

Q. What specific comments do you have concerning Mr. Weakley's adjustments to Accounts 902, 903 and 920?

A. Mr. Weakley has proposed an adjustment for inflation based upon the Company's information supplied in PECo Exhibit No. 1, specifically, the initial filing requirement II-D-1. The purpose of filing regulation II-D-1 is to provide an after the fact explanation of variances in unadjusted test year data relative to the most recent 12-month period preceding the test year. It does not explain how the Company developed its budget and does not represent the

Company's ratemaking claim for these accounts. It, therefore, should not be used as a basis for analyzing the reasonableness of the Company's expense claim for these accounts in this proceeding.

The criterion utilized by the Company to explain these variances is a 10% variation in unadjusted expenses, but not less than $1 million for each FERC account listed in the Company's operating statement. The explanations of the variances are summarized and presented in the Company's response to filing regulation II-D-1. The format of explanation and interpretation of variation will vary for each account depending upon the individual responsible budget coordinator preparing such explanation. I am responsible for review and explanation of the variations in expense Accounts 560 through 935. In order to explain significant variations, I and my staff review with various budget coordinators from other departments the operating expenses clearing to these accounts. In some circumstances, such a review requires input from various departments since portions of their expenses clear to the administrative and general expense. Explanations of variances are then consolidated and summarized in response to II-D-1.

Most importantly, the use of the term "inflation", specifically as it applies to Accounts 902, 903 and 920, the basis of Mr. Weakley's adjustment, is <u>not</u> synonomous with the application of the Company's corporate inflation

factors. While in some instances inflation may include certain elements of expense increased by the corporate inflation factors, the major portion of the inflation-related expense referred to in these accounts represents increases in Philadelphia Electric Company labor expenses caused by the Company's general wage increases granted in August of each year and increases in salaries resulting from progression increases granted for merit and service. For the future test year ended June 30, 1986, this increase is a known amount, 5.4%, which has not been challenged by any party in this proceeding. By applying a 3.28% factor to labor expenses in the accounts listed on II-D-1, Mr. Weakley is indirectly disallowing substantial labor costs which no party has challenged in this proceeding.

Q. Mr. Hill, would you please specifically define what is meant by inflation for explanations of Accounts 902, 903 and 920.

A. Yes. Account No. 902 - Meter Reading Expenses reflects an increase for the unadjusted test year of $2,386,000 over the 12-month period ended June 1985. Of this total increase, I have indicated that $719,000 of this increased expense, on an unadjusted basis, is attributable to "inflation". During the 12-months ended June 1986 relative to the 12-months ended June 1985, $651,000 of this increase represents an increase in salaries. The remaining $68,000 of "inflation" explanation represents an increase in

transportation expenses for the meter reading operation. The increase in transportation expenses reflects an increase in the number of vehicles as well as an estimate of the increases in the cost of operation and maintenance of the existing fleet. Under no circumstances were the Company's corporate inflation factors employed to derive what I have described as "inflation" to explain the account variation. Of greater import is the fact that the increase attributable to labor costs, i.e. over 90% of the defined "inflation" explanation, is irrelevant to the Company's claim in this proceeding. As I have indicated, the Company's request for labor expenses is not based upon the labor expenses contained in the unadjusted FERC accounts for the 12 months ended June 30, 1986 but rather is developed upon a test year end condition and the calculation contained on page D-5 of Exhibit TPH-2A. This adjustment re-expresses all labor expenses included in the unadjusted 12-month period ended June to a year-end level for ratemaking purposes.

Account No. 903 - Customer Records and Collection Expense shows a variation between the test year and the previous 12-month period of $5,000,000. Of this amount, $1,910,000 of variation is generally explained as "inflation". Again, inflation in this instance represents increases in the level of wages between the two 12-month periods to reflect general wage increases and progression increases. Since this increase is also attributable to

labor, as in Account No. 902, it is evident that the Company's corporate inflation factor was not applied in this instance. I should also note again that the August 1, 1985 general wage increase budgeted during the future test year was assumed to be 5.5% and that, in reality, a 5.4% general wage increase was granted on August 1, 1985. This overstatement of the general wage increase included in the unadjusted test year data is also removed in the Company's adjustment shown on page D-5 of Exhibit TPH-2A.

Finally, Account No. 920 - Administrative and General Salaries shows a variation of $6,050,000 for the unadjusted test year level compared to the 12 months ended June 1985. Again, this explanation of increase contains a $1,598,000 component attributible to "inflation". This is a perfect example to indicate that Mr. Weakley's adjustments for these accounts are inappropriate. All expenses clearing to Account No. 920 must meet the Uniform System of Accounts requirement stated as follows:

> Account 920 - Administrative and General Salaries:
>
> a. This account shall include the compensation (salaries, bonuses, and other consideration for services, but not including directors fees) of officers, executives, and other employees of the utility property chargeable to utility operations and not chargeable directly to a particular operation function.

Since this account contains only compensation in the

form of salaries, it is obvious that these labor expenses are not the result of the application of the Company's general inflation factors. Again, labor expenses for Philadelphia Electric Company are derived from page D-5 of Exhibit TPH-2A and include those labor expenses contained within Account No. 920.

In summary, Mr. Weakley's proposed adjustments to Accounts No. 902, 903 and 920 to reflect an adjustment to the Company's corporate inflation factor are not appropriate in these cases. Inflation as defined in these accounts is almost exclusively labor-related expense and is not derived through the application of the Company's corporate inflation factor as is assumed by Mr. Weakley's adjustment.

Q. What comments do you have concerning the direct testimony of Commission Trial Staff Witness L. B. Jones and his proposed adjustment to reduce the Company's claimed rate case expense in this proceeding.

A. Mr. Jones has proposed to adjust the Company's claim for ratemaking expenses in this case to incorporate a five-year amortization of the cost of studies and analyses done by outside technical and management consultants for the Company in this proceeding. While the Company has no serious dispute with Mr. Jones's proposed five-year amortization of these special studies, I believe there are certain mathematical errors in Mr. Jones's analysis which need to be corrected in order to provide for a fair

normalization of other rate case expenses over a two-year period and the amortization of technical and managment consultants expenses over a five-year period. Mr. Jones's calculations which produce a reduction in the Company's rate case expenses of $839,900 assume that the Company's initial claim for ratemaking purposes for these studies is equal to the amount expended on these studies through November 1, 1985 as shown in Staff Exhibit LJ-1B. The Company's original claim for these studies was based upon an estimated cost of $1,400,000, and our proposed two-year amortization in the Company's test year claim included but $700,000 for these studies. Mr. Jones has utilized actual expenditures to date on these consultant studies of $2,798,000 as the basis of his adjustment and has thereby eliminated more dollars for the studies than the Company included in its test year claim. I have prepared Schedule 3 attached to this testimony which compares the Company's original claim for ratemaking expenses for this proceeding and the actual expenditures to date by class of expense through January 17, 1986, the latest data available to me. I have attempted to incorporate the theory of adjustment proposed by Mr. Jones in his testimony by eliminating the estimated expenses for technical and management consultants included in the Company's original test year claim and then calculating a two-year recovery through normalization of these expenses which result in a claim for annual expense of $640,000. Following the method of Mr. Jones's

proposed adjustment, I have taken the actual expenditures through January 17, 1986 for technical and management consultants, in the amount of $3,099,000, and proposed a five-year recovery of these expenses yielding an annual amortization of $620,000. On this basis, the total amortization under a combination two-year and five-year recovery plan results in an annual recovery of expense of $1,260,000 for test year purposes. This amount is then compared to the Company's test year claim originally submitted on page D-12A of Exhibit TPH-2 in the amount of $1,340,000. On this basis, the Company's test year claimed expenses for ratemaking is reduced by $80,000. I should note that the expenses incurred through January 17, 1986 for management consulting does not represent the total expenses the Company will incur throughout this proceeding and, therefore, is extremely conservative and clearly understates actual expenses that the Company will incur. My acceptance of the theory of proposed recovery presented by Mr. Jones in his testimony, as modified by my Schedule 3, is incorporated in the Company's Final Accounting Exhibit shown on page D-12A of Exhibit TPH-2A.

Q. Mr. Hill, would you please comment on the testimony and proposed adjustments of Trial Staff Witness Laudenslager?

A. Yes. Mr. Laudenslager proposes three adjustments to the Company's claimed operating expenses. Two of the adjustments are associated with Edison Electric Institute

expenditures, and the third being a significant adjustment to the Company's claimed level of expense for customer accounting.

Mr. Laudenslager has proposed to disallow 25% of the Company's Edison Electric Institute dues to reflect that portion associated with lobbying and political activities. The basis of Mr. Laudenslager's proposed disallowance is a preliminary 1983 NARUC Report. Subsequent to that report and pursuant to the Federal Regulation of Lobbying Act, the Edison Electric Institute was required to report that portion of receipts and expenses associated with activities falling within the realm of lobbying. For 1984, that percentage was 1.57%. While the Company has not yet received the corresponding percentage for 1985, EEI has supplied an estimate of 2% which they believe to be valid for the first three quarters of 1985. On this basis, I believe that if the Commission seeks to make an adjustment to the Company's operating expenses for EEI lobbying efforts, that percentage disallowance should be limited to 2% of the Company's projection for EEI dues, or $12,500.

Q. What concerns do you have regarding Mr. Laudenslager's proposed adjustment for customer accounts expense?

A. Mr. Laudenslager proposes to reduce the Company's claim for customer accounts expense by $21,596,000 based on a gross comparison of the amounts claimed by the Company in FERC Account Nos. 901, 902, 903 and 905 with those incurred by a group of five metropolitan utilities. This approach is

fundamentally flawed both in theory and in practice and must be rejected. Mr. Laudenslager has arbitrarily adjusted the Company's claimed Customer Accounts Expense for Supervision, Meter Reading, Customer Records and Collection and Miscellaneous Expense based on an unsupported comparison of various electric utilities expenses without taking into account variation among utilities.

First, Mr. Laudenslager's comparison completely fails to reflect substantial differences in the collection policies and practices employed by utilities or required by different regulatory commissions. Nor does he account for any differences in service territories. Second, no electric utility, to my knowledge, follows the precise accounting standards and policies of any other utility whether those utilities are in Pennsylvania or in other regulatory jurisdictions. While the Uniform System of Accounts established by the FERC provide general guidelines for the accountability of all expenses, there are sufficient variations and, in many instances, substantial variations in accounting which would render this form of comparison meaningless. Mr. Laudenslager himself has recognized that charges to Account No. 904, Uncollectible Accounts, are "arbitrary based on differing Company policies". As explained below, on the same basis, Mr. Laudenslager's adjustment to Accounts 901, 902, 903 and 905 must be disregarded.

The limitations and problems associated with intercompany comparisons were the topic of a relatively recent Edison Electric Institute study and publication. The paper, prepared by the Edison Electric Institute's Statistical Committee, has cautioned the industry that the use of such comparisons may cause erroneous judgment and incorrect policy decisions. Of particular relevance in this circumstance is the commentary directed at a comparison of Customer Accounts Expense per customer which summarizes the basic problems in Mr. Laudenslager's adjustment. The Statistical Committee's conclusion is as follows:

> "Economic conditions of the area served, as well as customer density, are characteristic elements, and to the extent that "Customer Accounts Expense per Customer" is affected by these factors, it is not a pure "performance" variable.
>
> There are differences between companies in classifying the time of an employee with multiple duties. Companies with leased computer equipment are not properly comparable with those that own computer equipment. These differences will certainly have an effect on this ratio. Delinquent accounts may also affect this variable disproportionately. Indeed, delinquent accounts are not necessarily related to the other meter reading, billing and collection costs within the overall category, and it may be argued

that delinquent accounts expense should be segregated under Other Customer Accounts for proper analysis.

A good ratio may be the result of well-controlled customer accounting and billing function. It may, however, be the result of neglected customer contact work or neglected meter reading. A poor ratio may be the result of a vigorous customer contact and service campaign and tight control of meter reading precision, or it may be the result of poor control of expenditures.

Efficient operation, as measured by this ratio, may be counterproductive. The customer may not want to be "neglected". He may not want low-level, less intensive customer contact and tight restriction on services that would be required to make a utility perform well in this variable."

Utility rates are not and should not be evaluated on gross comparisons which make no reflection of the circumstances faced by individual utilities.

Q. Mr. Hill, would you discuss specific examples of the errors in Mr. Laudenslager's proposed adjustment?

A. First, Mr. Laudenslager's comparison is inappropriate since various regulatory jurisdictions have substantial variations in requirements as established by credit and collection policies. For example, Pennsylvania companies operate under procedures and practices established by the

Pennsylvania Public Utility Commission, specifically the Commission's stringent policy concerning termination rules and practices covered by Chapter 56 of the Pennsylvania Public Utility Code, which are not comparable in terms of policy or accountability to other jurisdictions. The expenses incurred for implementation of these policies are reflected directly in the Customer Accounts categories addressed by Mr. Laudenslager. In addition, Pennsylvania has a policy covering a winter moratorium on shut-offs for the period December 1st to April 1st which directly affects our Customer Accounting Expenses. In the Company's case, service cannot be terminated between December 1st and April 1st, except under very limited conditions. In order to terminate service during this period, the customer must owe at least $500 and the Company has to prove that there is an ability to pay. If the Company believes these conditions apply and exclusions are inapplicable, e.g., medical, the Company must then petition the Commission for approval to terminate service. Additionally, during non-moratorium months, the Company cannot terminate service on a Friday, Saturday, Sunday, Company holiday, state or federal holiday, or the day before a holiday.

As an example of interjurisdictional variations, the only moratorium on collections and termination for Detroit Edison is a self-imposed program in which there are no terminations when the outside temperature drops below 15 degrees. Other than this restriction, Detroit can shut off

service on any day as long as there is a cashier available on the next day to make arrangements for payment and restoration of service. In addition, payment arrangements are not made based upon ability to pay, and the threat of termination is used as a collection tool without any requirement for Detroit Edison to follow through and actually terminate. Also, during 1984, $11.4 million was paid directly to Detroit Edison by the Michigan Social Services Group for needy customers which greatly reduced its 1984 costs of collection.

A second example of less stringent termination collection policy is that required of Baltimore Gas and Electric Company. For Baltimore, there are no restrictions pertaining to shut-offs on Fridays or days before a holiday and in addition, during their moratorium period, they are allowed to terminate service to any customer not protected under the Winter-Heat Protection Plan (WHPP). Under WHPP, the Company provides a 14-day notice to the customer who must provide an affidavit stating that the property does not house any elderly, pre-school children, or that termination of service would not be life-threatening. This affidavit is filed with the Maryland Public Service Commission. There are no demands placed on Baltimore Gas and Electric to make arrangements based upon ability to pay. Moreover, termination notices are allowed to be used as a collection tool and are sent to delinqunet customers without Company obligation to terminate.

Mr. Laudenslager also compares the level of Customer Accounting Expenses with other electric utilities within the Commonwealth. It has been well noted and publicized that our Company's service territory within the State of Pennsylvania is unique. Since the ability of a customer to pay is directly related to the costs associated with collection, it is important to note that Philadelphia Electric Company's service territory encompasses about 31% of Pennsylvania's population, but at the same time, also incorporates about 48% of the total number of people in Pennsylvania receiving State Public Assistance. In addition, the number of adults and children receiving federally administered supplemental assistance in the Company's service territory, represents approximately 37% of the total for the Commonwealth. Finally, Census Bureau statistics show families at or below the poverty level for Philadelphia Electric's five-county service territory to be 38% of the total for Pennsylvania.

As this data indicates, it is apparent that our Customer Accounting requirements are unique in Pennsylvania and therefore, it is reasonable to expect that our level of Customer Accounting Expense will vary from other Pennsylvania utilities.

Finally, Mr. Laudenslager's analysis does not recognize differences in meter reading practices utilized by various electric utilities. While there is a general trend toward monthly meter readings and monthly billings, various

utilities still utilize bi-monthly meter reading and/or bi-monthly billing, a practice which would generally act to reduce customer accounting expenses. This factor was not reflected in Mr. Laudenslager's presentation.

Second, even if Mr. Laudenslager were able to overcome the various differences in regulatory policy and was able to quantify the variations and expense associated with Philadelphia Electric Company service territory versus that of other Pennsylvania utilities, a specific analysis of the accounting practices of each of the utilities utilized in his presentation would still be required. How companies charge their expenses and variation in clearance practices for accounting systems must be analyzed and reviewed to draw any conclusions from this data. The types of charges clearing to these expense accounts include labor charges, computer costs, transportaion expenses, telephone charges, building occupancy charges, billing operations, mailing expenses and vendor direct charges.

By far the greatest contribution to these accounts are the associated labor expenses. For example, for Philadelphia Electric Company in 1984, about 70% of the expense clearing to these operating expense accounts represents actual PE labor costs, including direct labor, vacation time, sick time and overtime expense. It is PE's accounting policy to charge each of these labor elements to the indicated FERC accounts for the labor included in our customer accounting expense. Other utilities, such as

Boston Edison, follow the practice of including vacation time and sick time for all operating expense labor in Administrative and General Expenses.

A second significant cost in the area of Customer Accounts is the expense associated with computer costs, including video display terminals. The clearance of these expenses can also vary significantly from utility to utility depending upon clearance practices, ownership versus lease or rental of facilities and the technological level of the specific company equipment. Telephone charges and transportation expenses associated with meter reading and customer activities also vary by the accounting practices of various utilities. Like certain labor charges, computer expenses and telephone and transportation expenses may be charged to Administrative and General Expenses rather than clearing to a Customers Account Expense, as is the case for Philadelphia Electric Company. Boston Edison, for example, follows the alternative accounting practice.

Mr. Laudensalger has also proposed his adjustment on the basis of an "average cost per customer" for the five metropolitan utilites selected for his analysis. While there may be some correlation between Customer Accounting Expenses and number of customers, it is important to note that utilities count customers on many different bases. For example, one utility might count a single 100-unit apartment as one customer while another utility might count

this facility as 100 residential units or 100 customers. This, of course, would depend upon the utility's requirements for individual metering versus master metering for residential dwellings. Without looking behind the data reported in the Company's FERC Form No. 1, it would be impossible to draw conclusions concerning a utility's customer statistics. There is no FERC required standard for the reporting of the number of customers, and the practices vary from utility to utility.

Q. In order to compare the expenses for Philadelphia Electric to other utilities, Mr. Laudenslager has adjusted 1984 expense per customer levels by employing the use of the GNP implicit price deflator to estimate costs for various utilities as of June 30, 1986. In your opinion, is this adjustment to expense for inflation appropriate?

A. Customer Accounting Expense for the four accounts reviewed by Mr. Laudenslager has increased over the years, but I have found no correlation between these expenses and the stated GNP Implicit Price Deflator. Schedule 4, attached to this testimony, tabulates and compares customers accounts expense for FERC Accounts No. 901, 902, 903 and 905 for Baltimore Gas and Electric, Boston Edison, Detroit Edison, Commonwealth Edison and Consolidated Edison for the calendar years 1983 and 1984. The change in the absolute level of expense for these four accounts is then measured from 1983 to 1984 for each company. As this schedule indicates, the average change in total expense from 1983 to

1984 for the five companies is 9.62%. For the same period of time, the GNP Implicit Price Deflator for 1984 as compared to 1983 changed by only 3.8%. While Customer Accounts Expense is increasing on average for these five companies, it is obvious that the GNP Implicit Price Deflator fails to measure the appropriate level of increase.

I have also prepared Schedule 5 which records the "cost per customer" for the four Customer Accounts Expense categories. On a cost per customer basis, the average of the five Metropolitan utilities shows an average increase from 1983 to 1984 of 8.82%. Again, it is apparent that the GNP Implicit Price Deflator does not recognize the proper level of increase in Customer Accounts Expense per customer as assumed in the calculations performed by Mr. Laudenslager. This is another example of simply utilizing numbers to produce a result which may or may not be representative of the real world.

Q. Mr. Hill, would you please discuss your concerns regarding the testimony of Trial Staff Witness J. P. Prego?

A. Yes. My responsive testimony is limited to Adjusting Entries 4 and 13 from the property record audit of the Commission's Bureau of Audits for the five years ended December 31, 1983. Through Adjusting Entry 4, Mr. Prego seeks to remove from the Company's rate base approximately $801,000 of the costs associated with the SAMAC Project plant in service based upon what I believe to be an unreasonable standard of prudence. The Company's official

response to this adjusting entry is attached as Schedule 6 to this testimony. The additional costs of $801,000 for the SAMAC project were required for two reasons. The first reason contributing to additional cost was the failure of certain electronic circuits in this "state of the art computer" facility. As indicated in the Company's response to the audit report, consideration was given to taking legal action against buyers. However, management decided not to pursue such action on two bases: the first was lack of justification for the legal expenses and the second was concern over litigating one portion of a multiple part contract. It is clearly within the purview of management to review the economics of legal action and to weigh the cost of such action against the possible dollars to be recovered.

The second reason for additional costs is the Company's request for additional documentation for the new system to prepare for future maintenance. This is clearly an additional capital cost over and above original estimates. Company management had requested additional services and materials for future maintenance purposes, and there is clearly no imprudence in making such requests. It is the Company's position that these expenditures represent good capital investments and should be recoverable from customers. I might also add that this plant has been included in plant-in-service rate base determinations since the early 1970s and has been afforded ratemaking treatment

by this Commission for many years.

Q. Would you please discuss Mr. Prego's Adjusting Entry No. 13?

A. Mr. Prego has again presented an incomplete description of engineering charges which were capitalized. Attached as Schedule 7 is the Company's complete response to the Bureau of Audits Adjusting Entry No. 13. The Company prudently planned in good faith to construct a combination aerial/underground line within the City of Philadelphia. After the City Planning Committee reversed its earlier decision and design work was completed on the transmission facility such that it would all be underground, the line was completed and placed in service in 1983. Mr. Prego has chosen to dissect the engineering portion of the construction activity to eliminate a portion of the expended capital which he believes was not utilized in rates and recoverable from customers. At no time during the construction project did the Company imprudently expend dollars to complete the facility. Under the theory proposed by Mr. Prego, every piece of paper, every hour expended and every piece of material ordered which does not find its way to the finished product is not a benefit to customers and therefore not recoverable. Unfortunately, the realities of construction are not such that perfection is reached on the first draft. To impose such a standard upon the utility, particularly in the circumstance when actions are performed in good faith, is inequitable and not in accordance with standard ratemaking principles.

Q. Do you have any final comments on Mr. Prego's testimony?

A. Yes. On page 12 of his rebuttal testimony Mr. Prego states:

> "However, we also believe that our reclassifications to the various income, expense and deferred accounts represent the proper accounting that should have been made at the time the transactions were originally classified as plant in service. The Company's effective rates at that time, therefore, included our reclassifications to the various income, expense and deferred accounts. As such, we do not believe that these reclassifications should impact any future rates established for Philadelphia Electric Company".

Mr. Prego's conclusion that these reclassifications were reflected in rates granted by this Commission in prior rate proceedings is totally incorrect. All rate increase claims made by the Company are based upon the Company's accounting records at that point in time and therefore it would be erronous to assume that the reclassifications proposed as late as October 1985 could have been included in any prior Commission Order recognizing expense levels and capital investment. Any reclassification to expense or capital can only be reflected in current or future rate proceedings before this Commission.

Q. What areas of Consumer Advocate Witness Bleiweis do you wish to address in your rebuttal testimony?

A. My testimony will address Mr. Bleiweis's proposed

elimination of the Company's claim for Limerick No. 2 Show Cause Expenses, for abandoned engineering cost on the Heaton-Byberry 230 kV transmission line, and amortization expenses associated with various uranium mining projects. I will also discuss Mr. Bleiweis's proposed adjustment to test year level sales and base revenues, Mr. Bleiweis's proposed disallowance of certain public relations expenses included in our test year claim and his proposed adjustment to the Company's claimed balance for utility plant in service.

Q. Why should current ratepayers recover the Company's expenses incurred during the Limerick No. 2 Show Cause proceeding and why should these expenses not be capitalized?

A. The Limerick Unit No. 2 investigation was required by a Commission Order dated August, 1984. The purpose of the investigation was to gather data for the Commission and to allow the Commission to make a reasonable decision on the continued construction or cancellation of the Limerick No. 2 project. These expenses have already been incurred and the Company has proposed to recover these expenses over a five-year period commencing with the effectiveness of new rates at the conclusion of this proceeding. In the Company's most recently completed Energy Cost Rate investigation, the Company was ordered by the Commission to Show Cause why it should be entitled to recover certain replacement power expenses associated with the outages of production plant on our system. The Commission at Docket

No. R-842590 granted recovery of these expenditures over a two-year period through an amortization allowance. The Company's claim in this proceeding therefore does nothing but parallel a prior Commission precedent for cost recovery.

Mr. Bleiweis's proposal to capitalize the expenses associated with the Limerick Unit No. 2 investigation would be completely inequitable since the Commission's Order in the Limerick No. 2 investigation has allowed the Company to proceed with construction under a strict cost containment program whereby the cost of Limerick Unit No. 2 is capped at a specific cost of $3.197 billion. The cap imposed by the Commission was based upon the Company's own forecast of November 1984 which did not reflect or recognize the expenditures associated with the Commission ordered Limerick No. 2 investigation. It would be inequitable at this late date, after the Company has accepted the Commission's proposed cost containment program, to overlay additional capital requirements not specifically litigated in that proceeding.

I also should note that, while the Company's testimony and position in the Limerick No. 2 proceeding was that Limerick 2 is the most economic means to provide long-term power to our customers, many other associated topics were discussed at length during that proceeding including, but not limited to, co-generation, conservation efforts, costs of new baseload facilities, costs associated with the extending of lives for oil-fired facilities and the

availability of near and long-term sources of purchased power. The broad spectrum of projects considered within the Limerick Unit No. 2 investigation clearly went beyond the cost specifics for Limerick Unit No. 2.

Q. Do you agree with Mr. Bleiweis's proposed disallowance of the abandoned engineering costs for the Heaton-Byberry Transmission Line?

A. No, Mr. Bleiweis's proposed disallowance of this amortization is based on his opinion that projects not placed in service should not be funded by ratepayers. The basis for this position is the Office of Consumer Advocate's contention that Section 315 of the Public Utility Code prohibits inclusion of these costs in rates. I do not agree with the Office of Consumer Advocate's reliance on Section 315 of the Code, nor do I believe that it is the intention of this Commission to disallow amortization of prudently incurred costs for projects that were partially engineered and later cancelled. At Docket No. R-80061225 the Commission allowed recovery of certain abandoned engineering charges associated with our Chester Generating Station. Likewise, the Commission at Docket R-842590 specifically allowed recovery of the Company's investment in the Pioneer Uravan uranium mining venture over a five-year period. The Company's claim for the abandoned engineering cost for the Heaton-Byberry Transmission Line are similar to these aforementioned amortizations. While it is true that this project was

initially suspended in 1976, the Electric Engineering Division only recently determined that the proposed transmission line would not be built and requested that the engineering cost be charged to abandoned engineering. This writeoff was included in the proposed adjusting entries offered by the Bureau of Audits in its recently completed property records audit for Philadelphia Electric Company. The Company accepted the Bureau of Audits Adjusting Entry No. 15 and agreed to writeoff this investment. This is the first rate proceeding after the write-off occurred in which the Company had an opportunity to make a claim for amortization of unrecovered cost.

Q. Mr. Bleiweis has proposed to eliminate the Company's claim for amortization of the Sequoyah and the Lee Mine uranium mining projects shown in Exhibit TPH-2, page D-24. In addition, Mr. Bleiweis makes reference to the current Commission investigation concerning these projects and their prior inclusion in rate base? Would you please update where this Commission investigation stands and provide any changes in the Company's position relative to uranium mining projects?

A. Yes. Mr. Bleiweis, through the adjustment proposed by Mr. Knudsen in OCA Statement No. 7, Schedule TEK-3, seeks to eliminate the Company's proposed amortization of the Sequoyah and Lee Mine projects. In my supplemental testimony, PECO Statement No. 18A, submitted in November, 1985, I reflected a claim to recover the Company's

investment in the Sequoyah uranium project and the Lee Mine project. At that time, there was one uranium supply project still in active status held and operated by Public Service Electric and Gas, specifically the Homestake Mining project. On December 26, 1985, Public Service Electric and Gas Company informed Philadelphia Electric Company that it was abandoning the Homestake Mining project. Attached as Schedule 8 to this testimony is the official notification of this project termination. On this basis, it is necessary to amend page D-24 to incorporate the Homestake project in the Company's amortization of uranium mining projects. Consistent with the methodology utilized for the Sequoyah and Lee Mine projects, the Company is deducting from the investment in the Homestake Mining project $195,000 which represents the actual revenues collected from customers as a result of including this investment in rate base at Dockets R-811626 and R-822291. The Company has requested that the Commission allow recovery of the investment net of tax savings, over a five-year period beginning with the effective date of rates in this proceeding.

The Company and the Commission Staff have reached a settlement agreement concerning the Commission's investigation at Docket No. C-850128. It was the hope of the Company that this settlement would be approved by the Administrative Law Judge in that proceeding by the time the Company submitted its Final Accounting Exhibit in this

proceeding. However, since that settlement petition is still before the Administative Law Judge with subsequent approval by the Commission also required, I believe that it is necessary to present to all parties the proposed refund dollars that the Company has agreed to in that settlement. While I have not incorporated the settlement in the Company's Final Accounting Exhibit, I have appended to this testimony as Schedule 9 the proposed adjustment to operating expenses to reflect a refund to customers over a two-year period which, if approved by the Administrative Law Judge and the Commission, may be included on a timely basis in the Commission's final Order in this proceeding.

Q. Would you please discuss Mr. Bleiweis's proposed adjustment to test year sales and associated revenues?

A. Mr. Bleiweis has extracted one element of the Company's test year claim (i.e. sales) and sought to make an adjustment to income to reflect what he believes to be an update based upon actual conditions through the first five months of the future test year. He then adds an erroneous conclusion, on page 40 of his testimony, that "the Judge and Commission recognize that sales to date have been underbudgeted." To begin, actual sales to date are under those budgeted for the future test year. Schedule 10 provides the actual versus budgeted monthly sales for the first six months of the future test year. As this table shows, actual sales are actually below budgeted sales by 22,844 megawatthours, or actual sales are 0.2% below

budget. It is only after weather correction to re-express actual sales on a weather-adjusted basis, that sales exceed budget levels. However, any weather adjustment to actual sales does not produce revenue dollars. Retroactive analysis of the Company's actual experienced sales to reflect normal weather conditions does not allow the Company to accrue additional revenues to offset expenses.

