Before
THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

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In re: I-79040308 - Pennsylvania Public Utility Commission versus Metropolitan Edison Company et al.

Further hearing

- - -

Tuesday,
March 18, 1980

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Harrisburg, Pennsylvania

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Pages 3217 to 3419

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MOHRBACH & MARSHAL, INC.
27 North Lockwillow Ave
Harrisburg, Pa. 17112

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THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

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In re: I-79040308 - Pennsylvania Public Utility Commission versus Metropolitan Edison Company, et al.

Further hearing

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Stenographic report of hearing held in Hearing Room No. 1, North Office Building, Harrisburg, Pennsylvania,

Tuesday,
March 18, 1980
at 10:00 o'clock, a.m.

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BEFORE

SUSAN SHANAMAN, CHAIRMAN, Presiding
MICHAEL JOHNSON, Commissioner
LINDA C. TALIAFERRO, Commissioner
JAMES H. CAWLEY, Commissioner

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I N D E X

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P R O C E E D I N G S

THE CHAIRMAN: I think we are ready to proceed this morning. Is there any housekeeping details anybody feels we need to take up?

MR. S. RUSSELL: We have one exhibit we will distribute after the witnesses for the day have been on and off the stand.

THE CHAIRMAN: Okay. Thank you, Mr. Russell.

I think we have scheduled for this morning the Trial Staff presentation of witnesses.

Mr. Russell, I am sorry. You don't want to present these witnesses, Mr. Johnson?

MR. JOHNSON: No, Madam Chairman, they are not ours.

MR. P. RUSSELL: They are witnesses of the Administrative Staff.

THE CHAIRMAN: Are you ready to proceed?

MR. P. RUSSELL: Yes, Madam Chairman.

Before I call the first witness, I would like to read a short opening statement, if I may.

Madam Chairman, members of the Commission, my name is Paul Russell. I am an Assistant Counsel in the Law Bureau of the Commission. With me at

counsel table is Dave Fazzone, a member of the Boston law firm of Sullivan & Worcester. Mr. Fazzone and I have been designated special administrative counsel for the purpose of presenting the testimony of Theodore Barry & Associates, TB&A.

TB&A is one of the leading general management consulting firms in the world, providing a broad range of services to industrial enterprises, service businesses, government agencies, health, education, and other nonprofit organizations. A significant portion of the firm's work in the United States is in the electric, gas, and telephone utility industries.

Late last year, in response to the accident at Three Mile Island, this Commission contracted with TB&A for a management and operations audit of MetEd, Penelec, GPU. On December 17, 1979, TB&A began its study. As part of this contract, the Commission directed TB&A to present direct testimony in the instant proceeding.

In response to this Commission directive, TB&A filed the prepared statements of four witnesses on March 3, 1980, and today is presenting those witnesses for cross-examination. As of today, TB&A is only about one-third of the way through Phase 1 of

its management and operations audit, which is expected to take approximately ten months.

TB&A has proceeded on an expedited schedule and has devoted immense amounts of time to preparing its testimony. Its consultants have spent the equivalent of over a man year assessing the current status of MetEd-Penelec-GPU operations. The resulting testimony is unique in two important respects:

First, the testimony presents an independent perspective. TB&A is not a party in this proceeding and does not have a position which it is advocating. Second, the testimony presents a broad perspective.

In the course of its study, TB&A interviewed literally hundreds of people and formed expert opinions based in part upon those interviews. For these reasons, we believe TB&A's testimony will be particularly useful to this Commission. We will present four expert witnesses in the following order: Perry L. Wheaton, Thomas E. Dewey, Jr., Dr. Robert B. Parente, and James M. Hogan.

Mr. Wheaton will present an introduction to and a summary of the TB&A study and preliminary conclusions as contained in the testimony to be

presented today.

Mr. Dewey is President of Thomas E. Dewey, Jr. & Co., Inc. He will testify with respect to the financial community's perspective of GPU's current and prospective financial status.

Dr. Parente will discuss the current conditions at Three Mile Island and GPU's relationship with the Pennsylvania-New Jersey-Maryland interconnect, PJM.

Finally, Mr. Hogan will address GPU's financial operations and its cash requirements.

If I may, Madam Chairman, I would like to call Perry L. Wheaton to the stand.

THE CHAIRMAN: You may, counsel.

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TESTIMONY OF
THEODORE BARRY & ASSOCIATES

... PERRY L. WHEATON, having been duly sworn as a witness, was examined and testified as follows ...

MR. P. RUSSELL: Madam Chairman, I have supplied to the Reporter three copies of the testimony of Mr. Wheaton. It consists of 19 numbered pages in question-and-answer form and Exhibit I-1. I ask that

this be marked for identification purposes as Theodore Barry & Associates Statement No. 1.

(Prepared direct testimony of Perry L. Wheaton, consisting of 19 numbered pages, and Exhibit I-1, was marked for identification as Theodore Barry & Associates Statement No. 1.)

DIRECT EXAMINATION

BY MR. P. RUSSELL:

Q Please state your name and business address for the record.

A My name is Perry L. Wheaton. My business address is 50 Rockefeller Plaza, New York, New York.

MR. P. RUSSELL: Madam Chairman, would you prefer the witness use the microphone?

THE CHAIRMAN: Yes.

BY MR. P. RUSSELL:

Q Mr. Wheaton, do you have before you a document marked for identification as Theodore Barry & Associates Statement No. 1?

A I do.

Q Was this document prepared by you or under your supervision and control?

A Yes, it was.

Q Do you have any corrections you wish to make to that document at this time?

A No, I don't.

Q Does this document constitute your direct testimony in this proceeding?

A Yes, it does.

Q Do you also have before you what has been marked as TB&A Exhibit I-1?

A Yes, I do.

Q And was that prepared by you or under your supervision and control?

A Yes, it was.

Q Do you have any corrections you wish to make to that document at this time?

A No.

Q Do these documents constitute your direct testimony in this proceeding?

A Yes, they do.

Q If you were asked the questions contained in those documents, would your answers be the same?

A Yes, they would.

MR. P. RUSSELL: Mr. Wheaton is available for cross-examination.

THE CHAIRMAN: Mr. Russell.

CROSS-EXAMINATION

BY MR. S. RUSSELL:

Q Mr. Wheaton, I direct your attention to Page I-16 of your testimony. The next-to-the-last paragraph from the bottom of the page, you indicate certain things that need to be done.

Among other things, "The NRC needs to expedite its decision process, adhere to hearing schedules and minimize regulatory lag while continuing to protect the public health and safety."

Have you any suggestions as to how any of the parties to this proceeding or this Commission could assist in having the NRC expedite those various matters?

A Not specifically. It seems clear to us that there is a real need for the NRC to do something. Of course, there have been any number of studies that have been undertaken investigating the NRC and what its responsibilities are. We have not, as part of this study, attempted to address those questions, but certainly whatever pressures that either the company or the Commission or jointly could exert to help the NRC expedite its hearings would certainly be helpful.

Q Well, that same page in the next paragraph, you indicate several things that GPU should do, including expedite the cleanup activities at TMI-2; is that correct?

A That is correct.

Q Is that recommendation conditioned upon the availability of the necessary financial resources to GPU to achieve that purpose?

A In some fashion or form the cleanup has to proceed as expeditiously as possible, and our testimony is intended to make that one of the highest priorities that the company could face.

Obviously, if the company does not have the money to proceed with the cleanup activities in an expeditious fashion, we are caught in a sort of Catch 22.

MR. S. RUSSELL: That is all we have of Mr. Wheaton.

THE CHAIRMAN: Mr. Malatesta.

MR. MALATESTA: Thank you, Madam Chairman. Mr. Johnson has some questions also.

BY MR. MALATESTA:

Q Mr. Wheaton, in the 30 or more management and operations studies that TB&A has conducted in the past four years, was a schedule

similar to this contained in Exhibit I-1 developed?

A In a general sense, with one exception: That is, what we have termed reconnaisance is normally termed orientation and typically that time period is somewhat shorter than the roughly eight weeks that are outlined in the reconnaisance period. That typically might run anywhere from four to five weeks for a study of this magnitude.

Q Except for the nomenclature, is there any difference from what you have referred to as reconnaisance here and what you have called orientation in those other studies?

A Yes. In a normal study, our intent would be simply primarily to obtain an understanding, an overall understanding of the company and to develop a detailed work plan. In this study we had two additional ingredients that we were particularly interested in doing as a result of the scope of the study as set forth by the Commission's Staff, and those two additionsl situations were, one, to provide an analysis of the financial, current and prospective financial position of GPU; and, secondly, to provide what I have termed as input to this process or to, in effect, develop the testimony that we have in effect filed.

Q In the 30-plus management and operations studies that were performed in the last four years, was direct testimony developed as a result of those studies?

A Not in all the studies. I would say in probably a half-dozen of those studies direct testimony was developed.

Q In any of those half-dozen studies in which direct testimony was developed, did you ever develop and present direct testimony after the orientation segment of the schedule but before other parts of the schedule?

A Not to my knowledge.

Q Why?

A Simply because the scope of the study and the order of the Commission in those cases where Commission-ordered studies were involved, there was not a direct need of the situation or direct request of the client.

Q Are you familiar with the concept of assignment of weight to evidence in an adjudicatory proceeding?

A No.

Q Were it not for the immediacy of the need for your direct testimony in this proceeding,

would you have developed and presented direct testimony at this stage of your study?

A That is a difficult question to answer. If the request as part of the study scope was to develop testimony, we certainly would. And that was an understood position that we took coming into this study, that there was a very real possibility that testimony would be presented in late January or early February, and when we, number one, both proposed and accepted the assignment, we did that knowing what the situation was, and that we might very well end up filing testimony as we have subsequently done.

So in terms of knowing what the assignment was, we went into this procedure, into this study, knowing that there was a very real possibility in terms of submitting testimony and we had no problems in so doing.

Q During the process of negotiating and accepting the proposal for TB&A's participation in these proceedings, did you or anyone else associated with TB&A recommend to Mr. Russell or anyone else associated with the Commission that it would be premature to present testimony after the reconnaisance portion of your study?

A No, just as a general statement I

would say we would prefer not to testify simply because of the difficulty of proceedings like this.

In that context, that is a predisposition that we have, but knowing our assignment here, we had no problems and at no point in time did we indicate that filing testimony here would be premature.

MR. MALATESTA: Thank you, Mr. Wheaton.

Mr. Johnson may have several questions also.

THE CHAIRMAN: Mr. Johnson.

MR. P. RUSSELL: Madam Chairman, I would like to object to this procedure at this point. It seems to me that one attorney for one party should cross-examine one witness. I would have no objection if Mr. Johnson were to cross-examine another witness that we will present, for example Mr. Hogan and/or Dr. Parente, but it seems to me to have attorneys trading back and forth cross-examination puts the witness at a considerable disadvantage.

THE CHAIRMAN: Mr. Russell, I realize that you have not been present throughout these proceedings and the procedure which we have allowed in this case heretofore has been to allow both Mr. Malatesta and Mr. Johnson to ask questions, so I will continue with that.

