

COMMONWEALTH OF PENNSYLVANIA
PUBLIC UTILITY COMMISSION

----- X
Pennsylvania Public Utility Commission, et al. :
versus Philadelphia Electric Company. :
Investigation into a requested \$660 million : Docket No.
annual rate increase. : R-850152
:

Further Hearing
----- X

Pages 4014 through 4087
Hearing Room No. 2
North Office Building
Harrisburg, Pennsylvania

Thursday, March 6, 1986

Met, pursuant to adjournment, at 10:04 a.m.

BEFORE:

JOSEPH MATUSCHAK, Administrative Law Judge

APPEARANCES:

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DANIEL P. DELANEY, Esquire
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APPEARANCES (Continued):

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C O N T E N T S

	<u>WITNESSES</u>	<u>DIRECT</u>	<u>CROSS</u>	<u>REDIRECT</u>	<u>RECROSS</u>
1					
2					
3	Guy A. Sileo				
4	By Mr. MacGregor	4019	--	4032	--
5	By Mr. Delaney		4020		
6	By Ms. Weston		4029		
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8	Richard Wm. Wright				
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10	By Mr. Delaney		4035		
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13	John J. Carroll				
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20	Keith I. Laudenslager				
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E X H I B I T S

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NUMBER

FOR IDENTIFICATION

IN EVIDENCE

PECO Statements

✓ No. 25A (Smith)	4017	4018
✓ No. 25B (Smith)	4017	4018
✓ No. 23A (Sileo)	4019	4020
✓ No. 23B (Sileo)	4019	4020
✓ No. 20A (Wright)	4034	4035
✓ No. 20B (Wright)	4034	4035
✓ No. 22B (Carroll)	4042	4043
✓ No. 22E (Carroll)	4042	4043
✓ No. 18C (Hill)	4046	4051
✓ No. 18G (Hill)	4046	4051

PECO Exhibits

✓ No. TPH-2A (Hill)	4047	4051
✓ No. TPH-4 (Hill)	4047	4051

Trial Staff Statements

✓ No. JPP-2 (Prego)	4017	4018
✓ No. JMH-2 (Heverling)	4017	4018
✓ No. KIL-2 (Laudenslager)	4071	4072
✓ No. DPH-2 (Hosler)	4075	4076
✓ No. MJM-2 (Mayer)	4079	4085

Trial Staff Exhibits

✓ No. 23 (IR-Staff-REO-22 & 24)	4056	4068
✓ No. KIL-2A (Laudenslager)	4071	4072
✓ No. MJM-2-A (Mayer)	4079	4085
✓ No. MJM-2-A (Revised) (Mayer)	4079	4085

E X H I B I T S (Continued)

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FOR IDENTIFICATION

IN EVIDENCE

OCA Statement

No. 4A (Bleiweis)

4017

4018

GSA Exhibit

No. 13 (IR-GSA-5-2)

4070

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P R O C E E D I N G S

1
2 ADMINISTRATIVE LAW JUDGE JOSEPH MATUSCHAK: This is
3 the time and place set for further hearing in the matter of
4 Pennsylvania Public Utility Commission against Philadelphia
5 Electric Company at R-850152.

6 Are the parties ready to proceed?

7 MR. MacGREGOR: Yes, Your Honor.

8 MS. SMITH: Yes, Your Honor.

9 MR. RUBIN: Yes, Your Honor.

10 JUDGE MATUSCHAK: Who wants to proceed first in this
11 matter?

12 MR. MacGREGOR: Your Honor, I guess one preliminary
13 matter, if I may have just a moment --

14 (Pause.)

15 MR. MacGREGOR: There are certain statements of
16 testimony put in in rebuttal, surrebuttal and sur-surrebuttal
17 which, it is my understanding, there is no further cross-
18 examination for the witnesses and the parties have agreed
19 that we can put that testimony into the record by stipula-
20 tion without having to have the witnesses appear. I could
21 run through that listing as a preliminary matter, and then
22 we could continue with the cross-examination of the witnesses
23 who are here today.

24 JUDGE MATUSCHAK: Very well.

25 MR. MacGREGOR: As far as the company's testimony is

1 concerned, it is my understanding there is no cross-
2 examination for Mr. Warren Smith, who has submitted rebuttal
3 testimony as PECO Statement No. 25A, and sur-surrebuttal
4 testimony as Statement No. 25B.

(Whereupon, the documents were
marked PECO Statements Nos.
25A and 25B for identification.)

7 MR. MacGREGOR: In addition, there is no cross-
8 examination for Trial Staff Witness John P. Prego, who has
9 submitted surrebuttal testimony, which should be marked for
10 identification as Trial Staff Statement JPP-2.

(Whereupon, the document was
marked Trial Staff Statement
JPP-2 for identification.)

13 MR. MacGREGOR: Similarly, Trial Staff Witness
14 Jeffrey M. Heverling has submitted surrebuttal testimony
15 marked for identification as Statement No. JMH-2.

(Whereupon, the document was
marked Trial Staff Statement
JMH-2 for identification.)

18 MR. MacGREGOR: Finally, the Consumer Advocate has
19 submitted a document marked for identification as OCA
20 Statement No. 4A, which is the surrebuttal testimony of
21 Michael A. Bleiweis.

(Whereupon, the document was
marked OCA Statement No. 4A
for identification.)

24 MR. MacGREGOR: It is my understanding that there
25 is no cross-examination for these witnesses, and by

1 stipulation of the parties, I would ask that these documents
2 be admitted into the record as evidence in this proceeding.

3 JUDGE MATUSCHAK: Are the parties so agreed?

4 MR. RUBIN: Yes, Your Honor.

5 MS. SMITH: Yes, Your Honor.

6 JUDGE MATUSCHAK: Very well.

7
8 (Whereupon, the documents
9 marked PECO Statements Nos.
10 25A and 25B, Trial Staff
11 Statements Nos. JPP-2 and
12 JMH-2, and OCA Statement No.
13 4A were received in evidence.)

14 MR. MacGREGOR: In addition, Your Honor, the company
15 has four witnesses available for cross-examination today,
16 and would like to go through those first and then proceed to
17 two or three of the Staff witnesses, which I have brief
18 questions for.

19 I believe it is the understanding of the parties
20 that we will begin with Mr. Sileo, who has previously
21 presented direct testimony in this proceeding.

22 Whereupon,

23 GUY A. SILEO

24 having previously been duly sworn, testified further as
25 follows:

MR. MacGREGOR: Your Honor, I have previously
distributed to the parties, to Your Honor and to the court
reporter two documents.

1 A. Yes, they would.

2 MR. MacGREGOR: Your Honor, I would ask that the
3 documents that have been previously marked for identification
4 as PECO Statements Nos. 23A and 23B be admitted as evidence
5 in this proceeding, subject to any timely motion to strike
6 or other objection.

7 JUDGE MATUSCHAK: Under those conditions, the motion
8 is granted.

9 (Whereupon, the documents
10 marked PECO Statements Nos.
11 23A and 23B were received in
12 evidence.)

13 MR. MacGREGOR: Mr. Sileo is available for cross-
14 examination, Your Honor.

15 JUDGE MATUSCHAK: Staff?

16 CROSS-EXAMINATION

17 BY MR. DELANEY:

18 Q. Good morning, Mr. Sileo. My name is Dan Delaney.
19 I have some questions on your testimony. Initially, could
20 you turn to page 11 on your rebuttal testimony?

21 A. (Witness complying.)

22 Q. I would note that on pages 10 and 11 of your
23 testimony, you discuss the Staff adjustments to the cash
24 working capital claim of the company.

25 A. Yes.

Q. On lines 2 and 4 on page 11, I understand you

1 there to refer to a law change for calculation of the tax.
2 Do you see where I am referring to?

3 A. On page 11?

4 Q. Page 11, lines 2 to 4. What I am referring to
5 specifically is the statement where you say, "One must
6 adjust the historic data to reflect the change in the law to
7 a new method in calculating the tax." Do you see the
8 reference?

9 A. Yes.

10 Q. Would you explain the law change you are referring
11 to there and how it would affect the Staff's growth rate?

12 A. Prior to the current year, the method of
13 calculating capital stock tax was a formula. Presently it's
14 on a fixed formula.

15 Prior to the present year, present time, it was not
16 on a fixed formula and it was based on various factors that
17 were adjusted.

18 Presently it's on a fixed formula method, and
19 basically there are no adjustments.

20 Q. Are you familiar with when this change was made
21 in the law?

22 A. Yes. It became effective for the calendar year
23 1984.

24 Q. Can you explain just how it would affect Staff's
25 growth rate?

1 A. Presently, the method is based on net worth and
2 capitalized earnings. In the past, there were various
3 factors -- sales, net worth -- that were adjustable. There
4 were adjustments to what was includable in net worth.

5 Presently, it's on book net worth, so there are in
6 effect no adjustments to book net worth.

7 The method is half of the net worth and half the
8 capitalized earnings times a rate of 75 percent.

9 Q. Thank you, Mr. Sileo. Also on the same pages,
10 on lines 4 to 8, I believe there you are discussing capital
11 stock tax accruals that are reflected in the historic
12 period but not applicable to that period. Do you see the
13 reference?

14 A. Same page?

15 Q. Same page, lines 4 to 8, the statement of hisotoric
16 tax expense?

17 A. Okay, yes.

18 Q. You make a reference there to Mr. Wright's
19 rebuttal testimony. Do you have a copy of that?

20 A. Of Mr. Wright's testimony?

21 Q. Yes, it's PECO Statement 20A.

22 A. Perhaps I do. It is Statement No. 20A?

23 Q. Yes.

24 A. Okay.

25 Q. I believe the reference that you are making in

1 your rebuttal testimony at the lines I just cited you to
2 are to Schedule RWW-2c, Statement No. 20A, is that correct?