Q. Has the Company utilized this same methodology for determination of sales and revenues for future test year determination in prior proceedings before this Commission?

A. Yes. To my knowledge, the Company has consistently utilized this methodology to determine pro forma test year sales conditions and pro forma test year base revenue conditions to derive our revenue requirements for ratemaking purposes. Mr. Bleiweis seeks to create a more favorable condition by inputting additional sales and revenue, offset only by the Company's base cost of fuel, to create additional taxable income and thereby reduce the Company's revenue requirements in this proceeding. It is, in my opinion, improper to adjust one or a few "random" variables in the regulatory formula to create a biased adjustment to reduce the Company's revenue requirements. The Company's budget process incorporates all the elements of the ratemaking formula including revenues, sales, expense levels and rate base on a consistent basis utilizing all relevant input. History has shown us that when sales increase there are concurrent increases in

operating expenses, including fuel, and rate base utilized to support a higher sales levels. Without analyzing each of these elements and looking at the composite effect on the Company's operating statement and rate base, it is easy to derive an erroneous conclusion.

Q. Have you reviewed the Company's Operating Statement for the first six months of the future test year and compared those results to the budgeted condition?

A. Yes. The first three months of the future test year was submitted as Exhibit TPH-3 in this proceeding, and likewise Exhibit TPH-4 provides the second three months of actual versus budget conditions for the future test year. Schedule 11, attached to this testimony, summarizes actual revenues, expenses and income for Philadelphia Electric Company for the first six months of the future test year as compared to budgeted amounts for the corresponding period. These results show that the Company's operating income on an unadjusted basis falls $21,799,000 below the amount projected for budget. I believe that it is just as inappropriate for the Company to propose to adjust operating expenses to reflect higher than anticipated levels as it is to accept a sales and revenue adjustment as proposed by Mr. Bleiweis.

Q. Mr. Hill, does an increase in the Company's sales over the level budgeted require that there be an increase to the Company's revenues and income as indicated by Mr. Bleiweis's adjustment?

A. No. Sales can increase over budgeted levels for many reasons including abnormally warmer or cooler weather, variations in customer use patterns, as well as general improvement in the economy. When sales increases occur they may or may not have a significant impact on the Company's total revenues or income. Schedule 12, appended to this testimony, compares the budgeted base rate revenues for the first six months of the future test year with the actual base rate revenues for the same period. As this schedule shows, actual sales for the first six months of the year are only slightly below budget estimates. However, actual base revenues were $16.2 million below budget. This decrease in base revenue can be attributed to the pattern of actual consumption by customers as compared to budget projections. Increases in load factor and shifts in usage by large industrial customers can reduce base revenue even without a decline in the absolute level of sales. I would further note that the reduction in base revenues as compared to budget is well in excess of the $11 million base revenue adjustment proposed by Mr. Bleiweis. Acceptance of the specific adjustment as proposed by Mr. Bleiweis without adjusting all base revenues to actual conditions would grossly overstate revenue levels for the test year.

Q. What is your response to Mr. Bleiweis's proposed disallowance of certain advertising and public relations activities and his reference to the Commission's Order at

Docket C-78080459?

A. I believe Mr. Bleiweis's adjustment in this proceeding is totally inappropriate. Through this adjustment, he seeks to disallow not only certain advertising and public relations expenses contained within the Company's claim in this proceeding, but also seeks to disallow, through retroactive adjustments, expenses allowed by this Commission in its prior two rate Orders at Dockets R-822291 and R-842590. Base rates allowed by the Commission in these prior orders represent Commission made rates and should not be subject to further adjustment as recommended by Mr. Bleiweis. Specifically, the Commission's Order at R-842590 disallowed a similar adjustment proposed by the Office of Consumer Advocate.

On a similar basis, Mr. Bleiweis seeks to disallow the Company's contribution through EEI to the Three Mile Island cleanup project. In this proceeding, the Company has claimed an amount equal to $755,830 associated with the Company's share of this cleanup project. The Commission specifically allowed recovery of these costs in our prior rate proceeding at Docket R-842590. The reasons the Commission enumerated in favor of the recovery of this expense have not changed, and therefore I believe that it should be includable as an expense in this proceeding.

Mr. Bleiweis also seeks to disallow $1,147,412 of expense associated with the Company's membership in various industry associations. The Commission's Order at Docket

No. C-78080459 does not specifically disallow these expenses for ratemaking but rather requests that the Company submit such costs included within the Company's test year claim at its next rate proceeding. The Company has complied with the Commission's directive, and I have specifically provided this data in my Supplemental Direct Testimony (Statement No. 18A). I have included within that supplemental testimony, the amounts included in our test year claim as well as the Company's justification for these expenses. I do not believe that it is the purpose of the Commission's Order to exclude such expenses for ratemaking purposes, and I therefore think Mr. Bleiweis's adjustment for these expenses is inappropriate.

Of the remaining $742,000 of expense, $631,000 is attributable to the Company's expenses for the Energy Education Advisory Council. The Energy Education Advisory Council (EEAC) function is to provide a curriculum in energy education from elementary school through college. In addition, Energy Education Programs are provided for community groups whenever the need arises. A function such as the EEAC is of substantial benefit to the Company's ratepayers. First, instilling a knowledge of energy in general is the best means to promote its efficient use, and what better place is there than the educational system to accomplish this goal. Second, a knowledge of the various sources of energy and the pros and cons associated with them will enable customers to better understand the

changing energy environment and thus promote more efficient use and development of sources of energy. These goals of the EEAC would serve to benefit customers in the short run through conservation and the long run through lower cost for developing current or new sources.

Q. Do you agree with Witness Bleiweis's proposed adjustment to the Company's claimed balance for utility plant-in-service?

A. No. Witness Bleiweis proposes an adjustment of $18.1 million to reflect what he believes is a variance in the actual as compared to budgeted plant-in-service for the first three months of the future test year. Specifically, Witness Bleiweis's adjustment is based on his view that actual plant-in-service was under the budgeted level by $18.1 million as of September 30, 1985. This proposal is based on an erroneous assumption and should be rejected.

As Witness Bleiweis's figures show on page 7 of his testimony, actual plant-in-service exceeded budgeted plant-in-service at the beginning of the future test year and for the first three months of the future test year. Witness Bleiweis adjusts these figures to reflect his assumption that the actual balances included Richmond Unit No. 9 and that the budgeted figures did not. Thus, Witness Bleiweis removed Richmond No. 9 from the actual figures purporting to place them on a comparable basis to the budgeted figures. However, Witness Bleiweis's assumption is incorrect as shown in the Company's response to IR-OCA-13-6 which indicates that Richmond Unit No. 9 was

scheduled for retirement in the quarter ending December 31, 1985. Therefore, the budgeted figures for June 30, 1985 and September 30, 1985, shown on page 7 of Witness Bleiweis's Testimony, include Richmond Unit No. 9 and are comparable to the actual figures on those dates. Since for the first three months of the future test year actual plant-in-service exceeded budgeted plant-in-service, there is no basis for Witness Bleiweis's adjustment.

Q. What comments do you have concerning the proposed adjustment to expenses offered by GSA Witness Kelly?

A. Mr. Kelly's adjustment is very similar to that posed by Trial Staff Witness Weakley. My comments concerning the use of the Corporate Inflation Factor and Mr. Kelly's proposed application of a modification for inflation to Accounts 902, 903 and 930 are the same as my response to Mr. Weakley's proposed adjustment.

Q. Have you prepared a Final Accounting Exhibit summarizing the Company's position and claims in this proceeding?

A. Yes.

Q. Would you please describe that Exhibit entitled TPH-2A?

A. Yes. Through Testimony, Interrogatory Responses, and Transcript Requests, the Company revised several of the original claims in Exhibit TPH-2. These changes corrected known errors and updated existing material.

The following is a list of the changes that have been made:

Pages A-1, 2, 3 - These pages summarize the

development of income for return, rate base, and proforma ratemaking adjustments and will change as a result of the additions and revisions of various adjustments.

Pages B-1, 2 - These pages which present the balance sheet, change as a result of a change in financing plans reflected on pages B-19, 20.

Page B-16 - This page allocates accumulated deferred taxes between Electric, Gas and Steam operations. It changes as a result of eliminating Bradshaw Reservoir from rate base.

Page B-19 This page, which develops the embedded cost of debt, is revised to reflect current financing plans. Discussions of these revisions including details on the recent tender offer is provided in the Rebuttal Testimony of Joseph F. Brennan.

Page B-20 - This page, the calculation of the embedded cost of preferred, was revised to reflect a more recent cost estimates. Discussion of this change is provided in the Rebuttal Testimony of Joseph F. Brennan.

Page C-2 - This page summarizes ratemaking reserve and electric plant in-service and changes to reflect the elimination of Bradshaw Reservoir and the PUC Audit Adjustment from the Company's claim.

Page C-5 - This page changes to reflect the

elimination of Bradshaw Reservoir, the PUC Audit Adjustment and the change in the terminal date for Delaware Station in the calculation of the Remaining Life Accrual.

Page C-7 - The schedule of retirement dates changes due to the change in Delaware Station's terminal date.

Page C-8 - This page changes to reflect the elimination of the Keystone Station non-revenue CWIP claim. The Rebuttal of R. W. Wright addresses this change.

Page C-10 - This page changes to reflect a revised fuel inventory claim, as shown in my Supplemental Direct Testimony, and to reflect a corrected non-fuel M&S claim as described in the Rebuttal Testimony of R. W. Wright.

Page C-11 - The change in the nuclear fuel in reactor claim is in accordance with the response to IR-STAFF-RBC-6.

Page C-12, a, b, c, d - The Company's cash working capital claim changes as a result of incorporating the other rate base and expense adjustments in the Final Accounting Exhibit. Additionally, certain claimed lag days are being revised. Discussion of these changes is in the Rebuttal Testimony of R. W. Wright.

Page D-10 - This page changes as a result of

revisions to the Company's O&M normalization claim. The Rebuttal Testimony of J. J. Carroll provides a discussion of these changes.

Page D-11 - This page was revised as a result of a correction to the Company's initial filing. It was discovered subsequent to the filing that there was a small amount of expense relating to the retired units still in the budget. The impact on this change is to reduce operating expenses by an additional $579,000.

Page D-12 - There are two changes on this page. The first adjustment is a change in the Company's rate case expense claim and is discussed earlier in this Testimony. The second change eliminates from test year taxes a credit that amortizes the effect of the change in federal tax rate from 48% to 46%. The amortization will be completed by the end of the test year. Therefore, the credit should be eliminated from test year taxes.

Page D-15 - The Company's decommissioning expense claim changes in accordance with the revision set forth in R. W. Wright's rebuttal testimony.

Page D-16 - The Company's spent fuel claim changes in accordance with the revisions set forth in the Rebuttal Testimony of J. J. Carroll.

Page D-18 - This page changes as a result of a change in the estimated insurance expense for

Limerick. A discussion of this change was provided in my Supplemental Direct Testimony, Statement No. 18A.

Page D-22 - This adjustment was made to amortize storm-damaged expense incurred after the case was filed and is discussed in my Supplemental Direct Testimony.

Page D-23 - This page corrects the Company's claim for real estate taxes and is discussed in my Supplemental Direct Testimony.

Page D-24 - This new adjustment amortizes the loss incurred from the write-off of the Company's nuclear fuel mining projects. My Supplemental Direct Testimony discusses the Sequoyah and Lee Mine projects while the Homestake project is discussed earlier in this Testimony.

Page D-25 - This page adjusts the Company's claim for the change in Delaware Station's terminal date. This adjustment was previously discussed in my Supplemental Direct Testimony. The slight change in the adjustment is due to a more accurate estimate of the new remaining life accrual.

Page D-26 - This page adjusts the Company's claimed depreciation and deferred tax expenses for the elimination of Bradshaw Reservoir. This adjustment was previously discussed in my Supplemental Direct Testimony. The amount of the

adjustment differs from my Supplemental Direct Testimony to a revision in the estimate of the costs associated with Bradshaw from $12,875,000 to $15,307,000, however, the methodology used was the same.

Page D-27 - This page adjusts the Company's claim for certain adjustments resulting from a continuing property record audit of the Company by the Commission.

Page D-28 - This page adjusts the Company's claim to eliminate a portion of EEI dues that were double counted and to eliminate AGA dues inadvertently included in the test year. The adjustment is in accordance with IR-STAFF-REO-6.

Q. Does that conclude your rebuttal testimony at this time?

A. Yes.

COMPARISON OF ACTUAL TO BUDGET
PAYROLL FOR JULY-DECEMBER 1985
ADJUSTING FOR STORM DAMAGE OVERTIME

Month	Actual Total Company Payroll	Budget Total Company Payroll	Difference
July 1985	$ 38,310,489	$ 38,834,514	$(524,025)
August	38,830,789	39,458,109	(627,320)
September	39,351,444	37,663,328	1,688,116
October	41,556,820	41,088,107	468,713
November	38,477,948	37,956,612	521,336
December	39,027,091	39,109,396	(82,305)
	$235,554,581	$234,110,066	$ 1,444,515

Less: Storm Related Overtime September 1985 (Reference IR-STAFF-REO-13)	1,148,471
Net Actual Total Payroll in Excess of Budget (Excl. Storm Damage Overtime)	$ 296,044
Excess in percent of Budget	0.13%

COMPARISON OF ACTUAL TO BUDGET PAYROLL FOR THE TWELVE MONTH PERIODS ENDING JUNE 1983, JUNE 1984 AND JUNE 1985

Month	Actual Total Company Payroll	Budget Total Company Payroll	Actual Over/(Under)	Difference In Percent Of Budget
July 1982-June 1983	$ 350,109,092	$ 354,970,972	$(4,861,880)	(1.37%)
July 1983-June 1984	392,000,557	387,409,752	4,590,805	1.18%
July 1984-June 1985	431,860,930	431,392,407	468,523	0.11%
	$1,173,970,579	$1,173,773,131	$ 197,448	0.017%

CURRENT RATE CASE EXPENSE
DOCKET NO. R-850152
$1,000

	Original Company Claim	Spent to Date Through 1/17/86	
Cost of Money Consultants	$ 100	$ 113	
Legal Consultants and Transcripts	800	1,033	
Technical and Management Consultants	1,400	3,099	
Plant Consultants	190	51	
Consumer Notification	60	18	
Data Processing	100	66	
Travel, Hotel and Miscellaneous	30	44	
	$2,680	$4,424	
Less: Management and Technical Consultants	1,400	3,099	
Net Expense: Excluding Technical and Management Consultants	$1,280	$1,325	
Two year recovery of Net Expense per Company Claim	$ 640		
Five-year recovery of Technical and Management Consultants - Spent to Date		$ 620	
Total Recovery Under 2-year and 5-year plans			$1,260
Company Test Year Claim (Page D-12a, Exhibit TPH-2)			1,340
Reduction in Company Claim			$ 80

CUSTOMER ACCOUNTS EXPENSE (Excluding Uncollectibles) FOR SEVERAL UTILITIES VERSUS GNP IMPLICIT PRICE DEFLATOR

$1,000

	1984	1983	Percent Increase 1983 to 1984
Baltimore Gas and Electric	$ 23,426	$ 21,391	9.5%
Boston Edison	17,160	15,576	20.2%
Detroit Edison	46,980	43,164	8.8%
Commonwealth Edison	77,744	70,717	9.9%
Consolidated Edison	125,396	114,267	9.7%
Average Change			9.62%
Change in GNP Implicit Price Deflator			3.8%

CUSTOMER ACCOUNTS EXPENSE (Excluding Uncollectibles) FOR SEVERAL UTILITIES VERSUS GNP IMPLICIT PRICE DEFLATOR COST PER CUSTOMER

	1984	1983	Percent Increase 1983 to 1984
Baltimore Gas and Electric	$26.47	$24.67	7.3%
Boston Edison	27.13	24.63	10.2%
Detroit Edison	26.56	24.47	8.5%
Commonwealth Edison	25.90	23.72	9.2%
Consolidated Edison	45.05	41.37	8.9%
Average Change			8.82%
Change in GNP Implicit Price Deflator			3.8%

ADJUSTING ENTRY NO. 4

ELIMINATE FROM PLANT IN SERVICE CERTAIN SAMAC COSTS

In this adjustment, staff contends that a delay penalty and additional engineering and testing costs incurred during the design and installation of the System Automatic Monitoring and Control System were avoidable and therefore should be eliminated from plant in service.

A delay penalty of $125,000 was paid to North American Rockwell, the computer vendor which was in accordance with a contractual clause that allowed the contract price to be increased if PECo could not accept delivery when the computers were ready.

The SAMAC project was started in 1969 and placed in service in 1973. During this period, the Main Office complex, where the system is located, was being constructed and completion was delayed, primarily due to building trade strikes. This resulted in a delay in completion of the computer room for SAMAC and accepting delivery. The delay charge of $125,000 therefore, had to be made, but was caused by factors beyond the control of the Company.

The additional engineering and testing charges incurred ($801,000) was due to a longer than expected installation time, failure of electronic circuits and additional documentation of the system for future maintenance purposes. The Company considered legal action against the suppliers of the equipment that failed which was part of the $801,000, but it was decided not to do so because it was a multiple sub-contract and the expected legal fees could not be justified.

In the Company's opinion, the additional costs incurred were unavoidable and the proposed adjustment should not be made. The $801,000 in question was incurred on this project and was properly accounted for as a component of cost. The issue of prudency should not be an issue in an audit where proper accounting for costs incurred is addressed, but rather in a rate proceeding where recovery of prudently incurred costs is the issue.

ADJUSTING ENTRY NO. 13

EXPENSE ENGINEERING CHARGES CAPITALIZED ON CALLOWHILL SUBSTATION

Capital Authorization 216301 was initially approved to construct a two mile 138 kv line from Callowhill to Delaware Substations. Initially the line was to be underground, but before any design was started, a feasibility study indicated a combined aerial/underground line would be significantly less costly to construct.

City of Philadelphia approval to construct an aerial/underground line was obtained and actual design of the line was started and completed. Just prior to ordering the steel transmission poles, community opposition to the aerial portion of the line developed and in June 1982, the City Planning Commission reversed its earlier decision and stated the line should be all underground.

The Company therefore redesigned the line as underground which was completed and placed in service in 1983. The engineering cost to survey and design the aerial portion of the line amounted to $121,381, was prudently incurred, was unavoidable and beyond the control of the Company. Since it was incurred solely by the construction of the transmission line, it is a proper component of the capital cost of the line and was accounted for in that manner.

Schedule 5

PSE&G Public Service Electric and Gas Company

80 Park Plaza, Newark, NJ 07101 / 201 430-7000 MAILING ADDRESS / P.O. Box 570, Newark, NJ 07101

cc: JFP, EJB, RAC

TO: Salem/Peach Bottom Owners Representatives
Hope Creek Owners Representatives

FROM: L.A. Sonz, Chairman - LA Sonz + DJW
Salem/Peach Bottom Nuclear Fuel Committee

SUBJECT: TERMINATION OF HOMESTAKE URANIUM SUPPLY VENTURE

DATE: December 26, 1985

The Homestake Uranium Supply Venture was terminated in December, 1985 by PSE&G. Attached is the agreement which requires a final payment on or before December 31, 1985, of $1.6 million.

Also attached is a copy of the letter directing payment and identifying the Salem/Hope Creek owners shares.

A summary of the PSE&G task force that recommended termination is enclosed.

LAS:jr

Attachment 1) HMC and PSE&G Termination Agreement
2) GM-Fuel Supply to Manager-Disbursements
3) Summary of Analysis

Distribution:

PECO	AE	DP&L
Raymond Holman	Meredith Harlacher	Frank Cook
Robert Conti	Joseph Sciarro	William Blackwell

Letter w/o Attachments: R.F. Steinke
K. Brenner
R.O. Leinbach
F.J. Diaferio

PHILADELPHIA ELECTRIC COMPANY - ELECTRIC OPERATIONS
ADJUSTMENT TO REFLECT THE PROPOSED SETTLEMENT
REGARDING THE COMPANY'S NUCLEAR FUEL PROJECTS
12 MONTHS ENDING JUNE 30, 1986

The purpose of this adjustment is to reflect in base rates the effect of the settlement at Docket No. C-850128. The settlement agreement was approved by the Commission on _____, 1986. The adjustment includes the amount to be refunded plus interest. The refund amount is the amount collected as a return on the investment in Salem Nuclear fuel commitments and also in the Lee Mine Project during the period November 23, 1983 to January 25, 1985.

Amount to be Refunded	-	$1,747
Associated Interest	-	319
Total to be Refunded	-	$2,066
2-Year Amortization	-	1,033
Increase in Income Tax	-	514
Increase in Income for Return	-	$ 519

PECO - Electric
MONTHLY SALES
BUDGET VERSUS ACTUAL
JULY-DECEMBER 1985
MWH

	Actual	Budget	Actual Over/Under Budget
July 1985	2,369,908	2,508,621	(138,713)
August	2,483,764	2,542,516	(58,752)
September	2,469,565	2,375,519	94,046
October	2,251,566	2,215,017	36,549
November	2,084,037	2,099,520	(15,483)
December	2,398,533	2,339,024	59,509
Total - 6 Months	14,057,373	14,080,217	(22,844)

Philadelphia Electric Company - Electric Operations
STATEMENT OF ELECTRIC OPERATING INCOME
6 Months Ended December 31, 1985
(Thousand $)

		Budget	Actual	Over/Under Budget
OPERATING REVENUE				
	Sales of Electricity:			
440	Residential	$497,846	$477,883	($19,965)
442	Small Commercial and Industrial	190,172	199,524	9,352
	Large Commercial and Industrial	566,139	539,940	(26,199)
444	Public Street and Highway Lighting	19,349	19,106	(243)
445	Other Sales to Public Authorities	-	-	-
446	Sales to Railroads and Railways	27,016	27,498	482
447	Sales for Resale	12,119	12,012	(107)
448	Interdepartmental Sales	2,016	2,069	53
	Total Sales of Electricity	$1,314,659	$1,278,032	($36,627)
	Other Operating Revenues:			
450	Forfeited Discounts	$5,023	$4,665	($358)
451	Miscellaneous Service Revenues	1,189	1,308	119
453	Sale of Water and Water Power	-	-	-
454	Rent from Electric Property	5,179	5,214	35
455	Interdepartmental Rents	1,919	1,848	(71)
456	Other Electric Revenues	5,740	8,248	2,508
	Total Other Operating Revenues	$19,050	$21,283	$2,233
	Total Electric Operating Revenues	$1,333,709	$1,299,315	($34,394)
OPERATING EXPENSES				
401	Operation and Maintenance Expense:			
	Power Production	$594,227	$583,297	($10,930)
	Transmission	11,862	10,924	(938)
	Distribution	50,649	55,056	4,407
	Customer Accounts	41,819	44,117	2,298
	Customer Service & Information	5,188	5,062	(126)
	Sales	383	444	61
	Administrative and General Expense	72,040	77,013	4,973
	Total Operation and Maintenance Expense	$776,171	$775,913	($258)
403	Depreciation Expense	$81,312	$85,308	$3,996
405	Amortization of Other Electric Plant	(320)	(324)	(4)
407	Amortization of Property Losses	840	216	(624)
	Taxes			
408.1	Taxes Other Than Income Taxes	$105,083	$113,036	$7,953
409.1	Income Taxes	87,746	50,069	(37,677)
410.1	Provisions for Deferred Income Taxes	88,810	148,090	59,280
411.1	Inc. Taxes Deferred in Prior Yrs-Credit	(52,759)	(37,182)	15,577
411.4	Investment Tax Credit Adjustments	12,491	(48,209)	(60,700)
	Total Taxes	$241,371	$225,804	($15,567)
411.6&7	Gain or Loss from Disposition of Utility Plant	-	(138)	(138)
	Total Operating Expenses	$1,099,374	$1,086,779	($12,595)
	Operating Income	$234,335	$212,536	($21,799)

BASE REVENUES
BUDGET VERSUS ACTUAL
$1,000

	Budget	Actual	Budget over Actual Dollars	Budget over Actual Percent
July 1985	$ 223,784	$ 208,002	$ 15,782	7.6
August	228,817	222,124	6,693	3.0
September	212,735	219,454	(6,719)	(3.1)
October	192,871	190,850	2,021	1.1
November	179,237	176,844	2,393	1.4
December	194,766	198,731	(3,965)	(2.0)
6 Months Total Base Revenues	$1,232,210	$1,216,005	$16,205	1.3
6 Months Total Sales MMWh	14,080,217	14,057,373	22,844	0.2

PECO STATEMENT NO. 18G

59m 3-6-86

Nbq

R-850152

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

PHILADELPHIA ELECTRIC COMPANY

DOCKET NO. R-850152

SUR-SURREBUTTAL TESTIMONY OF THOMAS P. HILL, JR.

RE: NON-LIMERICK EXPENSE ISSUES

MARCH 1986

Q. Are you the same Mr. Hill who has previously filed Direct and Rebuttal Testimony in this proceeding?

A. Yes. I have previously submitted direct testimony identified as PECo Statements No. 18, 18A and 18B and I have submitted rebuttal testimony identified as PECo Statements No. 18C, 18D, 18E and 18F.

Q. What is the purpose of this Sur-surrebuttal testimony?

A. The purpose of this testimony is to address the Surrebuttal testimony of Staff Witness Laudenslager pertaining to Edison Electric Institute (EEI) Dues and Customer Accounts Expense. In addition, I will address Mr. Bleiweis' proposed Keystone Alliance Adjustment.

Q. What comments do you have concerning Mr. Laudenslager's Surrebuttal Testimony on EEI dues.

A. Mr. Laudenslager has proposed an $87,000 disallowance (25%) to the Company's claimed EEI dues. At the time Mr. Laudenslager prepared his Direct Testimony, the basis for his adjustment was a preliminary 1983 NARUC report. My response to this original proposal referenced correspondence we received from EEI explaining the proper lobbying-related percentage. Schedule #1 attached to this testimony is the correspondence received from EEI indicating the 2% figure I utilized in my Rebuttal Testimony. As previously stated, this figure was ascertained by EEI pursuant to the Federal Regulation of Lobbying Act. Subsequent to filing my Rebuttal Testimony, I received a copy of the notice from EEI stating the portion of 1985 dues used for lobbying. A copy of this letter is provided as Schedule

#2. The applicable percent for 1985 was 2.68% and for 1986 it is estimated that 2.7% of dues will be used for lobbying. Utilizing a 2.7% allocation factor, I have calculated that approximately $9,500 of total EEI dues was used for lobbying. The $12,500 estimate provided in my Rebuttal Testimony was overstated as the 2% estimate for Lobbying Expense was applied to total dues including the Media Communications portion.

Mr. Laudenslager in his Surrebuttal Testimony is now suggesting that this Commission should rely on a Washington Post Newspaper Article as a basis for disallowing a portion of the Company's claimed EEI dues expense. It is interesting to note that the referenced article utilizes a 20% figure which would reduce Mr. Laudenslager's adjustment to $70,000, yet no such revision is proposed by Mr. Laudenslager. In addition, the referenced article states that Price Waterhouse performed an audit of EEI in 1984 for NARUC and determined that 19% of EEI's expenses were related to the Legislative, Regulatory and Advertising area. In the test year PECo has budgeted $627,000 for EEI dues, $272,000 of which Mr. Laudenslager proposes to disallow as advertising (EEI Media Communication Program). This figure is significantly higher than 19% of the total dues mentioned above. Therefore, any further adjustment would be unreasonable.

Q. What comments do you have concerning Mr. Laudenslager's Surrebuttal Testimony on Customer Accounts Expense?

A. Mr. Laudenslager's analysis does not reflect differing accounting practices at the various companies. For example, PE

leases certain computer equipment, the associated costs of which are charged to Customer Accounts Expense. Baltimore Gas and Electric and Boston Edison do not charge their computer facilities and the associated costs to Customer Accounts Expense. Consequently, a scenario which compares the Customer Accounts Expenses of these two companies is inappropriate. In addition to equipment leasing related expenses there are other Customer Accounts related expenses which are often accounted for differently by different companies. For example, transportation (meter readers and collectors), telephone, vacation and sick time expenses associated with Customer Accounts related personnel are charged by PE directly to these FERC Accounts. Both Baltimore Gas and Electric and Boston Edison charge Transportation and Telephone Expenses to Administrative and General accounts as opposed to Customer Accounts. In the case of Baltimore Gas and Electric some of the paid absent time is charged to Administrative and General Accounts.

Mr. Laudenslager states that Boston Edison and the Bronx Borough Section of Consolidated Edison utilize bi-monthly meter reading schedules, yet he makes no adjustment to the expenses of these companies to reflect this known fact.

In addition, with regard to his computation of a theoretical average expense level, Mr. Laudenslager utilizes a simple averaging of his results instead of a weighted average which would more appropriately recognize the contribution of each company to his theoretical average.

Although the Company disagrees with the approach Mr. Laudenslager has adopted, if one corrects only for the errors enumerated above, as I have done on the attached Schedule 3, the results indicate that the Company's Customer Accounts Expense are in-line with the selected comparison group.

Another point to note regarding Mr. Laudenslager's Surrebuttal Testimony is related to the point he made that effective in April 1984 Detroit Edison could not terminate service to anyone 65 or older during the heating season. What he fails to mention is the fact that three of the coldest months in 1984 (January to March) would not have been affected by the rule change. With that being the case, Detroit Edison's expenses are probably too low. It should be noted that the Company's revisions to Mr. Laudenslager's adjustment did not incorporate any effect of PECo's stringent termination policy.

Finally, it should be noted that the level of Customer Accounts Expense being recommended by Mr. Laudenslager ($46,633,000) is 15% below that found reasonable by the Commission in our last Electric Rate Case at R-842590, which utilized a December 31, 1984 test year and 8% below that allowed by the Commission at R-822291 which utilized an October 31, 1983 test year.