BY MR. JOHNSON:

Q Mr. Wheaton, if you will turn to Page 19 of your section of the presentation, in the second conclusion wherein you say "The return to service of TMI-1 and the resultant decrease in replacement power costs has a greater financial impact than the inclusion or exclusion of TMI-1 in the rate base," would I be correct in my reading of that that the most critical factor in your analysis of the financial well-being of Metropolitan Edison Company is that TMI-1 should go back into service for the reason that this would decrease the replacement power costs?

A That is right.

Q Now, if, in fact, there were an alternative to this, and that alternative were that Metropolitan Edison Company be permitted on a current basis to collect all its energy costs, wouldn't this, in fact, be equivalent to TMI-1 returning to service, at least insofar as the financial well-being of MetEd is concerned with regard to replacement power costs?

MR. P. RUSSELL: Madam Chairman, could I ask that the question be repeated by the Reporter?

(The Court Reporter then read back the

pending question.)

THE WITNESS: I guess the answer within the caveat of replacement costs is yes, but I am not sure that totally addresses the financial needs of the GPU system.

BY MR. JOHNSON:

Q Is your concern with respect to replacement power costs that Metropolitan Edison Company is not fully recovering those costs?

A I think our bigger concern here is in terms of focusing attention on what are the real issues, and in this context we just feel that perhaps there has been, in terms of the financial condition of the company, a great deal of time spent looking at TMI-1, rate base or not rate base, and we are concerned with the fact that a very much more real impact is that the physical return of TMI-1 to service and to producing electricity will have a great deal more favorable impact on the ratepayers of Pennsylvania than whether or not TMI-1 is rate base or not.

We are concerned with the physical return of TMI-1 to service.

Q Insofar as the ratepayer is concerned, I couldn't agree with you more, but looking at it from the perspective of the impact of the

company, if TMI-1 were back in service the company's replacement purchased power costs would be reduced, and you see that as a favorable factor insofar as the financial well-being of the company is concerned; is that correct?

A Well, I think that very simplistically we also think that what is in the benefit, generally speaking, of the ratepayer turns out to be to the benefit of the company.

Q Well, I was under the impression that you were directing your conclusions, at least that particular conclusion, to the financial well-being of the company.

A I think we were really--perhaps our wording is wrong here in terms of the focus, but we are more interested in the physical return to service of TMI-1 rather than--and we are saying that that actual generation of power from TMI-1 is much more important than whether or not TMI-1 is in the rate base in the intervening time.

Q Insofar as the customer is concerned, as well as the company?

A I think so.

Q And insofar as the company is concerned, if they were to recover on an expedited

current basis the costs of purchased power during the period that TMI-1 were out of service, looking at the company only, wouldn't their financial posture be equivalent to that of having TMI-1 back in the rate base?

A I think that when we start taking one item specifically and trying to reflect on the impact, financial impact of that, we are doing it out of context, and part of the reason that we have four people testifying here is that the financial situation is a very complex one. And Mr. Hogan's testimony I think addresses many of the complexities that are involved there.

So to try to answer specifically in terms of one item would be perhaps taking things out of context.

MR. JOHNSON: Thank you. That is all I have.

THE CHAIRMAN: Mr. Barasch.

MR. BARASCH: Thank you, Madam Chairman.

BY MR. BARASCH:

Q Good morning, Mr. Wheaton. My name is David Barasch and I am an Assistant Consumer Advocate with the Office of Consumer Advocate.

I would like to direct your attention to

Page 13 of your prepared testimony.

THE CHAIRMAN: Mr. Barasch.

MR. BARASCH: I am sorry, Madam Chairman, if I could just have a second. There seems to be something wrong with my notes.

BY MR. BARASCH:

Q At the top of that page, Mr. Wheaton, you state that "The banks appear to have reacted in a responsive and responsible manner."

I wonder if you could tell me what the basis of that opinion is?

A Mr. Dewey can address that in more detail, but in general we have interviewed the banks. We have interviewed financial executives of the company, and our general perception is that the banks were responsive in terms of their reaction to, in effect, develop the revolving credit agreement at a time of great stress for the company and its rate-payers.

They developed a plan or a plan evolved which we think met the needs at that particular point in time. We think in that concept that they have responded in both a responsive and responsible manner. There is nothing that we have seen subsequent to that point in time that would indicate otherwise.

Q Are you testifying that that opinion on that page is basically Mr. Dewey's opinion?

A No. I think that Mr. Dewey can address that in more detail in terms of his own opinion. But it is the opinion of TB&A as expressed here also in conjunction with Mr. Dewey, because both Mr. Hogan and I participated in those reviews and interviews and are in complete agreement with the statement that exists there.

Q Well, when you use the phrase "responsive and responsible," from whose point of view are you speaking?

A I think from the general public's.

Q Are you aware of the fact that in these proceedings as well as in the Phase 1 of these proceedings the banks have, in effect, told this Commission that if the Commission takes certain actions, that certain actions would be considered material adverse changes under the terms of the revolving credit agreement?

A Certainly.

Q In addition, are you aware of the fact that the banks have been telling both the company and the Public Utility Commission that they expect certain actions, if any changes are going to be made,

in lines of credit that are available to GPU?

A Would you repeat that question, please?

(The Court Reporter then read back the pending question.)

THE WITNESS: I am not sure, having heard it reread, that I understand your question.

BY MR. BARASCH:

Q Are you aware of the fact that the banks have testified in this proceeding that they expect certain actions by this Commission if certain lines of credit are to be made available to the company?

A Yes.

Q Do you consider the banks' requests regarding orders from this Commission as well as various comments made about what they consider to be material adverse change as constituting responsive and responsible behavior on the part of the banks in the best interest of the public?

A I am not sure I understand your question.

Q Well, whose interests are the banks looking out for in demanding certain actions by this Commission as a precedent to any increase in a line of

credit? Is that a matter of public interest?

A It is my understanding that the banks are in business to do business, and I think they have to protect their interests, and I think in the context, at least as I understand how the banking system works, that they have reacted in a responsive and responsible manner.

Q To protect their own interests?

A And in doing that--

Q Let me make sure we understand each other. In responding and trying to look out for their own interests, do you consider that to be subsumed within your definition of responsible and responsive actions, or is that just another matter, the banks looking for their own particular interests?

A Our impression is if the banks hadn't been available with money last spring and if they weren't making that available right now, we would at least from everything we understand be in a situation that none of us would quite understand, that in effect there probably would have been a bankruptcy.

And certainly our reviews have indicated that no one quite understands what would take place if, in effect, there had been a cash shortage.

Q I don't think that that is

responsive. I may have trouble with my questioning.

The question is whether their actions at the present time to increase their security and to limit their exposure vis-a-vis GPU and the line of credit, whether or not those actions at this time are actions that you would characterize as being responsive and responsible, not previous actions but those specific actions.

A I think yes, to answer your question.

Q And they are responsive and responsible to who, the banks' financial interests in these lines of credit, or the interests of the public, if there is a difference?

A I think the banks have made it reasonably clear that their decisions certainly in what they do will in some fashion or form derive from some of the proceedings that are going on and taking place here and that will have an impact in terms of how they have reacted.

There has been nothing that they have done in the past or that they are doing currently that would indicate to us that they may, in fact, be acting in an irresponsible manner.

MR. BARASCH: Would the Court Reporter

read back the answer to that question?

Madam Chairman, if I understood the question, I don't think it was a responsive answer.

(The Court Reporter then read back the last question and answer.)

MR. BARASCH: Madam Chairman, I don't believe that that is responsive to the question.

THE CHAIRMAN: Could you try answering that question or do you not understand his question?

THE WITNESS: Maybe he can repeat it once again in terms of the question, and I will try again.

BY MR. BARASCH:

Q I am trying to find out in your use of the phrase "responsive and responsible," I am trying to find out what the elements of that characterization are, and specifically my question goes to recent actions and statements by the banks regarding what quid pro quo they expect for any further extension of lines of credit or any quid pro quos to prevent the occasion of a material adverse change.

And I would like your reactions as to whether or not those actions and statements constitute responsive and responsible actions. And, if so, how. And, as I said earlier, I am interested in the present

and future actions of the banks, not actions taken five or seven months ago.

A I will try. I am not sure that I am going to resolve your question in terms of answering in a fashion that will meet your needs, but the banks, and let's keep in mind that there are a number of banks involved, the banks have potentially $292 million that they have a responsibility to be caretaker of, if you will. They certainly are looking for some sort of assurances that money that they have put forward will, in fact, be repaid. And they have made that quite clear. I think that is a reasonable expectation from a party to a contractual arrangement.

They are looking for those types of assurances, and I think that at least to the extent that I am aware of, there is nothing that they have said or done that indicates that if, in effect, they see they will be repaid and have assurances to do that, that they would do anything to be irresponsible and irresponsive.

Q In other words, the actions that they have taken regarding credit lines and statements made in that regard are attempts to protect their own financial interests, in short?

A And I think that with one caveat,

and I would say that I am not sure that they necessarily had to step forward last spring nor do they have to step forward today.

Q That is not the question. I think the question is a pretty simple direct question regarding actions at the present time. And I think Mr. Wheaton can answer that question.

MR. P. RUSSELL: Madam Chairman, he did answer the question yes, and added an explanation that tied in the current need for assurances with the past coming forward with the credit line. I don't think that the response was inappropriate.

THE CHAIRMAN: The question was to my understanding limited to current as opposed to past actions.

Can you answer the question with your reference to current actions as opposed to past actions?

THE WITNESS: I think that the comments that we have made still hold and I would add one thing not reflecting on the past or anything like that, but I think that in a very real world one has to take into context both things that have occurred in the past as well as things that are likely to occur in the future.

BY MR. BARASCH:

Q On Page 13 also I believe you state that bankruptcy "...involves too many unknowns and uncertainties...to be considered a viable option..."

Do you see that statement, sir?

A Yes.

Q Did you or any member of the Theodore Barry team perform an independent analysis of the consequences of bankruptcy as part of the preparation of your testimony today?

A To the extent that it was necessary to make that statement, yes.

Q I don't understand your answer. Did you perform an independent study of bankruptcy alternatives in preparation for your testimony?

A Of bankruptcy alternatives? No.

Q So then what is the factual or expert basis for the opinion that bankruptcy involves too many unknowns and uncertainties to be considered a viable option?

A I think that our review and ability to make that statement is based on a number of facts.

One, I would reference Dr. Parente's testimony with respect to the potential impacts of a bankruptcy on the PJM system and, therefore, the

potential dangers to the general health and safety that might occur.

I think the fact that we have a new bankruptcy law which is untested in a general sense and untested with respect to a public utility bankruptcy in general.

I think that some of the testimony that has been provided in this proceeding has certainly made it very clear to us that to have a bankruptcy take place at this point in time is something that absolutely has to be avoided.

Q In short, your opinions regarding bankruptcy largely are based upon the opinions expressed by Mr. Miller in this proceeding?

A No, they aren't.

Q When you refer to testimony in this proceeding, whose testimony are you referring to?

A Mr. Miller testified, but I think you asked if our opinions were primarily based on Mr. Miller's testimony. They were not.

I started off by answering your question with the comment that starting with our own separate investigations, including looking at the potential impact on PJM and talking with our own legal counsel and talking with many other people. Also we happened

to look, as I think we would prudently on our part, to review Mr. Miller's testimony, and we did so.