3 A. Yes.

4 Q. You have that Schedule RWW-2c?

5 A. I have RWW-2c, yes, I have it.

6 Q. That schedule is entitled, "Philadelphia
7 Electric Company, Pennsylvania Capital Stock Tax, June 30,
8 1983." Now, in the middle of the schedule, it has a line
9 entitled, "Adjustment for 1980," and it has three columns.
10 You see where I'm reading?

11 A. Yes.

12 Q. The middle column says, "Proforma Adjustments,"
13 has the figure 1,492 expressed in thousands, with a footnote
14 beside it. You see where I am referring you to?

15 A. I do.

16 Q. This is an approximate \$1.5 million listed as an
17 adjustment for 1980. Would you explain what this adjustment
18 is for and how it relates to the historic period used by
19 Staff to develop the growth rate which began in July of 1982?

20 A. I don't think I could, having not prepared this
21 statement.

22 MR. MacGREGOR: I believe the question would be more
23 appropriately directed to Mr. Wright.

24 BY MR. DELANEY:

25 Q. You are indicating, Mr. Sileo, that you are

1 unfamiliar with this?

2 A. I am, yes. I have not prepared this statement,
3 and I am unsure of that adjustment.

4 Q. Let me refer you to, again, page 11 of your
5 rebuttal testimony, lines 8 through 12. Do you have that?

6 A. Yes.

7 Q. As I understand the sentence you have there, you
8 indicate that these adjustments, which are contained as we
9 just discussed, are necessary in order to compare the
10 historic with the future tax expense for the purpose of
11 developing a growth factor.

12 I would just like you to explain what that means.

13 A. As we spoke about a moment ago, the change in
14 the tax rate or the tax method, rather, when one is comparing
15 one method with a current method now, particularly growth
16 factor, in the past, capital stock taxes were -- I don't
17 like to use the word "negotiable," but they had various
18 adjustments. Currently, they do not.

19 So, if you are trying to work up a current value with
20 historic data, then they must make adjustments for the
21 changes.

22 Q. And it is your understanding this adjustment is
23 contained in Mr. Wright's testimony?

24 A. As I understand it, that's what the intent was,
25 to make various adjustments.

1 Q Mr. Sileo, could you turn to page 4 of your
 2 testimony? I think on that page, page 4, at least, and
 3 perhaps on page 3, you are referring to the proposed Staff
 4 adjustment on the normalization of capitalized overheads.
 5 This is your rebuttal testimony.

6 A Page 4?

7 Q Yes.

8 A Yes, okay.

9 Q I think, from the discussion that begins on the
 10 midpart of page 3 and ends on page 4, you are distinguishing
 11 a case relied on by Mr. Heverling, which is the Philadelphia
 12 Suburban Water case, concerning normalization of deferred
 13 federal and state income tax associated with capitalized
 14 overheads.

15 A That's right.

16 Q On page 4, lines 5 through 7, you discuss the
 17 company's cash needs. I would like to ask you, what sources
 18 of funds are available to the company in order to meet these
 19 needs, just generally?

20 A I am afraid I am not the witness to question
 21 about the company's sources of cash funds.

22 Q Would you agree that the company's cash needs
 23 could be met by the sales of securities?

24 A I am not in a position to answer that question.

25 Q How about sales of tax benefits, such as the

1 company did with the Salem unit tax benefits?

2 A. All these things, I am sure, provide methods of
3 meeting cash needs. Whether they are sufficient or not,
4 though, I would have to defer that question to Mr. Paquette.

5 Q. My question really is generally, would you agree
6 that net income from operations would meet the company's
7 cash needs?

8 A. I am sure all these things could be sources of
9 cash. But again, the validity of them and how much is
10 needed, Mr. Paquette, I believe, is the one to question in
11 that regard.

12 Q. Mr. Sileo, do you know what percentage of the
13 company's sources of funds are represented by the cash
14 generated on the deferrals for capitalized pensions and
15 taxes related to construction, the amounts of money we are
16 talking about in this part of your testimony?

17 A. No, I don't.

18 Q. On the same part of page 4, you talk about, again,
19 lines 5, 6 and 7, you're talking about the company's cash
20 needs for continuing construction programs. Would you be
21 familiar with what percentage of the company's construction
22 related cash requirement is satisfied through the collection
23 of deferrals on capitalized pensions and taxes?

24 A. No, I am not familiar with percentages. My only
25 knowledge is that the company has an ongoing construction

1 program and a definite need for cash. And from my own
2 knowledge, that's all I can say. How much or what
3 percentages are beyond my information, my knowledge.

4 Q Could I refer you, Mr. Sileo, to page 5 of your
5 sur-surrebuttal testimony?

6 A Page 5?

7 Q Correct.

8 A Yes.

9 Q On lines 15 to 21, I think you quantify the
10 company's current claim for deferred taxes associated with
11 capitalized pensions and taxes amounts to approximately
12 \$9.5 million.

13 A That's correct.

14 Q That figure is on line 17.

15 A Yes.

16 Q And then you adjust it on a revenue basis to
17 approximately \$20 million?

18 A Yes.

19 Q Do you have a copy with you of the company's final
20 accounting exhibit, which is TPH-2A?

21 A No, I don't.

22 MR. MacGREGOR: I can provide a copy of that.

23 BY MR. DELANEY:

24 Q I am just interested in the actual first sheet of
25 that exhibit, which is Schedule A-1.

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(Document handed to the witness by Counsel MacGregor.)

THE WITNESS: I have it in front of me.

BY MR. DELANEY:

Q. The first line of that exhibit summarizes, in the last column, the pro forma proposed rates -- actually, the operating revenue on the first line. Do you see that?

A. Yes.

Q. The last entry on the first line, and the figure there is \$3.183 billion, do you see that?

A. That is correct, yes.

Q. Would you accept, subject to check, that the amount that you have identified in your sur-surrebuttal testimony as the revenue related to the capitalization of the overheads, which is \$20 million, is approximately .6 percent of the total operating revenues the company is claiming in the current case?

A. First of all, my \$20 million was just a basic two for one revenue requirement. It wasn't done without any calculation or without this particular thing in mind. I just used an approximate \$20 million as being, revenue requirement being two times, in essence, the value,

Based on this particular thing, your numbers may very well be right, subject to check. But just to clarify, the \$20 million was just a basic two for one, assuming \$10 million of capitalized pensions and taxes.

1 Q I understand, but if you compare the number on
2 the Schedule A-1 of TPH-2A in comparison to your figure on
3 page 5 of your sur-surrebuttal testimony about the revenue
4 effect of the capitalized overheads --

5 A Well, using these numbers here, it appears to me
6 that the difference between the first and last column could
7 very well be 6 percent.

8 Q It's point six-tenths of a percent.

9 A It may very well be, subject to check and further
10 analysis. My computation was not based on this, merely a
11 strictly two for one.

12 Q I understand that.

13 MR. DELANEY: That's all my questions, Mr. Sileo.
14 Thank you.

15 JUDGE MATUSCHAK: Consumer Advocate?

16 MS. WESTON: Yes, Your Honor.

17 CROSS-EXAMINATION

18 BY MS. WESTON:

19 Q Good morning, Mr. Sileo.

20 A Good morning.

21 Q I am Susan Weston, with the Office of Consumer
22 Advocate. I have just a couple of questions. On pages 9
23 and 10 of your rebuttal testimony, you describe the
24 company's 1984 income tax claims. I am just wondering if
25 you could tell us what the company's 1985 federal income

1 tax payments were?

2 A. Off the top of my head, I would only be guessing
3 if I told you. The number is not at my recall at the moment.

4 Q. Can you tell me, do you know if PECO made a
5 federal income tax payment for the fourth quarter of 1985?

6 A. I believe they did, yes, subject to check, but I
7 do believe they did.

8 Q. I would appreciate it if you could get us the
9 numbers for the four quarters, please?

10 A. It can be easily done, yes.

11 Q. I would like to also ask you a couple of questions
12 regarding the tax lag for cash working capital. You
13 testified regarding the possibility that the company might
14 face penalties if it did not follow the schedule it is now
15 claiming for federal income taxes. Are there any exceptions
16 to the rule that would impose a penalty?

17 A. The law is rather clear about estimated payments,
18 that if you fail to meet the required payment, that there is
19 a penalty, and further, that the penalty would not be
20 deductible.

21 I know of no instances or other reasons where there
22 would not be any penalty imposed.

23 Q. Could you describe for us again the required
24 payments based on the estimated tax that you are saying
25 must be made?

1 A. The payment that is required by the Code is to
2 pay 90 percent of the current year's tax in quarterly
3 payments. This would translate to 22.5 percent per quarter.

4 We in fact calculate on a quarterly basis the taxes
5 that would be due, and understanding the fluctuations that
6 can occur, we could easily underpay our 90 percent
7 requirement.

8 Therefore, we do in fact make a very careful analysis
9 at the given time, that is in the first quarterly payment we
10 analyze what our tax may be at that point, at the June
11 payment, the September payment, and likewise the December
12 payment, and we do make sure that we cover the basic
13 quarterly payments.

14 Again, the amounts are 90 percent of the current
15 year's tax. The four quarterly payments would be 22.5. We
16 have in the past been paying more than that.

17 Q. What you are saying is that the federal government
18 will penalize any company that makes an estimate of its tax
19 liability that turns out to be wrong, that if any company
20 makes an estimate that is lower than what turns out to be
21 owed and makes a quarterly payment on that basis, they will
22 be penalized?

23 A. Under current law, the provisions are to be
24 penalized. Whether in fact they would penalize every company,
25 I don't know anyone who has ever escaped it, knowingly, anyway

1 Q And your testimony in this case is based on your
2 belief that there are no exceptions to those penalty
3 provisions?