Q. Mr. Hill, would you now please comment on Mr. Bleiweis' proposed Keystone Alliance Adjustment.

A. Yes. In his Surrebuttal Testimony, Mr. Bleiweis has agreed that the Commission at R-842590 permitted the Company to recover TMI related cleanup costs. In connection with this

recognition, Mr. Bleiweis has revised his Schedule 13 paragraph 6 adjustment to zero for Docket R-842590. However, this revised Schedule 13 continues to reflect a disallowance of $755,830 associated with TMI related clean-up costs included in the Company's current test year expenses. Considering the fact that these costs have previously been recognized as proper by the Commission and considering that the nature of these expenses remains unchanged there is no justification for Mr. Bleiweis' proposed disallowance.

In addition to the aforementioned error, Mr. Bleiweis has misinterpreted paragraph 13 of the Order at C-78080459. A copy of the Order was provided in Company Statement No. 18A, as Schedule 1. Mr. Bleiweis' proposal disallows all association dues. However, the Commission Order makes no such wholesale disallowance. The Order requires the Company to provide the total association dues included in the test year, and only that portion not benefitting ratepayers will be disallowed.

In my Supplemental Direct Testimony (Statement 18A) I provide the required listing of test year association dues together with an explanation of the benefit to ratepayers resulting from the Company's membership in these organizations. No testimony has been submitted by any intervenors in this case which refutes the benefits outlined in Statement 18A, other than certain EEI expenses.

Q. Does this complete your Sur-surrebuttal Testimony at this time?

A. Yes.

EDISON ELECTRIC INSTITUTE
The association of electric companies
1111 19th Street, N.W.
Washington, D.C. 20036-3691
202/828-7400

JAN 21 1985

J. E. Paquette, Jr.

TAXES DIVISION
GAS ☐ JPW ☐ SNM ☐ ☐
RFV ☐ SRX ☐ MBM ☐ JAV ☐
GAH ☐ TmA ☐ ☐ ☐
JLM ☐ JPJ ☐ RAK ☒ VMM ☐

JAN 23 1985

Chief Executive Letter

JAN 17 1985

FILE

Summary

Direct and Grassroots Lobbying for the Year 1984

Action Needed By	EEI Contact	Phone Number	Other Areas of Interest
Informational	Robert Dolan	202/ 828-7637	Chief Financial Officer Chief Taxation Officer ~~D.P. SCOTT~~

January 14, 1985

JAN 22 1985

Chief Executive
Member Company

The Institute has completed the filing of its report for calendar year 1984 pursuant to the Federal Regulation of Lobbying Act. With respect to EEI dues, the percentage of receipts and expenses allocated for activities falling within the purview of this Act w[redacted]

If your company supported the U[redacted] (UNWMG) [redacted] percent of your paid-in commitment for 1984 was used for activities falling within the purview of the Federal Regulation of Lobbying Act.

The estimated percentages that will be used for the first three quarters of 1985 will [redacted] percent for dues and [redacted] percent for UNWMG. When fourth quarter expenses have been recorded, the percentage estimates will then be adjusted to reflect actual receipts and expenditures, and you will be advised between January 10-15, 1986 of the actual percentages for 1985.

In the opinion of counsel, all of the expenses or paid-in commitments for activities falling within the purview of the Federal Regulation of Lobbying Act are deductible for Federal income tax purposes for 1984. As of today, neither EEI nor UNWMG has a determination from the Internal Revenue Service that any portion of these expenses or paid-in commitments attributable to these entities are other than 100 percent deductible for Federal income tax purposes.

If your company supported the [redacted] percent of your paid-in commitment for 1984 should be classified as grassroots lobbying.

If you have any questions concerning these percentages, please call Robert Dolan at 202/828-7637.

Sincerely yours,

William McCollam, Jr.

William McCollam, Jr.
President

WM:rdw

INSTITUTE
1111 19th Street, N.W.
Washington, D.C. 20036-3691
202/828-7400

RECEIVED
JAN 2 86

Executive Letter

J.E. Paquette, Jr.

TAXES DIVISION
GAS ☐ JPW ☐ SNM ☐ WFD ☐
RFW ☐ SRX ☐ MBM ☐ JAV ☐
1985 CJT ☐ MER ☐
JLM ☐ JPJ ☐ RAK ☐ VMH ☐

J. L. Everett
JAN 27 1986
FILE: Return to

FEC 4 1986

Summary

Direct and Grassroots Lobbying for the Year

Action Needed By	EEI Contact	Phone Number	Other Areas of Interest
Informational	Dorothy Hovey	(202) 828-7460	Chief Financial Officer Chief Taxation Officer

January 23, 1986

D. P. SCOTT

Chief Executive
Member Company

JAN 29 1986

The Institute has completed the filing of its report for calendar year 1985 pursuant to the Federal Regulation of Lobbying Act. [redacted] activities [redacted]

If your company supported the Utility Nuclear Waste Management Group (UNWMG), none of your paid-in commitment for 1985 was used for activities falling within the purview of the Federal Regulation of Lobbying Act.

The estimated percent that will be used for the first three quarters [redacted] due. When the fourth quarter expenses have been recorded, the percentage estimate will then be adjusted to reflect actual receipts and expenditures, and you will be advised in January, 1987 of the actual percent for 1986.

In the opinion of counsel, all of the expenses for activities falling within the puryiew of the Federal Regulation of Lobbying Act are deductible for Federal income tax purposes for 1985. As of today, EEI does not have a determination from the Internal Revenue Service that any portion of these expenses is not deductible for Federal income tax purposes. [redacted]

If you have any questions concerning these percentages, please call Dorothy Hovey at (202) 828-7460.

Sincerely yours,

William McCollam, Jr.

William McCollam, Jr.
President

WM:dlh

Philadelphia Electric Company
Comparison of Customer Accounts Expense
($1,000)

Company	Estimated 6/30/86 Cost	Customers	Cost Per Customer
Baltimore Gas & Electric	$26,888	884,905	$30.39
Boston Edison*	28,083	632,446	44.40
Detroit Edison	53,924	1,763,792	30.57
Commonwealth Edison	89,235	3,001,826	29.73
Consolidated Edison**	145,503	2,783,593	52.27
Total	$343,633	9,066,562	$37.90=Wtd.Avg.

PECo Cost Per Filing =	$64,266
Less: Computer Expense =	(6,000)
Transportation & Telephone =	(3,000)
Vacation & Sick Time =	(3,500)
Revised PECo Cost - Adjusted to eliminate costs frequently charged to A&G expense	$51,766 = $38.53/customer
PECo Cost (Adjusted Laudenslager Method) =	$50,919 = $37.90 x $1,343,513

* Meter Reading Expense was doubled and Customer Records and collection expense was increased by 20% to reflect monthly meter reading.

** Meter Reading Expense increased by 1.5% to reflect monthly meter reading for all customers.

PECO EXHIBIT TPH-2A
SJM 3-6-86
NBJ
R-850152

PHILADELPHIA ELECTRIC COMPANY
ELECTRIC OPERATIONS

REVENUE, EXPENSES, INCOME & MEASURES OF VALUE

TWELVE MONTHS ENDING
JUNE 30, 1986

FEBRUARY, 1986

Philadelphia Electric Company - Electric Operations
INCOME AVAILABLE FOR RETURN
12 MONTHS ENDED JUNE 30, 1986
(Thousand $)

	Actual (B-9)	Adjustments (A-3)	Proforma Pres. Rates	Addl. Revs. (A-4)	Proforma Proposed Rates
Operating Revenue	2,528,293	(26,300)	2,501,993	681,760	3,183,753
Operating Expenses					
Operating & Maintenance Exp.	1,502,703	143,979	1,646,682	(206,990)	1,439,692
Depr. & Amort. (incl. salvage)	164,429	96,734	261,163		261,163
Provision for Taxes					
Taxes Other Than Inc.	199,837	(112,573)	87,264	13,635	100,899
Income Taxes	132,673	(97,160)	35,513	435,527	471,040
Provision for Deferred Taxes	107,815	(66,804)	41,011		41,011
Income Taxes Def.-Other	(14,033)	459	(13,574)		(13,574)
ITC Adjustment-(net)	6,912	(10,313)	(3,401)		(3,401)
Total Taxes	433,204	(286,391)	146,813	449,162	595,975
Total Operating Expenses	2,100,336	(45,678)	2,054,658	242,172	2,296,830
Operating Income Avail. for Return	427,957	19,378	447,335	439,588	886,923
Original Cost Measure of Value (A-2)			6,943,888		6,943,888
Return on Original Cost			6.44		12.77

Philadelphia Electric Company - Electric Operations
MEASURES OF VALUE
AT JUNE 30, 1986
(Thousand $)

	Reference	Original Cost
Utility Plant in Service		
Electric	C-2	8,732,973
Allocated Common	C-2	122,807
Total O.C. Plant in Service		8,855,780
Less: Book Reserve on Plant in Service	C-2	1,656,500
		7,199,280
Plus: Non-Revenue Producing CWIP	C-8	4,616
Land Held for Future Use	C-9	8,651
Materials and Supplies	C-10	94,168
Nuclear Fuel in Reactor	C-11	76,488
Cash Working Capital	C-12	96,451
Total Additions		280,374
Less: Accumulated Deferred Inc. Taxes		
Accelerated Amortization	B-2	2,323
Liberalized Depreciation	B-16	525,327
Customer Deposits	B-2	7,682
Customer Advances	B-2	434
Total Deductions		535,766
Measures Of Value		6,943,888

Philadelphia Electric Company - Electric Operations
ADJUSTMENTS TO INCOME AVAILABLE FOR RETURN
12 Months Ended June 30, 1986
(Thousand $)

Test Year Adjustments	Section Page	Operating Revenues	Oper. Exp. Excl. Taxes	Taxes Other Than Income	State Share Income Taxes	Federal Share Income Taxes	Effect on Inc for Return
Elimination of STAC Revenue and Taxes	D-1	(126,007)		(117,721)	(8,286)		
Full Year Effect of Present Base Rates	D-2	0		0	0	0	
Annualization for Growth and Customers	D-3	38,771	13,805	775	1,688	10,351	12,15
Elimination of Energy Cost Adjustment	D-4	53,711	51,291	2,420			
Wage and Benefit Increases	D-5		3,693		(397)	(2,437)	(2,86
Book Depn at Year End, including Salvage	D-6		91,747				(91,74
Tax Depreciation and Amort. at Year End	D-7				5,418	33,226	(38,64
Normalization of Tax Deferrals	D-8				0	(70,025)	70,02
Tax Savings on Proforma Interest	D-9				(13,692)	(83,975)	97,66
Nuclear and Steam Prod. O&M Exp. Adj.	D-10		10,614		(741)	(4,542)	(5,33
Reduction in O&M exp. to Reflect Retire.	D-11		(11,135)		777	4,765	5,59
Miscellaneous Adjustments & Amortization	D-12		(4,932)		362	3,474	1,07
Elimination of Lansdale Revenue and Fuel	D-13	0	0		0	0	
Full Year Effect of Incr. in FICA Tax	D-14			741	(52)	(317)	(37
Decommissioning Cost Adjustment	D-15		8,026		(560)	(3,434)	(4,03
Spent Fuel Disposal Cost Adjustment	D-16		3,803		(265)	(1,628)	(1,91
Damaged Nuclear Fuel Assbly. Amort.	D-17		310		(22)	(132)	(15
Full Year of Limerick O&M Expense	D-18	0	76,641		(5,347)	(32,796)	(38,49
Non-Jurisdictional Rate of Return	D-19	7,225	(3,775)		767	4,707	5,52
ITC Annualization	D-20				0	(10,313)	10,31
Adjustment to Roll Fuel Out of Base Rate	D-21*	(211,214)	(206,990)	(4,224)			0
Adjustment to Reflect Storm Damage Exp.	D-22		667		(47)	(285)	(33
Adjust. to Local AE Tax - MeO Facility	D-23			1212	(85)	(518)	(60
C-850128 → Adjust. to Recover loss on Uranium Proj.	D-24		1,532		0	0	(1,53
Delaware Station Term. Date Change Adj	D-25		(2,590)			32	2,55
Adj. to Eliminate Bradshaw Reservoir	D-26		(438)		108	110	22
Adj. to Reflect CPA Audit	D-27		(11)		2	4	
Adj. to Correct EEI Dues Overstatement	D-28		(537)		37	230	27
Total		(26,300)	240,713	(112,573)	(20,315)	(153,503)	19,37

* Not reflected in totals; included on A-4

Philadelphia Electric Company - Electric Operations
EFFECTS ON INCOME FOR RETURN
OF SUPPLEMENT NO. 15
12 Months Ending June 30, 1986
(Thousand $)

	Increase in Base Rates		
	Base Rate Increase Prior To Fuel Roll-out	Fuel Roll-out From Base @ $.007505/kwh Per D-21	Net Base R Incre
Increase in Revenue (A-5)	892,974	(211,214)	681
Less: 2% Gross Receipts Tax	17,859	(4,224)	13
Less: Fuel Rolled-out of Base		(206,990)	(206
Increase in Income Before Taxes	875,115	0	875
Increase in Income Taxes @49.768%	435,527	0	435
Increase in Income for Return	439,588	0	439

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)=(3)-(4)-(5)	Proposed Base Revenue Prior to Roll-Out (7)	Roll-out of .7505¢/kWh Per D-21 (8)=1x.7505¢	Proposed Net Base Revenue Supp.No.15 (9)=(7)+(8)	$ Increase (10)=(9)-(6)	% Increase (11)=(10)/(6)
R	6,465,900	1,120,500	$769,638	$40,779	($10,608)	$739,467	$1,007,200	($48,527)	$958,673	$219,206	29.6%
RH	1,543,300	97,300	131,988	7,025	(2,481)	127,424	172,009	(11,582)	160,427	33,003	25.9
OP-Off Peak (MH)	393,600	102,250 (a)	26,686	1,433	(736)	25,989	28,943	(2,954)	25,989	0	0
POL	8,320	3,430 (a)	1,596	84	(15)	1,527	1,589	(62)	1,527	0	0
GS	3,406,780	120,027	357,866	18,957	(5,929)	344,838	472,610	(25,568)	447,042	102,204	29.6
PD(Incl Riders)	2,241,000	2,620	197,446	10,497	(4,061)	191,010	264,498	(16,818)	247,640	56,630	29.6
HT(Incl Riders)	12,696,300	2,316	885,276	47,318	(23,025)	860,983	1,211,355	(95,286)	1,116,069	255,086	29.6
EP-A	431,500	1	32,567	1,696	(807)	31,683	36,392	(3,238)	33,154	1,471	12.7 (b)
EP-S	268,500	2	20,780	1,151	(476)	20,100	25,103	(2,015)	23,088	2,988	14.9
SLP	104,148	2	15,654	823	(162)	14,993	15,775	(782)	14,993	0	0
SLS	60,840	535	19,007	995	(117)	18,129	18,586	(457)	18,129	0	0
TL	32,880	205	3,620	191	(57)	3,486	3,733	(247)	3,486	0	0
BLI	62	3	7	-	-	7	10	(1)	9	2	28.6
Trans Rent Rider	-	(a)	323	17	-	306	395	-	395	89	29.1
Total Electric	27,653,130	1,343,511	$2,462,434	$130,966	($48,474)	$2,379,942	$3,258,158	($207,537)	$3,050,621	$670,679	28.2%
Other Elec. Operations	513,200	2	65,859	-	-	65,859	65,859	-	65,859	-	-
Total Electric	28,166,330	1,343,513	$2,528,293	$130,966	($48,474)	$2,445,801	$3,324,017	($207,537)	$3,116,480	$670,679	27.4%
Plus: STAC In Excess of STAC Related Taxes (D-1)						4,959	4,959	-	4,959	-	-
Plus: Revenue from Growth Adjustment (D-3)						38,771	53,529	(3,677)	49,852	11,081	28.6
Plus: Interest on ECR Overcollections (D-4)						5,237	5,237	-	5,237	-	-
Plus: Non-Jurisdictional Rates Adjustment (D-19)						7,225	7,225	-	7,225	-	-
Total Revenue						$2,501,993	$3,394,967	($211,214)	$3,183,753	$681,760	27.2%

(a) Duplicate customers not included in total.
(b) Percentage shown is based on comparison of proposed revenue and revenue associated with actual load characteristics reflected in the March 1985 contract agreement. Refer to the Company's proof of revenue calculations, Interrogatory response IV-C-1, for the details supporting this percentage.

Revised 2/14/8

Philadelphia Electric Company - Combined Operations
BALANCE SHEET
June 30, 1986
(Thousand $)

ASSETS AND OTHER DEBITS	COMPANY
Utility Plant	
Electric	$8,743,664
Gas	485,914
Steam	54,098
Common	142,875
Construction Work in Progress	1,236,905
Total Utility Plant	$10,663,456
Less Provision for Depreciation	1,869,058
Net Utility Plant	$8,794,398
Nuclear Fuel	262,237
Property Under Capital Leases Incl. Nuclear Fuel	302,306
Net Utility Plant, incl. Nuclear Fuel	$9,358,941
Other Property and Investments	
Non-Utility Property	$13,016
Investments in Subsidiary Companies	132,814
Decommissioning Escrow Fund	15,279
Other Investments	1,000
Total	$162,109
Current and Accrued Assets	
Cash	$36,944
Temporary Cash Investments	32,250
Escrow Deposits	17,555
Special Deposits & Working Funds	9,765
Accounts Receivable	472,210
Materials and Supplies	151,928
Prepayments	79,834
Deferred Fuel Expense	(13,817)
Compensated Absences	43,316
Total	$829,985
Deferred Debits	
Unamortized Debt Expense	$13,137
Extraordinary Property Losses	6,687
Clearing Accounts	428
Miscellaneous Deferred Debits	73,410
Unamortized Loss on Reacquired Debt	51,266
Accumulated Deferred Income Taxes	28,811
Total	$173,739
TOTAL ASSETS AND OTHER DEBITS	$10,524,774

Philadelphia Electric Company - Combined Operations
BALANCE SHEET
June 30, 1986
(Thousand $)

LIABILITIES AND OTHER CREDITS	COMPANY	
Proprietary Capital		
Common Capital Stock	$2,641,663	
Preferred Capital Stock	926,182	
Premium on Preferred Stock	1,214	
Other Paid in Capital	6,091	
Retained Earnings	671,071	
Total	$4,246,221	
Long-Term Debt		
Bonds	$3,024,438	
Pollution Control Notes	518,185	
Other Long Term Debt	716,326	
Unamortized Net Discount on Long Term Debt	(17,176)	
Total	$4,241,773	
Current and Accrued Liabilities		
Short-Term Debt	$56,335	
Obligations Under Capital Leases	67,233	
Compensated Absences Payable	43,316	
Current Maturities of Long Term Debt	190,800	
Accounts Payable	136,862	
Customers' Deposits	7,873	(a)
Taxes Accrued	56,800	
Interest Accrued	110,557	
Dividends Declared	123,990	
Miscellaneous Current & Accrued Liabilities	24,391	
Deferred Income Taxes on Fuel	(7,818)	
Total	$810,339	
Deferred Credits		
Customers' Advances for Construction	$819	(b)
Accumulated Deferred Investment Tax Credits	346,613	
Other Deferred Credits	62,954	
Unamortized Gain on Reacquired Debt	7,816	
Obligation Under Capital Leases	235,073	
Accumulated Deferred Income Taxes		
Accelerated Amortization Property	2,323	
Other Property	568,253	
Other	2,590	
Total	$1,226,441	
TOTAL LIABILITIES AND OTHER CREDITS	$10,524,774	

(a) Electric Portion = $7,682
(b) Electric Portion = $434

Philadelphia Electric Company - Electric Operations

ELECTRIC PLANT
AT JUNE 30, 1986
(Thousand $)

Electric Plant In Service		
Intangible Plant		
302.	Franchises and Consents	$163
Production Plant		
Steam Production Plant		
310.	Land and Land Rights	5,211
311.	Structures and Improvements	214,089
312.	Boiler Plant Equipment	566,635
314.	Turbogenerator Units	168,960
315.	Accessory Electric Equipment	97,439
316.	Miscellaneous Power Plant Equipment	12,322
	Total Steam Production Plant	$1,064,656
Nuclear Production		
320.	Land and Land Rights	7,706
321.	Structures and Improvements	1,101,939
322.	Reactor Plant Equipment	2,645,837
323.	Turbogenerator Units	527,305
324.	Accessory Electric Equipment	739,907
325.	Miscellaneous Power Plant Equipment	243,088
	Total Nuclear Production Plant	$5,265,782
Hydraulic Production		
330.	Land and Land Rights	1,421
331.	Structures and Improvements	14,484
332.	Reservoirs, Dams and Waterways	34,955
333.	Water Wheels, Turbines and Generators	21,971
334.	Accessory Electric Equipment	8,662
335.	Miscellaneous Power Plant Equipment	2,039
336.	Roads, Railroads and Bridges	998
	Total Hydraulic Production Plant	$84,530
Other Production Plant		
340.	Land and Land Rights	846
341.	Structures and Improvements	4,218
342.	Fuel Holders, Producers and Accessories	21,321
343.	Prime Movers	-
344.	Generators	82,131
345.	Accessory Electric Equipment	12,552
346.	Miscellaneous Power Plant Equipment	2,266
	Total Other Production Plant	$123,334
Total Production Plant		$6,538,302

Philadelphia Electric Company - Electric Operations

ELECTRIC PLANT
AT JUNE 30, 1986
(Thousand $)

Electric Plant In Service (Continued)

Transmission Plant		
350.	Land and Land Rights	47,970
352.	Structures and Improvements	16,644
353.	Station Equipment	238,021
354.	Towers and Fixtures	184,125
355.	Poles and Fixtures	496
356.	Overhead Conductors and Devices	101,715
357.	Underground Conduit	2,521
358.	Underground Conductors and Devices	43,090
359.	Roads and Trails	1,730
	Total Transmission Plant	$636,312
Distribution Plant		
360.	Land and Land Rights	22,510
361.	Structures and Improvements	35,372
362.	Station Equipment	300,311
364.	Poles, Towers and Fixtures	136,407
365.	Overhead Conductors and Devices	208,206
366.	Underground Conduit	148,663
367.	Underground Conductors and Devices	263,562
368.	Line Transformers	160,797
369.	Services	112,176
370.	Meters	96,450
371.	Installations on Customers' Premises	278
373.	Street Lighting and Signal Systems	28,087
	Total Distribution Plant	$1,512,819
General Plant		
389.	Land and Land Rights	1,967
390.	Structures and Improvements	19,149
391.	Office Furniture & Equipment	3,205
393.	Stores Equipment	404
394.	Tools, Shop and Garage Equipment	4,980
395.	Laboratory Equipment	7,480
397.	Communication Equipment	1,830
398.	Miscellaneous Equipment	2,263
	Sub-Total	$41,278
399.	Other Tangible Property Anti-trust Price Adjustment	(2,136)
	Total General Plant	$39,142
Total Electric Plant In Service (carried forward)		$8,726,738

Philadelphia Electric Company - Electric Operations

ELECTRIC PLANT
AT JUNE 30, 1986
(Thousand $)

Total Electric Plant In Service (brought forward)	$8,726,738
Construction Work in Progress	1.174,729
Plant Held for Future Use	
Land and Land Rights	16,905
Other Than Land and Land Rights	21
Total	$16,926
Total Electric Plant	$9,918,393

Philadelphia Electric Company - Electric Operations

COMMON UTILITY PLANT
AT JUNE 30, 1986
(Thousand $)

Intangible Plant		
301.	Organization	$677
General Plant		
389.	Land and Land Rights	3,115
390.	Structures and Improvements	94,170
391.	Office Furniture and Equipment	22,706
392.	Transportation Equipment	7,021
393.	Stores Equipment	2,028
394.	Tools, Shop and Garage Equipment	6,965
396.	Power Operated Equipment	1,422
397.	Communication Equipment	1,866
398.	Miscellaneous Equipment	2,517
	Total - General Plant	$141,810
Total Common Utility Plant in Service		$142,487
Construction Work in Progress		2,857
Plant Held for Future Use (Land and Land Rights)		388
Total Common Utility Plant		$145,732

Philadelphia Electric Company
BOOK ACCUMULATED PROVISION FOR DEPRECIATION
OF UTILITY PLANT IN SERVICE
INCLUDING DECOMMISSIONING EXPENSE
JUNE 30, 1986
(Thousand $)

Effective with the Commission Order at Docket R-842590 (January 25, 1985), the Company began to maintain book depreciation reserve information by detailed plant accounts for electric and common plant. The reserve by plant account for electric operations, including allocated common can be found in Exhibit AW-2.

Reserve for Depreciation - Electric (C-2)	$1,633,742
Decommissioning Reserve (D-15)	20,946
Total Electric Reserve	$1,654,688
Share of Common $51,600 (C-3)x 86.188% (B-17)	44,473
Total	$1,699,161

Philadelphia Electric Company and Subsidiary Companies

12 MONTHS ENDING JUNE 30, 1986
CONSOLIDATED STATEMENT OF INCOME
(Thousand $)

Operating Revenue	
Electric	$2,550,517
Gas	450,484
Steam	62,075
Total Operating Revenue	$3,063,076
Operating Expenses	
Total Operation and Maintenance	$1,908,141
Provision for Depreciation and Amortization-	$183,924
Provision for Taxes	
Federal Income Taxes	124,434
State and Local Income Taxes	29,799
Investment Tax Credit Adjustments-Net	6,177
Deferred Income Taxes	105,879
Taxes Other Than Income	228,822
Total Provision for Taxes	495,111
Total Operating Expenses	$2,587,176
Operating Income	$475,900
Other Income	
Allowance for Other Funds Used During Construction	79,001
Other Income and Deductions	88,500
Income Taxes	147,008
Total Other Income	$314,509
Income Before Interest Charges	$790,409
Interest Charges	
Interest on Long-Term Debt	475,092
Other Interest	10,418
Allowance for Borrowed Funds - Credit	(284,551)
Net Interest Charges	$200,959
Net Income	589,450
Dividends on Preferred Stocks	95,437
Earnings Available for Common Stock	$494,013
Common Stock Outstanding	
End of Period (1000)	183,505
Average (1000)	176,248
Earnings per average share (dollars)	$2.803

Philadelphia Electric Company - Electric Operations
STATEMENT OF ELECTRIC OPERATING INCOME
12 Months Ending June 30, 1986
(Thousand $)

	OPERATING REVENUE	
	Sales of Electricity:	
440	Residential	$928,292
442	Commercial & Industrial	1,442,184
444	Public Street and Highway Lighting	38,281
446	Sales to Railroads and Railways	53,347
447	Sales for Resale	23,085
448	Interdepartmental Sales	4,126
	Total Sales of Electricity	$2,489,315
	Other Operating Revenues:	
450	Forfeited Discounts	9,420
451	Miscellaneous Service Revenues	2,150
454	Rent from Electric Property	10,449
455	Interdepartmental Rents	4,423
456	Other Electric Revenues	12,536
	Total Other Operating Revenues	$38,978
	Total Electric Operating Revenues	$2,528,293
	OPERATING EXPENSES	
401	Operation and Maintenance Expense:	
	Power Production	1,138,824
	Transmission	23,224
	Distribution	101,778
	Customer Accounts	80,738
	Customer Service & Information	10,463
	Sales	906
	Administrative and General Expense	146,770
	Total Operation and Maintenance Expense	$1,502,703
403	Depreciation Expense	163,391
405	Amortization of Other Electric Plant	(641)
407	Amortization of Property Losses	1,679
	Taxes	
408.1	Taxes Other Than Income Taxes	$199,837
409.1	Income Taxes	132,673
410.1	Provisions for Deferred Income Taxes	107,815
411.1	Inc. Taxes Deferred - Other	(14,033)
411.4	Investment Tax Credit Adjustments	6,912
	Total Taxes	$433,204
411.6&7	Gain or Loss from Disposition of Utility Plant	-
	Total Operating Expenses	$2,100,336
	Operating Income	$427,957

Philadelphia Electric Company - Electric Operations
OPERATING EXPENSES
12 Months Ending JUNE 30, 1986
(Thousand $)

I. POWER PRODUCTION EXPENSES
STEAM POWER GENERATION

OPERATION		
500	Operation Supervision	15,217
501	Fuel	269,280
502	Steam Expenses	38,124
504	Steam Transferred - Credit	(46,600)
505	Electric Expenses	7,682
506	Miscellaneous Steam Power Expenses	13,356
507	Rents	15,065
	Total Operation	$312,124
MAINTENANCE		
510	Maintenance Supervision and Engineering	9,599
511	Maintenance of Structures	9,042
512	Maintenance of Boiler Plant	64,728
513	Maintenance of Electric Plant	18,284
514	Maintenance of Miscellaneous Steam Plant	3,552
	Total Maintenance	$105,205
	Total Power Production Expenses-Steam Power	$417,329

NUCLEAR POWER GENERATION

OPERATION		
517	Operation Supervision and Engineering	12,727
518	Fuel	136,823 (a)
519	Coolants and Water	1,138
520	Steam Expenses	18,798
523	Electric Expenses	2,356
524	Miscellaneous Nuclear Power Expenses	39,955
525	Rents	87
	Total Operation	$211,884
MAINTENANCE		
528	Maintenance Supervision and Engineering	16,795
529	Maintenance of Structures	3,715
530	Maintenance of Reactor Plant Equipment	16,884
531	Maintenance of Electric Plant	10,049
532	Maintenance of Miscellaneous Nuclear Plant	5,448
	Total Maintenance	$52,891
	Total Power Production Expenses-Nuclear Power	$264,775

(a) Includes $11,715 for spent nuclear fuel disposal expense; $26,985 for Limerick fuel costs from January 1, 1986 through June 30, 1986.