It was also a part of our team, which I think is an important aspect of our entire study approach, we have Mr. Dewey and Mr. Dewey has a great deal of experience in bankruptcy and reorganizational proceedings.

As as a matter of course we think that we had the sort of expertise and the sort of review to, in fact, make the statement that we have made on this page.

Q You were advised by your legal counsel regarding the consequences of bankruptcy?

A We had discussions with legal counsel with respect to their experiences with respect to the new bankruptcy law.

Q And the evidence being presented in this testimony is based upon that advice of counsel?

A No.

Q Mr. Wheaton, on Page 16 of your testimony, toward the bottom of the page, you make a statement regarding the NRC and the need to expedite its decision process in the restart of TMI-1.

Do you see that, sir?

A Yes, I do.

Q Do you mean to imply by that statement that you have any evidence that the proceedings at the present time are moving slower than they properly could be moved?

A They are moving slower than the schedule that was set forth originally by the NRC. Not having taken part in those proceedings or reviewed what has happened in those proceedings, it is impossible for us to respond to your question in terms of...

Q In other words, when you use the phrase "expedite," you don't mean to imply or infer that you have any information that the proceedings at the present time are moving slower than would be appropriate? You are merely saying that it should move as fast as it is capable of moving?

A That is right.

Q And whether or not the present schedule is tantamount to moving as fast as is possible, you wouldn't express any opinion on that?

A No. I think that it is reasonably clear from most of the public evidence, and by that I am referring to the Rogovin report and the Kemeny report, that the fact that we have a major organizational crisis or problem at the NRC, and that certainly is, I would expect, not helpful to their decision-making

process.

Q Is that a yes or no to the question posed?

A Would you read the question?

(The Court Reporter then read back the question as follows:

"Question: And whether or not the present schedule is tantamount to moving as fast as is possible, you wouldn't express any opinion on that?")

THE WITNESS: No, I wouldn't express an opinion.

BY MR. BARASCH:

Q Thank you.

On Page 16, you also indicate the company's cash flow "...projections have not provided for"--certain--"contingencies." Is that correct?

A That is right.

Q And that the cleanup at TMI-2 as a result has been limited due to deteriorating finances; is that correct?

A That is correct.

Q And at Page 17 and throughout your testimony, you are expressing an opinion that the company needs more cash than it presently is

receiving through its rates; is that correct?

A That is correct.

Q And that cash, as you see it, must come from the ratepayers?

A I would like to find an alternative source, as I suspect everyone would in this room, and I am not sure what that alternative source would be.

Q And in the absence of any alternative source, you are basically saying that money has to come from the ratepayers?

A Essentially, yes.

Q And on Page 6 of your testimony, you list that one of your tasks was: "To evaluate all economically practical opportunities for providing ratepayers with lower rates and/or better service"; is that correct?

A That is correct.

Q And are you wishing to state a conclusory opinion at this juncture that charging all the extra cash needed by GPU to the ratepayer is consistent with the achievement of that task?

A We haven't completed our study at this point in time, so I really don't think we are in a position to respond to that question. I don't think we are at a state that we are able to respond to

that question.

Q And as part of your project for this Commission, you are looking at other options other than the continued existence of GPU in its present form; is that correct?

A That is not a part of the scope of our project.

Q So then you have not and do not intend to do any detailed study of the financial consequences, of the ratemaking consequences of a power authority, for example?

A That is correct.

Q Nor are you looking at the financial consequences of the merger of part or all of GPU's subsidiaries with other utilities?

A That is not part of the scope of our study.

Q Nor are you looking at the consequences of any spinoff of any piece of GPU to its own corporate structure?

A That is correct.

Q Nor are you looking at the consequences of possibilities of federal government assistance in the TMI-2 cleanup effort?

A In a sense we certainly would keep

abreast of what was happening with any efforts in that particular vein that would be helpful and I would expect that part of our look at TMI-2 which is continuing now is to the extent that the company's efforts to obtain such aid would be an expected part of their management process, we would be looking at that.

Q In terms of the expected elements of the study that you have contracted with this Commission to perform, it would not be an element of that study for you yourself to do an analysis of the prospects of receiving federal assistance in the resolution of the present dilemma?

A Not specifically. I think that the one thing that might be anticipated out of a study of this sort is to determine whether the company is taking all steps that it can to pursue an avenue like that.

Q As part of this presentation, Mr. Wheaton, Mr. Parente indicates a belief that TMI-1 might never return to service.

Are you familiar with his testimony in that regard?

A Yes, I am.

Q As part of this project, have you or any member of your team reviewed the possible impact that such a consequence might have upon GPU's overall

construction needs, capacity efficiencies, needs for purchased power, et cetera?

A We have not at this stage.

Q Do you see that as part of the scope of your study?

A It hasn't been defined as such at this point in time. It certainly could be.

Q At the present time you have no intention of performing such an analysis?

A Not to specifically relate to the question of their power needs if absent TMI-1 ever returns to service.

Q If I were to ask you the same question with regard to TMI-2, would your answer be any different?

A No.

Q So, in short, you have done no analysis of what the effect of TMI-2 never returning to service would be on GPU's construction needs, capacity needs, needs for increased amounts of capital?

A No. And we haven't fully defined the scope of our study going forth from here, but those types of questions certainly are ones that might be considered in finalizing our scope of study.

Q Hypothetically, do you believe that

an analysis of those problems and costs could ultimately result in Theodore Barry coming to the conclusion that it does not make economic sense to keep GPU in its present financial form?

A I couldn't respond hypothetically. I have no basis on which to make that sort of determination.

Q Well, let me rephrase the question.

Your opinion about the present needs to continue to provide cash to GPU is simply a present analysis, based upon the information that you have analyzed to date?

A Correct.

Q And are you expressing an opinion here that regardless of the ultimate cost arising out of this accident that it must necessarily be in the best interests of the public to keep GPU afloat in its present situation?

A I don't think we have said that. I think what we have said in our study is because of the current situation that it is essential that the company be provided funds with which to continue operations.

We have made no attempt to state what we believe the ultimate resolution of the problem

should be, and I think we have stated that any number of times in our testimony.

Q So no inference of any sort should be drawn from your testimony that you are expressing any opinion about the ultimate manner of financial resolving of the crisis? You are merely expressing opinions about the short-range solution to the problem?

A Yes. And I think we have said that on two or three different occasions in the study, that we think there is a need to take the time to take a look at all of the issues to in effect develop a long-term solution to the problem.

Q At Page 17 of your testimony, sir, you refer to the testimony of Mr. Hogan, that part of his study was basically to the effect that even if the company were provided substantial increases in rates, that MetEd's rates would still not be the highest electric rates in the country.

Do you see that, sir?

A Yes.

Q Do you mean to imply by that statement that that fact, assuming that it were a fact, should have some bearing upon the decision that this Commission might make in these proceedings?

A First I think it is a fact. The question in terms of what are we trying to imply-- could you clarify what you meant by the question?

Q I am having trouble hearing you.

A Could you clarify your question for me, please?

Q If you could tell me what part of it is confusing, I would be glad to--

A Well, repeat the question, please.

Q Your statement about the rates not being the highest in the country, I am just curious whether you think that that fact, assuming that it were a fact, should have some bearing upon the ultimate resolution of these proceedings?

A Only in the sense that it provides an overall framework and input to the Commissioners. I think that it is at least helpful information to know what the relative rates of the GPU companies are, not only in relationship to Pennsylvania, but in relationship to the entire country.

Q I take it that you have supervised the performance of numerous other management audit studies; is that correct?

A That is correct.

Q In performing those audits, do you

use the level of rates that a utility charges its customers as a criterion in determining or an indicator of whether management is efficient?

A It provides general background information.

Q Would the mere fact that a given utility's rates were not the highest in the country cause you to draw any conclusion whatsoever about the efficiency of management, that fact standing alone?

A If the company's rates were out of context with utilities of a similar nature, that would certainly be one of the first things that you would look at, and from there you would go to try to get an assessment as to why that level of rates existed, and that certainly would be helpful in terms of giving one doing the study an impression in terms of the overall management capabilities of the company.

Q Does the fact that MetEd's rates or the alleged fact that MetEd's rates even if full relief were given, would not be the highest in the country, does that fact in your expert opinion reflect in any fashion upon the competence and efficiency of management?

A Yes, I think the level of rates

has some impact.

Q The fact that they are not the highest in the country you believe is a criterion--

A No, I said that the level of rates that a utility has certainly is a reflection of the overall management capabilities that the company has exercised over a number of years.

MR. BARASCH: Could we possibly get the Court Reporter to read back the question, not the one I just asked, but the one previous to that?

(The Court Reporter then read back the record as follows:

"Question: Does the fact that MetEd's rates or the alleged fact that MetEd's rates, even if full relief were given, would not be the highest in the country, does that fact in your expert opinion reflect in any fashion upon the competence and efficiency of management?")

MR. BARASCH: Madam Chairman, I don't believe that his answer has been responsive to that question. I would just like to know how I can get a yes or no answer to my simple question.

THE CHAIRMAN: He has indicated that the level of rates is of some effect.

MR. BARASCH: But I asked a question

specifically about the statement in the testimony that the fact that the rates are not the highest in the country, and I want to know whether or not that fact, not some general discussion of where the rates might stand, but whether that fact alone is an indication of management efficiency, capability, or competency.

THE WITNESS: I think perhaps I can clarify that somewhat by saying that we have a couple utilities in the country whose rates because of their situation are appreciably above those of any other companies, any other utilities in the country, and I think if you are using it in the context of the highest rates in the country, I think that my answer would be somewhat different.

And that is why I think the answer that I have given you is that the level of rates certainly is important in terms of an overall consideration.

BY MR. BARASCH:

Q So can I summarize your testimony by basically saying that the fact that MetEd's rates would not be the highest, that fact standing alone is not an indicia of anything?

A Well, it is helpful background information. I think that was my original answer.

MR. BARASCH: That is all the questions

that I have at this time.

THE CHAIRMAN: Miss Dufour.

MS. DUFOUR: I will defer to the other parties.

THE CHAIRMAN: Mr. Bowers.

BY MR. BOWERS:

Q Mr. Wheaton, my name is John Bowers. I represent two Metropolitan Edison ratepayers. I would like to go back for one moment to the subject of one of Mr. Barasch's questions and ask you whether or not the factual or legal analysis underlying your statement on Page 13 regarding the effects or potential effects of bankruptcy appears anywhere in your testimony or in the testimony of anyone else associated with your company?

A You want to know what?

Q I am asking whether the factual or legal analysis which you say has been performed and which supports your statement on Page 13 regarding the potential effects of bankruptcy, whether that analysis appears anywhere in your testimony or in the testimony of any person associated with your company.

A We comment at least in two other parts of the report with respect to bankrtupcy that I can recall, specifically Dr. Parente refers to it

with respect to the potential operational difficulties that would arise out of bankruptcy and I believe Mr. Dewey also addresses the question of bankruptcy in his testimony in certain fashions.

Q Do the two references that you have made constitute the totality of the analysis on the question of bankruptcy that your company has engaged in?

A No.

Q In preparation for this testimony?

A No, I think that our report in general is a summary, if you will, of all of the work that we have performed over the past three months with respect to the GPU system, and as such we have not included all of our analyses by any stretch of the imagination in this report.