4 A I am aware of none.

5 MS. WESTON: Thank you. I have no further questions.

6 JUDGE MATUSCHAK: Any other cross-examination of this
7 witness?

8 (No response.)

9 JUDGE MATUSCHAK: Any redirect?

10 MR. MacGREGOR: May I have just a minute, Your Honor?

11 (Pause.)

12 MR. MacGREGOR: I am ready, Your Honor.

13 JUDGE MATUSCHAK: Very well.

14 REDIRECT EXAMINATION

15 BY MR. MacGREGOR:

16 Q Mr. Sileo, you were asked certain questions by
17 Mr. Delaney concerning other methods which might be
18 available to the company as a source of cash. One of those,
19 I believe, was the sale of tax benefits.

20 To your knowledge, is that method of obtaining cash
21 still available to public utilities today?

22 A Currently, no. It has been repealed.

23 Q And in response to questions of the Consumer
24 Advocate, you were asked about exceptions to the estimated
25 tax payment rules in the Internal Revenue Code. Do you have

1 a further clarification of your answer at this time?

2 A. Well, yes. I implied that there were absolutely
3 no exceptions. There are exceptions, but unfortunately they
4 don't apply to us. We come under the provisions of large
5 corporations, and those exceptions enumerated in the Code
6 do not apply to us.

7 But to clarify, there are exceptions that may be
8 available to corporations, but not to large corporations,
9 at least not to us.

10 MR. MacGREGOR: Thank you, Mr. Sileo. That's all I
11 have, Your Honor.

12 MR. DELANEY: I have no recross, Your Honor.

13 JUDGE MATUSCHAK: Anything further?

14 MS. WESTON: No, Your Honor.

15 JUDGE MATUSCHAK: Very well, the witness is excused.

(Witness excused.)

17 MR. MacGREGOR: Your Honor, the company's next
18 witness would be Mr. Richard Wright, who has also been
19 previously sworn and has appeared in this proceeding.
20 Whereupon,

RICHARD WILLIAM WRIGHT

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

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

1 Your Honor copies of two documents. The first is
2 entitled, "Rebuttal Testimony of Richard Wright on
3 Non-Limerick Revenue, Expenses and Rate Base Issues," and
4 I would ask that it be marked for identification as
5 PECO Statement No. 20A.

6 And the second is a document entitled,
7 "Sur-surrebuttal Testimony of Richard Wright on Non-Limerick
8 Revenue, Expenses and Rate Base Issues," and I would ask that
9 it be marked for identification as PECO Statement No. 20B.

10 JUDGE MATUSCHAK: Very well.

11 (Whereupon, the documents were
12 marked PECO Statements Nos.
13 20A and 20B for identification.)

14 DIRECT EXAMINATION

15 BY MR. MacGREGOR:

16 Q Mr. Wright, do you have before you copies of
17 documents that have been marked for identification as PECO
18 Statements Nos. 20A and 20B?

19 A Yes, I do.

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

22 A Yes, they are.

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

25 A Yes, they were.

Q Mr. Wright, if you were asked the questions

1 contained in these two statements again today, would your
2 answers be the same as those contained therein, and would
3 they be true and correct to the best of your knowledge?

4 A. Yes, they would.

5 MR. MacGREGOR: Your Honor, I would ask that the
6 documents that have been marked for identification as PECO
7 Statements Nos. 20A and 20B be admitted as evidence in this
8 proceeding subject to any timely motion to strike or other
9 objection.

10 JUDGE MATUSCHAK: Under those conditions, the motion
11 is granted.

12 (Whereupon, the documents
13 marked PECO Statements Nos.
14 20A and 20B were received in
evidence.)

15 MR. MacGREGOR: Your Honor, Mr. Wright is available
16 for cross-examination.

17 JUDGE MATUSCHAK: Staff?

18 CROSS-EXAMINATION

19 BY MR. DELANEY:

20 Q. Mr. Wright, I just have one question for you,
21 which is from Mr. Sileo's prior testimony, and that is
22 concerning your Schedule RWW-2c, which is a Schedule to your
23 PECO Statement No. 20A, which is your rebuttal testimony.

24 A. Yes, I have that in front of me.

25 Q. Would you explain for us the derivation of the

1 figure which is labeled as a proforma adjustment for 1980,
 2 and it is \$1,492,000, with a footnote (b) beside it, which
 3 indicates on the bottom of the page, "Elimination of prior
 4 period adjustment"? Can you explain to us the calculation
 5 of that number?

6 A. Yes, I think I can.

7 The figure \$1,492,000 to which you refer is associated
 8 with a tax settlement from the year 1980 which was booked in
 9 1983, hence, if you will, making 1983 look artificially
 10 high -- I'm sorry, making 1983 look artificially low.

11 Hence, we added it back for purposes of the growth
 12 factor computation.

13 Q. The difference is, you indicated, settlement from
 14 a prior year?

15 A. No, it is a settlement from the year 1980, which
 16 was booked in -- during the period ending 6-30-83, it was
 17 booked.

18 MR. DELANEY: That's all the questions I have, Mr.
 19 Wright.

20 JUDGE MATUSCHAK: Consumer Advocate?

21 CROSS-EXAMINATION

22 BY MS. WESTON:

23 Q. Good morning, Mr. Wright.

24 A. Good morning.

25 Q. I have several questions. First I would like to

1 ask you a couple of questions regarding your rebuttal
2 testimony and regarding the Bradshaw land held for future
3 use. On page 20 of your rebuttal testimony, you refer to
4 FERC Order 420, and you say, "FERC Order 420 (effective
5 January 1, 1971) would preclude AFC accrual on the Bradshaw
6 land parcel if it were excluded from the company's land
7 held for future use claim."

8 Would you like to get your testimony to review that?

9 A. Just one moment.

10 (Pause.)

11 A. Yes, I recall that reference.

12 Q. Just a point of clarification first: in your
13 reference to FERC Order 420, did you mean to refer to FPC
14 Order 420?

15 A. I did.

16 Q. There was a time, was there not, when Salem 1 and
17 50 percent of Salem common facilities were in rates, and
18 Salem 2 was under construction, and during that period, what
19 happened to the other half of Salem common facilities? How
20 was that treated for ratemaking and bookkeeping purposes?

21 A. I am going to have to defer that to Mr. Hill.

22 Q. Would you accept, subject to check, that the
23 company continued to accrue AFUDC on the second half of
24 Salem common facilities?

25 A. I will defer to Mr. Hill on the point.

1 Q In that case, I would like to move on to ask you
2 some questions regarding decommissioning expenses. Now, you
3 have testified regarding a rulemaking by the Nuclear Regula-
4 tory Commission on decommissioning.

5 And Mr. Mayer of the Trial Staff has pointed out that
6 that is actually a proposed rulemaking, not yet in effect.
7 Now, I would like to give you a copy of that proposed rule-
8 making for your reference and ask you a few questions
9 regarding it.

10 (Document handed to the witness by Counsel Weston.)

11 MS. WESTON: For the record, the photocopy that I have
12 provided to the witness is taken from the Federal Register,
13 Volume 50, No. 28, which is dated February 11, 1985. The
14 photocopy is of pages 5600 through 5625.

15 BY MS. WESTON:

16 Q Mr. Wright, the document I have just provided
17 you, would you turn to page 5619?

18 A I have that page.

19 Q On that page, there is a listed proposed rule
20 Section 50.54, and I would like to refer you in Section
21 50.54 to Section CC-2. Would you take a minute to review
22 that section, please?

23 (Witness perusing document.)

24 A I have reviewed it.

25 Q Mr. Wright, if hypothetically the NRC's proposed

1 rules requiring decommissioning funds to be created were
2 to be adopted, would utility companies be required to have
3 the funds in place immediately after the adoption of those
4 rules?

5 A. According to the regulation, there would be a
6 two-year period during which I guess we would accomplish
7 the administrative task that would be necessary for the
8 implementation of the rule.

9 It was not the company's intention to cite this
10 regulation as requiring the company in the present day. I
11 provided it as support for the company's methodology.

12 Q. I would like to ask you a few more questions
13 regarding the proposed rules. Would you turn please to
14 page 5607?

15 A. Yes.

16 Q. On this page, there is a discussion of the
17 funding method. Are you familiar with that discussion?

18 A. I am familiar with that discussion, yes.

19 Q. Under the policy that the NRC may adopt, wouldn't
20 companies owning nuclear reactors, including PECO, have a
21 choice of ways to provide financing for their decommission-
22 ing?

23 A. Under the proposed rule, they are suggesting four
24 alternatives for funding for decommissioning, yes.

25 Q. Mr. Wright, you have also mentioned in your

1 testimony that the Nuclear Regulatory Commission has
2 proposed to set automatically a figure of \$100 million as
3 the amount required to decommission certain types of
4 reactors if the company doesn't file an appropriate plan.

5 Isn't that the proposed rule designed to be the
6 default rule?

7 A. That is correct.

8 Q. That \$100 million estimate, the NRC has said,
9 is based on a study of their projection of costs for large
10 BWR and PWR units, isn't that correct?

11 A. I am not familiar with that particular reference,
12 if you would care to give it to me.

13 Q. I think I will just go on to another question.
14 Let me ask you this: to your knowledge, has the Nuclear
15 Regulatory Commission in its proposed rulemaking made any
16 effort to specifically address the decommissioning costs
17 appropriate for a gas-cooled prototype reactor like Peach
18 Bottom 1?

19 A. My knowledge does not extend to that level. I
20 have had detailed discussions with Dr. McLeod of Johnson
21 Associates, from which my discussion of the proposed rule
22 from the Federal Register was derived.

23 It is my understanding that the \$100 million figure
24 applies to power reactors. It is my understanding that that
25 would then by default apply to Peach Bottom Unit No. 1.