Philadelphia Electric Company - Electric Operations
OPERATING EXPENSES
12 Months Ending JUNE 30, 1986
(Thousand $)

	HYDRAULIC POWER GENERATION	
OPERATION		
535	Operation Supervision and Engineering	$404
536	Water and Power	368
537	Hydraulic Expenses	1,170
538	Electric Expenses	230
539	Miscellaneous Hydraulic Power Generation Expenses	424
540	Rents	1
	Total Operation	$2,597
MAINTENANCE		
541	Maintenance Supervision and Engineering	540
542	Maintenance of Structures	210
543	Maintenance of Reservoirs, Dams & Waterways	247
544	Maintenance of Electric Plant	3,133
545	Maintenance of Miscellaneous Hydraulic Plant	147
	Total Maintenance	$4,277
	Total Power Production Expenses-Hydraulic Power	$6,874
	OTHER POWER GENERATION	
OPERATION		
546	Operation Supervision and Engineering	1,029
547	Fuel	10,192
548	Generation Expenses	1,327
549	Miscellaneous Other Power Generation Expenses	1,479
550	Rents	1,140
	Total Operation	$15,167
MAINTENANCE		
551	Maintenance Supervision and Engineering	629
552	Maintenance of Structures	233
553	Maintenance of Generating and Electric Plant	6,221
554	Maintenance of Miscellaneous Other Power	102
	Total Maintenance	$7,185
	Total Power Production Expenses - Other Power	$22,352
	OTHER POWER SUPPLY EXPENSES	
555	Purchased Power	116,213
556	System Control and Load Dispatching	6,022
557	Other Expenses	305,259 (a)
	Total Other Power Supply Expenses	$427,494
	Total Power Production Expenses	$1,138,824

(a) Includes $218,208 of Deferred Fuel; $43 for Limerick precommercial generation in July 1985; $86,978 for the value of Limerick #1 generation from 8/1/85 through 12/31/85.

Philadelphia Electric Company - Electric Operations
OPERATING EXPENSES
12 Months Ending JUNE 30, 1986
(Thousand $)

	TRANSMISSION EXPENSES	
OPERATION		
560	Operation Supervision and Engineering	2,264
561	Load Dispatching	1,601
562	Station Expenses	1,767
563	Overhead Line Expenses	221
564	Underground Line Expenses	247
566	Miscellaneous Transmission Expenses	1,296
567	Rents	6,722
	Total Operation	$14,118
MAINTENANCE		
568	Maintenance Supervision and Engineering	879
569	Maintenance of Structures	333
570	Maintenance of Station Equipment	5,112
571	Maintenance of Overhead Lines	2,146
572	Maintenance of Underground Lines	636
573	Maintenance of Miscellaneous Transmission Plant	-
	Total Maintenance	$9,106
	Total Transmission Expenses	$23,224
	DISTRIBUTION EXPENSES	
OPERATION		
580	Operation Supervision and Engineering	7,902
581	Load Dispatching	1,821
582	Station Expenses	5,461
583	Overhead Line Expenses	6,416
584	Underground Line Expenses	2,975
585	Street Lighting and Signal System Expenses	674
586	Meter Expenses	4,654
587	Customer Installation Expenses	4,868
588	Miscellaneous Distribution Expenses	11,240
589	Rents	3,973
	Total Operation	$49,984
MAINTENANCE		
590	Maintenance Supervision and Engineering	3,854
591	Maintenance of Structures	957
592	Maintenance of Station Equipment	7,794
593	Maintenance of Overhead Lines	23,354
594	Maintenance of Underground Lines	10,107
595	Maintenance of Line Transformers	1,720
596	Maintenance of Street Lighting and Signal System	1,113
597	Maintenance of Meters	1,687
598	Maintenance of Miscellaneous Distribution Plant	1,208
	Total Maintenance	$51,794
	Total Distribution Expenses	$101,778

Philadelphia Electric Company - Electric Operations
OPERATING EXPENSES
(Thousand $)
12 Months Ending June 30, 1986

	IV CUSTOMER ACCOUNTS EXPENSES	
OPERATION		
901	Supervision	
902	Meter Reading Expenses	2,540
903	Customer Records and Collection	14,215
904	Uncollectible Accounts	46,975
905	Miscellaneous Customer Accounts Expenses	16,472
	Total Customer Accounts Expenses	536
		$80,738
	V CUSTOMER SERVICE & INFORMATIONAL EXPENSES	
OPERATION		
907	Supervision	
908	Customer Assistance Expenses	1,044
909	Informational & Instructional Advertising Expenses	6,299
910	Misc. Cust. Serv. & Information Expenses	2,768
	Total Cust. Serv. & Information Expenses	352
		$10,463
	VI SALES EXPENSES	
OPERATION		
911	Supervision	
912	Demonstrating and Selling Expenses	128
913	Advertising Expenses	360
916	Miscellaneous Sales Expenses	340
	Total Sales Expenses	78
		$906
	VII ADMINISTRATIVE AND GENERAL EXPENSES	
OPERATION		
920	Administrative and General Salaries	37,754
921	Office Supplies and Expenses	15,894
923	Outside Services Employed	4,859
924	Property Insurance	9,550
925	Injuries and Damages	8,475
926	Employee Pensions and Benefits	48,285
928	Regulatory Commission Expenses	4,353
929	Duplicate Charges - Credit	(1,800)
930	General Advertising and Miscellaneous	17,793
	Total Operation	$145,163
MAINTENANCE		
935	Maintenance of General Plant	1,607
	Total Administrative and General Expenses	146,770
	VIII TOTAL OPERATION AND MAINTENANCE EXP. (B-9)	$1,502,703
	IX DEPRECIATION AND AMORTIZATION	
940	Depreciation	163,391 (a)
943	Amortization of Other Electric Plant	(641)
944	Amortization of Property Losses	1,679
	Total Depreciation and Amortization	$164,429

(a) Includes $4,190 of nuclear decommissioning accruals.

Philadelphia Electric Company - Electric Operations
OPERATING EXPENSES
12 Months Ending June 30, 1986
(Thousand $)

X TAXES

TAXES OTHER THAN INCOME TAXES

State and Local	
Capital Stock - Pennsylvania	25,793
Capital Stock - New Jersey	92
Gross Receipts	110,055
Real Estate - Local	807
Real Estate - State	42,432
State Unemployment Compensation	1,362
Philadelphia Realty Occupancy	451
Other State and Local	582
Total State and Local	$181,574
Federal	
Telephone and Telegraph	25
Federal Unemployment Compensation	778
Federal Old Age Benefits	17,491
Other	(31)
Total Federal	$18,263
Total Taxes Other Than Income	$199,837

INCOME TAXES

State - Pennsylvania	25,654
State - Maryland	122
State - New Jersey	1,124
Federal	105,773
Total Income Taxes	$132,673
Provisions for Deferred Income Taxes	107,815
Income Taxes Deferred - Other	(14,033)
Investment Tax Credit Adjustments*	6,912
TOTAL ALL TAXES	$433,204
XII TOTAL OPERATING EXPENSES (B-9)	$2,100,336

*Investment tax credit of $17,618 less amortization of $10,706

Philadelphia Electric Company - Electric Operations

FEDERAL INCOME TAX COMPUTATION
12 MONTHS ENDED June 30, 1986
(Thousand $)

Operating Revenue		$2,528,293
Less: Operating Expenses		
Operating and Maintenance Expense	1,502,703	
Depreciation and Amortization	164,429	
State and Local Income Taxes	26,900	
Taxes Other Than Income	199,837	
Balance		$634,424
Adjustments for Additional Items Affecting Taxable Income		
Deductions:		
Gross Interest Charges Allocated to Electric Operations	187,595	
Additional Depreciation for Tax Purposes	371,029	
Contribution to Pension Fund Charged to Const.	8,766	
Taxes Charged to Construction	5,373	
Employee Benefits Charged to Construction	7,615	
Preferred Dividend Credit	786	
Amortization of Various Expenses Capitalized by R.A.	73	
Amortization of Gain on Required Debt	1,696	
Amortization of Easements & Clearing Rights of Way	511	
Net Leasing Expense - Salem 2	4,566	
Nuclear Fuel: Excess of Tax over Burn-up	(20,861)	
Deferred Fuel Expense	(218,208)	
Removal Costs	5,383	
Turbine Lease Cancellation	30,917	
Deferred Limerick Costs	93,491	
Additions:		
Reimburse Federal Income Taxes of SPCo	2,285	
Amortization of loss on Chester 5&6 & Barbadoes 6&7	432	
Purta Escrow	11,456	
Amortization of loss on Schuylkill	1,247	
Purta Recoverable	8,750	
Precommercial generation (July 1985) - Limerick 1	43	
Value of Generation (8/1/85-12/31/85) - Limerick I	86,978	
Miscellaneous Additions	1,356	
Sub-Total Net Deductions		$366,185
Federal Income Tax Base - Operations		$268,239
Federal Income Tax @ 46%		$123,390
Investment Tax Credit (a)		17,617
Federal Income Tax Charged to Operations		$105,773

(a) There is $187,323 ITC available to be carried forward to future years, exclusive of TRASOP.

Philadelphia Electric Company - Electric Operations

ACCUMULATED DEFERRED TAXES
PER BALANCE SHEET (B-2) AS OF JUNE 30, 1986
(Thousand $)

The balance as of 6/30/86 in Accumulated Deferred Income Taxes including allocated common which amounts to $525,327 for electric operations as developed below, is deducted from the Company's investment in developing the rate base measures of value (A-2).

Combined Operations

	Total Per Balance Sheet (a)	Accumulated Deferred Taxes Common Allocated (b)	Accumulated Deferred Taxes Including Allocated Common
Electric	$517,547*	7,780	$525,327 (c)
Gas	38,779	1,167	39,946
Steam	2,900	80	2,980
Common	9,027	(9,027)	-
Total	$568,253		$568,253

a. Per B-2
b. Per B-17

Electric	86.188%
Gas	12.930
Steam	.882
Total	100.000%

c. Includes: 1) capitalized pensions, taxes and fringe benefits balance of $42,726, 2) Limerick Unit No. 1 & 100% common balance of $135,585.

*Reflects an $839 reduction as a result of eliminating Bradshaw Reservoir from rate base

Philadelphia Electric Company - Combined Operations

DEVELOPMENT OF FACTORS FOR ALLOCATING COMMON
TO ELECTRIC, GAS, & STEAM OPERATIONS
June 30, 1986

	Plant in Service (1)	By Total Revenue (2)	By Total Customers (3)	Average (4)=(1)+(2)+(3) 3
Basic Data	(Thousand $)	(Thousand $)	(Number)	
Electric	$8,726,738	$2,528,293	1,343,513	
Gas	485,912	450,484	309,770	
Steam	53,080	62,075	515	
Subtotal	$9,265,730	$3,040,852	1,653,798	
Common	142,487	-	-	
Total	$9,408,217	$3,040,852	1,653,798	
Allocation Factors				
Electric	94.183%	83.144%	81.238%	86.188%
Gas	5.244	14.814	18.731	12.930
Steam	0.573	2.042	0.031	0.882
Total	100.000%	100.000%	100.000%	100.000%

Philadelphia Electric Company - Combined Operations

CALCULATION OF EFFECTIVE INCOME TAX RATE

The effective income tax rate developed below combines into a single rate the effects of the federal income tax rate of 46% and the Pennsylvania income tax rate of 7.5%. The Pennsylvania income tax rate of 7.5% is the rate in effect prior to 1971 and is used here to reflect the level of Pennsylvania income taxes collectible through base rates. Changes in the Pennsylvania income tax rate since 1970 are collected through operation of the State Tax Adjustment Clause.

This effective income tax rate is intended for application to incremental changes in taxable income which result from 1) changes in revenue, less gross receipts taxes, associated with ratemaking adjustments, 2) changes in tax deductible expense associated with ratemaking adjustments and 3) additional revenues yielded by proposed rates. Because the effective income tax rate is applied to incremental changes in taxable income, it is independent of the overall average income tax rate experienced during the test year.

In 1970, prior to the establishment of the State Tax Adjustment Clause, Pennsylvania income taxes were deductible in determining both state and federal taxable incomes. Consequently, the effective state, federal or combined income tax rates must be determined by use of algebraic formulae. The algebraic formulae used here act to determine an effective income tax rate to be applied to changes in taxable income before payment of both Pennsylvania and federal income taxes.

Pennsylvania Effective Income Tax, s:

$$s = 0.075 \times (\text{taxable income} - s)$$
$$s = (0.075 \times \text{taxable income}) - (0.075 \times s)$$
$$s + (0.075 \times s) = (0.075 \times \text{taxable income})$$
$$s \times (1 + 0.075) = (0.075 \times \text{taxable income})$$
$$s = \frac{0.075 \times \text{taxable income}}{1.075}$$
$$s = 0.06977 \times \text{taxable income}$$

Federal Effective Income Tax, f:

$$f = 0.46 \times (\text{taxable income} - s)$$
$$f = (0.46 \times \text{taxable income}) - (0.46 \times 0.06977 \times \text{taxable income})$$
$$f = (0.4600 - 0.03209) \times \text{taxable income}$$
$$f = 0.42791 \times \text{taxable income}$$

Summary:

	Rate		
	Statutory	Effective	Effective In % of Total
Pennsylvania	7.5%	6.977%	14.019%
Federal	46.0%	42.791	85.981
Total		49.768%	100.000%

PHILADELPHIA ELECTRIC COMPANY

DEBT CAPITAL
DEVELOPMENT OF WEIGHTED EFFECTIVE COST RATE
JUNE 30, 1986

($1,000)

Debt Issue	Nominal Date of Issue	Principal Amount Outstanding	Premium or (Discount)	Issue Expense	Net Proceeds Amount	Net Proceeds Per $100	Cost of Money Yield to Maturity	Cost of Money Weighted Interest
Mortgage Bonds & Debs								
12-1/2% due 2005	10/15/79	100,000	(883)	175	98,942	98.94	12.64%	12,640
4.85% S.F.deb due 1986	10/1/61	40,000	0	189	39,811	99.53	3.38%	1,352
4-5/8% due 1987	9/1/57	40,000	(284)	131	39,585	98.96	4.69%	1,876
3-3/4% due 1988	5/1/58	40,000	(360)	123	39,517	98.79	3.82%	1,528
4-3/8% due 1986	12/1/58	50,000	(315)	148	49,537	99.07	4.43%	2,215
5% due 1989	10/1/59	50,000	171	153	50,018	100.04	5.00%	2,500
4-1/2% due 1994	5/1/64	50,000	160	134	50,026	100.05	4.50%	2,250
6-1/8% due 1997	10/1/67	75,000	(271)	115	74,614	99.49	6.16%	4,620
6-1/2% due 1993	3/1/68	60,000	(401)	79	59,520	99.20	6.57%	3,942
9% S.F. due 1995	2/1/70	80,000	1,071	111	80,960	101.20	8.49%	6,792
7-3/4% S.F. due 2000	12/15/70	80,000	(772)	107	79,121	98.90	7.43%	5,944
8-1/4% due 1996	8/1/71	80,000	(369)	126	79,505	99.38	8.31%	6,648
7-3/8% due 2001	12/15/71	80,000	49	132	79,917	99.90	7.38%	5,904
7-1/2% due 1998	6/15/72	100,000	(14)	142	99,844	99.84	7.51%	7,510
7-1/2% due 1999	1/22/73	100,000	(384)	116	99,500	99.50	7.54%	7,540
8-1/2% due 2004	1/16/74	125,000	34	145	124,889	99.91	8.51%	10,638
11-5/8% due 2000	4/15/75	65,000	(423)	104	64,473	99.19	11.73%	7,625
11% due 2000	11/1/75	80,000	(700)	177	79,123	98.90	10.72%	8,576
9-1/8% due 2006	3/1/76	100,000	(875)	159	98,966	98.97	9.23%	9,230
9-5/8% due 2002	8/1/76	100,000	(875)	168	98,957	98.96	9.74%	9,740
8-5/8% due 2007	3/15/77	75,000	(670)	119	74,211	98.95	8.72%	6,540
6% due 2007	2/1/77	23,500	(429)	210	22,861	97.28	6.21%	1,459
8-5/8% due 2003	7/15/77	75,000	(429)	141	74,430	99.24	8.70%	6,525
9-1/8% due 2008	3/15/78	100,000	110	152	99,958	99.96	9.13%	9,130
13-3/4% due 1992	10/15/80	125,000	(904)	169	123,927	99.14	13.90%	17,375
14-3/4% due 2005	4/15/80	100,000	(687)	207	99,106	99.11	14.89%	14,890
14-1/8% due 1990	4/15/80	50,000	(334)	78	49,588	99.18	14.28%	7,140
18-3/4% due 2009	9/15/81	48,869	(426)	113	48,330	98.90	18.96%	9,266
15-1/4% due 1996	4/28/81	52,500	0	411	52,089	99.22	15.40%	8,085
15% due 1996	4/28/81	21,000	0	184	20,816	99.12	15.17%	3,186
18% due 2012	4/1/82	37,379	(701)	80	36,598	97.91	18.39%	6,874
15-3/8% due 2010	10/1/82	100,000	(701)	305	98,994	98.99	15.53%	15,530
13-3/8% due 2013	6/15/83	125,000	(2,301)	348	122,351	97.88	13.67%	17,088
14-1/2% SF Debs due 2009	2/15/84	150,000	(1,875)	311	147,814	98.54	14.74%	22,110
13.05% due 1994	11/26/84	20,000	0	148	19,852	99.26	13.19%	2,638
14% due 1988-94	12/1/84	80,000	0	369	79,631	99.54	14.10%	11,280
11.75% due 2016	5/1/86	100,000	(750)	250	99,000	99.00	11.87%	11,870
11-3/4% due 2014	11/20/85	250,000	(5,284)	756	243,960	97.58	12.05%	30,125
10-7/8% due 1995	11/20/85	150,000	(2,995)	496	146,509	97.67	11.27%	16,905
Adj. for Tender Offer	11/20/85	0	0	0	0			2,133
Adj. for Call of 17-5/8%	7/86	0	0	0	0			313
Subtotal		$3,178,248	($23,817)	$7,581	$3,146,850			$339,532

PHILADELPHIA ELECTRIC COMPANY

DEBT CAPITAL
DEVELOPMENT OF WEIGHTED EFFECTIVE COST RATE
JUNE 30, 1986

($1,000)

Debt Issue	Nominal Date of Issue	Principal Amount Outstanding	Premium or (Discount)	Issue Expense	Net Proceeds Amount	Net Proceeds Per $100	Cost of Money Yield to Maturity	Weighted Interest
Subtotal Carried Forward		3,178,248	(23,817)	7,581	3,146,850			339,532
Cumulative Reacquired S.F								
4.85% Debs due 1986	10/1/61	(19,200)	0	(91)	(19,109)	99.53	3.38%	(649)
7-3/4 S.F. due 2000	12/15/70	(19,200)	185	(26)	(18,989)	98.90	7.43%	(1,427)
9.0% S.F. due 1995	2/3/70	(20,548)	(275)	(29)	(20,794)	101.20	8.49%	(1,745)
11% S.F due 2000	11/1/75	(24,062)	211	(53)	(23,796)	98.90	10.72%	(2,575)
Bank Notes								
Citibank due 1988-89	5/28/79	75,000	0	0	75,000	100.00	9.50%(1)	7,125
Morgan due 1988	7/13/78	25,000	0	0	25,000	100.00	9.98%(2)	2,495
Chase due 1987	7/13/78	25,000	0	0	25,000	100.00	10.00%(3)	2,500
Chase due 1987	4/30/79	50,000	0	0	50,000	100.00	10.00%(3)	5,000
Chemical due 1987	5/28/79	50,000	0	0	50,000	100.00	9.98%(2)	4,990
Unsecured Notes								
17% due 1986-87	6/29/82	20,000	0	36	19,964	99.82	17.06%	3,412
11.75% due 2016	3/86-7/86	550,000	(4,000)	1,500	544,500	99.00	11.88%	65,340
Pollution Control								
5.50% S.F. due 1997	10/1/72	33,000	0	581	32,419	98.24	5.02%	1,657
5.50% S.F due 1997	10/1/72	(8,515)	0	(150)	(8,365)	98.24	5.02%	(427)
13% due 2010	6/1/81	71,500	(1,793)	190	69,517	97.23	13.38%	9,567
11-1/2% due 2011	6/1/81	18,500	(2,236)	49	16,215	87.65	13.16%	2,435
Variable rate due 2012	12/1/82	60,000	(750)	174	59,076	98.46	6.26%	3,756
Variable rate due 2012	12/1/82	40,000	(500)	116	39,384	98.46	5.87%	2,348
Variable rate due 2013	9/1/83	50,000	(625)	177	49,198	98.40	5.87%	2,935
Variable rate due 2012	9/1/84	4,500	(56)	79	4,365	97.00	5.67%	253
Variable rate due 2012	9/1/84	4,200	(53)	63	4,084	97.24	5.67%	238
10.5% due 2015	5/15/85	245,000	(6,039)	321	238,640	97.40	10.76%	26,411
10.5% due 2014	10/1/85	41,000	(825)	219	39,956	97.45	10.77%	4,416
Other								
Note to Leon, Adelina & Nancy Masserio		98	0	0	98	100.00	6.00%	6
Note to Samuel & Catherine Edwards	7/19/77	102	0	0	102	100.00	8.00%	8
Note to Ida Mack		31	0	0	31	100.00	12.00%	4
Note for Petro Pipeline		95	0	0	95	100.00	12.00%	11
Total		$4,449,749	($40,573)	$10,737	$4,398,439			$477,614
Less: Unamort.Prem. on Tend. off.		(44,800)						
Less: Unamort.Prem. on 17-5/8% call		(6,454)						
Net debt for capitalization		$4,398,495						
(1) Prime (Prime @ 9.50%) = 9.50%								10.86%
(2) 105% of Prime (Prime @ 9.50%) = 9.98%								
(3) 1/2 Of 1% over Prime (prime @ 9.50%) = 10.00%								
(4) Prime (Prime 9%.5%) plus .25% = 9.75%								

A detailed discussion regarding the Embedded Cost of Debt is provided in The Direct Testimony of Joseph F Brennan.

Philadelphia Electric Company
Preferred Stock
Development of Weighted Effective Cost Rate

June 30, 1986
($1,000)

Issue	Shares	Date of Issue	Principal Amount Outstanding	Total Discount and Expense or Net Premium	Net Proceeds Amount	Net Proceeds Per $100	Weighted Cost	Effective Cost Rate-%
4.400% Cumulative	226,499	Dec. 1941	$22,650	$0	$22,650	100.00%	$997	4.40%
4.400%	48,221	Mar. 1942	$4,822	$449	$5,271	109.31%	$194	4.03%
3.800% Cumulative	300,000	12/4/46	$30,000	($30)	$29,970	99.90%	$1,140	3.80%
4.300% Cumulative	150,000	2/5/48	$15,000	($468)	$14,532	96.88%	$666	4.44%
4.680% Cumulative	150,000	5/14/53	$15,000	($244)	$14,756	98.37%	$714	4.76%
7.000% Cumulative	400,000	2/4/69	$40,000	($646)	$39,354	98.39%	$2,884	7.21%
8.750% Cumulative	650,000	7/22/70	$65,000	($1,040)	$63,960	98.40%	$5,779	8.89%
7.850% Cumulative	500,000	3/10/71	$50,000	($801)	$49,199	98.40%	$3,990	7.98%
7.750% Cumulative	200,000	11/16/71	$20,000	($399)	$19,601	98.01%	$1,582	7.91%
7.800% Cumulative	750,000	4/20/72	$75,000	($1,106)	$73,894	98.53%	$5,940	7.92%
7.325% Cumulative	750,000	4/2/73	$75,000	($442)	$74,558	99.41%	$5,550	7.40%
9.500% Cumulative	750,000	4/18/74	$75,000	($1,093)	$73,907	98.54%	$7,230	9.64%
9.520% Cumulative	500,000	5/4/76	$50,000	($920)	$49,080	98.16%	$4,915	9.83%
8.750% Cumulative	500,000	5/1/78	$50,000	($225)	$49,775	99.55%	$4,405	8.81%
13.250% Cumulative	500,000	3/18/80	$50,000	($925)	$49,075	98.15%	$7,860	15.72%
10.000% Cumulative	220,000	3/18/80	$22,000	($131)	$21,869	99.40%	$2,215	10.07%
17.125% Cumulative	300,000	2/18/82	$30,000	($525)	$29,475	98.25%	$5,286	17.62%
12.800% Cumulative	750,000	2/9/83	$75,000	($3,443)	$71,557	95.41%	$10,065	13.42%
13.350% Cumulative	750,000	11/15/83	$75,000	($3,384)	$71,616	95.49%	$10,485	13.98%
14.625% Cumulative	500,000	3/28/84	$50,000	($888)	$49,112	98.22%	$7,445	14.89%
14.150% Cumulative	500,000	12/11/84	$50,000	($2,323)	$47,677	95.35%	$7,420	14.84%
11.750% Cumulative	500,000	5/86	$50,000	($500)	$49,500	99.00%	$5,935	11.87%
(Redeemed)								
7.000% Cumulative	(104,000)		($10,400)	$168	($10,232)	98.38%	($750)	7.21%
7.325% Cumulative	(240,000)		($24,000)	$141	($23,859)	99.41%	($1,776)	7.40%
9.520% Cumulative	(120,000)		($12,000)	$221	($11,779)	98.16%	($1,180)	9.83%
8.750% Cumulative	(99,900)		($9,990)	$45	($9,945)	99.55%	($880)	8.81%
10.000% Cumulative	(44,000)		($4,400)	$26	($4,374)	99.41%	($443)	10.07%
15.250% Cumulative	(25,000)		($2,500)	$46	($2,454)	98.16%	($393)	15.72%
Total			$925,182	($18,437)	$907,745		$97,275	10.50%

A detailed discussion regarding the Embedded Cost of Preferred Stock is contained in The Direct Testimony of Joseph F. Brennan.

Philadelphia Electric Company - Electric Operations

DESCRIPTION OF COMPANY'S CLAIMED MEASURES OF VALUE

The Company's claimed rate base is to its depreciated original cost of electric plant in service, including allocated common plant at June 30, 1986 and necessary other investments in used and useful plant facilities and working capital, as shown on page A-2.

Claimed utility plant in service has been taken from the Company's books of account which were originally approved by the Pennsylvania Public Utility Commission in the mid-1940's and have since been maintained in conformity with the Commission's regulations and with the Uniform System of Accounts for Class A electric companies prescribed by the Federal Energy Regulatory Commission (FERC). The Company's books of account were last audited by FERC in 1982, with the Pennsylvania Commission participating in that audit, and are audited on an annual basis by a firm of independent certified public accountants. In addition, the PaPUC audit staff recently completed an audit of the Company's property records through December 1983.

The Direct Testimony of Warren H. Smith, explains the detailed internal accounting procedures utilized by the Company to ensure that the original cost of utility plant is properly recorded in these accounts. A detailed description, together with extensive supporting documentation of the Company's depreciation reserve associated with plant in service at June 30, 1986 is presented in the Statement and Exhibits of Mr. Alfred Wroblewski. The several additions to Depreciated Utility Plant in Service as shown on page A-2 are discussed in Sections B and C of this Exhibit and are further described in the Statements and Exhibits of the Company witnesses there identified. The several deductions to Depreciated Utility Plant in Service are described by Thomas P. Hill, Jr.