Q In other words, there was some analytical foundation that you relied upon and took into account in forming your conclusion as set forth on Page 13 which has not been presented thus far to the Commission; is that correct?

A The management audit process is a highly iterative one based on performing a number of interviews and various types of data analysis.

To the extent that we have gone through

that process we have not in effect brought forward and summarized each and every interview that we have had, nor have we included in here in our testimony, our prefiled testimony, all the analysis that we perform not only with respect to bankruptcy but in general with all of the work that we perform.

Q So your answer to my question is yes?

A That we have not included it in this report? Yes.

Q With regard to your recommendation on Page 18 that bankruptcy must be avoided, would I be correct in drawing the inference from that statement that it is your opinion that the avoidance of bankruptcy or the goal of avoiding bankruptcy for GPU or MetEd should control the disposition of the issues that are presently before this Commission, even if the application of otherwise relevant regulatory principles would lead to a different result?

A I am not sure I understand the last part of your statement.

MR. BOWERS: Would the Court Reporter repeat my question, please?

(The Court Reporter then read back the last question.)

MR. P. RUSSELL: Madam Chairman, it is not clear to me what is meant by the last part of that question either.

BY MR. BOWERS:

Q Let me give you a concrete example. One of the issues before this Commission is whether the costs associated with Three Mile Island nuclear station Unit 1 should be removed from the company's rate base. And there is a body of applicable regulatory precedent that one would normally look to in resolving that question.

And I guess my question to you is: Whether or not, assuming that that precedent indicates that it would be appropriate to remove those costs, if it is your opinion that the avoidance of bankruptcy should take priority over such considerations?

A Most definitely.

Q At Page 13 of your testimony you make a reference to the "Lack of timely action by the NRC with respect to whether and when TMI-1 will return to service..."

In response to a question by Mr. Barasch regarding a related statement on Page 16, you indicated that you do not have any factual basis for reaching the conclusion that the NRC has not proceeded in as

expeditious a manner as possible under the circumstances facing it.

Would you respond similarly if I were to ask you a similar question in regard to the conclusion I have quoted to you on Page 13?

A Yes.

Q On Page 14 you indicate that--well, let me ask you this: You state that you have reached the conclusion "...that there have been no appreciable differences in...consumer attitudes subsequent to the TMI accident."

What type of consumer attitudes are you referring to there?

A The normal ones that have been brought to the attention of the P.U.C. Bureau of Consumer Services. I think those are largely in response to customer complaints about slow hookups, being treated wrongly by the company in some fashion or form.

It was also interesting to us that where we anticipated that we might have seen a much higher level of complaints regarding high bills and that sort of thing that we also had not seen or at least in discussions with the Bureau of Consumer Service they had seen no real change in the types of complaints

or the level of complaints that they were getting, and it is focused in that context.

THE CHAIRMAN: Mr. Bowers, could I interrupt?

MR. BOWERS: Yes.

THE CHAIRMAN: When was this discussion with the Bureau of Consumer Services?

THE WITNESS: In early January.

THE CHAIRMAN: There has been no discussion since then?

THE WITNESS: That is right.

THE CHAIRMAN: Have you read the direct testimony in this case, any of the direct testimony in this case?

THE WITNESS: Some.

THE CHAIRMAN: Have you read any of the cross-examination?

THE WITNESS: Very little.

BY MR. BOWERS:

Q Are you familiar with the fact that the Commission at least prior to its decision on June 15, 1979, received some 1700 letters from Metropolitan Edison ratepayers requesting that this Commission resolve the issues that were before it at that time in such a way as to not allow the costs associated

with the TMI accident to be passed onto them?

A No, I am not.

Q If I were to ask you to assume that that is a fact, that correspondence was received by the Commission in that volume, would that fact change your opinion with respect to the customer attitudes that you have set forth on Page 14?

A There is a good likelihood that it would, yes.

Q At Page 15 of your testimony you indicate that Metropolitan Edison's "...current public image is in dire need of repair," as a result of the TMI accident.

What specific features or aspects of the TMI accident in your opinion are responsible for Metropolitan Edison's low public image at the present time?

A I would I guess characterize those as twofold: One, the communications that may not have taken place; secondly, we have not looked in any way at the question of fault, but I think the fact that the accident happened, that it happened in a MetEd plant, certainly is the sort of fact that just creates some very negative impressions and reactions.

Q You say you yourself have not

addressed the question of fault in your analysis?

A. We have not.

Q. Is that a question that you intend to address in the future and have simply not done so as of the present time, or do you see no provision in your ultimate plans for addressing that question?

A. Our study is focused, as most of our studies are, on looking at what the current situation is, and what the needs of the future are, and we have specifically outlined in the request for proposals submitted by the Commission that the question of fault is something that we would not be addressing.

Q. Would you agree that the various governmental investigatory bodies that have conducted investigations into that accident have arrived at judgments and conclusions with respect to the relative degrees of responsibility of the various elements or portions of the nuclear industry for the accident?

A. There have certainly been a number of reports with a number of conclusions in them, and I would not try to summarize or pull those together for you, if that is your question.

Q. Do you make recommendations as to how Metropolitan Edison could improve its public image, which is in dire need of repair?

A We would make--

Q No, do you make such recommendations?

A We haven't at this stage.

Q On Page 16 of your testimony you make the statement that "The uniqueness of the accident requires specific action by all parties involved. " and then you name the parties that you have in mind in making that statement. And you conclude with a reference to intervenors.

Who are you making a reference to by your use of the term "intervenors"?

A Specifically I would think that we were referring to most of the people that are represented at the table here.

Q You are making a specific reference there to the intervenors in this proceeding?

A This and similar proceedings. It is a general impression that I would have that many of the parties that would be intervenors in any proceedings are in some fashion or form represented here.

Q What specific action do you believe is required by intervenors?

A I think that we don't and we

specifically didn't have anything specific in mind there. I think that we would only hope that they would continue to act in a responsive and responsible fashion.

Q Do you have any evidence or do you have any factual basis for arriving at or forming a judgment that the intervenors in this proceeding have not up to this time acted in a responsible fashion?

A I have no indication of that.

Q At Page 12 of your testimony you indicate that "...no one seems to have identified an alternative which would return customer rates to their pre-accident levels."

By "pre-accident levels" do you mean those rates which would have gone into effect had there been no accident or do you mean those rates which were, in fact, in effect at the time of the accident?

A I think I am referring to those that were in effect at the time of the accident. More specifically, I think if one were to look at the table that is included in Mr. Hogan's testimony which summarizes rates, I think Exhibit IV-2, that we are really talking very specifically about the composite average revenue rate for MetEd of $38.66 per megawatt hour in

1978.

Q Are you aware of anyone in this proceeding that has recommended that rates be returned to such a level, the pre-accident rates?

A No.

Q At Page 17, with respect to your discussion with Mr. Barasch concerning the comparison of Metropolitan Edison's rates with other companies, other public utility companies, you indicated that a relevant consideration would be a comparison of Metropolitan Edison's rates with other utilities of a similar nature, I believe.

Would you indicate for me the characteristics that you would take into consideration in determining whether a given public utility was similar in nature to Metropolitan Edison so as to warrant such a comparison?

A Geographical location in the country, fuel mix, some sort of geographical base in terms of customers per square mile. Those are ones that come to mind immediately.

Q Would you identify the public utility company that charges the highest rates in the country at the present time?

A I believe it is ConEd. I say that

only because I am not familiar with--if we said the Continental United States--

Q Yes.

A I am not sure about Hawaiian electric and Alaska.

Q Taking into account the characteristics and considerations that you have mentioned as being relevant to a determination as to the similarity of various utility companies, would you regard Metropolitan Edison as being similar in nature to Consolidated Edison?

A No, I wouldn't, except for the general comment with respect to general geographical location in the United States, i.e., the Northeast.

Q At Page 16 you indicated that "...the Company has limited its clean-up efforts because of its deteriorating financial position."

Have you formed any judgment as to whether such limitations have reached a point where the public health and safety has been jeopardized?

A I don't think we were aware of anything that would indicate that it has been jeopardized at this point in time, but I think that as long as there is uncertainty with respect to the condition of TMI-2, that potential exists, and that is a

potential that we think needs to be eliminated as soon as possible.

Q Have you formed any judgments as to the reasonableness of those limitations or those cutbacks in the cleanup efforts in light of the financial resources available in Metropolitan Edison at the present time?

A I think I indicated earlier we think that it is so imperative that the cleanup effort move forward that we don't think there should be any limitation there except to the extent that we adhere to a well-controlled cleanup effort on a least time schedule, and that is something Dr. Parente talks more about in his testimony.

Q I believe my question referred to the reasonableness of the limitations that have already taken place.

A Well, I guess the question is if there is any limitation that has taken place already that it is unreasonable.

Q I think we are talking about two different aspects.

A What we are saying is if there has been a cutback in the cleanup efforts, that that should not have taken place or should not be taking place.

Q Were those cutbacks justified in your judgment, or have you formed any judgment as to whether those cutbacks were justified in light of the financial resources available to the company at the time?

A As far as I know, we see no reason that they should have been cut back at this point in time.

Q I am sorry--

A We see no reason for the cutback at this point in time.

Now, let me clarify that: If the need were so great and the question so great, then I think it was imperative on the company to come to the Commission or Commissions involved to, in effect, see that they had the financial resources available to continue the effort.

Q Do I understand your testimony to be saying that the cutbacks that have taken place as of the present time are in your judgment not justified in light of the financial resources available to the company?

A Whatever it takes, we have I think stated fairly clear that that situation cannot continue to exist and should not exist today, and I think that

we are dealing with reasonable and responsible people and if to avoid those cutbacks it meant coming to this body to get the funds that were necessary, it would be hard to believe that this body would not respond in a responsive manner to insure the public health and safety of the people of Pennsylvania.

Q What opinion do you have with respect to the fact that the company has not, as of the present time, come to this Commission for additional funds for the purpose of its cleanup efforts?

A We think--and I guess I have said it once--we think that is a need--that if in fact there was a determination that their financial position was in such straits that they needed to do that, then they should have done that.

Q Is it your opinion that that point has been reached?

A We haven't addressed the question from that particular question. I think as exemplified in Mr. Hogan's testimony again, the financial position at any one point in time of the company consists of any number of variables.

The cleanup effort is certainly one of those variables. To the extent that expediting the cleanup effort, and the amount of money required, the

amount of moneys to continue the cleanup effort in the least time schedule, at least on the basis we look at it, is a relatively small dollar amount in relation to the company's overall needs.

I think we talk about in 1980, in both Dr. Parente and Mr. Hogan's testimony, the extra needs of about $22 million to proceed along the least time schedule. MetEd's share of that would be approximately ten or eleven million dollars, and that, at least in terms of the company's current financial position with its current credit limits would not, in effect, put the company in a bankruptcy situation, at least as we understand it.

Q So you are suggesting that the additional rate relief required to accomplish the cleanup to which you make reference on Page 19 of your testimony may, in fact, not be necessary?

A I think that our testimony is pretty clear that the company's financial position today is very tight, and it is to tight that the level of relief that is needed again is a very complex issue, and I am not sure that I have answered your question. I have tried to.