1 MS. WESTON: Thank you. I have no further questions,
2 Your Honor.

3 JUDGE MATUSCHAK: Any further cross-examination?

4 (No response.)

5 JUDGE MATUSCHAK: Any redirect?

6 MR. MacGREGOR: No, Your Honor.

7 JUDGE MATUSCHAK: The witness is excused.

8 (Witness excused.)

9 MR. MacGREGOR: Your Honor, the company would call as
10 its next witness John J. Carroll, who has also been
11 previously sworn.

12 Whereupon,

13 JOHN J. CARROLL

14 having previously been duly sworn, testified further as
15 follows:
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MR. MacGREGOR: Your Honor, I have previously distributed to the parties, to the court reporter and to Your Honor copies of two documents. The first is entitled "Rebuttal Testimony of John J. Carroll." I would ask that it be marked for identification as PECO Statement Number 22B. The second document is entitled "Sur-Surrebuttal Testimony of John J. Carroll," and I would ask that that be marked for identification as PECO Statement 22E.

I would note that Statements 22C and 22D relate to another portion of the case. They have been previously filed and will be admitted into evidence next week at later hearings.

JUDGE MATUSCHAK: Very well.

(Whereupon, the documents were marked as PECO Statements Nos. 22B and 22E for identification.)

DIRECT EXAMINATION

BY MR. MacGREGOR:

Q Mr. Carroll, do you have before you copies of the two documents that have been marked for identification as PECO Statements 22B and 22E?

A Yes, I do.

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

A Yes, they are.

Q Were these documents prepared either by you or

under your direct supervision?

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A Yes, they were.

Q Mr. Carroll, if you were asked the same questions as contained in these two documents again today, would your answers be the same as those contained therein, and would they be true and correct to the best of your knowledge?

A Yes, they would.

MR. MacGREGOR: Your Honor, I would ask that the documents that have been marked for identification as PECO Statements 22B and 22E be admitted as evidence in this proceeding, subject to any timely filed motions to strike or other objections.

JUDGE MATUSCHAK: Under those conditions the motion is granted.

(Whereupon, the documents marked as PECO Statements Nos. 22C and 22E were received in evidence.)

MR. MacGREGOR: Mr. Carroll is available for cross-examination.

JUDGE MATUSCHAK: Staff?

MS. SMITH: Thank you, Your Honor.

CROSS-EXAMINATION

BY MS. SMITH:

Q Good morning, Mr. Carroll.

A Good morning.

Q I have a few questions with respect to your

1 discussion of the inflation factor. I would particularly
2 ask you to look at page 7 where you are discussing electric
3 production costs and expense accounts, those items. Do I
4 understand correctly that what your position is is that if
5 this were to be an adjustment -- not necessarily that you
6 would agree with it -- that you would remove any labor costs,
7 whether PECO labor or contract labor costs, from those
8 accounts before an inflation factor would be applied?

9 A My contention is that if we are applying an
10 adjustment for inflation which is a function of the Gross
11 National Product Implicit Price Deflator, that does not
12 reflect the known cost of labor and, therefore, we should
13 remove the labor before we make an inflation adjustment
14 based on the Gross National Product Implicit Price Deflator
15 as opposed to Philadelphia Electric's 5.8 percent.

16 Q So the inflation factor would be applied to a
17 non-labor item, in your opinion; is that correct?

18 A Non-labor and fixed contract.

19 Q Those items that were not known and definite?

20 A Yes.

21 Q With respect to the amount of inventory days in
22 your response to Mr. Prowell's testimony could you tell
23 me: does the number of inventory days on hand determine
24 the burn rate?

25 A No, the burn rate is a function of the operation

1 of the unit, and the number of days of inventory on hand
2 would determine the total inventory required, based on
3 burn rates.

4 Q So the number of inventory days does not deter-
5 mine the burn rate; you are saying it has no application
6 to that?

7 A Yes. It does not determine the burn rate at a
8 particular time; it does though determine the length of
9 time you would be examining the burn to determine a burn
10 rate for inventory purposes.

11 Q Does the burn rate determine the number of
12 inventory days specifically that would be in storage?

13 A The number of inventory days is a fixed item.

14 MS. SMITH: Thank you, Your Honor. That's all I
15 have for Mr. Carroll.

16 JUDGE MATUSCHAK: The Consumer Advocate?

17 MR. RUBIN: We have no questions, Your Honor.

18 JUDGE MATUSCHAK: Is there any redirect?

19 MR. MacGREGOR: No, Your Honor.

20 JUDGE MATUSCHAK: The witness is excused.

21 (Witness excused.)

22 MR. MacGREGOR: Your Honor, the company would
23 present as its next witness today Mr. Thomas P. Hill, Jr.,
24 who has also been previously sworn in this proceeding.

25

1 Whereupon,

2 THOMAS P. HILL, JR.

3 having previously been duly sworn, testified further as
4 follows:

5 MR. MacGREGOR: Your Honor, I have previously
6 distributed to the parties, the court reporter and to Your
7 Honor two pieces of testimony. The first is entitled
8 "Rebuttal Testimony of Thomas P. Hill, Jr." on non-Limerick
9 revenue, expense and rate base adjustment and presentation
10 of a final accounting exhibit, and I would ask that it be
11 marked for identification as PECO Statement Number 18C.

12 The second document is entitled "Sur-Surrebuttal
13 Testimony of Thomas P. Hill, Jr. Re: Non-Limerick Expense
14 Issues," and I would ask that it be marked for identifica-
15 tion as PECO Statement Number 18G.

16 JUDGE MATUSCHAK: Very well.

17 (Whereupon, the documents were
18 marked as PECO Statements Nos.
19 18C and 18G for identification.)

20 MR. MacGREGOR: In addition, Your Honor, I have
21 previously distributed copies of two exhibits. The first
22 is entitled "Philadelphia Electric Company Electric
23 Operations, Revenue, Expenses, Income & Measures of Value,
24 Twelve Months Ending June 30, 1986," dated February, 1986.
25 This is the company's so-called final accounting exhibit
which presents various updates and changes to the original

1 Exhibit TPH-2, which was previously admitted as evidence
2 in this proceeding. I would ask that this final accounting
3 exhibit be marked for identification as PECO Exhibit TPH-2A.

4 JUDGE MATUSCHAK: So marked.

5 (Whereupon, the document was
6 marked as PECO Exhibit TPH-2A
7 for identification.)

8 MR. MacGREGOR: Finally, Your Honor, I have
9 previously distributed to the parties copies of a document
10 entitled "Philadelphia Electric Company Electric Operations,
11 R-850152, Actual Experience in the Future Test Year 3
12 Months Ended December 31, 1985." This is the update that
13 the company filed in accordance with the requirements of
14 the Public Utility Code and Commission regulations on the
15 future test year used in a rate proceeding. I would ask
16 that it be marked for identification as PECO Exhibit
17 TPH-4.

18 JUDGE MATUSCHAK: Very well.

19 (Whereupon, the document was
20 marked as PECO Exhibit TPH-4
21 for identification.)

22 DIRECT EXAMINATION

23 BY MR. MacGREGOR:

24 Q Mr. Hill, do you have before you copies of the
25 two pieces of testimony that have been marked for identifi-
cation as PECO Statements Numbers 18C and 18G?

A Yes, I do.

1 Q Are these documents copies of your rebuttal and
2 sur-surrebuttal testimony in this proceeding?

3 A Yes, they are.

4 Q Were these documents prepared either by you or
5 under your direct supervision?

6 A They were.

7 Q Is the information contained in these documents
8 true and correct, to the best of your knowledge?

9 A Yes, with certain corrections on PECO Statement
10 18C.

11 Q Would you please present those corrections at
12 this time?

13 A Yes. On page 1 of Statement 18C, line 10, the
14 date, "February 9, 1986," should be "January 9, 1986."

15 At page 19, line 26, there is a typographical error
16 in the spelling of the word "delinquent."

17 Finally on page -- I've lost the page, but somewhere
18 in here I've misspelled Mr. Laudenslager's name and I wish
19 to correct that.

20 Q We can provide that for the record later.

21 Mr. Hill, with those corrections, if you were asked
22 the questions contained in Statements 18C and 18G again
23 today, would your answers be the same as those contained
24 therein, and would they be true and correct to the best
25 of your knowledge?

1 A Yes, they would.

2 Q In addition, Mr. Hill, were you responsible for
3 the preparation of the two exhibits that have been marked
4 for identification as Exhibits TPH-2A and TPH-4?

5 A Yes, I was.

6 Q Is the information contained in these documents
7 true and correct, to the best of your knowledge?

8 A Yes, with one exception on Exhibit TPH-2A,
9 specifically the company's claim as shown on page D-15 for
10 decommissioning expense. Mr. Wright's Sur-Surrebuttal
11 Statement 20B makes certain corrections which he discusses
12 in his testimony. With that correction there would be
13 additional adjustments required; although I have not prepared
14 such adjustments, I believe the revenue impact would be
15 about \$200,000, if tracked through the summary pages in
16 the A section of Exhibit TPH-2A.

17 Q So the correct D-15 sheet, as I understand it,
18 appears as an attachment to Mr. Wright's sur-surrebuttal
19 testimony and that's the sheet that one should rely upon
20 in addresssing this issue?

21 A Yes. And there is one other addition that I
22 would like to make. In my testimony I refer to a settlement
23 associated with a complaint concerning certain investments
24 of the company in uranium mining ventures. I believe I
25 stated in my testimony that. And I have attached the

1 proposed settlement that the company and the Commission
2 Staff have agreed to, and that settlement is pending before
3 the Administrative Law Judge.

4 This morning I received a copy of the recommended
5 decision of the Administrative Law Judge who recommended
6 the acceptance of that adjustment, but that adjustment
7 still has yet to be approved -- or the settlement has yet
8 to be approved by the Commission.