Philadelphia Electric Company - Electric Operations
SUMMARY OF ORIGINAL COST OF PLANT
AND RELATED BOOK DEPRECIATION RESERVE
AS OF JUNE 30, 1986
($1,000's)

	Original Cost		
	Plant	Depreciation Reserve	Net
Depreciable Plant in Service (C-2e)	$8,641,080	$1,633,742	$7,007,338
Non-Depreciable Plant in Service (C-2f)	85,658	-	85,658
Total Electric Plant in Service per books (B-5,7)	$8,726,738 (a)	$1,633,742(a)	$7,092,996(a)
Book Reserve Adjustments			
Additional AFUDC for Ratemaking (C-2g)	35,109	5,585	29,524
Excess Salvage (C-2g)	-	(13,822)	13,822
Adjusted plant and reserve	$8,761,847	$1,625,505	$7,136,342
Other Ratemaking Adjustments			
25 Cycle Equipment	(4,128)	(4,128)	-
Adjusted for Ratemaking	$8,757,719	$1,621,377	$7,136,342
Allocated Common from C-3	122,807	44,473	78,334
Total Electric and Allocated Common	$8,880,526	$1,665,850	$7,214,676
Bradshaw Reservoir	(15,307)	(165)	(15,142)
CPR Audit Adjustment	(9,439)	(9,185)	(254)
Adjusted Total Electric and Allocated Common	$8,855,780	$1,656,500	$7,199,280
(a) Limerick 1 (C-2c)	$2,532,627	$25,839	$2,506,788
Limerick 100% common facilities			
Non-depreciable (AW-3 page 5)	7,349	-	7,349
Depreciable (C-2c)	1,256,368	12,566	1,243,802
Limerick Transmission (C-2d)	8,349	95	8,254
Sub-Total Limerick	$3,804,643	$38,500	$3,766,193
Other Electric	4,906,738	1,595,077	3,311,661
Total Electric Plant in Service	$8,711,431	$1,633,577	$7,077,854

PHILADELPHIA ELECTRIC COMPANY - ELECTRIC PLANT
SUMMARY OF PRIMARY ACCOUNTS OF ORIGINAL COST
AND RELATED DEPRECIATION RESERVE FOR ELECTRIC PLANT IN SERVICE AT 6/30/86
(THOUSANDS 0)

LOCATION ACCOUNT		ORIGINAL COST PLANT	RESERVE	NET
SCHUYKILL (1,3)	STEAM PRODUCTION			1992 = TERMINAL YEAR
1	3110 STRUCTURES AND IMPROVEMENTS	12465	8948	3457
1	3120 BOILER PLANT EQUIPMENT	44536	31002	13534
1	3140 TURBOGENERATOR UNITS	10471	8199	2271
1	3150 ACCESSORY ELECTRIC EQUIPMENT	10289	9562	727
1	3160 MISCELLANEOUS POWER PLANT EQUIP.	1596	857	739
STATION TOTAL		79295	58568	20728
CROMBY 2	STEAM PRODUCTION			1998 = TERMINAL YEAR
4	3110 STRUCTURES AND IMPROVEMENTS	7949	6296	1653
4	3120 BOILER PLANT EQUIPMENT	17612	15674	1939
4	3140 TURBOGENERATOR UNITS	10400	8376	2025
4	3150 ACCESSORY ELECTRIC EQUIPMENT	2699	2562	137
4	3160 MISCELLANEOUS POWER PLANT EQUIP.	678	648	31
STATION TOTAL		39339	33555	5784
EDDYSTONE 1 + 2	STEAM PRODUCTION			2010 = TERMINAL YEAR
6	3110 STRUCTURES AND IMPROVEMENTS	70387	29575	40813
6	3120 BOILER PLANT EQUIPMENT	191229	88340	102888
6	3140 TURBOGENERATOR UNITS	47648	28833	18807
6	3150 ACCESSORY ELECTRIC EQUIPMENT	27088	12634	14446
6	3160 MISCELLANEOUS POWER PLANT EQUIP.	3364	1818	1546
STATION TOTAL		339700	161200	178500
CROMBY 1	STEAM PRODUCTION			2004 = TERMINAL YEAR
7	3110 STRUCTURES AND IMPROVEMENTS	33835	14901	18934
7	3120 BOILER PLANT EQUIPMENT	64053	30746	33307
7	3140 TURBOGENERATOR UNITS	7885	5720	2085
7	3150 ACCESSORY ELECTRIC EQUIPMENT	5100	3290	1809
7	3160 MISCELLANEOUS POWER PLANT EQUIP.	708	506	202
STATION TOTAL		111581	55163	56338
DELAWARE (7,8)	STEAM PRODUCTION			1988 = TERMINAL YEAR
9	3110 STRUCTURES AND IMPROVEMENTS	16628	14912	1717
9	3120 BOILER PLANT EQUIPMENT	26898	21311	5588
9	3140 TURBOGENERATOR UNITS	11381	9589	1792
9	3150 ACCESSORY ELECTRIC EQUIPMENT	10106	9225	882
9	3160 MISCELLANEOUS POWER PLANT EQUIP.	1952	1575	377
STATION TOTAL		66966	56610	10355
10	3110 STRUCTURES AND IMPROVEMENTS	0	-3	4
STATION TOTAL		0	-3	4
CONEMAUGH (1,2)	STEAM PRODUCTION			2006 = TERMINAL YEAR
15	3110 STRUCTURES AND IMPROVEMENTS	6094	2045	4049
15	3120 BOILER PLANT EQUIPMENT	39159	13511	25648
15	3140 TURBOGENERATOR UNITS	20365	6353	14012
15	3150 ACCESSORY ELECTRIC EQUIPMENT	4951	1287	3664
15	3160 MISCELLANEOUS POWER PLANT EQUIP.	749	249	500
STATION TOTAL		71318	23445	47873

PHILADELPHIA ELECTRIC COMPANY - ELECTRIC PLANT
SUMMARY OF PRIMARY ACCOUNTS OF ORIGINAL COST
AND RELATED DEPRECIATION RESERVE FOR ELECTRIC PLANT IN SERVICE AT 6/30/86
(THOUSANDS $)

LOCATION	ACCOUNT		ORIGINAL COST PLANT	RESERVE	NET	
KEYSTONE (1,2)		STEAM PRODUCTION				2003 = TERMINAL YEAR
17	3110	STRUCTURES AND IMPROVEMENTS	18666	2165	16502	
17	3120	BOILER PLANT EQUIPMENT	35562	11668	23894	
17	3140	TURBOGENERATOR UNITS	12840	5927	6913	
17	3150	ACCESSORY ELECTRIC EQUIPMENT	3585	1410	2175	
17	3160	MISCELLANEOUS POWER PLANT EQUIP.	708	293	415	
STATION TOTAL			71362	21463	49899	
EDDYSTONE 3		STEAM PRODUCTION				2009 = TERMINAL YEAR
71	3110	STRUCTURES AND IMPROVEMENTS	45845	15812	30033	
71	3120	BOILER PLANT EQUIPMENT	95472	27612	67860	
71	3140	TURBOGENERATOR UNITS	27413	9685	17727	
71	3150	ACCESSORY ELECTRIC EQUIPMENT	22388	6275	16114	
71	3160	MISCELLANEOUS POWER PLANT EQUIP.	2567	757	1811	
STATION TOTAL			193686	59341	134345	
EDDYSTONE 4		STEAM PRODUCTION				2011 = TERMINAL YEAR
72	3120	BOILER PLANT EQUIPMENT	51072	15050	36022	
72	3140	TURBOGENERATOR UNITS	20644	6094	14549	
72	3150	ACCESSORY ELECTRIC EQUIPMENT	2153	1532	621	
STATION TOTAL			73869	22676	51192	
ALLIED CHEMICAL		STEAM PRODUCTION				1995 = TERMINAL YEAR
305	3110	STRUCTURES AND IMPROVEMENTS	130	24	105	
305	3150	ACCESSORY ELECTRIC EQUIPMENT	221	31	190	
STATION TOTAL			351	95	256	
ESSEX CHEMICAL		STEAM PRODUCTION				1995 = TERMINAL YEAR
306	3110	STRUCTURES AND IMPROVEMENTS	2150	581	1568	
STATION TOTAL			2150	581	1568	
TOOLS + WORK EQUIPMENT		STEAM PRODUCTION				0 = TERMINAL YEAR
372	3120	BOILER PLANT EQUIPMENT	1042	663	379	
STATION TOTAL			1042	663	379	
SAMAC		STEAM PRODUCTION				1992 = TERMINAL YEAR
503	3150	ACCESSORY ELECTRIC EQUIPMENT	8868	2434	6434	
STATION TOTAL			8868	2434	6434	
TOTAL STEAM PRODUCTION						
999	3110	STRUCTURES AND IMPROVEMENTS	214089	94454	119635	
999	3120	BOILER PLANT EQUIPMENT	566635	255616	311019	
999	3140	TURBOGENERATOR UNITS	168960	88777	80183	
999	3150	ACCESSORY ELECTRIC EQUIPMENT	97439	50240	47199	
999	3160	MISCELLANEOUS POWER PLANT EQUIP.	12323	6702	5621	
FUNCTIONAL TOTAL			1059446	495789	563657	

PHILADELPHIA ELECTRIC COMPANY - ELECTRIC PLANT
SUMMARY OF PRIMARY ACCOUNTS OF ORIGINAL COST
AND RELATED DEPRECIATION RESERVE FOR ELECTRIC PLANT IN SERVICE AT 6/30/86
(THOUSANDS $)

LOCATION	ACCOUNT		ORIGINAL COST PLANT	RESERVE	NET
SALEM 1		NUCLEAR PRODUCTION			2012 = TERMINAL YEAR
61	3210	STRUCTURES AND IMPROVEMENTS	49694	11353	38340
61	3220	REACTOR PLANT EQUIPMENT	145898	33037	112053
61	3230	TURBOGENERATOR UNITS	42729	8367	34362
61	3240	ACCESSORY ELECTRIC EQUIPMENT	55822	12695	43127
61	3250	MISCELLANEOUS POWER PLANT EQUIP.	7130	1949	5180
STATION TOTAL			300473	67402	233071
SALEM 2		NUCLEAR PRODUCTION			2016 = TERMINAL YEAR
62	3210	STRUCTURES AND IMPROVEMENTS	56972	7096	49876
62	3220	REACTOR PLANT EQUIPMENT	193201	25614	167587
62	3230	TURBOGENERATOR UNITS	63859	-2247	66106
62	3240	ACCESSORY ELECTRIC EQUIPMENT	67999	8635	59364
62	3250	MISCELLANEOUS POWER PLANT EQUIP.	10658	987	9671
STATION TOTAL			392688	40083	352606
SALEM CF		NUCLEAR PRODUCTION			2016 = TERMINAL YEAR
63	3210	STRUCTURES AND IMPROVEMENTS	99689	22866	76823
63	3220	REACTOR PLANT EQUIPMENT	68463	10397	58067
63	3230	TURBOGENERATOR UNITS	47432	9934	37499
63	3240	ACCESSORY ELECTRIC EQUIPMENT	22633	4325	18308
63	3250	MISCELLANEOUS POWER PLANT EQUIP.	7480	1690	5790
STATION TOTAL			245697	49211	196486
PEACH BOTTOM 2 + 3		NUCLEAR PRODUCTION			2009 = TERMINAL YEAR
66	3210	STRUCTURES AND IMPROVEMENTS	111128	33799	77329
66	3220	REACTOR PLANT EQUIPMENT	259389	52756	206553
66	3230	TURBOGENERATOR UNITS	80577	22577	58000
66	3240	ACCESSORY ELECTRIC EQUIPMENT	39763	12691	27072
66	3250	MISCELLANEOUS POWER PLANT EQUIP.	22574	4705	17869
STATION TOTAL			513351	126528	386823
LIMERICK 8 1		NUCLEAR PRODUCTION			2024 = TERMINAL YEAR
91	3210	STRUCTURES AND IMPROVEMENTS	313744	3042	310702
91	3220	REACTOR PLANT EQUIPMENT	1488167	15156	1473011
91	3230	TURBOGENERATOR UNITS	251741	2826	248915
91	3240	ACCESSORY ELECTRIC EQUIPMENT	360902	3654	357248
91	3250	MISCELLANEOUS POWER PLANT EQUIP.	118073	1161	116912
STATION TOTAL			2532627	25839	2506788
LIMERICK 100% CON		NUCLEAR PRODUCTION			2024 = TERMINAL YEAR
99	3210	STRUCTURES AND IMPROVEMENTS	469281	4554	464647
99	3220	REACTOR PLANT EQUIPMENT	491607	5009	486598
99	3230	TURBOGENERATOR UNITS	40966	459	40507
99	3240	ACCESSORY ELECTRIC EQUIPMENT	192787	1953	190834
99	3250	MISCELLANEOUS POWER PLANT EQUIP.	77114	756	76358
STATION TOTAL			1271675	12731	1258944

PHILADELPHIA ELECTRIC COMPANY - ELECTRIC PLANT
SUMMARY OF PRIMARY ACCOUNTS OF ORIGINAL COST
AND RELATED DEPRECIATION RESERVE FOR ELECTRIC PLANT IN SERVICE AT 6/30/86
(THOUSANDS 0)

LOCATION	ACCOUNT		ORIGINAL COST PLANT	RESERVE	NET
NUCLEAR TRAINING CENTER		NUCLEAR PRODUCTION			2015 = TERMINAL YEAR
388	3210	STRUCTURES AND IMPROVEMENTS	1512	261	1251
388	3250	MISCELLANEOUS POWER PLANT EQUIP.	52	5	46
STATION TOTAL			1563	266	1297
TOTAL NUCLEAR PRODUCTION					
999	3210	STRUCTURES AND IMPROVEMENTS	1101939	82971	1018968
999	3220	REACTOR PLANT EQUIPMENT	2645837	141969	2503868
999	3230	TURBOGENERATOR UNITS	527305	41915	485390
999	3240	ACCESSORY ELECTRIC EQUIPMENT	739907	43953	695954
999	3250	MISCELLANEOUS POWER PLANT EQUIP.	243888	11254	231835
FUNCTIONAL TOTAL			5258875	322061	4936814
MUDDY RUN (1,2,3,4,5,6,7,8)		HYDRAULIC PRODUCTION			0 = TERMINAL YEAR
19	3311	GENERATION	12861	2879	9982
19	3312	CONSERVATION OF FISH +WILDLIFE	128	28	101
19	3313	RECREATION	2295	1025	1270
19	3321	GENERATION	33428	6160	27268
19	3323	RECREATION	1527	153	1374
19	3330	WATER WHEELS, TURBINES, GENS.	21971	6116	15855
19	3340	ACCESSORY ELECTRIC EQUIPMENT	8662	2634	6028
19	3351	GENERATION	1873	743	1130
19	3353	RECREATION	166	47	119
19	3360	ROADS, RAILROADS AND BRIDGES	998	517	481
STATION TOTAL			83188	20301	62887
TOTAL OTHER PRODUCTION					
TOTAL OTHER PRODUCTION					
999	3410	STRUCTURES AND IMPROVEMENTS	4218	2726	1492
999	3420	FUEL HOLDERS,PRODUCERS,ACCESSORI	21328	8296	13026
999	3440	GENERATORS	82131	39176	42956
999	3450	ACCESSORY ELECTRIC EQUIPMENT	12552	5873	6680
999	3460	MISCELLANEOUS POWER PLANT EQUIP.	2266	777	1489
FUNCTIONAL TOTAL			122488	56848	65640
TOTAL TRANSMISSION PLANT					
601	3520	STRUCTURES AND IMPROVEMENTS	16644	4908	11735
601	3530	STATION EQUIPMENT	229672	85034	144638
601	3531	LIMERICK TRANSMISSION	8349	95	8254
601	3540	TOWERS AND FIXTURES	184126	52921	131205
601	3550	POLES AND FIXTURES	496	264	232
601	3560	OVERHEAD CONDUCTORS AND DEVICES	101715	26698	75017
601	3570	UNDERGROUND CONDUIT	2521	1654	867
601	3580	UNDERGROUND CONDUCTORS + DEVICES	43098	22723	20367
601	3590	ROADS AND TRAILS	1730	872	858
FUNCTIONAL TOTAL			588342	195169	393173

PHILADELPHIA ELECTRIC COMPANY - ELECTRIC PLANT
SUMMARY OF PRIMARY ACCOUNTS OF ORIGINAL COST
AND RELATED DEPRECIATION RESERVE FOR ELECTRIC PLANT IN SERVICE AT 6/30/86
(THOUSANDS 0)

LOCATION	ACCOUNT	ORIGINAL COST PLANT	RESERVE	NET
TOTAL DISTRIBUTION PLANT				
601	3610 STRUCTURES AND IMPROVEMENTS	35372	13911	21461
601	3620 STATION EQUIPMENT	308311	148743	159568
601	3640 POLES, TOWERS AND FIXTURES	136407	48815	87592
601	3650 OVERHEAD CONDUCTORS AND DEVICES	208286	78634	129572
601	3660 UNDERGROUND CONDUIT	148663	49599	99064
601	3670 UNDERGROUND CONDUCTORS + DEVICES	263562	77361	186201
601	3680 LINE TRANSFORMERS	160797	53949	106848
601	3691 AERIAL	34329	15951	18378
601	3692 UNDERGROUND	77847	16291	61556
601	3701 METERS	66689	17275	51414
601	3702 METER INSTALLATIONS	27761	6649	21112
601	3710 INSTAL. ON CUSTOMERS' PREMISES	278	193	85
601	3730 LUMINARIES	14833	6807	8027
601	3731 AERIAL CONDUCTORS	937	513	424
601	3732 UNDERGROUND CONDUCTORS	10193	2359	7834
601	3733 P O L CONDUCTORS	2124	1049	1075
FUNCTIONAL TOTAL		1498389	530899	960211
TOTAL GENERAL PLANT				
601	3900 STRUCTURES AND IMPROVEMENTS	19149	7763	11386
601	3911 OFFICE MACHINES	81	5	76
601	3912 OFFICE FURNITURE AND EQUIPMENT	2160	153	2007
601	3913 COMPUTERS	964	175	789
601	3930 STORES EQUIPMENT	484	289	195
601	3940 TOOLS, SHOP AND GARAGE EQUIPMENT	4988	1967	3014
601	3951 TESTING DIVISION	6144	1746	4398
601	3952 METER DIVISION	810	204	606
601	3953 CHEMICAL LABORATORY	526	144	381
601	3970 COMMUNICATION EQUIPMENT	1838	419	1418
601	3980 MISCELLANEOUS EQUIPMENT	2263	690	1573
FUNCTIONAL TOTAL		39312	13476	25836
CLASS OF SERVICE		8641088	1633742	7007338

PHILADELPHIA ELECTRIC COMPANY - ELECTRIC OPERATIONS
SUMMARY BY PRIMARY ACCOUNTS OF ORIGINAL COST
FOR ELECTRIC PLANT IN SERVICE AT 6/30/86
($1,000'S)

NON DEPRECIABLE ACCOUNTS

302.	FRANCHISES & CONSENTS (INTANG.)	163
310.	LAND & LAND RIGHTS(STEAM PROD.)	5211
320.	LAND & LAND RIGHTS(NUCLER PROD.)	7706
330.	LAND & LAND RIGHTS(HYDRAL PROD.)	1421
340.	LAND & LAND RIGHTS(OTHER PROD.)	846
350.	LAND & LAND RIGHTS(TRANSMISSION)	47970
360.	LAND & LAND RIGHTS(DISTRIBUTION)	22510
389.	LAND & LAND RIGHTS(GENERAL)	1967
399.	OTHER INTANGIBLE (GENERAL)	-2135
	TOTAL NON-DEPRECIABLE	85658

PHILADELPHIA ELECTRIC COMPANY - ELECTRIC RATEMAKING ADJUSTMENTS
SUMMARY OF PRIMARY ACCOUNTS OF ORIGINAL COST
AND RELATED DEPRECIATION RESERVE FOR ELECTRIC PLANT IN SERVICE AT 6/30/84
(THOUSANDS $)

LOCATION	ACCOUNT		ORIGINAL COST PLANT	RESERVE	NET
ADDITIONAL AFUDC					
EDDYSTONE 4		ADDITIONAL AFUDC - STEAM PROD.			2011 = TERMINAL YEAR
72	63110	STRUCTURES AND IMPROVEMENTS	2608	795	1813
72	63120	BOILER PLANT EQUIPMENT	1249	383	866
72	63140	TURBOGENERATOR UNITS	530	162	368
72	63150	ACCESSORY ELECTRIC EQUIPMENT	220	67	153
72	63160	MISCELLANEOUS POWER PLANT EQUIP.	128	39	89
STATION TOTAL			4735	1446	3289
SALEM 2		ADDITIONAL AFUDC - NUCLEAR PROD.			2016 = TERMINAL YEAR
62	63210	STRUCTURES AND IMPROVEMENTS	13418	1686	11732
62	63220	REACTOR PLANT EQUIPMENT	5584	712	4872
62	63230	TURBOGENERATOR UNITS	5757	732	5025
62	63240	ACCESSORY ELECTRIC EQUIPMENT	2939	374	2565
62	63250	MISCELLANEOUS POWER PLANT EQUIP.	1208	153	1055
STATION TOTAL			28906	3657	25249
PEACH BOTTOM 2 & 3		ADDITIONAL AFUDC - NUCLEAR PROD.			2089 = TERMINAL YEAR
66	63210	STRUCTURES AND IMPROVEMENTS	1468	481	987
STATION TOTAL			1468	481	987
TOTAL ADDITIONAL AFUDC			35109	5585	29524
TOTAL EXCESS SALVAGE - DISTRIBUTION					
601	63640	POLES, TOWERS AND FIXTURES	0	-6420	6421
601	63650	OVERHEAD CONDUCTORS AND DEVICES	0	-7400	7401
FUNCTIONAL TOTAL			0	-13821	13822

Philadelphia Electric Company - Common
SUMMARY OF ORIGINAL COST AND RELATED DEPRECIATION RESERVE FOR COMMON PLANT IN SERVICE AS OF JUNE 30, 1986
($1,000's)

	Original Cost		
	Plant	Depreciation Reserve	Net
Common Plant in Service (C-3a)	$128,786	$44,973	$83,813
Transportation Plant-in-Service (C-3b)	9,909	6,627	3,282
Total Depreciable Common Plant	$138,695	$51,600	$87,095
Add:			
Non-Depreciable			
301. Organization (Intangible)(B-6)	677	-	677
389. Land & Land Rights (General)(B-6)	3,115	-	3,115
Total Non-Depreciable	3,792	-	3,792
Total Common Plant in Service (B-6)	$142,487	$51,600	$90,887
Total Common Plant in Service Allocated			
	(Per B-17)		
Electric	86.188%	$122,807	$44,473	$78,334
Gas	12.930	18,424	6,672	11,752
Steam	0.882	1,256	455	801
Total	100.000%	$142,487	$51,600	$90,887

PHILADELPHIA ELECTRIC COMPANY - COMMON PLANT
SUMMARY OF PRIMARY ACCOUNTS OF ORIGINAL COST
AND RELATED DEPRECIATION RESERVE FOR ELECTRIC PLANT IN SERVICE AT 6/30/86
(THOUSANDS $)

LOCATION	ACCOUNT		ORIGINAL COST PLANT	RESERVE	NET
TOTAL GENERAL PLANT					
601	43900	STRUCTURES AND IMPROVEMENTS	94170	31827	62342
601	43911	OFFICE MACHINES	3126	1516	1610
601	43912	FURNITURE AND EQUIPMENT	10974	4837	6137
601	43913	COMPUTERS	8606	1910	6696
601	43930	STORES EQUIPMENT	2028	463	1565
601	43941	CONSTRUCTION TOOLS	294	232	62
601	43942	TRANSMISSION AND DIST. TOOLS	4759	1974	2785
601	43944	TRANS. AND DIST. INSTRUMENTS	395	192	204
601	43962	CONSTRUCTION TOOLS	1	1	0
601	43963	TRANSMISSION AND DIST. TOOLS	51	51	0
601	43970	COMMUNICATION EQUIPMENT	1866	454	1411
601	43981	MISC. EQUIP. OTHER THAN FIRE FTG	511	461	51
601	43982	FIRE FIGHTING EQUIP. NOT DATED	1924	1013	912
601	43983	FIRE FIGHTING EQUIP. SPEC.DATED	81	42	39
FUNCTIONAL TOTAL			128786	44973	83814
CLASS OF SERVICE			128786	44973	83814

PHILADELPHIA ELECTRIC COMPANY - TRANSPORTATION
SUMMARY OF PRIMARY ACCOUNTS OF ORIGINAL COST
AND RELATED DEPRECIATION RESERVE FOR ELECTRIC PLANT IN SERVICE AT 6/30/86
(THOUSANDS $)

LOCATION ACCOUNT			ORIGINAL COST		
			PLANT	RESERVE	NET
TOTAL TRANSPORTATION					
601	53920	TRANSPORTATION EQUIPMENT	7021	5107	1914
601	53943	GARAGE EQUIPMENT	1517	330	1187
601	53961	VEHICLES	1371	1189	182
FUNCTIONAL TOTAL			9909	6627	3282
CLASS OF SERVICE			9909	6627	3282

Philadelphia Electric Company - Electric Operations
Description of Annual and Accrued Depreciation

The depreciation figures claimed in this filing are based on plant life estimates developed in the Company's 1985 Plant Life Study (Exhibit AW-1) for electric and common plant.

The 1985 Plant Life Study (1985 Study) is the Company's latest plant mortality study and updates the 1984 study which was filed in R-842590. The update, identified as Exhibit AW-1, includes the addition of one year of additional retirement experience for 1983. Production plant retirement dates are based on the latest Engineering Department estimates available at the time the study was made. This includes a 15-year life span extension for Cromby 1 and Eddystone 1 and 2 coal units. This life extension, to which the Company is now committed, reduces the claimed annual depreciation substantially.

Effective February 1, 1985, the Company switched its depreciation methodology for electric and common plant from the whole life method to the remaining life method for financial accounting purposes. The remaining life method is used in developing annual and accrued depreciation in this filing with the book reserve adjusted to a rate making basis consistent with the Commission's order at R-842590. The annual depreciation accrual, book reserve and rate making adjustments are developed in Exhibit AW-2 and Exhibit AW-3 and are summarized in Section C of this exhibit.

Experienced net salvage is calculated separately and averaged over a five-year period. The net negative salvage is not adjusted for third party payments as claimed by the Company in the past, pending a decision on the appeal of this issue in the Commonwealth Court.

The Company plans to depreciate Limerick Unit No. 1 and its common facilities under the remaining life method used for the other electric plant. The Limerick life span used for depreciation purposes is 39 years. This is based on a 40 year license which began with low power testing in late 1984. Allowing for one year of pre-commercial testing results in a 39 year life span for depreciation purposes.

Additional information regarding the annual and the accrued depreciation is contained in the Direct Testimony of A. Wroblewski.

Philadelphia Electric Company - Electric Operations

SUMMARY
Adjusted Book Remaining Life Accruals
for Plant-in-Service at June 30, 1986
$1,000's

	Plant	Depreciation Reserve	Net Plant	Remaining Life Annual Accrual
Total Per Books (a)(C-5e)	$8,726,738	$1,633,742	$7,092,996	(b) $241,962
Book Reserve Adjustment				
Additional AFUDC (C-5f)	35,109	5,585	29,524	1,051
Excess Salvage (C-5f)	-	(13,822)	13,822	473
Adjusted Remaining Life Accrual	$8,761,847	$1,625,505	$7,136,342	$243,486
Other Ratemaking Adjustments				
25 Cycle Equipment	(4,128)	(4,128)	-	- (c)
Total for Ratemaking	$8,757,719	$1,621,377	$7,136,342	$243,486
Delaware Station - Change in Terminal Date (D-25)	-	-	-	(2,590)
Bradshaw Reservoir (D-26)	(15,307)	(165)	(15,140)	(438)
CPR Audit Adjustment	(9,439)	(9,185)	(254)	(11)
Adjusted Total for Ratemaking	$8,732,973	$1,612,027	$7,120,948	$240,447
(a) Limerick 1 (C-5c)	$2,532,627	$25,839	$2,506,788	$68,656
Limerick 100% common facilities				
Non Depreciable (AW-3, page 5)	7,349	-	7,349	-
Depreciable (C-5c)	1,271,675	12,731	1,258,944	33,824
Limerick Transmission (C-5d)	8,349	95	8,254	257
Sub-Total Limerick	$3,820,000	$38,665	$3,781,335	$102,737
Other Electric	4,906,738	1,595,077	3,311,661	139,225
Total Per Books	$8,726,738	$1,633,742	$7,092,996	$241,962

(b) Includes $85,658 of non-depreciable plant in service.
(c) Fully depreciated, no adjustment required.