Maybe you could restate it so I can try to specifically answer your question.

Q Well, I believe you indicated that in your judgment the incremental amounts necessary to accomplish the cleanup on an expedited basis, which is what your report recommends, is a relatively small amount in light of other financial considerations and my followup question to that is whether or not, on the basis of that judgment, you felt that the additional rate relief that you indicate might be required to accomplish the cleanup may, in fact, not be necessary?

A Well, I don't think that we have indicated a level of rate relief that would be required, so without having done that, I am not sure that I can answer your question.

MR. BOWERS: I have nothing further.

THE CHAIRMAN: Mr. Gornish.

BY MR. GORNISH:

Q Mr. Wheaton, my name is Gerald Gornish. I am counsel for Citibank and Chemical Bank, which as you probably know were the agents for the lenders in this matter.

Mr. Barasch asked you some questions regarding my clients on Page I-13, where you were making comments on what is responsive and responsible.

Let me ask you this: Is it responsive

and responsible to anyone for a bank to loan money without some assurance that it will be repaid?

A If they are looking for charitable contributions.

Q I said loan.

A Well, you can give a loan and then plan on writing it off and I suspect perhaps treat it as a--

Q But otherwise it would not be responsible or responsive to anyone?

A No.

Q Is it responsible and responsive to advise the public, for a bank to advise the public what its concerns are with respect to an outstanding loan rather than to take action which then may be detrimental to the borrower?

A I think that anyone who services the public utility industry takes on itself a certain responsibility and that is to play the game, if you will, by the same rules that the utility has to play.

In that context, I think it is absolutely necessary that banks, in effect, in a situation like you are referring to make those positions known.

To do otherwise would be to not understand the environment in which utilities and commissions

operate.

Q So when the banks took whatever positions they take here to the Commission, would you say they are acting responsibly?

A That is our testimony, yes.

Q On Page I-17 you were asked questions I believe--I am not sure I have the right page--at some point you were asked about the highest rates in the country and what relevance they have.

Do the range of utility rates throughout the country in your view have any evidence as to what is a reasonable rate?

MR. BARASCH: May I inquire of Mr. Gornish whether he is asking this witness for a legal opinion when he uses the phrase--

MR. GORNISH: I am asking him as some sort of expert in ratemaking, not as a legal conclusion.

MR. BARASCH: Madam Chairman, we have been over this territory before, but I don't believe the witness has demonstrated any competence to testify as to the reasonableness of rates.

THE CHAIRMAN: Mr. Russell.

MR. P. RUSSELL: I think as Mr. Gornish has explained his question, that as I understand it he

is not asking for a legal conclusion of reasonableness, I think that Mr. Wheaton is qualified to answer the question.

THE CHAIRMAN: As I understand what Mr. Gornish indicated, it is that he is not asking for a legal opinion but an opinion of this witness as an expert in ratemaking.

Now, is that what your witness is? Have you qualified your witness as an expert in ratemaking?

MR. P. RUSSELL: No, we have not qualified him as an expert in ratemaking, but I think he is qualified as an expert in the operations and that includes the rates of public utilities in the United States.

THE CHAIRMAN: Mr. Barasch.

MR. BARASCH: Madam Chairman, you were anticipating exactly what my next objection was, because even if it is not a legal conclusion, I don't think the witness has been shown to have any competence in ratemaking standards or anything of the sort.

THE WITNESS: Can I comment?

THE CHAIRMAN: To the extent that his comments were within the realm of managerial prudence, to the extent that you want to ask him questions relating to his determination of managerial prudence, I

think, you know, you are within the scope of his testimony. But I don't see where he has been qualified as an expert in ratemaking.

MR. GORNISH: Or in rates.

THE CHAIRMAN: That is correct.

Counsel has indicated as such that he is not.

MR. GORNISH: Then I will withdraw the question.

BY MR. GORNISH:

Q I think you were asked questions also by Mr. Barasch with relation to your study set forth on I-6 and that is to evaluate all practical opportunities for providing ratepayers with lower rates and better service.

The word "practical" is in there, is it not?

A Yes.

Q On Page I-17 you state that the first "...step is to allow TMI-1 to return to service as soon as possible."

Mr. Wheaton, in your view, what will happen if TMI-1 does not return to service?

A Well, the company will continue at least in the short run until they develop alternative

sources to generate power and continue to have substantial replacement power costs.

Q In your view, would it be likely they would be in a position to repay their loans to the bank?

A It would depend on their financial position.

Q Well, if TMI-1 does not return to service, would that affect their financial position?

A It certainly can, but I think that is part of what we have referred to as the need to develop long-term solutions to the problem at hand.

If TMI-1 is not returned to service, it certainly is going to create a situation that is going to require resolution by the company and the Commission to determine how to proceed.

Q Is your study going to comment on that possibility or isn't that part of your study?

A I guess in large part, to the extent that it would be helpful for our study to respond to that question, may in part be determined by the proceedings taking place here. And with the current schedule, with a decision coming out on May 23 and the fact that our study would not be completed until August or September, we would certainly have the

benefits and the value of assessing the decisions that are reached here in terms of how it impacts the company's future.

Q On Page I-19, you state that "The return to service of TMI-1 and the resultant decrease in replacement power costs has a greater financial impact than the inclusion or exclusion of TMI-1 in the rate base."

What financial impact does the exclusion of TMI-1 from the rate base have?

A I think Mr. Hogan can better answer that question specifically, but I believe on one of his exhibits it indicates the financial impact of the removal, at least with respect to revenues, and my recollection is it is in the 27 or 28 million dollar range.

Q I think that is correct.

Would it have any other financial impact?

A Well, I would refer to Mr. Dewey's testimony. It certainly indicates that the banks have clarified some concerns in terms of how they would react to the removal of TMI-1 from the rate base in terms of what their perception would be of that sort of regulatory ruling.

Q Would it also have any impact on

the ability of the utility companies to gain access to the outside capital markets in terms of coverage?

A That is certainly a possibility.

Q You don't know specifically?

A Well, I think again--

Q Or should I be asking that of someone else?

A I think both Mr. Dewey and Mr. Hogan can have some comments on that, but I think that as a general comment, our approach to the financial area has been one that because of the dire financial straits the company is currently in, to assess and address the current needs of the company just to continue to exist. That in itself is a situation that we don't see accessibility to the money markets in the year 1980, and that in a general fashion is the time frame that we have addressed our study here.

Q Do you know whether the companies had expected to gain some access to the money markets during 1980?

A I forget. If they did, I think that--and I don't think that they did, but Mr. Hogan or Mr. Dewey can address that specifically.

MR. GORNISH: Okay. Well, I will save my questions for them. Thank you very much.

THE CHAIRMAN: Miss Dufour.

BY MS. DUFOUR:

Q Mr. Wheaton, my name is Louise Dufour. I represent some environmental ratepayers.

Can you tell me how your company was selected to perform this audit? You mentioned bidding here. I am not familiar with the process.

A My time periods may be off somewhat, but on or around the middle of September the Commission staff issued a request for proposal to selected management consulting firms to submit proposals to perform the audit.

We submitted a proposal on November 1. Subsequent to that submission of that proposal, we and other consulting firms were then interviewed by Commission staff and evaluated in whatever fashion or form they use, and subsequent to that we were notified that we had been selected to perform the audit.

Q Can you tell me how many utility holding companies there were with nuclear facilities in the United States?

A I don't specifically know the number.

Q Roughly, just to give me some idea.

A I don't know.

Q At the top of Page I-8, can you explain why you have these two notions linked?

A Why we have what?

Q Why you have these two sections of the sentence linked. Are you referring specifically to nuclear plants? Is there something about nuclear plants in specific?

A I am not sure where you are.

Q The very top of I-8.

A Yes.

Q The first paragraph there.

THE CHAIRMAN: Would you just read the section. That will clarify it.

BY MS. DUFOUR:

Q "Identification of corporate organization changes that would improve MetEd/GPU's ability to operate its nuclear plants and meet its cash and earnings needs."

I don't understand the juxtaposition in that statement.

A I believe at the time the letter was written by the P.U.C. audit staff, the company at that stage had only made preliminary announcements with respect to reorganizing its nuclear organization.

I suspect in looking at the statement now that certainly the staff was interested in terms of how that organization might be set up in terms of whether it would have any impact on the financial needs of the company and that is the only reason that I can think of that particular linkage.

Q Okay. Thank you.

What was the nature of your interview at the Lieutenant Governor's Office?

A The nature of the interview there was to try to get an assessment of certain issues that we thought needed clarification with respect to how the Commonwealth of Pennsylvania was, in fact, looking at the GPU situation.

My recollection is that there were two specific issues that we were interested in pursuing at that point in time, and one was with respect to whether, in effect, appropriate provisions existed to deal with any potential civil disturbances or civil disobedience situations that might result with respect to the situation at TMI.

Secondly, we were concerned, as is pointed out in Dr. Parente's testimony, with determining if, in effect, there was a bankruptcy with respect to GPU, was the Commonwealth of Pennsylvania prepared to take

any action to continue the cleanup efforts.

Q And what was the Commonwealth's response to that?

A The Commonwealth's response to that was that they, in general, felt that if that were to happen, they anticipated that the NRC would have the responsibility for the cleanup effort, and as Dr. Parente's testimony points out, when we asked the NRC the same question, and I forget which one we asked the question first, but their answer was that it was their anticipation that the Commonwealth of Pennsylvania would assume the major responsibility for the cleanup.

Q Are you aware that the NRC Director of Cleanups has stated twice, only yesterday most recently, that the NRC will run TMI if MetEd goes into bankruptcy?

A No, I am not aware of that.

Q If such a statement were made, would it affect your view of the extreme situation we are in right now as ratepayers?

A It would certainly give us some confusion--

MR. S. RUSSELL: I think there is some confusion here. Are you talking about running TMI-1

or cleaning up TMI-2?

MS. DUFOUR: Cleaning up TMI-2.

THE WITNESS: It certainly would give us some measure of assurance that at least somebody had given some foresight to responding to that situation. I think that we would be very interested, and I say we, not my firm but the parties in this situation would want to make a determination as to whether those plans to handle the cleanup were going to be administered in a fashion that was in the public's best interest.

BY MS. DUFOUR:

Q In regard to foresight and reasonableness of the management activities in dealing with this situation, do you feel that the company should be pursuing other avenues than this forum actively and progressively right now?

A To do what?

Q Pay its bills. If the company is operating prudently, if its management is looking to help its stockholders out and its ratepayers out, aren't there other avenues that it could be pursuing aggressively right now that they haven't approached?

You are speaking of foresight and in determining where we get to the PJM pool, looking to

the problem that we will have to deal with if there is bankruptcy here.

If the company is looking out for its own best interests and our best interests, shouldn't it be looking somewhere else other than waiting for these hearings and holding us on the line right now so that these avenues are open for all the parties to be dealing with? Is it the company's responsibility to approach the federal government?

A I think that they have made efforts in that respect.

Q And what came of their efforts?

A I think we are sitting here today. I am not aware of the success of those efforts, but I think as an example, the naming to their Board of Directors of the former Assistant Secretary of Energy certainly has provided the Board with insights in terms of the availability of possible funding with respect to the Department of Energy, for example.

Q Do you yourself know about the process involved in acquiring federal aid?