9 Q Am I correct then that if the Commission does
10 approve the settlement that you would propose as an
11 additional adjustment to TPH-2A the adjustment to reflect
12 that settlement as attached to your Statement 18C?

13 A Yes, that's correct.

14 Q Finally, Mr. Hill, if you would refer to page
15 22 of your Statement 18C, line 20, would that be the
16 correction to Mr. Laudenslager's name to which you
17 previously referred?

18 A Yes, that's it.

19 MR. MacGREGOR: Your Honor, I would ask that the
20 documents that have been marked for identification as
21 PECO Statement Numbers 18C and 18G and Exhibits TPH-2A and
22 TPH-4 be admitted as evidence in this proceeding, subject
23 to any timely motions to strike or other objections.

24 JUDGE MATUSCHAK: The motion is granted.
25

1 (Whereupon, the documents marked
2 as PECO Statements Nos. 18C and
3 18G and PECO Exhibits Nos. TPH-2A
4 and TPH-4 were received in
5 evidence.)

6 MR. MacGREGOR: Mr. Hill is available for cross-
7 examination.

8 JUDGE MATUSCHAK: Trial Staff?

9 CROSS-EXAMINATION

10 BY MS. SMITH:

11 Q Good morning, Mr. Hill.

12 A Good morning, Ms. Smith.

13 Q Mr. Hill, with respect to the inflation factor
14 discussion that you have in your Statement 18C, am I correct
15 that it is your position that labor costs or contract labor
16 costs should be removed from certain accounts before an
17 inflation factor adjustment would be made, if one would
18 be made by the Commission?

19 A I think I discussed this in my testimony,
20 particularly as to three FERC accounts, 903, 903 and 920,
21 where I specifically recommend that labor not be part of
22 any adjustment to reflect inflation, and I also go on further
23 to describe what I believe to be the difference between
24 the GNP Implicit Price Deflator and the company's stated
25 corporate inflation factors; and I think there is a
distinction.

Q So basically if an inflation factor were to be

1 applied, it would be applied, in your opinion, to non-
2 labor items?

3 A Absolutely; there should be no adjustment. Labor
4 is handled independently of the D-5 page of Exhibit TPH-2A.

5 Q Thank you.

6 Mr. Hill, just for my understanding, on page 12 of
7 your testimony, lines 12 to 16, you refer to Mr. Jones'
8 testimony and you state, "Mr. Jones has utilized actual
9 expenditures to date on these consultant studies of
10 \$2,798,000 as the basis of his adjustment and has thereby
11 eliminated more dollars for the studies than the Company
12 included in its test year claim."

13 Would you explain that statement, in particular
14 my misunderstanding of the use of the word "eliminated"?

15 A I think it would probably be more beneficial
16 if I stepped back. The company made an initial claim for
17 rate case expense in this proceeding based upon a two-
18 year amortization of estimated expenses. It is my under-
19 standing of Mr. Jones' testimony that he has proposed that
20 the company amortize the consultant studies over a five-
21 year period and to amortize or normalize the other rate
22 case expenses over a two-year period.

23 It is also my understanding that Mr. Jones had
24 expected that the company would be updating its claim for
25 rate case expense in this proceeding. In fact, I have

1 updated the expense in conformity and the claim in con-
2 formity with the format I believe proposed by Mr. Jones.

3 The mechanics of Mr. Jones' adjustment I believe
4 are inappropriate if the company does not make an adjustment
5 to its rate case claim in this proceeding; that is update
6 the numbers. What I have done in my rebuttal testimony
7 is to update those numbers to the latest available data
8 and incorporate Mr. Jones' proposed theory for amortization
9 and normalization.

10 Q So the "eliminated" would merely go to his
11 methodology on the amortization?

12 A Yes.

13 Q Mr. Hill, the estimated cost for technical
14 consultants was originally \$1,400,000; is that correct,
15 for outside consultants?

16 A I could check. I will accept that.

17 Q I believe that is stated on the same page at line
18 12. Was that your original estimate in the rate case?

19 A Yes.

20 Q And the actual claim by the company at this point
21 -- or your final claim in this proceeding is \$3,099,000?

22 A That was the latest data available at the time
23 I prepared this statement, which included expenditures
24 through January 17th.

25 Q And that represents the company's final claim?

1 A Yes, it does. I believe the number has increased
2 slightly, which I filed in response to a Staff interrogatory.
3 I would not propose to adjust that for that minor modifica-
4 tion.

5 Q On page 13 again you indicate at lines 11 and
6 12 -- you are talking about "On this basis, the Company's
7 test year claimed expenses for ratemaking is reduced by
8 \$80,000." Perhaps you could explain how that reduction
9 comes about.

10 A As I had indicated, the company had filed
11 estimated data on the cost of this proceeding, or expenses
12 incurred, back in September of 1985, and it proposed a
13 two-year amortization or normalization of those expenses
14 -- normalization I believe would be more appropriate --
15 incorporating the proposed recommended amortization and
16 normalization theory utilized by Mr. Jones; that is the
17 five-year amortization of technical consultants and the
18 two-year normalization for all other rate case expenses.

19 Based upon the updated number of technical consultants,
20 if I perform those calculations and measure the revenue
21 requirement or the expense claimed in this proceeding
22 versus what we originally filed, there is a reduction in
23 expense for ratemaking purposes of \$80,000.

24 Q So basically the \$80,000 reduction goes merely
25 to the extension over a longer period of time?

1 A Partially. That's correct. Portions of the
2 expenses are amortized over five years.

3 Q You have made an indication just now concerning
4 normalization versus amortization as applied to this. What
5 is your understanding of how normalization would work?

6 A Mathematically I don't think there is any
7 distinction. It is a question of the theory you want to
8 deal in. The expenses traditionally -- by "traditionally"
9 I mean back in the early '70s the Commission applied an
10 amortization theory for rate case expenses, and sometime
11 in the late 1970s there was an adjustment in which case
12 the Commission would establish normal expenses for rate-
13 making based upon the timing between rate cases to
14 establish a level of expense that could be incurred on a
15 prospective basis.

16 I believe that is the theory we are operating
17 under here with the exception of the technical consultants,
18 which is an abnormally high level of expense relative to
19 other rate case expenses that we have incurred; and, there-
20 fore, I have agreed with Mr. Jones' theory that we don't
21 expect to see these levels of expenses occurring on a one
22 or two-year basis, and therefore I have accepted the five-
23 year amortization of these expenses.

24 MS. SMITH: Your Honor, at this time I would like
25 to have marked Staff Exhibit Number 23. I have distributed

1 a copy to Your Honor and to the parties.

2 JUDGE MATUSCHAK: It may be so marked.

3 (Whereupon, the document was
4 marked as Staff Exhibit No. 23
5 for identification.)

6 MS. SMITH: Your Honor, a series of discovery
7 questions have gone out to the company entitled IR-Staff-
8 REO-22, 23 and 24.

9 Included in the exhibit, Your Honor, are merely REO
10 22 and 24. I will have a question on 23, but it is not
11 relevant to put it in as an exhibit at this point.

12 BY MS. SMITH:

13 Q Do you have that before you?

14 A Yes, I have the exhibit.

15 Q On page 4 of 6 of the exhibit, the second
16 paragraph there above number (4), the last sentence, and
17 you are addressing the technical consultants interrogatories.

18 You state, "Periodic reviews of consultant work
19 progress were made to assure that work was being cost
20 effectively performed."

21 Do you see that statement?

22 A Yes, I do.

23 Q Could you indicate what type of periodic reviews
24 were done and who performed them?

25 A The reviews that were done were meetings that
took place between or among Philadelphia Electric Company

1 employees, at times myself and other representatives of
2 the Rate Division, also our Engineering Department, who was
3 involved in the work being performed by TB&A, and counsel
4 from Morgan, Lewis & Bockius.

5 Q My question goes basically with respect to cost
6 controls on the consultants, not with respect to prepara-
7 tion of any testimony or work. I am looking more at the
8 idea of the documentation that these costs were actually
9 incurred.

10 Did someone do any kind of an audit, for instance,
11 an ongoing review?

12 A I think, as I have discussed previously in the
13 interrogatories -- maybe not this one specifically -- but
14 the scope of work was evolving as we proceeded through the
15 case and assignments for specific work performed, if we're
16 tying in with TB&A work, we requested estimates of cost
17 from TB&A as to the cost to perform certain aspects of
18 testimony preparation or analysis, and TB&A specifically
19 was required to work within those cost restraints. They
20 supplied or filed invoices indicating the hours worked
21 and the work performed.

22 If there was any indication that their costs would
23 exceed those predetermined levels, they were required to
24 come back to consult with or discuss with the company what
25 those additional fees would be in order to complete

1 the project or to modify the project; and they did occur
2 on a periodic basis.

3 Q So basically what happened is, a designated
4 amount was stated that this was what they assumed would be
5 the cost; when they reached that cost, if more dollars were
6 involved, they came back and had to demonstrate that those
7 costs had to be increased, those amounts had to be
8 increased?

9 A Under no circumstances were the consultants,
10 in particular, TB&A, allowed to exceed predetermined cost
11 levels without authorization from the company.

12 As I indicated, oftentimes, as the original scope
13 of work assignments changed as the case progressed and we
14 received information and interrogatory responses from
15 other parties, those modifications would, as we would ex-
16 pect, change the scope of the project, and, therefore,
17 would require corresponding changes in the costs of the
18 work performed or the charges of the work performed by
19 TB&A.

20 Before they were allowed to exceed the initial
21 limits on a particular work product, they had to come back
22 to Philadelphia Electric Company for approval and re-
23 definition of what the scope of those additional assign-
24 ments were going to be.

25 Q Did PECO have anyone on hand at the TB&A site

1 at any time to review the actual work being prepared and
2 reviewed?