PHILADELPHIA ELECTRIC COMPANY - ELECTRIC PLANT
DEPRECIATION ACCRUAL BY ACCOUNTS
FOR PLANT IN SERVICE AT 6/30/86
(THOUSANDS $)

DEBIT. ACCOUNT	NET PLANT BASE	LIFE SPAN RATE %	LIFE SPAN TERM DATE	LIFE SPAN INTERIM CURVE	AVERAGE AGE LIFE & CURVE	AVERAGE AGE RATE %	ANNUAL ACCRUAL
STEAM PRODUCTION - ELECTRIC STEAM GENERATING STATNS - SCHUYKILL (1,3)					1992 = TERMINAL YEAR		
1 3110 STRUCTURES AND IMPROVEMENTS	3457	16.76	1992	90-R4			579
1 3120 BOILER PLANT EQUIPMENT	13534	16.88	1992	70-R2			2285
1 3140 TURBOGENERATOR UNITS	2271	16.93	1992	75-R2			385
1 3150 ACCESSORY ELECTRIC EQUIPMENT	727	16.93	1992	75-R2			123
1 3160 MISCELLANEOUS POWER PLANT EQUIP.	739	16.80	1992	80-R3			124
STATION TOTAL	20728	16.87					3496
STEAM PRODUCTION - ELECTRIC STEAM GENERATING STATNS - CROMBY 2					1990 = TERMINAL YEAR		
4 3110 STRUCTURES AND IMPROVEMENTS	1653	25.03	1990	90-R4			414
4 3120 BOILER PLANT EQUIPMENT	1939	25.28	1990	70-R2			490
4 3140 TURBOGENERATOR UNITS	2025	25.21	1990	75-R2			510
4 3150 ACCESSORY ELECTRIC EQUIPMENT	137	25.24	1990	75-R2			35
4 3160 MISCELLANEOUS POWER PLANT EQUIP.	31	25.13	1990	80-R3			8
STATION TOTAL	5784	25.18					1457
STEAM PRODUCTION - ELECTRIC STEAM GENERATING STATNS - EDDYSTONE 1 & 2					2010 = TERMINAL YEAR		
6 3110 STRUCTURES AND IMPROVEMENTS	40813	4.19	2010	90-R4			1708
6 3120 BOILER PLANT EQUIPMENT	102888	4.37	2010	70-R2			4493
6 3140 TURBOGENERATOR UNITS	18867	4.48	2010	75-R2			827
6 3150 ACCESSORY ELECTRIC EQUIPMENT	14446	4.33	2010	75-R2			626
6 3160 MISCELLANEOUS POWER PLANT EQUIP.	1546	4.27	2010	80-R3			66
STATION TOTAL	178500	4.32					7720
STEAM PRODUCTION - ELECTRIC STEAM GENERATING STATNS - CROMBY 1					2004 = TERMINAL YEAR		
7 3110 STRUCTURES AND IMPROVEMENTS	18934	5.57	2004	90-R4			1054
7 3120 BOILER PLANT EQUIPMENT	33397	5.71	2004	70-R2			1901
7 3140 TURBOGENERATOR UNITS	2085	5.80	2004	75-R2			121
7 3150 ACCESSORY ELECTRIC EQUIPMENT	1089	5.72	2004	75-R2			104
7 3160 MISCELLANEOUS POWER PLANT EQUIP.	202	5.66	2004	80-R3			11
STATION TOTAL	56338	5.66					3191
STEAM PRODUCTION - ELECTRIC STEAM GENERATING STATNS - DELAWARE (7,8)					1988 = TERMINAL YEAR		
9 3110 STRUCTURES AND IMPROVEMENTS	1717	50.16	1988	90-R4			861
9 3120 BOILER PLANT EQUIPMENT	5508	50.26	1988	70-R2			2809
9 3140 TURBOGENERATOR UNITS	1792	50.24	1988	75-R2			901
9 3150 ACCESSORY ELECTRIC EQUIPMENT	882	50.32	1988	75-R2			444
9 3160 MISCELLANEOUS POWER PLANT EQUIP.	377	50.08	1988	80-R3			189
STATION TOTAL	10355	50.24					5203
10 3110 STRUCTURES AND IMPROVEMENTS	4	100.00	1985	90-R4			4
STATION TOTAL	4	100.00					4
STEAM PRODUCTION - ELECTRIC STEAM GENERATING STATNS - CONEMAUGH (1,2)					2006 = TERMINAL YEAR		
15 3110 STRUCTURES AND IMPROVEMENTS	4049	5.01	2006	90-R4			203
15 3120 BOILER PLANT EQUIPMENT	25648	5.17	2006	70-R2			1327
15 3140 TURBOGENERATOR UNITS	14012	5.16	2006	75-R2			723
15 3150 ACCESSORY ELECTRIC EQUIPMENT	3664	5.15	2006	75-R2			189
15 3160 MISCELLANEOUS POWER PLANT EQUIP.	500	5.06	2006	80-R3			25
STATION TOTAL	47873	5.15					2466

PHILADELPHIA ELECTRIC COMPANY - ELECTRIC PLANT
DEPRECIATION ACCRUAL BY ACCOUNTS
FOR PLANT IN SERVICE AT 6/30/86
(THOUSANDS $)

DESIG.	ACCOUNT	NET PLANT BASE	LIFE SPAN RATE %	LIFE SPAN TERM DATE	LIFE SPAN INTERIM CURVE	AVERAGE AGE LIFE & CURVE	AVERAGE AGE RATE %	ANNUAL ACCRUAL
STEAM PRODUCTION	- ELECTRIC STEAM GENERATING STATNS - KEYSTONE (1,2)							
17	3110 STRUCTURES AND IMPROVEMENTS	16502	5.89	2003	90-R4	2003 = TERMINAL YEAR		
17	3120 BOILER PLANT EQUIPMENT	23894	6.05	2003	70-R2			972
17	3140 TURBOGENERATOR UNITS	6913	6.04	2003	75-R2			1447
17	3150 ACCESSORY ELECTRIC EQUIPMENT	2175	6.05	2003	75-R2			418
17	3160 MISCELLANEOUS POWER PLANT EQUIP.	415	5.94	2003	80-R3			132
STATION TOTAL		49899	6.00					25
								2992
STEAM PRODUCTION	- ELECTRIC STEAM GENERATING STATNS - EDDYSTONE 3							
71	3110 STRUCTURES AND IMPROVEMENTS	30833	4.36	2009	90-R4	2009 = TERMINAL YEAR		
71	3120 BOILER PLANT EQUIPMENT	67860	4.51	2009	70-R2			1343
71	3140 TURBOGENERATOR UNITS	17727	4.50	2009	75-R2			3063
71	3150 ACCESSORY ELECTRIC EQUIPMENT	16114	4.50	2009	75-R2			797
71	3160 MISCELLANEOUS POWER PLANT EQUIP.	1811	4.40	2009	80-R3			725
STATION TOTAL		134345	4.47					88
								6008
STEAM PRODUCTION	- ELECTRIC STEAM GENERATING STATNS - EDDYSTONE 4							
72	3120 BOILER PLANT EQUIPMENT	36822	4.16	2011	70-R2	2011 = TERMINAL YEAR		
72	3140 TURBOGENERATOR UNITS	14549	4.14	2011	75-R2			1499
72	3150 ACCESSORY ELECTRIC EQUIPMENT	621	4.14	2011	75-R2			603
STATION TOTAL		51192	4.16					26
								2128
STEAM PRODUCTION	- ELECTRIC STEAM GENERATING STATNS - ALLIED CHEMICAL							
305	3110 STRUCTURES AND IMPROVEMENTS	105	11.11	1995	90-R4	1995 = TERMINAL YEAR		
305	3150 ACCESSORY ELECTRIC EQUIPMENT	190	11.20	1995	75-R2			12
STATION TOTAL		256	11.16					21
								29
STEAM PRODUCTION	- ELECTRIC STEAM GENERATING STATNS - ESSEX CHEMICAL							
306	3110 STRUCTURES AND IMPROVEMENTS	1568	11.11	1995	90-R4	1995 = TERMINAL YEAR		
STATION TOTAL		1568	11.11					174
								174
STEAM PRODUCTION	- ELECTRIC STEAM GENERATING STATNS - TOOLS + WORK EQUIPMENT					0 = TERMINAL YEAR		
372	3120 BOILER PLANT EQUIPMENT	379				30-S0	5.92	22
STATION TOTAL		379					5.92	22
STEAM PRODUCTION	- ELECTRIC STEAM GENERATING STATNS - SAHAC							
503	3150 ACCESSORY ELECTRIC EQUIPMENT	6434	17.42	1992	30-R2	1992 = TERMINAL YEAR		
STATION TOTAL		6434	17.42					1121
								1121
STEAM PRODUCTION	- TOTAL OF ALL STATIONS		- TOTAL			0 = TERMINAL YEAR		
999	3110 STRUCTURES AND IMPROVEMENTS	119635	0.0	0	0-			7324
999	3120 BOILER PLANT EQUIPMENT	311019	0.0	0	0-			19332
999	3140 TURBOGENERATOR UNITS	80103	0.0	0	0-			5284
999	3150 ACCESSORY ELECTRIC EQUIPMENT	47199	0.0	0	0-			3544
999	3160 MISCELLANEOUS POWER PLANT EQUIP.	5621	0.0	0	0-			528
FUNCTIONAL TOTAL		563657					6.39	36011

PHILADELPHIA ELECTRIC COMPANY - ELECTRIC PLANT
DEPRECIATION ACCRUAL BY ACCOUNTS
FOR PLANT IN SERVICE AT 6/30/86
(THOUSANDS $)

DESIG.	ACCOUNT	NET PLANT BASE	LIFE SPAN RATE %	LIFE SPAN TERM DATE	LIFE SPAN INTERIM CURVE	AVERAGE AGE LIFE & CURVE	AVERAGE AGE RATE %	ANNUAL ACCRUAL
NUCLEAR PRODUCTION	- NUCLEAR POWER GENERATING STATNS - SALEM 1							
61	3210 STRUCTURES AND IMPROVEMENTS	38340	3.85	2012	90-R4	2012 = TERMINAL YEAR		
61	3220 REACTOR PLANT EQUIPMENT	112053	4.08	2012	70-R2			1477
61	3230 TURBOGENERATOR UNITS	34362	4.28	2012	50-R1			4402
61	3240 ACCESSORY ELECTRIC EQUIPMENT	43127	3.98	2012	75-R2			1470
61	3250 MISCELLANEOUS POWER PLANT EQUIP.	5188	3.90	2012	80-R3			1717
STATION TOTAL		233071	4.01					202
								9348
NUCLEAR PRODUCTION	- NUCLEAR POWER GENERATING STATNS - SALEM 2							
62	3210 STRUCTURES AND IMPROVEMENTS	49876	3.34	2016	90-R4	2016 = TERMINAL YEAR		
62	3220 REACTOR PLANT EQUIPMENT	167567	3.48	2016	70-R2			1665
62	3230 TURBOGENERATOR UNITS	66108	3.75	2016	50-R1			5824
62	3240 ACCESSORY ELECTRIC EQUIPMENT	59364	3.46	2016	75-R2			2480
62	3250 MISCELLANEOUS POWER PLANT EQUIP.	9671	3.38	2016	80-R3			2054
STATION TOTAL		352606	3.58					326
								12350
NUCLEAR PRODUCTION	- NUCLEAR POWER GENERATING STATNS - SALEM CF							
63	3210 STRUCTURES AND IMPROVEMENTS	76823	3.34	2016	90-R4	2016 = TERMINAL YEAR		
63	3220 REACTOR PLANT EQUIPMENT	58067	3.50	2016	70-R2			2568
63	3230 TURBOGENERATOR UNITS	37499	3.78	2016	50-R1			2031
63	3240 ACCESSORY ELECTRIC EQUIPMENT	18308	3.47	2016	75-R2			1419
63	3250 MISCELLANEOUS POWER PLANT EQUIP.	5790	3.38	2016	80-R3			636
STATION TOTAL		196486	3.49					196
								6849
NUCLEAR PRODUCTION	- NUCLEAR POWER GENERATING STATNS - PEACH BOTTOM 2 + 3							
66	3210 STRUCTURES AND IMPROVEMENTS	77329	4.36	2009	90-R4	2009 = TERMINAL YEAR		
66	3220 REACTOR PLANT EQUIPMENT	206553	4.50	2009	70-R2			3368
66	3230 TURBOGENERATOR UNITS	58060	4.80	2009	50-R1			9285
66	3240 ACCESSORY ELECTRIC EQUIPMENT	27072	4.50	2009	75-R2			2784
66	3250 MISCELLANEOUS POWER PLANT EQUIP.	17869	4.39	2009	80-R3			1218
STATION TOTAL		386823	4.51					784
								17438
NUCLEAR PRODUCTION	- NUCLEAR POWER GENERATING STATNS - LIMERICK # 1							
91	3210 STRUCTURES AND IMPROVEMENTS	318702	2.68	2024	90-R4	2024 = TERMINAL YEAR		
91	3220 REACTOR PLANT EQUIPMENT	1473811	2.73	2024	70-R2			8089
91	3230 TURBOGENERATOR UNITS	248915	3.01	2024	50-R1			40274
91	3240 ACCESSORY ELECTRIC EQUIPMENT	357248	2.72	2024	75-R2			7496
91	3250 MISCELLANEOUS POWER PLANT EQUIP.	116912	2.64	2024	80-R3			9713
STATION TOTAL		2506788	2.74					3084
								68656
NUCLEAR PRODUCTION	- NUCLEAR POWER GENERATING STATNS - LIMERICK 100% COM							
99	3210 STRUCTURES AND IMPROVEMENTS	464647	2.68	2024	90-R4	2024 = TERMINAL YEAR		
99	3220 REACTOR PLANT EQUIPMENT	486598	2.73	2024	70-R2			12097
99	3230 TURBOGENERATOR UNITS	40507	3.01	2024	50-R1			13304
99	3240 ACCESSORY ELECTRIC EQUIPMENT	190834	2.72	2024	75-R2			1220
99	3250 MISCELLANEOUS POWER PLANT EQUIP.	76358	2.64	2024	80-R3			5188
STATION TOTAL		1258944	2.69					2014
								33824

PHILADELPHIA ELECTRIC COMPANY - ELECTRIC PLANT
DEPRECIATION ACCRUAL BY ACCOUNTS
FOR PLANT IN SERVICE AT 6/30/86
(THOUSANDS $)

DESIG.	ACCOUNT	NET PLANT BASE	LIFE SPAN RATE %	LIFE SPAN TERM DATE	LIFE SPAN INTERIM CURVE	AVERAGE AGE LIFE & CURVE	AVERAGE AGE RATE %	ANNUAL ACCRUAL
NUCLEAR PRODUCTION	- NUCLEAR POWER GENERATING STATNS - NUCLEAR TRAINING CENTER					2015 = TERMINAL YEAR		
385	3210 STRUCTURES AND IMPROVEMENTS	1251	3.45	2015	90-R4			43
385	3250 MISCELLANEOUS POWER PLANT EQUIP.	46	3.49	2015	80-R3			2
STATION TOTAL		1297	3.46					45
NUCLEAR PRODUCTION	- TOTAL OF ALL STATIONS		- TOTAL			0 = TERMINAL YEAR		
999	3210 STRUCTURES AND IMPROVEMENTS	1018968	0.0	0	0-			29308
999	3220 REACTOR PLANT EQUIPMENT	2503868	0.0	0	0-			75199
999	3230 TURBOGENERATOR UNITS	485390	0.0	0	0-			16869
999	3240 ACCESSORY ELECTRIC EQUIPMENT	695954	0.0	0	0-			20525
999	3250 MISCELLANEOUS POWER PLANT EQUIP.	231835	0.0	0	0-			6609
FUNCTIONAL TOTAL		4936014					3.01	148510
HYDRAULIC PRODUCTION	- ELECTRIC STEAM GENERATING STATNS - MUDDY RUN (1,2,3,4,5,6,7,8)					0 = TERMINAL YEAR		
19	3311 GENERATION	9182				87-R1	1.36	125
19	3312 CONSERVATION OF FISH +WILDLIFE	101				87-R1	1.26	1
19	3313 RECREATION	1270				87-R1	1.33	17
19	3321 GENERATION	27268				100-R2	1.20	327
19	3323 RECREATION	1374				100-R2	1.11	15
19	3330 WATER WHEELS, TURBINES, GENS.	15855				40-R2	3.98	619
19	3340 ACCESSORY ELECTRIC EQUIPMENT	6028				40-S2	3.95	238
19	3351 GENERATION	1130				50-R2	2.80	32
19	3353 RECREATION	119				50-R2	2.67	3
19	3360 ROADS, RAILROADS AND BRIDGES	481				60-R2	2.29	11
STATION TOTAL		62807					2.21	1389
OTHER PRODUCTION	- MISCELLANEOUS		- 601			0 = TERMINAL YEAR		
OTHER PRODUCTION	- TOTAL OF ALL STATIONS		- TOTAL			0 = TERMINAL YEAR		
999	3410 STRUCTURES AND IMPROVEMENTS	1492	0.0	0	0-			120
999	3420 FUEL HOLDERS,PRODUCERS,ACCESSORI	13024	0.0	0	0-			1039
999	3440 GENERATORS	42956	0.0	0	0-			4125
999	3450 ACCESSORY ELECTRIC EQUIPMENT	6680	0.0	0	0-			648
999	3460 MISCELLANEOUS POWER PLANT EQUIP.	1489	0.0	0	0-			117
FUNCTIONAL TOTAL		65640					9.21	6049
TRANSMISSION PLANT	- MISCELLANEOUS		- 601			0 = TERMINAL YEAR		
601	3520 STRUCTURES AND IMPROVEMENTS	11735				50-R5	2.88	338
601	3530 STATION EQUIPMENT	144638				45-S2	3.11	4502
601	3531 LIMERICK TRANSMISSION	8254				45-S2	3.11	257
601	3540 TOWERS AND FIXTURES	131205				35-S3	4.37	5728
601	3550 POLES AND FIXTURES	232				25-S2	8.62	20
601	3560 OVERHEAD CONDUCTORS AND DEVICES	75017				45-S2	3.14	2353
601	3570 UNDERGROUND CONDUIT	867				50-R4	6.27	54
601	3580 UNDERGROUND CONDUCTORS + DEVICES	20367				40-R4	4.56	928
601	3590 ROADS AND TRAILS	858				25-R5	9.70	83
FUNCTIONAL TOTAL		393173					3.63	14264

PHILADELPHIA ELECTRIC COMPANY - ELECTRIC PLANT
DEPRECIATION ACCRUAL BY ACCOUNTS
FOR PLANT IN SERVICE AT 6/30/86
(THOUSANDS $)

DESIG. ACCOUNT		NET PLANT BASE	LIFE SPAN RATE %	LIFE SPAN TERM DATE	LIFE SPAN INTERIM CURVE	AVERAGE AGE LIFE & CURVE	AVERAGE AGE RATE %	ANNUAL ACCRUAL
DISTRIBUTION PLANT - MISCELLANEOUS			- 601					
601	3610 STRUCTURES AND IMPROVEMENTS	21461				0 = TERMINAL YEAR		
601	3620 STATION EQUIPMENT	159568				40-R4	6.14	1318
601	3640 POLES, TOWERS AND FIXTURES	87592				40-R2	3.97	6330
601	3650 OVERHEAD CONDUCTORS AND DEVICES	129572				40-R1	3.45	3022
601	3660 UNDERGROUND CONDUIT	99864				40-L1	3.40	4410
601	3670 UNDERGROUND CONDUCTORS + DEVICES	186201				50-R4	3.43	3393
601	3680 LINE TRANSFORMERS	106848				55-RA	2.16	4020
601	3691 AERIAL	18378				35-L0	3.63	3879
601	3692 UNDERGROUND	61556				28-R3	6.15	1131
601	3701 METERS	51414				40-R1	3.04	1871
601	3702 METER INSTALLATIONS	21112				29-S1	5.56	2661
601	3710 INSTAL. ON CUSTOMERS' PREMISES	85				52-S6	2.64	557
601	3730 LUMINARIES	8027				30-O3	3.49	3
601	3731 AERIAL CONDUCTORS	424				17-R1	10.26	824
601	3732 UNDERGROUND CONDUCTORS	7834				7-L0	21.89	93
601	3733 P O L CONDUCTORS	1075				27-LA	4.73	371
FUNCTIONAL TOTAL		960211				12-SA	14.91	160
							3.57	34242
GENERAL PLANT - MISCELLANEOUS			- 601					
601	3900 STRUCTURES AND IMPROVEMENTS	11386				0 = TERMINAL YEAR		
601	3911 OFFICE MACHINES	76				30-R4	6.86	698
601	3912 OFFICE FURNITURE AND EQUIPMENT	2007				10-L0	13.04	10
601	3913 COMPUTERS	709				10-L0	11.54	232
601	3930 STORES EQUIPMENT	195				10-L0	11.45	90
601	3940 TOOLS, SHOP AND GARAGE EQUIPMENT	3014				23-L2	10.66	21
601	3951 TESTING DIVISION	4398				45-R2	3.21	97
601	3952 METER DIVISION	606				45-L1	2.84	125
601	3953 CHEMICAL LABORATORY	381				35-R2	3.83	23
601	3970 COMMUNICATION EQUIPMENT	1410				42-R3	3.25	12
601	3980 MISCELLANEOUS EQUIPMENT	1573				30-R3	4.25	60
FUNCTIONAL TOTAL		25836				23-S1	8.72	137
							5.79	1497
CLASS OF SERVICE		7007338					3.45	241962

PHILADELPHIA ELECTRIC COMPANY - ELECTRIC RATEMAKING ADJUSTMENTS
DEPRECIATION ACCRUAL BY ACCOUNTS
FOR PLANT IN SERVICE AT 6/30/86
(THOUSANDS $)

DESIG. ACCOUNT	NET PLANT BASE	LIFE SPAN RATE %	LIFE SPAN TERM DATE	LIFE SPAN INTERIM CURVE	AVERAGE AGE LIFE & CURVE	AVERAGE AGE RATE %	ANNUAL ACCRUAL
ADDITIONAL AFUDC - STEAM PROD. - ELECTRIC STEAM GENERATING STATNS - EDDYSTONE 4					2011 = TERMINAL YEAR		
72 63110 STRUCTURES AND IMPROVEMENTS	1813	4.01	2011	90-R4			73
72 63120 BOILER PLANT EQUIPMENT	866	4.16	2011	70-R2			36
72 63140 TURBOGENERATOR UNITS	368	4.14	2011	75-R2			15
72 63150 ACCESSORY ELECTRIC EQUIPMENT	153	4.14	2011	75-R2			6
72 63160 MISCELLANEOUS POWER PLANT EQUIP.	89	4.06	2011	80-R3			4
STATION TOTAL	3289	4.07					134
ADDITIONAL AFUDC - NUCLEAR PROD. - NUCLEAR POWER GENERATING STATNS - SALEM 2					2016 = TERMINAL YEAR		
62 63210 STRUCTURES AND IMPROVEMENTS	11732	3.34	2016	90-R4			392
62 63220 REACTOR PLANT EQUIPMENT	4872	3.48	2016	70-R2			169
62 63230 TURBOGENERATOR UNITS	5025	3.75	2016	50-R1			189
62 63240 ACCESSORY ELECTRIC EQUIPMENT	2565	3.46	2016	75-R2			89
62 63250 MISCELLANEOUS POWER PLANT EQUIP.	1055	3.38	2016	80-R3			36
STATION TOTAL	25249	3.46					874
ADDITIONAL AFUDC - NUCLEAR PROD. - NUCLEAR POWER GENERATING STATNS - PEACH BOTTOM 2 & 3					2009 = TERMINAL YEAR		
66 63210 STRUCTURES AND IMPROVEMENTS	987	4.36	2009	90-R4			43
STATION TOTAL	987	4.36					43
TOTAL ADDITIONAL AFUDC	29524					3.56	1051
EXCESS SALVAGE - DISTRIBUTION					0 = TERMINAL YEAR		
601 63640 POLES, TOWERS AND FIXTURES	6421				40-R1	3.45	222
601 63650 OVERHEAD CONDUCTORS AND DEVICES	7401				40-L1	3.40	252
FUNCTIONAL TOTAL	13822					3.43	473

Philadelphia Electric Company - Electric Operations

SUMMARY
Remaining Life Accruals for Common
Plant-In-Service at June 30, 1986
($1,000)

		Plant	Depreciation Reserve	Net Plant		Remaining Life Annual Accrual
Total Per Books (C-6a & C-6b)		$142,487	$51,600	$90,887	(a)	$6,379
Less Transportation Cleared to Operating Expense (C-6b)						
392	Transportation	$7,021	$5,107	1,914		$508
394.3	Garage Equipment	1,517	330	1,187		51
396.1	Vehicles	1,371	1,189	182		79
	Total Transportation	$9,909	$6,626	$3,283		$638
Total Common Less Transportation (C-6a)		$132,578	$44,974	$87,604	(a)	$5,741
Allocation of Common Less Transportation						
	Per B-17					
Electric	86.188%	$114,266	$38,762	$75,504		$4,948
Gas	12.930	17,142	5,815	11,327		742
Steam	0.882	1,170	397	773		51
	100.000%	$132,578	$44,974	$87,604		$5,741

(a) Includes $3,792 of non-depreciable plant in service

PHILADELPHIA ELECTRIC COMPANY - COMMON PLANT
DEPRECIATION ACCRUAL BY ACCOUNTS
FOR PLANT IN SERVICE AT 6/30/86
(THOUSANDS $)

DESIG. ACCOUNT	NET PLANT BASE	LIFE SPAN: RATE %	LIFE SPAN: TERM DATE	LIFE SPAN: INTERIM CURVE	AVERAGE AGE: LIFE & CURVE	AVERAGE AGE: RATE %	ANNUAL ACCRUAL
GENERAL PLANT - MISCELLANEOUS		- 601					
					0 = TERMINAL YEAR		
601 43900 STRUCTURES AND IMPROVEMENTS	62342				30-L2	5.40	3369
601 43911 OFFICE MACHINES	1610				10-L0	14.93	240
601 43912 FURNITURE AND EQUIPMENT	6137				10-L0	15.47	949
601 43913 COMPUTERS	6696				10-L0	12.01	858
601 43930 STORES EQUIPMENT	1565				40-L2	3.10	49
601 43941 CONSTRUCTION TOOLS	62				30-S0	5.23	3
601 43942 TRANSMISSION AND DIST. TOOLS	2765				30-S0	4.65	129
601 43944 TRANS. AND DIST. INSTRUMENTS	264				30-S0	5.23	11
601 43962 CONSTRUCTION TOOLS	0				10-S1	100.00	0
601 43963 TRANSMISSION AND DIST. TOOLS	0				10-S1	100.00	0
601 43970 COMMUNICATION EQUIPMENT	1411				30-R3	3.99	56
601 43981 MISC. EQUIP. OTHER THAN FIRE FTG	51				20-L2	10.22	5
601 43982 FIRE FIGHTING EQUIP. NOT DATED	912				20-L2	7.50	68
601 43983 FIRE FIGHTING EQUIP. SPEC.DATED	39				20-L2	7.17	3
FUNCTIONAL TOTAL	83814					6.85	5741
CLASS OF SERVICE	83814					6.85	5741

PHILADELPHIA ELECTRIC COMPANY - TRANSPORTATION
DEPRECIATION ACCRUAL BY ACCOUNTS
FOR PLANT IN SERVICE AT 6/30/86
(THOUSANDS $)

DESIG. ACCOUNT	NET PLANT BASE	LIFE SPAN RATE %	LIFE SPAN TERM DATE	LIFE SPAN INTERIM CURVE	AVERAGE AGE LIFE & CURVE	AVERAGE AGE RATE %	ANNUAL ACCRUAL
TRANSPORTATION - MISCELLANEOUS		- 601			0 = TERMINAL YEAR		
601 53920 TRANSPORTATION EQUIPMENT	1914				11-L2	26.54	508
601 53943 GARAGE EQUIPMENT	1187				30-S0	4.32	51
601 53961 VEHICLES	182				10-S1	43.25	79
FUNCTIONAL TOTAL	3282					19.43	638
CLASS OF SERVICE	3282					19.43	638

Philadelphia Electric Company - Electric Operations
PRODUCTION PLANT
LIFE SPAN DATA

Station	Terminal Year
Steam Production	
Richmond #9	1985*
Cromby #1	2004 (1)
Cromby #2	1990
Delaware	1988
Eddystone #1 & #2	2010 (1)
Schuylkill	1992
Southwark	1985*
Keystone	2003
Conemaugh	2006
Eddystone #3	2009
Eddystone #4	2011

Other Production (Excl. Croydon)

Station	Unit	
Southwark	3,4,5&6	1992
Eddystone	10,20,30,40	1994
Cromby	Diesel	1990
Delaware	Diesel	1990
Richmond	Diesel	1990
Southwark	Diesel	1985*
Schuylkill	Diesel	1993
Delaware	9,10,11,&12	1994
Schuylkill	10	1994
Chester	7,8,9	1994
Keystone	Diesel	2003
Falls	1,2,&3	1995
Moser	1,2,&3	1995
Conemaugh	Diesel	2006
Richmond	81,91,92	1998
Portable Equipment		1996
Salem	C.T.	1996
Croydon		1999
Richmond	73,74	1985*

Nuclear	
Peach Bottom #2 & #3	2009 (3)
Salem #1	2012 (3)
Salem #2	2016 (3)
Limerick #1	2024 (2)

(1) The terminal dates for Cromby 1 and Eddystone 1 and 2 include a 15 year life extension over the terminal year used in the prior rate proceeding at R-842590.

(2) Based on a 40 year operating license issued in 1984. The life span for depreciation purposes is 39 years, allowing one year for pre-commercial testing.

(3) Life span for ratemaking purposes is 35 years from in-service date.

* Not included in test year claim

Philadelphia Electric Company
Non-Revenue Producing Construction Work In Progress
(Thousand $)

	C.A.	Exp. @ 6/30/85	Exp. To Comp.	Total	Est. Orig. Cost.Ret.	In Service Date	Classificat
Non-Revenue Producing CWIP							
Eddystone							
Install Coal Pile Runoff System	205201	1,092	560	1,652	-	12/86	Environmen
Peach Bottom							
Upgrade ADS isolation valves on safety grade nitrogen supply	406526	8	12	20	-	7/86	Safety
Increase Spent Fuel Storage Capacity	406301	438	3,522	3,960	2,518	8/86	Safety
Salem							
Fire Protection in Welding Shop & Storage Locker to satisfy Nuclear Mutual Limited Fire Protection	210182	2	58	60	-	12/86	Safety
Fire Protection in Oil Storage Room to satisfy Nuclear Mutual Limited Fire Protection	210908	33	74	107	-	12/86	Safety
Conemaugh							
Ash & Mine Refuse Disposal Site Preparation	202113	1,170	165	1,335	-	12/86	Environmen
Total Non Revenue Producing CWIP		$2,743	$4,391	$7,134	$2,518		
Net to A-2 ($7,175 - $2,518)				$4,616			

Additional information and discussion of this claim is contained in the Direct Testimony of R. W. Wright.

Philadelphia Electric Company - Electric Operations
Land Held for Future Use (Account 105)
As of June 30, 1986
(Thousand $)

Location of Property	Date Originally Included in Plant Accounts	Date Construction Expected to Start	Expected In Service Date	Balance
Production				
Bradshaw Reservoir & Water R/W	1979	Under Constr.	1986	$2,515
Merrill Creek Reservoir	1981	1985 (a)	1987	4,900
Total Production				$7,415
Transmission				
Land for Future Substations and Lines				
500 kv Line, Limerick-Whitpain	1972	1987	1989	$371
Total Transmission				$371
Distribution				
Land for Future Substations				
Middletown Substation	1974	Under Constr.	1986	$388
Morton Substation	1975	1988	1990	409
Land for Expansion of Present Substations				
Woodbourne Substation	1974	1987	1989	52
Land for Expansion of Service Building				
Dungan Service Building	1974	1992	1992	16
Total Distribution				$865
Total Land Held for Future Use				$8,651

(a) Date construction is expected to start is contingent on governmental approval to build structures.

Additional information and discussion of this claim is provided in the Direct Testimony of R. W. Wright.

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

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

Electric Fuel Inventory (J. J. Carroll)			
Coal			
Philadelphia Area	204,000 tons @ $45.90/ton =	$9,364	
Keystone	121,000 tons @ $34.47/ton =	4,171	
Conemaugh	119,000 tons @ $37.34/ton =	4,444	
Total Coal Inventory			$17,979*
Oil			
No.6-1.0% Sulphur	100,000 bbls @ $26.00/bbl =	$2,600	
-0.5% Sulphur	350,000 bbls @ $27.00/bbl =	9,450	
No.2	226,000 bbls @ $31.92/bbl =	7,214	
Total Oil Inventory			$19,264*
Plant Materials and Supplies (R. W. Wright)			
Electric operating			
Total			$53,570**
Tools and related equipment			
Electric			$2,322
Stores Expense Undistributed			
Allocated portion $1,199 x 86.188% (a)			1,033
Total Electric Materials and Supplies			$94,168

(a) page B-17

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

** Non-Limerick materials and supplies = $44,887
Limerick Materials and supplies = 8,683
Total $53,570

Philadelphia Electric Company - Electric Operations

ADDITIONAL CAPITAL REQUIREMENT
ASSOCIATED WITH NUCLEAR FUEL ASSEMBLIES IN REACTOR
($1,000)

The purpose of this adjustment is to reflect in the Company's rate base claim, the value of the Limerick Unit #1 nuclear fuel assemblies in the reactor. The claim is based on the average anticipated level of nuclear fuel in the reactor during the two year operating period March 1986 through March 1988. Additional information regarding this claim is contained in the Direct Testimony of Thomas P. Hill, Jr.