A No.

Q Do you know how long it would take for the PJM system to prepare to accommodate some of the possibilities mentioned in their testimony, in that

MetEd would continue to draw power and not pay its bills?

A I would prefer that you ask those questions of Dr. Parente, who is much more proficient in that area than I am.

Q Is it your opinion that cause has nothing to do with the reasonableness of high rates?

A That cause--

Q The cause for high rates, the reason that rates need to be high.

A I--

Q In your testimony you are suggesting that if MetEd gets higher rates that might be okay, because there are higher rates around the country, and that might have something to do with the company's inability to get federal aid.

I am asking if the reasons why this might be necessary are important to you?

A Sure. I don't think any of us want to have high rates.

Q Do you know what reason there is that other utilities in this country have high rates?

A We certainly have some impressions as to why rates vary from place to place and company to company.

MS. DUFOUR: I don't have any more questions.

THE CHAIRMAN: I think since the noon hour has arrived, we will take our break for lunch now.

Mr. Wheaton, you will return, will you not, because I think maybe the Commissioners may have some questions of you.

We will break and come back at 1:15.

(Luncheon Recess at 12:10 p.m.)

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AFTERNOON SESSION
1:15 P.M.

THE CHAIRMAN: Commissioner Taliaferro, do you have some questions of the witness?

COMMISSIONER TALIAFERRO: Yes.

... PERRY L. WHEATON, having been previously sworn as a witness, was resumed and testified further as follows ...

CROSS-EXAMINATION
CONTINUED

COMMISSIONER TALIAFERRO: Mr. Wheaton, I would like to go through a few points with you. First of all, would you please explain very specifically what your role in the study was?

THE WITNESS: I am the Project Manager for Theodore Barry & Associates with respect to the study that we are doing. In that context, I have overall responsibility for planning, scheduling, and directing the work and have responsibility in an overall sense for pulling the results together and directing the individual team members working on the audit.

COMMISSIONER TALIAFERRO: Okay. You

start off on Page I-6, the answer to the question about the objectives of the study starts off "As originally structured..."

There is an implication that there may have been a change since originally started. Was there?

THE WITNESS: There has been one change specifically to date in the context of meeting the specific needs of the Commission's Staff. Shortly after the start of the project, the items that were mentioned on Pages I-7 and I-8 were identified by Commission Staff as those that would be of initial importance and, therefore, should be areas where we should concentrate our efforts.

Because of the uniqueness of this study in general, our relationship with the Commission's Audit Staff and understanding is that there is a need to be very flexible with respect to what the entire study will encompass, and by that I mean it is understood by both parties that because of the uniqueness of things there may be developments that occur that may require our specific addressing of those issues.

In that context, there have been changes in priorities in terms of what we have addressed initially and, secondly, there is the possibility that

the Commission's Staff or the Commission may direct us to focus our efforts in areas other than generally set out in the original proposal and contract, and that is something that we are fully aware of and are ready to be responsive in whatever fashion we can be to the Commission's needs in this regard.

COMMISSIONER TALIAFERRO: Okay. On Page I-8 I just want to repeat some of the language. You talk about in the answer "In compliance with the RFP, we are conducting this study in two phases."

Then, if you jump to the bottom of the page, you talk about the reconnaisance. The Exhibit 1 indicates that that is about the only phase that you completed to date, the reconnaisance, and I am interested in getting into more specificity as to what that reconnaisance is.

Starting on Page I-9 you list the four points, "Conduct an orientation of major functional areas to obtain first-hand knowledge," et cetera.

Can you give me more specificity in your definition of what orientation is from a functional point? What are you doing?

A Certainly. We have identified in our original proposal six major functional areas of the company. Those six areas were corporate planning

and finance, power production and operations planning, fuels management, corporate services, customer operations, and engineering and construction.

In the orientation or reconnaisance period that we have had to date, we have performed work in five of those six areas specifically. We have not at this stage done anything in the so-called corporate services area, and that has been done with the knowledge of the Audit Staff.

Now, what we have done in each of those areas to give you a very quick review in each area, if that is what you would like, taking them one by one, in the corporate planning and finance area, in Mr. Hogan's testimony, and he can answer specifically, if you want more specificity in this area, but generally speaking in this area we have reviewed the organizational structure.

We have reviewed the methods that the company uses to do its planning process. We have looked at the sort of financial models that they have which are used to develop their financial forecast and we have as part of both Mr. Dewey's and Mr. Hogan's work spent a great deal of time with the financial community to get an understanding of their perspective in terms of the company's financial needs.

We have, as illustrated in Mr. Hogan's testimony, reviewed the company's financial assumptions that were the basis for many of their presentations in this case and come up with our assessment of those issues.

In the power production and operations planning area, Dr. Parente will address specifically the work that we have done in this area, but specifically our focus here has been with respect to the operational aspects of TMI-1 and 2 and also reviewing the arrangements, financial and operating, of the PJM.

In terms of the fuels management area, our expert in this area has had a number of interviews with the company's fuels procurement people. We have reviewed specifically because of the uniqueness of this case, addressed areas of whether the company is pursuing all of the major efforts that it could, to obtain significant cost savings.

In the customer operations area effectively our work to this point in time has consisted of touring the two Pennsylvania companies, that is Penelec and MetEd, to gain an understanding of how those operations are currently run, to see what problems may exist in those operations, to see what sort of opportunities may exist, in terms of improving the

cost effectiveness as well as the service levels in those operations; and as indicated before, part of that review has also entailed discussions with the Commission's Bureau of Consumer Affairs.

In the engineering and construction area we have specifically addressed our work in that area to the company's major engineering and construction activity at this point in time, which is the TMI-2 cleanup activities.

At this stage with the concurrence of the Audit Staff, we have proceeded to do more work in that area in terms of reviewing the project management techniques as well as the nuclear organization that exists at the company to, in effect, determine how effectively the project management system is performing and to determine whether there are opportunities for improvement there.

So the process in performing in each of these areas has been to review from a top-down perspective those key individuals within the company who have operating responsibilities in those areas to determine what areas of improvement are most likely to be helpful to the ratepayers and the Commission as well as the company.

From that we expect and have not yet

completed this, but will be developing finalized work plans for the remainder of the work that would be performed in the so-called Phase 1 portion of the audit.

COMMISSIONER TALIAFERRO: Okay. I am not so much interested in what is coming as what is here.

I don't see, although I know that the others testifying do indicate generally who they spoke to, but perhaps this should be addressed to counsel:

Is there going to be a list of who actually was interviewed? I am particularly concerned with the outside banks and the financial community. Who was spoken to if it is other than Gilham and Clifford?

THE WITNESS: Sure. Mr. Dewey can answer that specifically, but it includes the rating agencies. It included one of the other lead banks. It included the investment bankers, and there were others, including the public accounting firm which handles GPU's activities and those are the ones that come to mind immediately, but Mr. Dewey as well as Mr. Hogan can further amplify on those people that they may have seen and talked to.

COMMISSIONER TALIAFERRO: Also on Page 13, I am concerned with the conclusion that the banks'

actions were responsive and responsible.

To your knowledge, were any other banks other than those who actually saw the revolving credit agreement approached and refused to participate, do you know?

THE WITNESS: I am not aware of any, but you may want to ask that question of Mr. Dewey. He may know of--

COMMISSIONER TALIAFERRO: I mean from your knowledge.

THE WITNESS: Not that I am aware of.

COMMISSIONER TALIAFERRO: Did any of those who did sign indicate initially they were reluctant?

THE WITNESS: It is my understanding--again, Mr. Dewey can be more responsive to your question--it is my understanding that there was a great deal of difficulty in what I would call pulling together the deal to get everyone to participate.

It is a general feeling that we had, and this came from both the public accountants as well as the various people that we talked to that the actual effort that took place to get the revolving credit agreement was one that required a great deal of work and cooperation and participation by all parties

involved, and I think that the feeling we also have from the banks there is that they thought that the Commission staff were helpful to the extent that they could be in on that proposal.

COMMISSIONER TALIAFERRO: Is it your understanding as project manager that the financial arrangement is a first of a kind? Is that arrangement unique to banking history? Is it a first-of-a-kind financial arrangement?

THE WITNESS: I would prefer you ask that question of Mr. Dewey. I think he can be more responsive.

I am not aware of any others, but Mr. Dewey may be and I think that he may be able to be more helpful to you in that context than I can.

COMMISSIONER TALIAFERRO: I have no further questions.

THE CHAIRMAN: Commissioner Johnson.

COMMISSIONER JOHNSON: Good afternoon, Mr. Wheaton.

I have read your testimony with a great deal of interest and I have listened to your responses here today with even more interest.

Mr. Wheaton, how would you characterize your role as a witness here today in terms of what is

it that you are intending to accomplish on behalf of TB&A?

THE WITNESS: Well, I think that we feel that our role here is a very unique role, and we have approached our work with I think a great deal of humility in terms of trying to assess the very difficult situations that face the Commission as well as the company as well as the ratepayers at this point in time.

Because of our role of working for the administrative group of the Commission and not playing a part as either a part of the prosecutory staff or representing the company, we have, in effect, tried to pull together information as best we can and to assess that to provide you an independent and objective analysis of the situation as we see it.

In that context we certainly don't put ourselves in the position of trying to make any decisions for you, but to put forward for your consideration those facts and assessments that we have been able to make which we think might be helpful to you in the deliberations that you in effect are going to have to make decisions on.

COMMISSIONER JOHNSON: Mr. Wheaton, that pretty well sums up what ought to be the role of the

management audit group in any situation, be it objective, to tell it like it is.

What role do you personally see yourself playing today in the presentation of your testimony? What are you seeking to accomplish, what area?

THE WITNESS: Well, essentially we have, I think, tried to address two or three major areas, the first one being the very difficult financial position that--

COMMISSIONER JOHNSON: That is not what you are assigned to today, is it?

THE WITNESS: Do you mean me personally as opposed to my group?

COMMISSIONER JOHNSON: Yes.

THE WITNESS: Or TB&A?

COMMISSIONER JOHNSON: I am talking about you, Mr. Wheaton, as an individual, representing TB&A, but if there are four of you prepared to give testimony, each of you has something else to do.

What is it that you see yourself as setting out to do?

THE WITNESS: To provide an introduction in terms of the work that we have done and to provide a summary of the efforts of the other three individuals.

COMMISSIONER JOHNSON: Fine.

You make a number of interesting statements. I am going to call your attention to some of them.

On Page 13 you say, "The Company's assumption that TMI-1 will return to service by January 1, 1981, appears to be overly optimistic as pointed out in Dr. Parente's testimony. Likewise, the Company's assumption that TMI-2 will return to service in June, 1983 appears to be unrealistic."

Now, on Page 16 of your testimony you say, "The NRC needs to expedite its decision process, adhere to hearing schedules and minimize regulatory lag while continuing to protect the public health and safety."

Then on Page 17 you talk about generally GPU's financial status and your characterization of the relative level of rates intrigues me. You make the statement that "Mr. Hogan's testimony indicates that even if all of the Company's currently known financial requirements were funded by ratepayers MetEd would still not have the highest electric rates in the country," that is including clean up and everything else.