3 A. Well, a large portion of the work was performed
4 by TB&A at Philadelphia Electric Company, at our head-
5 quarters office building at 2301 Market. In addition,
6 TB&A traveled to the Limerick generating site and did some
7 of their work out there. So there were plenty of Philadel-
8 phia Electric employees involved in their work products
9 and the preparation of their materials.

10 Q. How was the number of consultants that were to
11 be hired determined? For instance, you have TB&A, Putnum,
12 Hayes & Bartlett, NERA, IEAL, Coopers & Lybrand.

13 A. Again, when we originally placed our estimate
14 of cost in the rate filing in September, we had only pre-
15 liminary guesses, if you will, of what type of technical
16 expertise we would need in order to proceed through this
17 rate proceeding.

18 We had on board at that point in time Theodore
19 Barry & Associates and had been working with them on the
20 initial presentation which was filed in September of 1985.

21 Subsequent to that, we received responsive direct
22 testimony from other parties, and that information or that
23 data which was filed triggered the company's requirement
24 for additional consulting services, particularly those
25 that are indicated there, Putnum, Hayes & Bartlett, NERA,

1 IEAL and Coopers & Lybrand.

2 These were not costs as we had originally envisioned
3 when we filed the case back in September.

4 (Pause.)

5 A. If I may add to my last explanation; at least --
6 certain of the principals or company witnesses from these
7 firms did present initial direct testimony; but, again, as
8 with Theodore Barry, the scope of their original testimony
9 grew as the case evolved. So the level of expenditures
10 increased.

11 Q. Am I correct, with respect to item (5) on page
12 4 of 6 of Staff Exhibit 23, Theodore Barry & Associates
13 provided direct testimony; is that correct?

14 A. That's correct.

15 Q. Putnum, Hayes & Bartlett had direct testimony;
16 is that correct?

17 A. Yes, I believe that is correct.

18 Q. NERA? That would be Dr. Perl.

19 A. Dr. Perl -- I will have to check.

20 Q. Will you accept, subject to check, that Dr. Perl
21 did in fact put on direct testimony?

22 A. I believe Dr. Perl and Dr. Wile both performed
23 some services for us in the initial presentation.

24 Q. What about with respect to IEAL?

25 A. Dr. Mattson provided initial direct testimony.

j5

1 Q And I believe Mr. Farling?

2 A There was a small piece concerning the revisions
3 to FASB-71 which Mr. Farling submitted.

4 Q And he is with Coopers & Lybrand?

5 A Yes.

6 Q So, in fact, in item (5), all those organizations
7 did in fact provide direct testimony; is that correct?

8 A They provided direct testimony, but as I indi-
9 cate, the level of their work products and what Philadelphia
10 Electric Company requested in the way of services increased
11 above that level which was originally envisioned in
12 September of 1985 because of responsive testimony filed by
13 other intervenors.

14 Q With respect to page 6 of 6, which contains the
15 company's response to REO-24, you state that -- the question
16 was to specifically identify -- for each company statement
17 we had asked the company to provide the amount contained
18 in the rate case claim attributable to that statement.

19 Your response basically goes -- I am concerned with
20 the second sentence: "Outside witness expense cannot be
21 determined since both motions seek to strike only specific
22 portions or lines of testimony."

23 Are you saying the company does not know, cannot
24 determine what the cost of the total direct statement is
25 to provide in the proceeding?

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A. The expenses associated with a particular piece of testimony I do not believe can be identified.

Q. You have no set fee based upon the provision of -- for instance, it is my understanding in some consulting work that they will provide the cost for putting on direct testimony or even for just testifying.

The company did not get that kind of break-out is what you are saying?

A. Not specifically, no; and particularly in light of the question IR-Staff-REO-24, which even segments that even further and asks for specific lines of testimony.

The testimony to me is the bottom line. Well, it is not even the end of the line. Prior to preparing testimony there has to be work done, preparation done, by these consultants in order to prepare their analyses. Then their analyses eventually are distilled into a piece of testimony. Then that testimony becomes the subject of cross-examination.

It seems to me the question seeks to ask what are the dollars and cents associated with certain elements of this testimony, which I have absolutely no way of being able to quantify.

Q. We have a misinterpretation then on the interrogatory, because our statement says "for each company statement." We have not asked for a break-out of the line

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1 items.

2 We would like provided the cost incurred for each
3 witness.

4 Now, I would imagine the company would receive in-
5 voices as to what went into the direct testimony. Is it
6 your testimony that you have no break-out, you have no
7 understanding what those costs would be for the direct
8 testimony?

9 A. Not of the format which you indicate, no, we
10 do not.

11 Q. We are not asking for a line item or pages of
12 testimony. We are asking for the total cost.

13 A. The detail to which I have indicated the com-
14 pany maintains its accounting records are through the
15 expense authorization. The invoices are available. If
16 Staff wishes to try to go back and make a dissection of
17 that, we would be very happy to let the Staff review those
18 invoices, but I believe the calculations are virtually
19 impossible.

20 Q. So what you are saying then is that you cannot
21 identify the costs of the individual statements put on in
22 this proceeding?

23 A. That's correct. Our accounting system is not
24 set up to perform that type of identity that you have
25 requested.

1 Q Mr. Hill, do you have the company's original
2 response in total to the Staff's interrogatory -- and I
3 would go to IR-Staff-REO-23. It would be, in the total
4 packet, page 11 of 13.

5 A Just give me the paragraph reference.

6 Q Okay; (b) (1).

7 A Yes.

8 Q Where it states about other costs not associated
9 with legal fees.

10 A Yes.

11 Q Rate of return consultants, am I correct that
12 that would include Mr. Brennan only, or is there an addi-
13 tional person?

14 A That is Mr. Abrahms also.

15 Q Do you have a break-out of what portion goes to
16 Mr. Brennan and what portion goes to Mr. Abrahms?

17 A Those are exact figures from the company's
18 records as of February 28, and with some digging in in-
19 voices I can get you a breakdown. I don't have it with
20 me as to what --

21 Q Mr. Brennan is not part of -- Mr. Abrahms is
22 not part of Mr. Brennan's association; is that correct?

23 A That's correct.

24 Q So you would have Mr. Abrahms separate?

25 A I do not have them separated in the accounting

1 system. I determine the designations in which I will
2 maintain cost control. I have set up several categories.
3 One category is Rate of Return Consultants, which is a .1
4 designation on my expense authorization. .2 is Legal
5 Consultants, with sub-categories for each of the technical
6 consultants. .3 is Plant Consultants. .4 is Customer
7 Notification; et cetera.

8 I receive my accounting reports in that format. It
9 so happens that I have Mr. Abrahms and Mr. Brennan in the
10 same sub-category of my authorization.

11 But I can dig out through the accounting records
12 the distinction between how many dollars were spent for
13 Mr. Brennan and how many dollars were spent for Mr. Abrahms.

14 MS. SMITH: Your Honor, we would request that that
15 be provided to us.

16 JUDGE MATUSCHAK: Very well.

17 THE WITNESS: I might add, I believe -- well, I'm
18 not sure.

19 BY MS. SMITH:

20 Q. Please continue.

21 A. I don't know whether the invoice for Mr. Abrahms
22 has cleared through that amount. Mr. Abrahms was quite
23 nice for a while there in not sending us an invoice, so I
24 don't know if that has cleared through the system or not
25 and whether that is included in the February 28 data. I

1 will provide that.

2 Q. Thank you.

3 Could you please explain plant consultants? Would
4 that include, for instance, Bechtel?

5 A. No. That reference there only pertains to the
6 services of Dr. McLeod.

7 Q. With respect to your legal fees claimed in this
8 case, am I understanding that that number is approximately
9 the 800,000 number in the final accounting claim in this
10 proceeding?

11 A. \$800,000 is exactly the company's claim in this
12 proceeding over a two-year period, normalized over a two-
13 year period.

14 Q. And that will not be updated or increased?

15 A. The company expenses have already exceeded that
16 level. The company is not making any additional claim.
17 We will absorb the additional legal expenses over the
18 \$800,000 level.

19 Q. For clarification, Mr. Hill, am I correct that
20 other than Morgan, Lewis & Bockius, the company does not
21 have any other legal consultant fees in this proceeding?

22 A. The only other item -- there are no other
23 attorneys other than Morgan, Lewis & Bockius working in
24 this proceeding. However, in the category of legal expense
25 is also included the expenses associated with the transcripts

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1 in this proceeding.

2 Q There is no other firm?

3 A There are no other firms involved; that is
4 correct.

5 MS. SMITH: Your Honor, that's all I have.

6 JUDGE MATUSCHAK: Consumer Advocate.

7 CROSS-EXAMINATION

8 BY MS. WESTON:

9 Q I have just one question, Mr. Hill. Mr. Wright
10 was unable to answer a question regarding accounting for
11 Salem 1. My question to Mr. Wright had been: during the
12 period when Salem 1 and 50 percent of Salem common facili-
13 ties were erased and Salem 2 was under construction, what
14 was the ratemaking treatment and the bookkeeping treatment
15 of the other half of the Salem common facilities?

16 Could you answer that question for us?

17 A Yes. Salem 1 went into service in 1977. Salem
18 2 went in in October of 1981. The Commission placed the
19 investment for Salem 1 and 50 percent of common in rate
20 base and allowed the company to earn on that portion of its
21 investment. The remaining 50 percent was not included;
22 however, the Commission allowed, for ratemaking purposes,
23 the accrual of additional AFUDC for ratemaking purposes on
24 that 50 percent of common facilities; and that is reflected
25 in the original cost of that investment that was placed in

1 service in October of 1981.

2 There are no accounting adjustments on the books of
3 the company to reflect that additional accrual of AFUDC.
4 That is a ratemaking adjustment established by this
5 Commission.