Description	Amount
Limerick #1 Nuclear Fuel Cost	$126,407
Avg. Accumulated Burnup (3/86-3/88)	49,919
Average Nuclear Fuel in-stock	$76,488

Limerick #1 Fuel in Reactor

	Total Cost	Accumulated Book Burn	Net Balance
March 1986	$110,002	$5,224	$104,778
April	110,002	9,571	100,431
May	110,002	14,405	95,597
June	110,002	18,494	91,508
July	110,002	23,722	86,280
August	110,002	28,683	81,319
September	110,002	32,711	77,291
October	110,002	37,788	72,214
November	110,002	42,100	67,902
December	110,002	46,562	63,440
January 1987	110,002	50,990	59,012
February	110,002	54,832	55,170
March	110,002	59,235	50,767
April	110,002	59,235	50,767
May	110,002	59,235	50,767
June	110,002	59,235	50,767
July	155,572*	59,235	96,337
August	155,572	61,928	93,644
September	155,572	65,247	90,325
October	155,572	68,667	86,905
November	155,572	71,695	83,877
December	155,572	75,316	80,256
January 1988	155,572	78,210	77,362
February	155,572	81,473	74,099
March	155,572	84,177	71,395
25 Month Avg.	$126,407	$49,919	$76,488

*Includes $45,570 for reload

Philadelphia Electric Company - Electric Operations
Cash Working Capital
June 30, 1986
(Thousands $)

Additional information regarding the Company's cash working capital claim is contained in the Direct Testimony of R. W. Wright.

Operating and Maintenance Expense	(C-12a)	91,954
Taxes	(C-12b)	33,201
Interest Payments	(C-12c)	(38,489)
Preferred Dividend Payment	(C-12d)	85
Average Bank Balances	(a)	9,700
Total (to A-2)		96,451 *

(a) Average Monthly Bank Balances

for the future test year are expected to be $11.3 million(II-B-5) of which 86.188%(B-17) or $9.7 million is allocated to Electric Operations

* The Limerick components are as follows:(Testimony of T.P.Hill,Jr.)

O&M Expenses	750
Taxes	5,504
Interest Payment	(19,555)
Preferred Dividend Payment	115
Total	(13,186)

Philadelphia Electric Company
Cash Working Capital Required for
Operating and Maintenance Expense
June 30, 1986
($000)

C-12a
Revised 2/14/86

Average Lag in Receipt of Revenue	46.0 (a)	
Average Lag in Payment of O&M Expenses	21.7 (b)	
Average Lag in Days Between Receipt of Revenue and Payment of Expenses	24.3	
Proforma Test Year O&M Expenses	1,381,755	
Average Daily Expenses	3,786	
Working Capital Requirement	91,954	

a)

Class of Service	Dollars	Lag Days	Lag $
Residential	928,292	48.6	45,114,991
Small Comm.&Ind.	359,462	48.2	17,326,068
Large Comm.&Ind.	1,174,680	44.1	51,803,389
	2,462,434		114,244,448 46.0 Days

(b) Average Lag in Payment of Expenses

	Actual	Pro Forma Adjustments	Pro Forma Expenses	Lag Days	Lag Dollars
Payroll	275,564	5,270(c)	280,834	10.5	2,948,757
Net Interchange	421,472	(196,960)(d)	224,512	35.0	7,857,920
Nuclear Fuel	136,823		136,823	46.5	6,362,270
Coal	84,660		84,660	31.2	2,641,392
Coal Freight Bills	16,766		16,766	15.0	251,450
Oil	120,360		120,360	19.3	2,322,948
Benefits	19,276	6,194(c)	25,470	1.8	45,846
Pensions	29,009	639(c)	29,648	15.0	444,720
Other Invoices	315,051	59,719(e)	374,770	15.4	5,771,458
A&G Expenses and Rents	87,912		87,912	15.4	1,353,845
Total O&M Expenses	1,506,893	(125,138)	1,381,755		30,000,645
Average Lag in Payment of Expenses					21.7

(c)

D-5	5,655
D-18	6,408

(d)

D-3	13,805
D-13	0
D-19	(3,775)
D-21	(206,990)
	(196,960)

(e)

D-10	10,614
D-11	(11,135)
D-12	(5,480)
D-15	8,026
D-16	3,803
D-18	70,233
B-13	(16,472) (uncollectible accounts)
D-22	647
D-28	(537)
	59,719

Revised 2/14/86

Philadelphia Electric Company
Cash Working Capital Required For
Payment of Taxes
June 30, 1986
(Thousand $)

Average Lag in Receipt of Revenue	46.0 (a)
Average Lag in Payment of Taxes	29.0 (b)
Average Lag in Days Between The Receipt of Revenue and Payment of Taxes	17.0
Proforma Test Year Taxes	712,811
Average Daily Taxes	1,953
Working Capital Requirement	33,201

Note a) See C-12a

Note b) Average Lag in Payment of Taxes

	Actual	Pro Forma Adjustments	Pro Forma Taxes	Lag Days	Lag Dollars
Ad Valorem	69,184	1,212	70,336	25.2	1,842,803
Other Taxes Other Than Income	130,713	34,013(c)	164,726	(30.8)	(5,073,561)
State Income Taxes	26,300	48,299(d)	75,199	63.6	4,782,656
Federal Income Taxes	105,773	296,777(d)	402,550	47.0	18,919,850
Total Taxes	332,510	380,301	712,811		20,471,749
Average Lag in Payment of Taxes					29.0

Note (c) Taxes Other Than Income

A-4 (GRT @ 4.5%)	41,255
D-2 (GRT @ 4.5%)	0
D-3 (GRT @ 4.5%)	1,790
D-14	741
D-21 (GRT @ 4.5%)	(9,753)
	34,013

Note (d) Income Taxes

	State	Federal
A-4	61,057	374,470
D-2	0	0
D-3	1,688	10,351
D-5	(397)	(2,437)
D-7	5,418	33,226
D-9	(13,698)	(83,975)
D-10	(741)	(4,542)
D-11	777	4,765
D-12	(259)	(1,040)
D-13	0	0
D-14	(52)	(317)
D-15	(560)	(3,434)
D-16	(265)	(1,628)
D-18	(5,347)	(32,795)
D-19	767	4,707
D-22	(47)	(285)
D-23	(85)	(518)
D-26	37	230
Total	48,299	296,777

Cash Working Capital
Interest Payment Offset
(Thousand $)

Consistent with the Commission Order at Docket R-842590, the Company including an interest payment offset in its cash working capital claim.

Rate Base (A-2) @ 6/30/86	5,943,
% Financed by Debt	50
Rate Base Financed by Debt	3,534,
Cost of Debt per B-19a	10
Interest Allocated to Rate Base	383,
Average Daily Interest	105
Net Lag Days (a)	3
Decrease in Cash Working Capital	38,

(a) Lag in Payment of Interest = 82.6 days
Lag in Receipt of Revenue = 46.0 days
Net Payment Lag = 36.6 days

Cash Working Capital
Preferred Dividend Payment Requirement
(Thousand $)

Consistent with the Commission Order at Docket R-842590, the Company including a preferred dividend payment requirement in its cash working capital claim.

Rate Base (A-2) @ 6/30/86	6,943,
% Financed by Preferred	10.
Rate Base Financed by Preferred	742,
Cost of Preferred per B-20	10.
Dividends Allocated to Rate Base	78,
Average Daily Dividends	213
Net Lag Days (a)	(0
Increase in Cash Working Capital	

(a) Lag in Payment of Dividends = 45.6 days
Lag in Receipt of Revenue = 46.0 days
Net Lag Days = (0.4) days

Philadelphia Electric Company - Electric Operations
ELIMINATION OF STATE TAXES AND RELATED STAC REVENUE
12 Months Ending June 30, 1986
(Thousand $)

Certain State Taxes are recovered by the State Tax Adjustment Clause (STAC) in the Company's tariff. The following adjustment removes the effect of higher state taxes enacted since 1969 and removes related STAC revenues. Additional discussion of this adjustment is contained in the Direct Testimony of G. A. Sileo.

State Taxes to be Removed		
Realty	42,432 (a)	
Gross Receipts Tax	64,972 (b)	
Capital Stock Tax	10,317 (c)	
Corporate Net Income Tax	8,286 (d)	
Total		$126,007
Related STAC Revenue to be Removed		
Actual STAC	130,966	
Portion not removed	4,959	
Portion removed		126,007
Effect on income available for return		$0

(a) Actual Realty Tax from B-14

(b) Actual Gross Receipts Tax from B-14	110,055
Less: 4.5% GRT on STAC rev. of $130,966	5,893
Less: 4.5% GRT on ECR rev of ($48,474)	(2,181)
Remainder: 4.5% GRT on other revenue	$106,343
Portions of GRT related to 1970 tax rate increase	
Full GRT on STAC rev	$5,893
Excess GRT on other revenue	
$106,343 x (2.5% incr / 4.5% total)	59,079
Total	$64,972
(c) Actual Capital Stock Tax (CST) from B-14	$25,793
Portion of CST related to 1970 tax rate increase	
$25,793 x (0.4% incr / 1.0% total)	10,317
(d) Actual Corporate Net Income Tax (CNI) from B-14	$25,654
Plus: CNI portion of deferred taxes on deferred fuel expense	(2,503)
Plus: CNI tax effects of Limerick Depreciation - deferred	3,856
Total	$27,007
Portion of CNI related to pre-1970 tax rates	
Actual test year taxable income for CNI	$294,147
Less: STAC revenue	130,966
Less: Tax Preference Items	1,292
Plus: Realty Tax	42,432
Plus: STAC - related Gross Receipts Tax	64,972
Plus: STAC - related Capital Stock	10,317
Pre-1970 taxable income for CNI	$279,610
Pre-1970 CNI tax @ 6.977%	$19,508
Portion of CNI related to 1970 tax rate increase ($27,007 - $19,508)	$7,499
Portion of CNI to be removed = $7,499/(1- State Income Tax Rate)	$8,286

Philadelphia Electric Company - Electric Operations

FULL YEAR EFFECT OF PRESENT BASE RATES
12 Months Ending June 30, 1986
($1,000)

Not Applicable

Philadelphia Electric Company - Electric Operations

SUMMARY OF ANNUALIZATION OF REVENUES, EXPENSES & TAXES
FOR CUSTOMERS ADDED AND INCREASED USAGE
12 Months Ended June 30, 1986
(Thousand $)

The purpose of this adjustment is to annualize revenues, expenses and taxes in order to reflect the year end level of customers and the year end usage per customer.

A description of the methodology used in this adjustment is provided in the Direct Testimony of Thomas P. Hill, Jr.

Total

Increase in Base Revenue (D-3a)	$38,771
Less: Gross Receipts Tax @ 2.0%	775
Increase in Revenue After Gross Receipts Tax	$37,996
Less: Change in Operating Expenses 489,931,906 kWh (a) x 2.8178¢/kWh (b)	13,805
Increase in Taxable Income	$24,191
Less: Income Taxes @ 49.768%	12,039
Increase in Income for Return	$12,152

(a) From D-3a

Increase in usage of existing customers	459,842,612 kWh
Increase (Decrease) in usage from new customers	30,089,294 kWh
	489,931,906 kWh

(b) Represents fuel expense included in base rates

Philadelphia Electric Company - Electric Operations

GROWTH IN USAGE OF EXISTING CUSTOMERS
AND ANNUALIZATION OF NEW CUSTOMER USAGE (a)
12 Months Ended June 30, 1986
(Thousand $)

Growth in Usage of Existing Customers And Additional Revenue	Residential	House Heating	Small Comm. & Industrial	Large Commercial & Industrial: 20 Largest Customers	Large Commercial & Industrial: All Other	Total
Annual Growth in kWh, 3-Yr. Average (D-3b)	87	191	691	2,609,900	133,190	
1/2 of Annual Growth in kWh	44	96	346	1,304,950	66,595	
No. of Custs. Beginning of Test Year (D-3b)	1,219,850	89,600	119,337	20	4,958	
Increase Usage	53,673,400	8,601,600	41,290,602	26,099,000	330,178,010	459,842,612
Revenue cents per kWh (b)	10.20¢	7.93¢	9.79¢	6.32¢	7.16¢	
Increase Revenue, Thousand $	$5,475	$682	$4,042	$1,649	$23,641	$35,489
Annualization of New Customer Usage and Additional Revenue						
Customers Added During Year (D-3b)	2,900	7,700	388	-	(39)	
1/2 of Customers Added During Year	1,450	3,850	194	-	(20)	
Average Use Per Customer in kWh (D-3b)	5,611	16,480	28,456	-	2,350,756	
Increased Sales in kWh	8,135,950	63,448,000	5,520,464		(47,015,120)	30,089,294
Revenue, Cents per kWh (b)	10.20¢	7.93¢	9.79¢	-	7.16¢	
Increased Revenue, Thousand $	$830	$5,031	$540	-	($3,366)	$3,035
Customer Charge - Annual	$54.00	$54.00	$94.22		$2,860	
Revenue from Customer Charge	$78	$208	$18		($57)	$247
Total Additional Revenue	$6,383	$5,921	$4,600	$1,649	$20,218	$38,771

a. Residential is total of Rates R and OP. House Heating is Rate RH. Small Commercial and Industrial is total of Rate GS. Large Commercial and Industrial is total of Rates PD and HT.

b. Revenue in cents per kWh is the average unit base revenue at Tariff No. 26, Supplement 11 (excluding customer charge revenue).

Philadelphia Electric Company - Electric Operations

DEVELOPMENT OF AVERAGE ANNUAL GROWTH IN KWH PER CUSTOMER

	12 Months Ended June 1983	12 Months Ended June 1986	3-Yr. Avg.
Residential			
mWh Sales	6,517,290	6,859,500	
Number of Customers			
Beginning of Period	1,216,987	1,219,850	
End of Period	1,217,652	1,222,750	
Monthly Average	1,218,072	1,222,332	
kWh per Average Customer	5,350	5,611	
Growth in kWh per Average Customer -		261	87
House Heating			
mWh Sales	1,136,947	1,543,300	
Number of Customers			
Beginning of Period	68,855	89,600	
End of Period	74,147	97,300	
Monthly Average	71,469	93,647	
kWh per Average Customer	15,908	16,480	
Growth in kWh per Average Customer -		572	191
Small Commercial & Industrial			
mWh Sales	3,046,760	3,406,880	
Number of Customers (Excl. POL)			
Beginning of Period	114,843	119,337	
End of Period	116,234	120,027	
Monthly Average	115,488	119,725	
kWh per Average Customer	26,382	28,456	
Growth in kWh per Average Customer -		2,074	691

Philadelphia Electric Company - Electric Operations

DEVELOPMENT OF AVERAGE ANNUAL GROWTH IN KWH PER CUSTOMER

	12 Months Ended June 1983	12 Months Ended June 1986	3-Yr. Avg.
20 Largest Customers			
mWh Sales	3,865,619	4,022,215	
Number of Customers			
Beginning of Period	20	20	
End of Period	20	20	
Monthly Average	20	20	
kWh per Average Customer	193,281,000	201,110,800	
Growth in kWh per Average Cust.		7,829,800	2,609,900
Large Commercial & Industrial Other Than 20 Largest			
mWh Sales	10,729,578	11,615,085	
Number of Customers			
Beginning of Period	5,583	4,958	
End of Period	5,386	4,919	
Monthly Average	5,499	4,941	
kWh per Average Customer	1,951,187	2,350,756	
Growth in kWh per Average Customer		399,569	133,190

Philadelphia Electric Company - Electric Operations
ELIMINATION OF ENERGY COST RATE REVENUE AND
RELATED FUEL EXPENSE
12 MONTHS ENDED JUNE 30, 1986
(Thousand $)

During the future test year ending June 30, 1986, the Energy Cost Rate will be in effect and permit recovery of energy costs in excess of that level included in base rates. Under the ECR, energy costs collected in base rates equalled 2.8178¢ per kilowatthour during the test year. This adjustment removes from test year revenues and expenses all energy costs above the base cost of 2.8178¢ per kilowatthour and all associated ECR revenues. Refer to the Direct Testimony of T. P. Hill, Jr. for further discussion on this adjustment.

ECR Revenue to be Removed		
Test Year ECR revenue Including GRT @ 4.5%	($53,711) (a)	
Revenue Over Base to be Removed		($53,711)
Fuel Expenses to be Removed		
Total Energy Cost Allocated to PECo (D-4a)	$509,710	
Less: Fuel Expense Deferred 12 Months Ended 6/30/86 (D-4a)	(218,208)	
Net Fuel and Interchange Expense	$727,918	
Less: Fuel expense recovered in base rates Total Applicable Sales x base cost 27,653,130 mWh x 2.8178¢/kWh	$779,209	
Fuel Expense to be Removed		($51,291)
Gross Receipts Tax to be Removed		
Gross Receipts Tax on ECR Revenue ($53,711) x 4.5%	($2,420)	
Gross Receipts Tax to be Removed		($2,420)
Total Expenses to be Removed		($53,711)
Increase in Taxable Income		$0
Income Tax @ 49.768%		0
Increase in Income for Return		$0

(a) Gross ECR Revenue - ($53,711)
Interest on Prior Period Over Collections 5,237
Net ECR Revenue (A-5) ($48,474)

Philadelphia Electric Company - Electric Operations
DEVELOPMENT OF RECOVERABLE ENERGY COSTS AND
ENERGY COSTS DEFERRED
12 Months Ended June 30, 1986
(Thousand $)

	Total Applicable Energy Costs (1)	Allocation Factor (2)	Allocated Energy Cost (3)	Recovered in Base Rates (4)	Recoverable (5)=(3)-(4)	ECR Revenue (6)	ECR Revenue Excl. GRT (7)=(6)x.955	Deferred (8)=(5)-(7)
Jul 1985	$63,302	.9806	$62,074	$70,688	($8,614)	($999)	($954)	($7,660)
Aug	61,504	.9808	60,323	71,643	(11,320)	(1,012)	(966)	(10,354)
Sep	51,997	.9821	51,067	66,937	(15,870)	(946)	(903)	(14,967)
Oct	42,790	.9781	41,853	62,415	(20,562)	(882)	(842)	(19,720)
Nov	49,677	.9808	48,723	59,160	(10,437)	(836)	(798)	(9,639)
Dec	50,586	.9768	49,413	65,909	(16,496)	(931)	(889)	(15,607)
Jan 1986	32,740	.9765	31,970	70,964	(38,994)	(1,002)	(957)	(38,037)
Feb	27,414	.9781	26,813	67,602	(40,789)	(955)	(912)	(39,877)
Mar	32,263	.9784	31,566	63,925	(32,359)	(903)	(862)	(31,497)
Apr	37,014	.9788	36,229	61,581	(25,352)	(15,482)	(14,785)	(10,567)
May	35,149	.9800	34,446	56,802	(22,356)	(14,280)	(13,637)	(8,718)
June	35,893	.9816	35,233	61,583	(26,350)	(15,483)	(14,786)	(11,565)
Total	$520,329 (a)		$509,710	$779,209	($269,499)	($53,711)	($51,291)	($218,208)

(a)

Account	Total	FOB Fuel Only	Non Fuel Chgs. Excluding Nucl. Spent Fuel	Nuclear Spent Fuel
501,504	$222,680	$220,276	$2,404	-
518*	136,823	103,473	21,635	$11,715
547	10,192	10,012	180	-
555,557*	203,234	186,568	16,666	-
Total	$572,929	$520,329	$40,885	$11,715

* For budget purposes Limerick Unit #1 was considered precommercial through 7/31/85, commercial 8/1/85 and included in rates 1/1/86. Account 557 includes $43 for precommercial generation in July 1985. Account 557 also includes $86,978 for the value of Limerick generation from August 1, 1985 through December 31, 1985. Account 518 includes $26,985 for Limerick fuel costs from January 1, 1986 through June 30, 1986.

Philadelphia Electric Company - Electric Operations
DEVELOPMENT OF RECOVERABLE ENERGY COSTS AND
ENERGY COSTS DEFERRED
12 Months Ended June 30, 1986
(Thousand $)

	Total Applicable Energy Costs (1)	Allocation Factor (2)	Allocated Energy Cost (3)	Recovered in Base Rates (4)	Recoverable (5)=(3)-(4)	ECR Revenue (6)	ECR Revenue Excl. GRT (7)=(6)x.955	Deferred (8)=(5)-(7)
Jul 1985	$63,302	.9806	$62,074	$70,688	($8,614)	($999)	($954)	($7,660)
Aug	61,504	.9808	60,323	71,643	(11,320)	(1,012)	(966)	(10,354)
Sep	51,997	.9821	51,067	66,937	(15,870)	(946)	(903)	(14,967)
Oct	42,790	.9781	41,853	62,415	(20,562)	(882)	(842)	(19,720)
Nov	49,677	.9808	48,723	59,160	(10,437)	(836)	(798)	(9,639)
Dec	50,586	.9768	49,413	65,909	(16,496)	(931)	(889)	(15,607)
Jan 1986	32,740	.9765	31,970	70,964	(38,994)	(1,002)	(957)	(38,037)
Feb	27,414	.9781	26,813	67,602	(40,789)	(955)	(912)	(39,877)
Mar	32,263	.9784	31,566	63,925	(32,359)	(903)	(862)	(31,497)
Apr	37,014	.9788	36,229	61,581	(25,352)	(15,482)	(14,785)	(10,567)
May	35,149	.9800	34,446	56,802	(22,356)	(14,280)	(13,637)	(8,718)
June	35,893	.9816	35,233	61,583	(26,350)	(15,483)	(14,786)	(11,565)
Total	$520,329 (a)		$509,710	$779,209	($269,499)	($53,711)	($51,291)	($218,208)

(a)

Account	Total	FOB Fuel Only	Non Fuel Chgs. Excluding Nucl. Spent Fuel	Nuclear Spent Fuel
501,504	$222,680	$220,276	$2,404	-
518*	136,823	103,473	21,635	$11,715
547	10,192	10,012	180	-
555,557*	203,234	186,568	16,666	-
Total	$572,929	$520,329	$40,885	$11,715

* For budget purposes Limerick Unit #1 was considered precommercial through 7/31/85, commercial 8/1/85 and included in rates 1/1/86. Account 557 includes $43 for precommercial generation in July 1985. Account 557 also includes $86,978 for the value of Limerick generation from August 1, 1985 through December 31, 1985. Account 518 includes $26,985 for Limerick fuel costs from January 1, 1986 through June 30, 1986.

Philadelphia Electric Company - Electric Operations
ANNUALIZATION OF WAGES, BENEFITS AND
NUMBER OF EMPLOYEES
($1,000)

This adjustment develops the increase in wage and benefits expenses effective August 1, 1985 not yet fully reflected in the test year ending June 30, 1986. Additional discussion regarding this adjustment is contained in the Direct Testimony of T. P. Hill, Jr.

Wages - Total Company

June 1986 - Regular Payroll (D-5a)	$34,166
Paid days - June 1986	21
Average payroll per paid day (a)	$1,627.0
Average payroll per paid day revised for actual 8/1/85 increase $1,627.0 (1.054/1.055)(b)	$1,625.5
Annualized regular payroll at June 1986 $1,625.5 x 261 paid days/year	$424,256
Less: 12 months regular payroll (D-5a)	416,296
Increased Wage Expense	$7,960
Plus: Overtime @ 12.2% (D-5a)	971
Increase in total payroll expense	$8,931

Pensions and Benefits - Total Company

Increase in Pensions and Benefits as a result of 8/1/85 package	$3,271
Less: Portion of increase in pensions and benefits included in budget	2,550
Total increase in Pensions and Benefits	$721

Total increase in wages, pensions and benefits

Total, PE Company ($8,931 + $721)	$9,652
Total, allocated to Electric Operations $9,652 x 59.0% (c)	$5,695
Decrease in income taxes @ 49.768%	2,834
Decrease in income for return	$2,861

(a) Includes a budgeted 5.5% annual increase effective 8/1/85
(b) Actual 8/1/85 wage increase is 5.4%
(c) Page D-5a of Exhibit TPH-1

Philadelphia Electric Company

PAYROLL DATA
BUDGET YEAR ENDED JUNE 30, 1986
(Thousand $)

Month	Total Payroll	Less Overtime	Regular Payroll	OT as % of PE Regular Payroll	Number of Employees
July 1985	38,835	4,001	34,834	11.5	11,250
Aug.	39,458	4,563	34,895	13.1	11,250
Sep.	37,663	4,410	33,253	13.3	10,961
Oct.	41,088	4,505	36,583	12.3	10,947
Nov.	37,957	4,204	33,753	12.5	10,936
Dec.	39,109	4,019	35,090	11.5	10,927
Jan. 1986	40,987	4,170	36,817	11.3	10,952
Feb.	36,441	4,170	32,271	12.9	10,956
Mar.	37,761	4,111	33,650	12.2	10,953
Apr.	39,560	4,202	35,358	11.9	10,936
May	39,815	4,189	35,626	11.8	11,085
June	38,383	4,217	34,166	12.3	11,286
Total	$467,057	$50,761	$416,296	12.2	11,037 (Avg.)

Philadelphia Electric Company - Electric Operations

ADJUST BOOK DEPRECIATION ACCRUAL TO REFLECT
YEAR-END PLANT AS OF JUNE 30, 1986
(Thousand $)

Additional information regarding this adjustment is contained in the Direct Testimony of Alfred Wroblewski.

Total Depreciation Accrual Associated with Plant for Ratemaking purposes (C-5)	$243,486
Anti-Trust Price Adjustment	(647)
Allocated Common Depreciation Accrual, excluding Transportation (C-6)	4,948
Book Depreciation Accrual	$247,787
Less: Experienced Net Salvage Expense	(4,199) (1)
Total Calculated Depreciation Including Net Salvage Expense	$251,986
Book Depreciation Accrual and Amortization Excluding Decommissioning (B-13)	160,239
Increase in Depreciation Accrual	$91,747
Decrease in Income for Return	$91,747

(1) Development of experienced net salvage expense for five years ended June 30, 1986 utilizing the methodology adopted by the Commission in its Order at R-842590.

	Net Salvage	
	Electric	Common
1981 (6 months)	($1,666)	(397)
1982	(3,757)	397
1983	(3,907)	572
1984	(5,673)	(180)
1985	(4,446)	263
1986 (6 months)	(2,223)	132
Five Year Average excluding Common	($4,334)	$157
Electric's Share of Common @ 86.188% (B-17)	135	
Total	($4,199)	

Philadelphia Electric Company
Increase in Income Tax by Computing
Tax Depreciation and Amortization on a Year-End Base
As of June 30, 1986
(Thousand $)

Refer to the Direct Testimony of G. A. Sileo for additional discussion on this adjustment.

Tax Depreciation and amortization year ended June 30, 1986 Electric (D-7a)				$447,663
Common (D-7a)				
Allocated To:				
	Per B-17			
Electric	86.188%	$5,287		5,287
Gas	12.930	793		
Steam	0.882	54		
Total	100.000%	$6,134		
Electric including allocated common				$452,950
Less: Amortization of Anti-trust Settlement for Tax Purposes				400
Total Allowable Tax Depreciation & Amortization on year-end Basis at June 30, 1986				$452,550
Less: Tax Depreciation accrued per books for 12 months ending June 30, 1986 including allocated Common				
Book Depreciation (B-13)			$159,201	
Amortization of Anti-Trust (B-13)			(641)	
Add: Transportation Depreciation Charged to Clearing				
	Per B-17			
Electric	86.188%	$610	610	
Gas	12.930	92		
Steam	0.882	6		
Total	100.000%	$708		
Excess of Tax Depreciation and Amortization over Book Depreciation (B-15)			$371,029	
Total Accrued Tax Depreciation and Amortization for 12 Months Ended June 30, 1986				$530,199
Total Decrease in Tax Depreciation and Amortization				$77,649
Increase in Income Taxes @ 49.768%				$38,644
Decrease in Income for Return				$38,644

Philadelphia Electric Company - Electric Operations
Depreciable Tax Bases and Resulting Depreciation and Amortization
As of June 30, 1986
(Thousand $)

Electric	Depreciation Base For Taxes (a)	Depreciation Rate For Taxes (b)	Tax Depreciation and Amortization (c)
S/L Plant Installed Prior to 1954	$291,623	0.13	$373
Liberalized Plant Installed 1954-1969	205,549	10.45	21,474
Liberalized Plant Installed 1970	29,331	13.33	3,909
Liberalized Plant Installed 1971	24,163	19.58	4,732
Liberalized Plant Installed 1972	16,082	15.35	2,469
Liberalized Plant Installed 1973	28,224	16.25	4,586
Liberalized Plant Installed 1974	82,439	21.51	17,734
Liberalized Plant Installed 1975	26,654	13.64	3,642
Liberalized Plant Installed 1976	51,904	14.42	7,487
Liberalized Plant Installed 1977	72,349	20.13	14,562
Liberalized Plant Installed 1978	25,647	12.02	3,082
Liberalized Plant Installed 1979	33,157	12.26	4,064
Liberalized Plant Installed 1980	35,001	11.59	4,055
Liberalized Plant Installed 1981	77,203	17.86	13,785
Liberalized Plant Installed 1982	167,643	12.04	20,187
Liberalized Plant Installed 1983	107,015	11.83	12,663
Liberalized Plant Installed 1984	112,145	11.80	13,234
Liberalized Plant Installed 1985	184,144	12.71	23,398
Liberalized Plant Installed 1986	2,344,398 (d)	11.61	272,227*
Total	3,914,671		$447,663
Tax Depreciation - Common			
S/L Plant Installed Prior to 1954	$5,961	1.88	$112
Liberalized Plant Installed 1954 to 1969	5,498	5.02	276
Liberalized Plant Installed 1970	937	7.04	66
Liberalized Plant Installed 1971	223	9.42	21
Liberalized Plant Installed 1972	24,104	4.43	1,069
Liberalized Plant Installed 1973	909	5.50	50
Liberalized Plant Installed 1974	327	9.17	30
Liberalized Plant Installed 1975	308	6.17	19
Liberalized Plant Installed 1976	176	6.25	11
Liberalized Plant Installed 1977	558	5.38	30
Liberalized Plant Installed 1978	664	4.67	31
Liberalized Plant Installed 1979	1,615	5.02	81
Liberalized Plant Installed 1980	1,160	6.64	77
Liberalized Plant Installed 1981	2,523	13.12	331
Liberalized Plant Installed 1982	2,923	35.82	1,047
Liberalized Plant Installed 1983	2,647	20.14	533
Liberalized Plant Installed 1984	3,581	15.75	564
Liberalized Plant Installed 1985	5,581	17.79	993
Liberalized Plant Installed 1986	7,634	10.39	793
Total	$67,329		$6,134

(a) Plant in Service at 6/30/86 less tax reserves as of 7/1/86.
(b) Depreciation rates are composites based on plant life estimates which are prescribed by U.S. Treasury Guideline Regulation as modified in the Revenue Acts of 1971, 1981 and 1982.
(c) Liberalized Tax Depreciation has been computed under the declining balance method, switched to either straight line or sum-of-the-years method as appropriate.
(d) Includes $2,225,523 of net depreciable cost of Limerick Unit #1 and 100% common facilities, placed in service for tax purposes August 1985 but not until February 1986 for book purposes (date of commercial operation).
* Includes $262,069 for Limerick Unit No. 1 + 100% Common Facilities

Philadelphia Electric Company - Electric Operations
NORMALIZATION OF TAX DEFERRALS ON YEAR-END PLANT AND ELIMINATION
OF TAX DEFERRALS FROM 1970 TAX LEGISLATION REFLECTED ON D-1
(Thousand $)

Refer to the Direct Testimony of G. A. Sileo for further discussion of this adjustment

Plant		
Excess Depreciation and Amortization (a) (D-8a)		$261,210
Common Allocated to Electric (b)		1,614
Total		$262,824
Tax Deferral on 6/30/86 Plant @ 46%		$120,899
Tax Deferral on Plant Per Books (c)	194,780	
Less: Deferred tax removed through STAC A/C Excess Depr on Limerick Plant (D-1)	3,856	190,924
Change in Tax Deferral on Plant		($70,025)
Fuel		
Fuel Expense Deferred 12 Months ended 6/30/86		($218,208)
Tax Deferral on fuel @ 49.768%		(108,599)
Tax Deferral on Fuel per books (c)	(111,102)	
Less: Deferred tax removed through STAC A/C Deferred (D-1)	(2,503)	
Net per books		(108,599)
Change in tax deferred on fuel		0
Increase in Income for Return		$70,025

(a) The amounts reflected represent normalization of tax deferrals, generated by the use of liberalized tax depreciation for plant additions increasing capacity and installed after 1969 and before 1981, plus the deferral resulting from use of the Class Life System (ADR) of the Revenue Act of 1971. Pursuant to the Pa.P.U.C. Order dated 8/17/73 at RID 29, these figures exclude depreciation on plant replacing capacity. The amounts also reflect normalization of tax deferrals associated with all public utility property placed in service after 1980 under the Economic Recovery Tax Act of 1981.