You again at Page 18 refer to the need

for the Commission and the Company to "...evolve an approach which will provide assurance of delivery of electric service to ratepayers at the lowest possible cost." You say "Currently, that plan does not exist."

Then at the close of your testimony on Page 19, there is a comment "The Commission, GPU and the NRC should take leadership roles with respect to expediting the clean-up of TMI-2; if additional rate relief is required to accomplish the clean-up, it should be granted in the interest of public safety even if such action is beyond the normal regulatory responsibility of the PUC."

Now, you assess the responsibility between two groups, it seems to me, the NRC, which you just refer to and don't go too far, but you have a lot more fun with the ratepayers. You have indicated that in every financial problem the ratepayer is the key to the entire problem.

Is that so? He provides the source for money?

THE WITNESS: Yes, unfortunately.

COMMISSIONER JOHNSON: And yet you say that we must not lose sight of the fact that it is everyone's responsibility to try to accomplish a system which would produce the lowest possible rates.

You sadly acknowledge that that accord or system does not yet exist. Do you think that only the ratepayers have a responsibility to meet these needs, the cleanup, and for everything else, the purchased power and so on?

THE WITNESS: Unfortunately, and I use that term again, the current financial status of the company certainly makes it very difficult, if not impossible, for there to be another source other than the ratepayers at this point in time.

I guess that is the quandry that we are in. The company's current financial position is such that there is, you know, no money to be taken from stockholders at this point in time, for example, as another source. We have a company that really can't go to the public markets at this point in time to raise additional funds.

Their ability to earn money is certainly in a standstill position at this stage. We have a situation where we have a company on the verge of bankruptcy potentially and in that context it seems that the only source of cash--and our focus has been on cash here--is through revenues, unless there is some other sort of relief that could be arranged.

COMMISSIONER JOHNSON: Don't you think

that your attitude, your solution, is like the mountain climber who, when he was asked why do you want to climb that mountain, answered "Because it is there"? I think it was Mount McKinley. I guess so. "Because it is there."

Maybe the ratepayer is the most available of resources. He is there and needs the power?

THE WITNESS: In the short run. Part of the thing which we haven't talked much about today, and we have looked at in going through our reconnaisance orientation period, is whether there are opportunities in terms of significant cost savings that we could, in effect, identify in the time period that we have had today that would be helpful to the company and the ratepayers in terms of the long run.

We certainly, and I think we indicated in the testimony, would anticipate that as the study proceeds that we will identify cost-saving opportunities that will in effect provide benefits to the ratepayer and the company.

Our evaluation of that, however, is that the magnitude of those potential savings is not such that it will, in effect, meet the problems that exist in the short run. So as part of the answer to your question, certainly I think our initial

impressions are that there are opportunities within the system, if you will, and the company's operations to get various types of cost savings.

We have not yet had an opportunity to pursue those, to identify them, but we have to the extent that we know that they will not provide the answer that you need today, and that has been part of the rationale in terms of developing the focus that we have.

So we have at least tried to look at that avenue and have our initial perceptions there and would hope in the long run that that could be an opportunity for some relief to all parties.

COMMISSIONER JOHNSON: Now, Mr. Wheaton, your group has interviewed people at the NRC?

THE WITNESS: Yes, we have.

COMMISSIONER JOHNSON: Toward what end, for what purpose?

THE WITNESS: The interviews there have been three- or four-fold. One reason was since part of their hearing process is now to look at the financial capability of a company to have nuclear plants operating was to determine to what degree they have made assessments of the financial situation.

Secondly, we wanted to get their

perspectives with respect to the timing of return to service of TMI-1 and 2 and to get a general feeling as to what the conditions of TMI-2 were and what their impressions were.

Again, that was the general thrust of those discussions. I did not participate in those.

COMMISSIONER JOHNSON: Well, you had the information available?

THE WITNESS: I had the information and Dr. Parente was here and did participate in most of those discussions. I believe Mr. Dewey did with respect to the financial side.

COMMISSIONER JOHNSON: Mr. Wheaton, did your group seek to establish the attitude of the NRC with respect to what responsibility the federal government or the NRC or any other agency in the federal government would assume in connection with the accident at TMI?

THE WITNESS: I think we did. I think that was part of those discussions and questions.

COMMISSIONER JOHNSON: And what did you find out?

THE WITNESS: Well, specifically the one question which comes to mind which was of paramount importance here and was in terms of the cleanup

question of TMI-2, and that was couched in terms of if GPU was unable to handle the cleanup, are you prepared to handle that cleanup. And the answer we were given was that they expected the Commonwealth of Pennsylvania to take over in that case. And that was a specific type of question that was--

COMMISSIONER JOHNSON: And I understand you spoke to the Lieutenant Governor for the purpose of ascertaining from him what the Commonwealth was to pay for doing.

Can you tell us what the Commonwealth of Pennsylvania expected to pay for doing?

THE WITNESS: They expected that the NRC would pay for the cleanup.

COMMISSIONER JOHNSON: So you had the anomaly of the guy looking at a guidepost for directions to heaven, and there is an arrow pointing one way and right below it it says, no, don't go that way, it is this way, right? They haven't found this yet. No one has found this yet.

Now, you have already been queried about the statement that is attributed to the NRC on the operation of TMI in the event of bankruptcy or the failure of MetEd. You didn't get any impression at all from your conversation that this could possibly

be what their thinking will be, did you?

THE WITNESS: Their thinking of what?

COMMISSIONER JOHNSON: That they would run it.

THE WITNESS: The NRC, no, and I was surprised at the question.

COMMISSIONER JOHNSON: So this takes you by surprise, then?

THE WITNESS: The statement that they were prepared to undertake it certainly was.

COMMISSIONER JOHNSON: All right. Thank you very much, Mr. Wheaton.

THE CHAIRMAN: Just two quick questions and then I would also ask are you going to be here through the remainder of the testimony of the rest of the witnesses?

THE WITNESS: Yes.

THE CHAIRMAN: So you are available?

THE WITNESS: I am available to respond to further questions which may come up after the others have testified.

THE CHAIRMAN: Okay.

In your view, and it seems I guess I am adding my perception of the primary thrust of your testimony, in your view does this Commission have any

other responsibility or duty other than to give companies money as they request it? Can we put strings on it? Can you look at how that money is to be utilized or handled or do we just give money as it is requested?

THE WITNESS: I would think that you would also act in a responsible and responsive manner, and as part of that situation I think that you may very well want to put strings to whatever moneys that you might want to--and I think that is part of the regul.-tory process and it is one that is certainly part and parcel of your responsibilities and capabilities, yes.

THE CHAIRMAN: Okay. And I harken back to what has to be the most favorite sentence in your testimony, at the top of Page I-13: "The banks appear to have reacted in a responsive and responsible manner."

By that, and as I understand your answer to prior questions on this matter, you think it is responsive and responsible for the banks to attach certain conditions, or want to be able to get repaid whatever money they lend out?

THE WITNESS: Certainly.

THE CHAIRMAN: In doing that, did you interview any banks or talk with any financial people

other than the banks involved in the credit agreement?

THE WITNESS: Yes, and I think that we talked, as Mr. Dewey I think indicates in his testimony to the Securities & Exchange Commission. We talked to the NRC. We talked to the company's financial adviser, investment bankers and rating agencies.

So we had independent groups as well as the banks.

THE CHAIRMAN: In talking to any of these people, did you make an independent judgment as to whether or not the banks were being not only responsive and responsible, but reasonable in the terms and conditions they wanted to attach to the money that they were loaning and what they would consider a significant change in events--I am sorry, I don't remember the phrase--material change?

In other words, did you make an independent judgment as to whether or not they were being reasonable, whether they were being overly cautious? Did you ask anybody?

THE WITNESS: Yes, I will give you a couple comments, but I think it would be helpful to get Mr. Dewey's comments here. I think that there is no question the banks would like to protect their interests. They have a great deal of money there

that they want repaid. I would think as Mr. Dewey's testimony points out, it seems to me that the banks have gone through what I would refer to as an educational process over the last few months in terms of trying to get a better idea of what their exposure was and what sort of commitments they might need to make to protect their investment, and they seemed to have gone through some changes as they learned more about the condition of the company as well as the general conditions that exist.

THE CHAIRMAN: But did you make any sort of an independent analysis as to whether or not the banks' position was reasonable?

Was it overly cautious? Was it reasonable, whatever, in coming down with your final statement that they were responsive and responsible?

THE WITNESS: To the extent that one can make those assessments, I think we did. The question being exactly which ones--

THE CHAIRMAN: Was that a determination of your thought processes or did you actually ask other people?

THE WITNESS: I think that was part of the question we were asking people, like the S.E.C. and the accountants.

THE CHAIRMAN: You asked them whether or not the banks' terms and conditions were reasonable?

THE WITNESS: I believe so, and I would suggest that you clarify that with Mr. Dewey. Again, I think part of the reason for having Mr. Dewey as part of our team--and I didn't point this out earlier--typically in management audits we do not have a financial adviser per se. In this particular proceeding, because of the unique requirements, the Commission Audit Staff suggested and actually required that the management consulting firms propose people to serve as financial advisers.

In this particular case, with that background, we went out and subcontracted and identified Mr. Dewey and his firm because of his background to enable us to have the capabilities that would allow us to make those independent assessments, and Mr. Dewey has an independent firm.

He has been an investment banker and has had any number of dealings with reorganizations and revolving credit agreements and this sort of thing in a number of different situations and I think to a large extent our assessment is really Mr. Dewey's assessment.

THE CHAIRMAN: Am I correct in

understanding what your testimony has been and what you have indicated on cross-examination, that in making a determination that the banks are being responsive and responsible and obviously wanting to make sure that they can be repaid, you are not equating that with being equivalent to the ratepayer or the public interest?

THE WITNESS: I think to the extent that the banks I think are responsible and responsive within the framework in which they operate, and in that context their business is not to make loans which will be forfeited on and therefore put them out of business, if you will, so I think that in terms of the perception and concept within which bankers operate that they have been responsive and responsible.

I don't know if I have understood your question, if I have responded to it.

THE CHAIRMAN: I am not sure if you have answered it or not, and maybe I didn't ask the question specifically enough.

To the extent that the bankers are--and I would say we would probably all agree--interested that whenever they make a loan that they get repaid, that is a perfectly good interest for the banks to have, so that they don't go out of business. That

does not necessarily equate in this proceeding with the interest of the ratepayer, so that when you make the final determination that the banks are being responsive and responsible, you are not saying that they are being responsive and responsible to the individual ratepayers involved in this proceeding?

THE WITNESS: I guess the dilemma that I find myself in is if in effect the banks had not made those moneys available that are available today, then we would have a situation which would be not in the interest of the ratepayers.

THE CHAIRMAN: But the conditions upon which the bank attaches to how it gets its money back--I assume the bank didn't go out and talk to the ratepayers and say, "Do you like these particular conditions?" I think we can take that probably as a matter of course.

COMMISSIONER JOHNSON: A given.

THE CHAIRMAN: A given. Thank you, Commissioner.

To the extent that they are being responsible and responsive to their bank interests and to the shareholders of the bank, all I am trying to get is that does not necessarily equate to the interest of the ratepayer, yes or no?

THE WITNESS: They may not, that is correct.

THE CHAIRMAN: Thank you. That is all I have at the present time.