6 MS. WESTON: Thank you.

7 No further questions, Your Honor.

8 JUDGE MATUSCHAK: Any further cross-examination of
9 this witness?

10 MS. SMITH: Your Honor, I neglected to move in
11 Staff Exhibit No. 23.

12 JUDGE MATUSCHAK: Any objection?

13 MR. MacGREGOR: No objection.

14 JUDGE MATUSCHAK: Staff's Exhibit 23 is admitted
15 into evidence.

16 (Whereupon, the document marked as
17 Staff's Exhibit No. 23 was
received in evidence.)

18 JUDGE MATUSCHAK: Any redirect?

19 MR. MacGREGOR: No, Your Honor.

20 JUDGE MATUSCHAK: The witness is excused.

21 (Witness excused.)

22 MR. MacGREGOR: Your Honor, if I could just have a
23 moment.

24 (Pause.)

25 MR. MacGREGOR: That completes the presentation of

1 the company's witnesses this morning, and I believe we
2 would be ready to proceed with the Staff witnesses, per-
3 haps, after a short break.

4 Before we do that, I have two housekeeping items.

5 On Mr. Smith's sur-surrebuttal testimony, No. 25B,
6 there was one correction Mr. Smith did wish to make, and I
7 neglected to call that to the attention of the court
8 reporter and Your Honor at the time I presented his testi-
9 mony. It is on page 2, line 11. The fourth word of that
10 line is "expenses;" it should be "expenditures."

11 I discussed that with Ms. Smith yesterday, and she
12 indicated she wouldn't have any problem if we made that
13 correction without Mr. Smith appearing.

14 MS. SMITH: That is correct, Your Honor.

15 JUDGE MATUSCHAK: Very well.

16 We will take a ten-minute recess.

17 (Recess.)
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1 JUDGE MATUSCHAK: Are you ready to proceed?

2 MR. MacGREGOR: Yes, Your Honor. I have one
3 preliminary matter before we go back with the cross-
4 examination.

5 Mr. Ettner from the General Services Administration
6 had asked me if I had any objection to moving into the
7 record a company response to a GSA Interrogatory No. 5-2.
8 That would have been the only reason he would have had to
9 come up from Washington today, and I told him that I would
10 be happy to present that to be included into the record
11 as GSA Exhibit 13, if none of the parties or Your Honor
12 had any problem with that.

13 JUDGE MATUSCHAK: Does anyone have any objections?

14 MR. RUBIN: No, Your Honor.

15 MS. SMITH: No, Your Honor.

16 JUDGE MATUSCHAK: Very well.

17 (Whereupon, the document was
18 marked as GSA Exhibit No. 13
for identification and was
received in evidence.)

19 MR. MacGREGOR: I have provided copies to the court
20 reporter, and I will provide copies to the parties and
21 Your Honor in a day or so.

22 JUDGE MATUSCHAK: I imagine he has probably sent a
23 copy to me, but I haven't gotten it yet.

24 MR. MacGREGOR: I will make sure you get one and all
25 the parties get one as well so the record is complete.

1 MS. SMITH: Your Honor, Staff would call as its next
2 witness Mr. Keith Laudenslager. He has previously been
3 presented in this proceeding. He is presenting surrebuttal
4 testimony at this point.

5 Whereupon,

6 KEITH I. LAUDENSLAGER

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

9 MS. SMITH: Your Honor, at this point I would like
10 to have marked for identification Staff Statement KIL-2 and
11 KIL-2A.

12 JUDGE MATUSCHAK: Very well.

13 (Whereupon, the documents
14 were marked as Staff State-
15 ment No. KIL-2 and Staff
16 Exhibit No. KIL-2A for
17 identification.)

18 DIRECT EXAMINATION

19 BY MS. SMITH:

20 Q. Mr. Laudenslager, do you have those documents
21 before you?

22 A. Yes, I do.

23 Q. Were these documents prepared by you or under
24 your direct supervision?

25 A. Yes, they were.

Q. Do you have any changes or corrections or
additions to make to these documents?

1 A. No, I do not.

2 Q. If I were to ask you the same questions today,
3 would your answers be the same?

4 A. Yes, they would.

5 MS. SMITH: Your Honor, I would move into evidence
6 at this time Staff Statement KIL-2 and Staff Exhibit KIL-2A
7 subject to any timely motions to strike.

8 JUDGE MATUSCHAK: The motion is granted.

9 (Whereupon, the documents marked
10 as Staff Statement No. KIL-2
11 as Staff Exhibit No. KIL-2A
12 were received in evidence.)

13 MS SMITH: Mr. Laudenslager is available for cross.

14 JUDGE MATUSCHAK: Mr. MacGregor?

15 MR. MacGREGOR: Thank you, Your Honor.

16 CROSS-EXAMINATION

17 BY MR. MacGREGOR:

18 Q. I just have a few brief questions, Mr. Laudenslager.
19 slager.

20 Mr. Laudenslager, am I correct that your comparison
21 of Customer Accounts Expense for Philadelphia Electric
22 Company with other utilities was based upon a comparison
23 you made of amounts recorded in FERC Accounts 901, 902, 903
24 and 905 as reported by various utilities in their FERC
25 Form 1 reports?

A. That is correct.

1 Q. Am I also correct that you compared these numbers
2 as they were reported and did not make any specific adjust-
3 ments to these numbers other than for inflation?

4 A. That is correct.

5 Q. For example then, on page 4 of your testimony
6 beginning at lines 17 and 18, you state, "Mr. Hill
7 erroneously stated that I did not recognize the meter
8 reading practices utilized by the other companies," and you
9 go on to state that you were, in fact, aware of the monthly
10 and bi-monthly meter reading practices of the utilities; is
11 that correct?

12 A. That is correct.

13 Q. Am I also correct that you did not make any
14 specific adjustment to your figures as reported in the
15 FERC Form 1 for those companies who used bi-monthly meter
16 readings as part of your comparison in this proceeding?

17 A. No, I did not. I know Boston Edison had stated
18 they were bi-monthly, as I stated in my testimony. I
19 realize it would have been what I feel would be
20 a small factor.

21 Now, New York City stated they are on a monthly in
22 major Manhattan, Brooklyn, everywhere but the Bronx, and
23 they said it was only a portion of the Bronx. I realize
24 there is a discrepancy. However, I feel it would be minor.

25 Q. And you made no adjustment for it because of

1 that fact?

2 A. That's correct.

3 Q. With respect to your adjustment to EEI expenses,
4 you rely in part on page 2 on a November 18th, 1985
5 "Washington Post" article which you have attached to your
6 testimony, which a spokesman for EEI stated "About 20 percent
7 of the dues it collects could be attributed to lobbying and
8 legislative advocacy;" is that correct?

9 A. I refer to it in the testimony, yes, as part
10 of a response stating that when the company, Mr. Hill,
11 stated it was one and some odd percentage, that, in fact,
12 EEI at that time -- and that was just a newspaper article --
13 stated approximately 20 percent.

14 Q. Am I correct that you have not revised your
15 25 percent number down to 20 percent to reflect this
16 article?

17 A. No, I have not, because in the preliminary
18 report from NARUC, they recommend actually disallowance of
19 25 to 33 percent.

20 Q. And that NARUC report is a preliminary report;
21 is that correct?

22 A. That is correct.

23 MR. MacGREGOR: Thank you, Mr. Laudenslager. That's
24 all I have.

25 JUDGE MATUSCHAK: Consumer Advocate?

1 MR. RUBIN: No questions, Your Honor.

2 MS. SMITH: No redirect, Your Honor.

3 JUDGE MATUSCHAK: Thank you.

4 (Witness excused.)

5 MS. SMITH: Your Honor, I have previously distributed
6 to yourself, to the court reporter, as well as to the
7 parties the surrebuttal testimony of Mr. Hosler, who has
8 already appeared in this proceeding and has been sworn.

9 I would request at this time that the document be
10 marked as Staff Statement DPH-2, which would be the sur-
11 rebuttal testimony of Mr. Hosler.

12 JUDGE MATUSCHAK: Very well.

13 (Whereupon, the document was
14 marked as Staff Statement No.
15 DPH-2 for identification.)

16 Whereupon,

17 DENNIS P. HOSLER

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

20 DIRECT EXAMINATION

21 BY MS. SMITH:

22 Q. Mr. Hosler, do you have the document DPH-2 before
23 you?

24 A. Yes, I do.

25 Q. Does this consist of your surrebuttal testimony
in this proceeding?

1 A. It consists of my surrebuttal in this proceeding
2 regarding non-Limerick revenue, expenses and rate base issues.

3 MS. SMITH: Your Honor, I would note that Mr. Hosler
4 is also appearing in this proceeding on other issues
5 concerning Limerick or the ECR 80/20 split.

6 BY MS. SMITH:

7 Q. Was this document prepared by you, Mr. Hosler?

8 A. Yes, it was.

9 Q. Do you have any changes or corrections to the
10 document?

11 A. I have none.

12 Q. If I were to ask you these same questions today,
13 would your answers be the same?

14 A. They would be.

15 MS. SMITH: Your Honor, I would move at this time
16 Staff Statement DPH-2, subject to any timely motions to
17 strike.

18 JUDGE MATUSCHAK: The motion is granted.

19 (Whereupon, the document marked
20 as Staff Statement No. DPH-2
21 was received in evidence.)

22 MS. SMITH: Mr. Hosler is available for cross-
23 examination.

24 JUDGE MATUSCHAK: Mr. MacGregor?

25 MR. MacGREGOR: Thank you, Your Honor.

CROSS-EXAMINATION

1
2 BY MR. MacGREGOR:

3 Q. Good morning, Mr. Hosler. I just have very brief
4 questions concerning your statement on page 5 of your
5 testimony concerning the cash working capital allowance for
6 federal income taxes and specifically the payment pattern
7 followed by Philadelphia Electric Company and whether or not
8 it follows the statutory payment pattern.