(b) Allocation of Common:

	Percent (B-17)	Depreciation Subject to Normalization	
Electric	86.188%	$1,614	
Gas	12.930	242	
Steam	.882	16	
Total	100.000%	$1,872	(D-8a)

(c) Total provision for deferred income taxes as shown on B-9 is comprised as follows:

Portion a/c turbine lease cancellation	$15,387
Portion a/c capitalized pensions & taxes	6,012
Portion a/c capitalized employee benefits	3,566
Portion a/c deferred fuel cost	(111,102)
Portion a/c excess depn. on nuclear fuel	(4,121)
Portion a/c excess depreciation on plant	194,780
Portion a/c Limerick deferred costs	47,600
Portion a/c Limerick No. 1 Value of Generation and precommercial generation	(44,307)
Total Deferred Income Taxes	$107,815

Philadelphia Electric Company
Tax Depreciation and Amortization Subject To Normalization
June 30, 1986
(Thousand $)

	Depreciation Base			Depreciation Rate		Depreciation		
	For S/L Base (1)	Tax Reserve (2)	For Liberalized Base (3)=1-2	Liberalized (4)=6/3	S/L (5)=7/1	Liberalized (6)	S/L (7)	Excess (8)=6-7
Electric Plant								
1970	$117,784	$91,541	$26,243	14.06%	3.39%	$3,689	$3,988	($2
1971	141,673	121,320	20,353	21.10	3.39	4,294	4,799	(5
1972	69,567	56,985	12,582	16.83	3.28	2,117	2,279	(1
1973	110,666	88,468	22,198	18.08	3.40	4,014	3,760	2
1974	497,656	421,257	76,399	22.18	4.27	16,948	21,241	(4,2
1975	70,457	51,965	18,492	15.96	3.47	2,951	2,443	5
1976	157,008	106,772	50,236	14.63	3.55	7,348	5,571	1,7
1977	283,265	213,890	69,375	20.63	4.68	14,314	13,263	1,0
1978	52,288	30,175	22,113	12.56	3.59	2,778	1,879	8
1979	60,827	33,448	27,379	13.05	3.86	3,574	2,346	1,2
1980	60,107	29,047	31,060	12.07	3.92	3,750	2,355	1,3
1981	164,367	87,164	77,203	17.86	3.22	13,785	5,285	8,5
1982	270,328	102,685	167,643	12.04	3.83	20,187	10,367	9,8
1983	155,015	48,000	107,015	11.83	3.11	12,663	4,820	7,8
1984	143,361	31,216	112,145	11.80	3.68	13,234	5,275	7,9
1985	210,093	25,949	184,144	12.71	3.71	23,398	7,791	15,6
1986	2,432,230	87,832	2,344,398	11.61	2.57	272,227	62,599	209,6
Total	$4,996,692	$1,627,714	$3,368,978			$421,271	$160,061	$261,2
Common Plant								
1970	$2,566	$1,708	$858	7.23	1.79	$62	$46	$
1971	2,643	2,586	57	21.05	0.49	12	13	
1972	39,614	19,215	20,399	4.44	2.17	906	859	
1973	4,004	3,161	843	5.34	1.02	45	41	
1974	1,185	1,022	163	12.88	1.43	21	17	
1975	1,807	1,671	136	9.56	0.55	13	10	
1976	3,235	3,163	72	8.33	0.15	6	3	
1977	1,242	794	448	5.36	2.50	24	31	
1978	1,126	571	555	4.68	2.84	26	32	
1979	2,545	1,023	1,522	4.86	2.83	74	72	
1980	1,744	683	1,061	6.79	3.78	72	65	
1981	6,744	4,221	2,523	13.12	7.21	331	486	(1
1982	10,036	7,113	2,923	39.82	8.05	1,047	808	2
1983	4,580	1,933	2,647	20.14	5.39	533	247	2
1984	4,887	1,306	3,581	15.75	4.89	564	239	3
1985	6,733	1,152	5,581	17.79	6.33	993	426	5
1986	7,941	307	7,634	10.39	3.17	793	292	5
Total	$102,632	$51,629	$51,003			$5,522	$3,650	$1,8

* Includes $202,796 for Limerick Unit No. 1 + 100% Common Facilities.

Pennsylvania Electric Company - Electric Operations
ADJUSTMENT TO INCOME TAXES TO REFLECT
PRO FORMA INTEREST CHARGES BASED ON
YEAR-END PLANT AND EMBEDDED COST OF DEBT
As of June 30, 1986

D

Revised 2/14

As permitted by the Pa. P.U.C. order dated August 17, 1973, the Compa
adopted Income Tax Allocation effective October 1, 1973, under which electr
operating income is credited with the tax savings on interest charges
associated with debt issued to finance plant actually in service.

This adjustment is necessary to reflect the pro forma interest charge
on the Company's rate base as of June 30, 1986 and the 10.86% embedded
cost of debt at 6/30/86 (Page B-19). Refer to the Direct Testimony of
G. A. Sileo for further discussion on this adjustment.

	(Thousand $
Actual Test Year Interest Charges Allocated To Electric in Developing Operating taxes (B-15)	187,59
Pro Forma Interest Charges Allocable to Electric Based on Rate Base Claim	
O.C. Measure of Value at 6/30/86 (A-2)	6,943,88
% Financed by Debt	50.
Amount Financed with Debt	3,534,43
Pro Forma Interest Charges @ 10.86%	383,84
Increase in Interest Charges Allocated	196,24
Change in Income Taxes @ 49.768%	(97,667
Change in Income for Return	97,667

Philadelphia Electric Company - Electric Operations

Adustment to Budgeted
Nuclear and Fossil Plant Production
Operation and Maintenance Expenses
For the Test Year Ending
June 30, 1986
($1,000's)

In preparing the budget for the Electric Production Department, known areas of expense are considered for inclusion according to a fixed schedule. Budgeted expenses must be reviewed and adjusted, when necessary, to conform with normalized levels appropriate for ratemaking purposes.

The adjustment below reflects the increase in test year expenses resulting from known changes to the original budget expense levels for Electric Production O&M. In addition, this adjustment reflects the amortization of non-recurring costs associated with the Salem Management Evaluation Program. A detailed explanation of these expenses is provided in the Direct and Rebuttal Testimony of Company witness J. J. Carroll.

Nuclear Plant O&M Increases (D-10a Rev.)	$20,001	
Fossil Plant O&M Increases (D-10b Rev.)	3,713	
Revisions to Maintenance Schedule - Decreases (D-10c)	(15,795)	
Salem Management Evaluation Program - Increase (D-10d)	3,642	
Adjustment to Reflect a Reduced Level of Inflation	(947)	
Net Increase in O&M Expenses		$10,614
Income Tax at 49.768%		5,282
Decrease in Income for Return		$5,332

Philadelphia Electric Company - Electric Operations

Adjustment to Budget Operation and Maintenance Expenses for Nuclear Plants to Reflect a Normalized 2/3 Outages Per Unit Per Year in the Test Year Ending June 30, 1986
($1,000)

Normalized Outage Expenses		
Peach Bottom Station	$12,605	
Salem Station	11,145	
Limerick No. 1 Unit	13,401	
		$37,151
Budget Outage Expenses		
Peach Bottom Station	$8,849	
Salem Station	8,005	
Limerick No. 1	0	
		$16,854
		$20,297
Reduction in Peach Bottom #3 Low Pressure Rotor Repairs		$296
Change in O&M Expenses		$20,001

Philadelphia Electric Company

Adjustment to Budget Operation and Maintenance Expense
To Reflect Normalized Fossil Plant Outages
in the Test Year Ending June 30, 1986
($1,000)

Normalized Outage Expenses	$22,413
Outage Expense Per Budget	18,700
Change in O&M Expense	$3,713

PHILADELPHIA ELECTRIC COMPANY - ELECTRIC OPERATIONS

Adjustment in Budget Operation and Maintenance
Expenses Which Reflects Revision to the Maintenance Schedule
For Test Year Ending
June 30, 1986
($1,000)

1.	Remove Eddystone No. 2 unit outage Rescheduled out of Test Year		($10,425)
2.	Remove Delaware No. 8 unit outage Rescheduled out of Test Year		(1,147)
3.	Remove Peach Bottom No. 2 unit outage Rescheduled out of Test Year		(7,754)
4.	Add Peach Bottom No. 3 unit outage Rescheduled into Test Year		7,709
5.	Remove Swede Street Dam Repair Postponed from 1984		(700)
6.	Eddystone No. 1 Annual Inspection		
	Replacement of Transition Tubes Budget value for the test year	$3,578	
	Revised cost for 2-year project of $3,400 one-half included in Test Year outage	$1,700	
	Net Reduction		(1,878)
7.	Reduced dredging expenses corrected for computer error and re-estimate		(1,600)
	Total Change in O&M (D-10)		($15,795)

Philadelphia Electric Company - Electric Operations

ADJUSTMENT TO BUDGET OPERATION & MAINTENANCE
EXPENSE TO REFLECT THE AMORTIZATION
OF COSTS ASSOCIATED WITH THE SALEM
MANAGEMENT EVALUATION PROGRAM

The purpose of this adjustment is to amortize over a two-year period the costs associated with the Salem Management Evaluation Program that are non-recurring. Additional information on this adjustment is contained in the Direct Testimony of J. J. Carroll.

Total Cost to PECo	$7,283
Annual Amortization ($7,283/2)	$3,642 (D-10)

Philadelphia Electric Company - Electric Operations

Adjustment to Reflect Decrease in Budget Operation and Maintenance Expense for Retirements in the Test Year Ending June 30, 1986
(Thousand $)

The purpose of this adjustment is to eliminate from budgeted operation and maintenance expense all expenses associated with production plant that is being retired. Refer to the direct testimony of J. J. Carroll for further detail.

Retirement of Richmond No. 9 Unit	
Operating and Maintenance Expense (less fuel)	$2,692
Retirement of scheduled internal combustion Units - Richmond No.'s 21, 22, 31, 32, 41 42, 43, 44, 51, 52, 61, 62, 71, 72, 73, and 74, Plymouth Meeting No's 9 and 15, & Southwark Diesel	
Operating and Maintenance Expense (less fuel)	$3,096
Retirement of Southwark No.'s 1 and 2	
Operating and Maintenance Expense (less fuel)	5,347
Total Decrease in O&M	$11,135
Income Tax @ 49.768%	5,542
Increase in Income for Return	$5,593

Philadelphia Electric Company - Electric Operations
AMORTIZATION OF ADJUSTMENTS ORDERED IN PRIOR CASES AND PROPOSED AMORTIZATION OF CURRENT EXPENSES
JUNE 30, 1986
($1,000)

In prior proceedings the Commission, for ratemaking purposes, provided for the amortization of certain expense items. Developed below is the adjustment to book expense to reflect these prior period items together with the company's claim for current rate case expenses and abandoned engineering costs. Additional discussion on this adjustment is provided in the Direct Testimony of T. P. Hill, Jr.

	Amount Booked In Test Year (1)	Ratemaking Claim (a) (2)	Adjustment (3)=(2)-(1)
1. Rate Case Expenses			
- RID 129,295,438,865	-	132	132
- Current Case	1,361	1,260 (b)	(101)
- ECR #8	100	116	16
- ECR #9	0	300	300
- Limerick #2 Show Cause	0	1,100	1,100
2. Turbine Lease Cancellation	9,191	-	(9,191)
3. Storm Damage	-	261	261
4. Office Automation Equip.	-	86	86
5. Abandoned Engineering Chester Station	-	40	40
6. Eddystone #1 Restoration	-	1,877	1,877
Subtotal Change in O&M	-	-	($5,480)
Change in Income Taxes a/c O&M expenses @ 49.768%			$2,727
7. Def. Taxes-State Tax Rate Chg	(1,006)	(425)	581
8. Pioneer Uravan Amortization	-	459	459
9. Abandoned Engineering Heaton-Byberry 230 kV line	-	89	89
10. Def. Taxes - Fed. Rate Change	(548)	-	548
Total Increase in Income for Return [$5,480-(2,727+581+459+89+548)]			$1,076

(a) For detail see Page D-12a.

(b) Current - Excluding Technical Consultants $640
Current - Technical Consultants 620
Total Claim $1,260

Philadelphia Electric Company - Electric Operations
DEVELOPMENT OF RATEMAKING CLAIM FOR
CERTAIN EXPENSE ITEMS
($1,000)

Item	Case Authorizing Amortization	Original Amount to be Amortized	Amortized as of 6/30/86	Unamortized as of 6/30/86	Current Year's Claimed Amortization
1. Rate Case Expenses					
- RID 129, 295, 438, 865	R-811626	2,755	2,086	669	132
- Current Case (Excluding Tech. Consultants)		1,280	-	1,280	640 (1)
- Current Case - Technical Consultants		3,099	-	3,099	620 (2)
- ECR #8	R-842590	1,650	787	863	116
- ECR #9		600	-	600	300 (1)
- Limerick #2 Show Cause		5,500	-	5,500	1,100 (2)
2. Amort. of Turbine Lease Cancellation	R-811626	40,108	40,108	-	-
3. Storm Damage	R-842590	1,000	478	522	261 (3)
4. Office Automation Start-up Costs	R-842590	330	158	172	86 (3)
5. Abandoned Engr. Chester Station	R-801225	970	890	80	40 (3)
6. Eddystone #1 Restoration	R-842590	7,185	3,431	3,754	1,877 (3)
7. State Tax Rate Change	R-842590	(3,018)	(1,445)	(1,573)	(787)(4)
8. Pioneer Uravan	R-842590	2,296	659	1,637	459
9. Heaton-Byberry Abandoned Engineering		445	-	445	89 (2)
10. Federal Tax Rate Change		5,480	5,480	-	-

(1) Reflects a 2 year normalization
(2) Reflects a 5 year amortization
(3) Reflects a 2 year amortization of the unamortized balance
(4) Current Year Net of Deferred Federal Income Tax Effect = ($425);
2 year amortization of unamortized balance

Philadelphia Electric Company - Electric Operations
ADJUSTMENT TO ELIMINATE THE REVENUE
AND FUEL EXPENSE ASSOCIATED WITH SALES
TO THE BOROUGH OF LANSDALE INCLUDED IN
THE TEST YEAR ENDED JUNE 30, 1986
(Thousand $)

Not Applicable

Philadelphia Electric Company - Electric Operations
FEDERAL OLD AGE BENEFITS
FOR THE YEAR ENDED JUNE 30, 1986
(Thousand $)

Effective 1/1/86 the wage base subject to federal old age benefits tax will increase to $41,700 from $39,600 while the rate of tax will increase from 7.05% to 7.15%. Additional discussion of this adjustment is contained in the Direct Testimony of Guy A. Sileo.

Developed below is the increase in expense on account of the above increase.

Total Company

7/1/85 to 6/30/86 FICA Wage Base @ $41,700	$404,134
Full Year of FICA @ 7.15% ($404,134 x 7.15%)	$28,896
7/1/85 to 6/30/86 Expense Included in Test Year	27,640
Increase	$1,256

Allocation to Electric Operations

$1,256 x 59.0% (a)	$741
Decrease in income taxes @ 49.768%	369
Decrease in income for return	$372

(a) Based on 12 months ended June 30, 1985 (Ref: Page D-5a of Exhibit TPH-1)

Revised 2/14/86

Philadelphia Electric Company - Electric Operations
DECOMMISSIONING COST ADJUSTMENT FOR
PEACH BOTTOM NO. 1, 2 & 3, SALEM NO. 1 & 2 AND LIMERICK NO. 1
12 Months Ended June 30, 1986
($1,000's)

In its order at R-842590, the Commission permitted the Company an annual accrual for decommissioning expense of four nuclear units - Peach Bottom Units No. 2 and No. 3 and Salem Units No. 1 and No. 2. Subsequent to this order the Company performed a new decommissioning cost study for all our nuclear units. This adjustment utilizes the new study to (1) include Peach Bottom Unit No. 1 and Limerick Unit No. 1 in the estimate (2) reflect the increase in the total estimated cost of decommissioning (3) provide recovery of the reserve deficiency over a five year period for historic accruals for Peach Bottom Units No. 2 and No. 3 and Salem Units No. 1 and No. 2 and (4) recover future accruals through the year 2008 for the Peach Bottom and Salem Units and through the year 2024 for Limerick Unit No. 1. The Direct Testimony of N. B. McLeod provides a discussion of the decommissioning study performed for all of the Company's nuclear units. The Direct and Rebuttal Testimonies of R. W. Wright provides a description of the Company's expense accounting.

Development of Future Annual Accrual for Decommissioning		
PECo share of estimated total cost of decomissioning: (6/30/86)		
- Peach Bottom Units No.1,No.2,No.3	$107,257	
- Salem Units No.1, No.2	72,112	
- Limerick Unit No.1	123,629	
	$302,998	
Annual decommissioning expense		
- Peach Bottom Units No.1, No.2, No.3		$3,979
- Salem Units No.1, No.2		2,620
- Limerick Unit No. 1		3,253
		$9,852
Expense to Correct Prior Accruals		
Reserve requirement at 6/30/86 for Peach Bottom Units No. 2 and 3 and Salem Units No. 1 and No. 2	$30,470	
Estimated actual reserve through 6/30/86 including interest	18,650	
Increase in Decommissioning expense necessary to correct prior accruals	11,820	
5 yr amortization of incr. in decommissioning expense to correct prior accruals		2,364
Total expense associated with decommissioning		$12,216
Decommissioning Included in Budget (B-13)		4,190
Increase in Decommissioning Expense		$8,026
Decrease in Income Taxes @ 49.768%		3,994
Decrease in Income for Return		$4,032

Philadelphia Electric Company - Electric Operations

SPENT FUEL DISPOSAL COST ADJUSTMENT
FOR PEACH BOTTOM NO. 2 & 3, SALEM NO. 1 & 2, AND LIMERICK NO. 1
12 Months Ended June 30, 1986
($1,000)

In its order at R-842590, the Commission permitted the Company spent fuel expense allowances for Peach Bottom Units No. 2 and No. 3 and Salem Units No. 1 and No. 2 based on an estimate by DOE of 1 mill/kWh of gross electrical output for spent fuel removal beginning on April 7, 1983.

The purpose of this adjustment is to include in test year operating expenses the Company's cost for spent fuel removal.

This claim applies a revised DOE assessment of 1 mill/net kWh to the anticipated average annual generation by Peach Bottom Units No. 2 and No. 3, Salem Units No. 1 and No. 2 and Limerick Unit No. 1. The Rebuttal Testimony of J. J. Carroll provides detail on the development of anticipated average annual nuclear generation and a discussion regarding the revised DOE assessment.

The Direct Testimony of R. W. Wright provides a detailed description of the Company's spent fuel expense accounting.

Installed Capacity (Net)	
Peach Bottom 2	447
Peach Bottom 3	439
Salem 1	459
Salem 2	471
Limerick 1	1,055
	2,871

Estimated Net Generation

MW		Period Hrs		Capacity Factor		
2,871 MW	x	8,760 Hrs/Yr	x	.617	=	15,517,525 MWH

Total Expense Associated with Spent Fuel Removal @ $1/MWH	$15,518
Less: Spent Fuel Included in Budget (B-10)	11,715
Increase in Spent Fuel Expense	$3,803
Change in Income Taxes @ 49.768%	1,893
Decrease in Income for Return	$1,910

Philadelphia Electric Company - Electric Operations

ADJUSTMENT TO AMORTIZE THE LOSS ON
THE SALEM #1 DAMAGED NUCLEAR FUEL ASSEMBLIES
(Thousand $)

During the course of a PUC 1982 fuel audit approximately $929,000 related to damaged nuclear fuel assemblies was eliminated from recoverable fuel costs. The purpose of this adjustment is to amortize the cost of Salem #1 damaged nuclear fuel assemblies to base rates over a period of three years. The amount being amortized is equal to the amount of the adjustment in the 1982 Pa.PUC fuel audit. Refer to the Direct Testimony of T. P. Hill, Jr. for further discussion of this adjustment.

Total to be amortized	$929
Annual amortization (3 years)	$310
Decrease in deferred taxes @ 49.768%	154
Decrease in Income for Return	$156

Philadelphia Electric Company - Electric Operations

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

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

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

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

Philadelphia Electric Company - Electric Operations

NON JURISDICTIONAL RATES
RATE OF RETURN ADJUSTMENT
12 Months Ending June 30, 1986
(Thousand $)

As per the Company's cost of service study, Exhibit WPS-1, the current return level from those customers not subject to Pennsylvania regulation is lower than the overall Company average return being sought in this case. The purpose of this adjustment is to reflect the additional income which results from applying the system average return to these customers. Refer to the Direct Testimony of T. P. Hill, Jr. for additional discussion of this adjustment.

	FERC Jurisdiction	Interdepartmental	Total
Revenue at proposed return level (12.70%)	$29,633	$4,803	$34,436*
Less: Revenues included in June 30, 1986 Test Year	23,085	4,126	27,211
Additional Revenue	$6,548	$677	$7,225
Decrease in fuel expense 513,200,000 kWh (a) @ .7355¢/kWh (D-21)			3,775
Increase in Income taxable income			$11,000
Increase in Income taxes			5,474
Increases in Income for return			$5,526

* Assumes full rate increase is granted therefore it is subject to change if a portion of the increase is disallowed.

(a)

FERC	449,800,000 kWh
Interdepartmental	63,400,000 kWh
Total (A-5)	513,200,000 kWh

Philadelphia Electric Company - Electric Operations

ADJUSTMENT TO REFLECT FULL YEAR AMORTIZATION OF
INVESTMENT TAX CREDIT ON A YEAR-END PLANT BASIS
12 Months Ending June 30, 1986
(Thousand $)

The purpose of this adjustment is to reflect a full year's amortization of investment tax credit on qualifying plant placed in service during the test year assuming the proforma proposed rates were in effect during this period. The effect of the adjustment is to place the ITC amortization on a year-end plant basis. Additional information on this adjustment is contained in the Direct Testimony of G. A. Sileo.

Amortization on the $134,646 Plant in Service Portion of the total $187,323 ITC Carryover at 6/30/86 (per B-15)		
Limerick 1 with 100% Common	$1,387	
Other Electric	7,650	
Annualization Adjustment for Plant in Service Portion of ITC Carryover		$9,037*
Amortization on the $140,771 Limerick 1 with 100% Common Progress Payment ITC previously utilized	$3,610	
Less: Limerick Amortization Reflected on B-14	2,334	
Annualization Adjustment for Amortization of ITC Previously Utilized		1,276
Increase in ITC Amortization		$10,313
Increase in Income Available for Return		$10,313

*Assumes full rate increase is granted therefore it is subject to change if a portion of the increase is disallowed.

PHILADELPHIA ELECTRIC COMPANY - ELECTRIC OPERATIONS

Adjustment to Base Rates to Reflect
A Roll-Out of .7505¢/kWh
of Fuel Expense
(Thousand $)

Effective with the commercial operation date of Limerick Unit #1, it is expected that the Company's energy costs will be significantly reduced. The purpose of this adjustment is to reflect the effect of this cost reduction through a .7505¢/kWh roll-out of fuel from base rates. The development of the fuel roll-out is shown below. Refer to the Direct Testimony of J. J. Carroll for further discussion on the development of the energy savings.

Decrease in Revenue (D-21a)		$211,214
Decrease in Fuel Expense	$206,990	
Decrease in Gross Receipts Tax	4,224	
Total Decrease in Expense (D-21a)		$211,214
Change in Taxable Income		$0

Philadelphia Electric Company - Electric Operations

Adjustment to Base Rates to Reflect
A Roll-Out of .7505¢/kWh
of Fuel Expense
(Thousand $)

Total Fuel & Interchange Expense without Limerick No. 1 Unit 7/1/86 to 6/30/88	$1,378,043
Total Fuel & Interchange Expense with Limerick No. 1 Unit 7/1/86 to 6/30/88	$961,407
Reduction in Fuel & Interchange Expense resulting from Limerick No. 1 Unit supplying PECo System Sales	$416,636
PECo System Sales from 7/1/86 to 6/30/88	56,647,100 Mwh
Reduction in Cost per kWh	
$\frac{\$416,636,000}{56,647,100 \text{ MWh}}$ =	7.355 m/kWh
1/1-T (T=2.0%)	x 1.02041
Reduction in Energy Cost per kWh	7.505 m/kWh
Applicable Sales for Test Year (Adjusted for Growth)	28,143,062 MWh
Decrease in Revenue	$211,214

Revised 2/14/86

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

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

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

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

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

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

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

Philadelphia Electric Company - Electric Operations

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

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

	Sequoyah	Homestake	Lee Mine	Total	Total to be Amortized	5 year Amortization
Book Cost - 1985	$8,845	$1,882	$3,249	$13,976		
Revenue Recovered from Customers (a)	1,239	195	315	1,749		
Book Loss	$7,606	$1,687	$2,934	$12,227	$12,227	$2,445
AFUDC	2,230	417	410	3,057		
Tax Loss	$5,376	$1,270	$2,524	$9,170		
Decrease in Taxes @ 49.768%					4,564	913
Book Loss Net of Taxes					$7,663	$1,532
Reduction in Income for Return						$1,532

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

Philadelphia Electric Company - Electric Operations
Adjustment to Reflect the Change in
Delaware Station's Terminal Date
12 Months Ending June 30, 1986
($1,000)

The purpose of this adjustment is to reflect the effect on the test year of changing Delaware Station's retirement date from 1988 to 1990. Further discussion of this adjustment is contained in the Supplemental and the Rebuttal Testimonies of Thomas P. Hill, Jr.

Depreciation Accrual - 1988 Terminal Date	$5,203	
Depreciation Accrual - 1990 Terminal Date	2,613	
Decrease in Accrual		$2,590
S/L Tax Depreciation - Post 1980 Additions - Filed	$171	
S/L Tax Depreciation - Post 1980 Additions - Revised	102	
Change Depreciation for Normalization	$69	
Increase in Deferred Taxes @ 46%		$32
Decrease in Expenses & Taxes		$2,558
Increase in Income for Return		$2,558

Philadelphia Electric Company - Electric Operations
Effect of the Elimination of Bradshaw
Reservoir from the Company's Claim
12 Months Ending June 30, 1986
($1,000)

The purpose of this adjustment is to summarize the effect on test year depreciation and taxes of the elimination of Bradshaw Reservoir from rate base. The effect on plant in service is included on page C-2 and the effect on accumulated deferred taxes has been incorporated on page B-16. Discussion of this adjustment is contained in both the Supplemental and the Rebuttal Testimony of Thomas P. Hill, Jr.

Decrease in Depreciation Accrual	($438)
Decrease in Deferred Income Tax	(551)
Increase in Income Taxes	769
Net Decrease in Expenses & Taxes	($220)
Increase in Income for Return	$220

Philadelphia Electric Company - Electric Operations

Adjustment to Reflect the Results
of the PUC Continuing Property Record Audit
12 Months Ending June 30, 1986

The purpose of this adjustment is to incorporate into the Company's claim, the effect on the test year expense, of the adjustments proposed by the PUC Audit Staff and accepted by the Company. The rate base effect is incorporated on page C-2. Refer to the Rebuttal Testimony of T. P. Hill, Jr. for further discussion of this adjustment.

Decrease in Depreciation Accrual (C-5)		$11
Increase in Income Taxes - Reduced Tax Depreciation	12	
Decrease in Deferred Taxes - Normalization	6	
Net Increase in Taxes		6
Net Increase in Income for Return		$5

Philadelphia Electric Company - Electric Operations

ADJUSTMENT TO CORRECT THE LEVEL
OF ASSOCIATION DUES IN THE TEST YEAR
12 Months Ending June 30, 1986

The purpose of this adjustment is to eliminate the double counting in the test year of a portion of EEI dues and also to eliminate the amount for American Gas Association dues inadvertently included in the test year budget. A discussion of the necessity for this adjustment is provided in response to IR-Staff-REO-6.

EEI Dues to be Removed	$272
AGA Dues to be Removed	265
Total Decrease in Expense	$537
Increase in Income Taxes	267
Increase in Income for Return	$270