9 You state on lines 5 and 6 of your testimony,
10 "Mr. Sileo's only statement in the record on this topic is
11 his response to cross-examination," and you cite Transcript
12 Page 262; is that correct?

13 A. That is correct.

14 Q. In making that statement, did you review Mr.
15 Sileo's rebuttal testimony in this proceeding which was
16 filed sometime previous to the filing of your surrebuttal?

17 A. I have.

18 Q. Am I correct that Mr. Sileo devotes almost three
19 pages of his rebuttal testimony to this topic?

20 A. He discusses why the company has not filed
21 according to the statutory minimum requirement, but he did
22 not specifically say in that piece of testimony that PECo
23 pays according to the 25 percent that the company has
24 supplied for its cash working capital calculation.

25 In fact, if you check actual payment records, as

1 discussed earlier today, you will find that that is not the
2 case.

3 Q Do you have a copy of Mr. Sileo's testimony with
4 you, Mr. Hosler?

5 A I believe so, if you will just give me a moment.
6 (Pause.)

7 A This is his rebuttal testimony; is that correct?

8 Q That's correct.

9 A Okay; I have a copy of that.

10 Q Would you agree with me that on page 8, lines
11 14 through 16, Mr. Sileo states in his rebuttal testimony,
12 "The company's payment schedule used in its tax lag study
13 of 25 percent, 25 percent, 25 percent and 15 percent reflects
14 the prudent use of cash to avoid the tax penalty," and
15 on page 9, lines 16 through 20, he states, "Yes; my
16 response under cross-examination, Transcript 262, was in
17 reference to the IRS requirement to pay 90 percent of the
18 total tax liability in equal installments of 22.5 percent
19 each. However, for reasons stated above, the company uses
20 a safer payment schedule in order to avoid tax penalties"?

21 Did you review those references before you prepared
22 your surrebuttal testimony?

23 A Yes, I did, and I agree with everything that is
24 written there; but he does not say that they actually use
25 that payment pattern as he explains on page 8 in doing what

1 he talks about on page 9.

2 He says they use a safer payment pattern, but he
3 does not say explicitly what that payment pattern is.

4 Q. I believe the record is clear. I think Mr.
5 Sileo has testified on this.

6 A. You can interpret it how you wish.

7 MR. MacGREGOR: It is Mr. Sileo's testimony. Thank
8 you, Mr. Hosler. That's all I have.

9 JUDGE MATUSCHAK: Any redirect?

10 MS. SMITH: No, Your Honor.

11 Your Honor, may I have a minute?

12 JUDGE MATUSCHAK: Yes.

13 (Pause.)

14 MS. SMITH: Your Honor, our next witness is
15 Mr. Mayer, who has also been presented in this proceeding.
16 I would request that his surrebuttal testimony be marked
17 as Staff Statement MJM-2. Attached to that statement,
18 Your Honor, is Staff Exhibit MJM-2-A. We have distributed
19 to Your Honor, to the court reporter and to the parties
20 a revised Staff Exhibit MJM-2-A, and I would request that
21 the total document be identified.

22 JUDGE MATUSCHAK: It may be so identified.

23 (Whereupon, the documents were
24 marked as Staff Statement No.
25 MJM-2 and Staff Exhibits Nos.
MJM-2-A and MJM-2-A (Revised)
for identification.)

1 Whereupon,

2 MARTIN J. MAYER

3 having previously been duly sworn, testified further as
4 follows:

5 DIRECT EXAMINATION

6 BY MS. SMITH:

7 Q. Mr. Mayer, do you have those documents before
8 you?

9 A. Yes, I do.

10 Q. Do those documents constitute your surrebuttal
11 testimony in this proceeding?

12 A. Yes, they do.

13 Q. Were they prepared by you?

14 A. Yes, they were.

15 Q. Do you have any changes or corrections to make?

16 A. No, I don't.

17 Q. If I were to ask you these same questions today,
18 would your answers be the same?

19 A. Yes, they would.

20 Q. Mr. Mayer, would you please explain the revision
21 on MJM-2-A?

22 A. Yes. When I did my initial analysis, I made
23 a mistake in that I allowed the accumulation of interest
24 on the deferred taxes portion of the decommissioning reserve.
25 So I have corrected that mistake by taking it out of the

1 escrowed amount, accumulating interest only on the remaining
2 escrow and then returning the deferred taxes to that.

3 A point of clarification: on Schedule 3, there are
4 two columns labelled "Escrow-Company" and "Escrow-Staff."
5 Those actually include the deferred taxes along with the
6 escrow dollars.

7 Q. Is that the extent of your explanation?

8 A. Yes.

9 Q. And I would ask if this revision was made as a
10 result of your review of Mr. Wright's rebuttal testimony in
11 this proceeding -- or surrebuttal?

12 A. Yes, surrebuttal.

13 Q. Or sur-surrebuttal actually.

14 A. I believe it was sur-surrebuttal.

15 MS. SMITH: Your Honor, with that explanation,
16 Mr. Mayer is available for cross-examination.

17 CROSS-EXAMINATION

18 BY MR. MacGREGOR:

19 Q. Good morning, Mr. Mayer.

20 A. Good morning.

21 Q. I want to make sure I understand the preparation
22 of your Exhibit MJM-2-A, both the original and revised.

23 With respect to the calculations on Schedule 3 in
24 Columns 2 and 3 which you label, "Accrual-Company" and
25 "Escrow-Company," could you briefly tell me how those were

1 calculated?

2 A. The escrow-company starting figure is what is
3 given in the company's claim. Then from there each year is
4 inflated by taking the escrowed amount and increasing it
5 by 8 percent and adding in the accrual from the previous
6 year plus interest on one-half of that.

7 Now, the accrual portion is calculated by taking
8 1/28th of the new value for the cost which has been inflated
9 each year in the cost column and adding 1/5th of the
10 difference between the escrowed amount -- I should say the
11 reserve amount and the reserve requirement amount, 1/5th
12 of the difference between those two.

13 Q. And you continue the 1/5th assumption through
14 to 2008?

15 A. Yes.

16 Q. And that's based on an assumption on your part
17 that the five-year amortization proposed by the company in
18 this case is, in fact, the method the company will propose
19 in future cases?

20 A. Not necessarily using that -- yes; I will accept
21 that. That's assuming that they will use the method that
22 they say they're using now.

23 Q. For this case?

24 A. For this case.

25 Q. But not the method they've used in the prior

1 cases?

2 A. That's correct.

3 Q. On page 5 of your surrebuttal testimony, you
4 state that the company should have made a claim for
5 decommissioning Peach Bottom 1 when the unit was in
6 operation; is that correct?

7 A. Yes.

8 Q. What time period was that, Mr. Mayer?

9 A. Let me check on that rather than give you a
10 guess.

11 (Witness perusing documents.)

12 A. That was from 1967 to 1974.

13 Q. Mr. Mayer, to the best of your knowledge, was
14 the Commission policy during that time period to allow for
15 recovery of decommissioning costs for nuclear units?

16 A. Would you repeat that?

17 Q. To your knowledge, was it the policy of the
18 Commission or can you cite for me any Commission orders
19 during that time period -- that is the operation of Peach
20 Bottom 1 -- where the Commission allowed the recovery of
21 decommissioning costs for a nuclear facility by an electric
22 utility in Pennsylvania?

23 A. Not as early as 1974, no. The first time the
24 Commission allowed it was, I believe, in 1980.

25 Q. I think that is correct.

1 Statement MJM-2 and Staff Exhibits MJM-2-A and MJM-2-A(Revised).

2 MR. MacGREGOR: No objection.

3 JUDGE MATUSCHAK: Which ones are those?

4 MS. SMITH: Mr. Mayer's. I had not moved them into
5 evidence. I had asked only that they be identified.

6 JUDGE MATUSCHAK: Very well.

7 (Whereupon, the documents marked
8 as Staff Statement No. MJM-2
9 and Staff Exhibits Nos. MJM-2-A
and MJM-2-A(Revised) were
received in evidence.)

10 MS. SMITH: Your Honor, that would conclude Staff's
11 witnesses to be presented today. In fact, I think that
12 concludes the non-Limerick portion of this proceeding.

13 JUDGE MATUSCHAK: Does that conclude all we have
14 for this section of the hearings?

15 MR. MacGREGOR: Yes, Your Honor, to the best of my
16 knowledge.

17 JUDGE MATUSCHAK: Is it the consensus of counsel
18 then --

19 MS. SMITH: Your Honor, I would note that Staff
20 has an outstanding interrogatory today, which once the
21 response is provided, we will move that in as an exhibit.
22 Mr. MacGregor and I will make arrangements to have that
23 done at a subsequent hearing.

24 JUDGE MATUSCHAK: Very well.

25 Is it the consensus of counsel then that we adjourn

1 at this time until March 10th?

2 MR. MacGREGOR: Yes, Your Honor.

3 MR. RUBIN: Yes, Your Honor.

4 MS. SMITH: Yes, Your Honor.

5 JUDGE MATUSCHAK: Very well. We will adjourn at
6 this time until March 10th at 10:00 a.m.

7 (Whereupon, at 12:04 p.m., the hearing was adjourned,
8 to be reconvened at 10:00 a.m., on Monday, March 10, 1986,
9 in Harrisburg, Pennsylvania.)

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C E R T I F I C A T E

1 I hereby certify, as the stenographic reporter, that
2 the foregoing proceedings were taken stenographically by
3 me, and thereafter reduced to typewriting by me or under
4 my direction; and that this transcript is a true and
5 accurate record to the best of my ability.
6

7
8 COMMONWEALTH REPORTING COMPANY, INC.

9 By: Sandra Milus-Brown
10 Sandra Milus-Brown
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