Do you have any?

COMMISSIONER CAWLEY: My questions would be better directed to Mr. Hogan, so I shall wait.

COMMISSIONER JOHNSON: I have one further question that I neglected to ask you.

In your study, in your activities thus far, in analyzing what it would take to reduce the awesome trauma that exists at MetEd and GPU, have you considered the need to reduce expenditures drastically in perhaps the one area where they could be, namely that of the purchase of replacement power? Have you considered that sort of a possibility?

THE WITNESS: Yes. We have not investigated that avenue in detail at this point in time. On the face of the reviews that we have made to date, it would appear that they have pursued those efforts diligently.

We have not taken the step to go out and independently assess whether there are other sources of power that might be available at more favorable rates. We have not gone to that extent, but we certainly are--

COMMISSIONER JOHNSON: I really didn't mean that so much as perhaps rearrangement of the tariff as to customer usage.

THE WITNESS: It is our understanding that the company's load management conservation plans which you have directed that they prepare are either about to be complete and submitted to you for your review or consideration, and it is our plan that as soon as that plan is available, that we would, in fact, review that to determine its appropriateness.

It hasn't been complete, so we haven't spent any effort in that area.

COMMISSIONER JOHNSON: But you are going to be looking at that?

THE WITNESS: That is an area that--

COMMISSIONER JOHNSON: Then I won't pursue it any further.

THE WITNESS: Yes.

THE CHAIRMAN: If there isn't anything further, I have to take a three-minute break.

(Short recess taken at 2:14 p.m.)

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THE CHAIRMAN: Are there any further questions at this time of Mr. Wheaton?

Hearing none, you may step down for the present time. And, Mr. Russell, will you call your next witness.

MR. P. RUSSELL: Madam Chairman, at this time I would like to call Thomas E. Dewey, Jr.

... THOMAS E. DEWEY, JR., having been duly sworn as a witness, was examined and testified as follows ...

MR. P. RUSSELL: Madam Chairman, I have supplied to the Reporter three copies of the testimony of Thomas E. Dewey, Jr. It consists of 12 numbered pages in question-and-answer form. I ask that this be marked for identification purposes as Theodore Barry and Associates Statement No. 3.

(Prepared direct testimony of Thomas E. Dewey, Jr., was marked for identification as Theodore Barry & Associates Statement No. 3.)

DIRECT EXAMINATION

BY MR. P. RUSSELL:

Q Please state your name and business address for the record.

A Thomas E. Dewey, Jr., 50 Broad Street, New York, New York.

Q Do you have before you a document marked for identification as Theodore Barry & Associates Statement No. 3?

A I do.

Q Was this document prepared by you or under your supervision and control?

A Yes, sir.

Q Do you have any corrections you wish to make at this time?

A No, I don't.

Q Does this document constitute your direct testimony in this proceeding?

A Yes, it does.

Q If I were to ask you the questions set forth in that statement, would your answers be the same as set forth in that statement?

A Yes, they would.

MR. P. RUSSELL: Mr. Dewey is available for cross-examination.

THE CHAIRMAN: Mr. Sam Russell.

MR. S. RUSSELL: Thank you, Madam Chairman.

CROSS-EXAMINATION

BY MR. S. RUSSELL:

Q Mr. Dewey, is it correct to describe your undertaking in preparing to testify in this case that you undertook to investigate the perception of the financial community as to the requirements for short-term and long-term financial viability of Met-Ed in particular and of the GPU system as a whole?

A That would be accurate, yes, sir.

Q Directing your attention to the short-term viability requirements as you investigated them, is it correct to say that the perception of the financial community as you found it as to short-term viability contemplated that appropriately rapid recovery of deferred purchased power costs was absolutely essential to any kind of viability?

A Yes, sir.

Q And I believe you agree with that perception; is that correct?

A I do.

Q As to the long-term viability requirements as you investigated them, is it correct to say that as you found it, the perception of the financial community was that the presence of earnings

which would support the issuance of long-term debt, preferred, and common equity securities, is an essential ingredient to such viability?

A Yes. And let me embellish on that, if I may. That is the customary answer. There is, of course, an alternative, and the alternative is in the absence of financing from the capital markets, I suppose that the rates that the ratepayers pay could be raised to a level where everything was being paid currently and you didn't need outside financing. But that is not the customary answer.

Q And would it be correct to say that was not the perception of the financial community as you understand it?

A That is correct. That is not the way things are generally done.

Q Directing your attention to the various banks that participate under the GPU revolving credit agreement, as you understand it, do they perceive long-term securities issues as one of the means of repayment of the principal of their short-term loans?

A That is my understanding, yes.

MR. P. RUSSELL: It has been indicated, Mr. Dewey, that some people can't hear your answers.

I think you will have to use the microphone, if you don't mind.

BY MR. S RUSSELL:

Q And is it likewise correct that you have found that the banks so participating under the revolving credit agreement are skeptical about the ability of MetEd and GPU to accomplish the long-term financings that are assumed to be made by them in the next several years under the financial projections that have been presented in evidence in this proceeding?

A I believe that is correct.

Q As to your understanding of the perception of the financial community as to these two aspects of financial viability, namely short-term and long-term, can you state whether or not you found the perception to deal with them separately, finding one adequate or the other adequate or did they deal with them as you understand it in conjunction with one another?

A Well, Mr. Russell, that is a very complicated question and it is one where I think of necessity we are going to have an overlay of my perception on top of what I have gleaned from others.

Certainly short-term viability can be

furnished, and there have been suggestions in these proceedings as to how that could be done, the most recent one being to remove TMI-1 from the rate base and accelerate recoupment of the deferred energy balance. That is an example of a short-term viability solution which militates against long-term viability.

I think the answer to your question is certainly there are ways of accomplishing the former and still not solving the latter problem, and the perceiving people in the financial community, and we think in the first cut have covered the people who know most out there about this company, would tie the two together. Whether everybody does, I don't know.

Q I will give you several possible scenarios of possible regulatory action in this proceeding, Mr. Dewey, and in sequence ask you whether you have an opinion or understanding as to how such scenarios would be perceived by the financial community.

Let's take some assumptions with respect to a first scenario. Assume that the base rate level of MetEd and Penelec remain the same as they are presently in existence today. Let us also assume that the energy clause level of MetEd and Penelec likewise remain the same as presently.

A Excuse me. Could I interrupt you? Do you mean with the temporary increase becoming permanent, the 55 million?

Q Well, I am assuming that they will remain the same for the time-being as they presently are, which would include the 6.9 mills or 55 million on an annual basis.

A Very good. Thank you.

Q Also assume that effective March 1 of 1990, MetEd would be required to start to write off its deferred energy costs, its book deferred energy costs; that it would write it off against the income derived from its present levels of base rates and energy clause revenues; that it would write off that deferred energy cost against such income at an annual rate of approximately $27 million a year, that amount being the scenario's estimate of MetEd's 50-percent share of the entire annual capital and operating costs of TMI-1.

And assume further in this scenario that Penelec would be required to make a similar writeoff against income but in the amount of approximately $11.7 million a year, that being its estimated share for the purpose of this scenario of TMI-1 operating and capital costs.

Now, do you understand the facts of that scenario or have you any problems with them?

A I don't think I understand all of the facts yet. If we are talking about a determination of this case, what action does what you have said imply vis-a-vis the question of whether TMI-1 remains in or outside of rate base?

Q There would be no express determination as to TMI-1 being in or out of rate base. You would simply have these actions that I have set forth in this scenario.

A Excuse me, but I don't think that is a possible outcome here, is it? Hasn't the Commission said it is going to make a determination one way or the other in this proceeding?

Q Well, I am postulating for you, Mr. Dewey, a scenario that says the Commission will make no decision formally as to whether TMI-1 is in or out, will make no change in base rates, because this proceeding at this phase does not deal with what the level of base rate changes will be.

That is going to be a subsequent matter. But for purposes of this scenario the only change which would affect directly or indirectly the TMI-1 situation would be the directive to write off the

equivalent of TMI-1 capital operating costs against income starting March 1 of this year.

A I am afraid I can't answer the question, because the question of TMI-1--if we are addressing ourselves to the view of the banks, which is the most immediate cash flow question that we have here, if we are looking at their perception, they are not going to come down one side or the other until there is a decision on TMI-1, in my opinion.

Q Well, my question is this, Mr. Dewey: Have you any opinion or understanding as to how the financial community in general would perceive that scenario as meeting the requirements of either the short-term or long-term financial viability of MetEd?

A Well, as to the--

MR. BURGRAFF: Madam Chairman, I hesitate to interrupt, but since this has a direct bearing on the testimony we have all heard, I don't think the hypothetical is proper. I have no objection to Mr. Russell asking the witness his opinion as a member of the investment community with respect to that scenario, but unless there is some foundation laid for the fact that indeed Mr. Dewey has discussed this particular scenario with other members of the investment

community, then I don't think this gentleman can offer an opinion as to the general investment community's particular views as to this particular scenario.

MR. S. RUSSELL: If the Commission please, you will recall the very first question I asked Mr. Dewey was his undertaking to investigate the perception of the financial community as to the requirements for the short-term and long-term financial viability of MetEd and of GPU.

My question now is to him does he have any opinion or understanding as to how this scenario would be perceived by the financial community as meeting the requirements of either short-term or long-term financial viability of MetEd.

It is precisely within the scope of his investigation and he can answer it, if he knows.

MR. BURGRAFF: Well, we would disagree with the last characterization. We know what the question and what the foundation that has been laid in. That is the point of the objection. I don't think the foundation is sufficient.

THE CHAIRMAN: We would deny the objection on the basis that the witness is being asked his opinion of what his understanding of the investment community would be based upon his own expertise as has

been set forth in his statement.

If you can answer the question, do so.

THE WITNESS: Yes, ma'am, I can.

My opinion is that the limited response that you outlined in this first what you call scenaric would not assure either short-term or long-term financial viability.

BY MR. S. RUSSELL:

Q And is that your understanding of the perception of the financial community that you have canvassed, or is that your own opinion as a financial adviser?

A Both.

Q Let's turn to a second scenario, Mr. Dewey, and in this scenario these would be the facts: TMI-1 would expressly be excluded from rate base. TMI-1, pending its return to service, would be treated as construction work in progress, and AFUDC would be accrued on the undepreciated investment in TMI-1, but at an AFUDC rate which would cover only fixed cost capital costs and not any component with respect to the common equity cost associated with that investment.

And finally, TMI-1 operating and maintenance costs, pending its return to service, would be

excluded from MetEd's base rates.

Do you have those facts?

A. I do.

Q. Now, looking at the financial community and the perception of that community as you have ascertained it, can you express any opinion or understanding as to how the financial community would perceive that scenario as meeting the requirements of either the short-term or long-term viability of MetEd?

A. Yes, let me say first that we have not done figures to look at the effect of something like that, and so I am not completely up on the separation of one element of cost from the other elements that you are talking about.

Having said that, however, the short-term effect of any removal of TMI-1 from the rate base can be a precarious thing, because it is my view at this point, since my last conversations with Mr. Gornish's clients, that there is a feeling within the banking community that this is an action which is going to be difficult and lengthy to reverse at the appropriate time and may have a sufficiently damaging effect on long-term viability, so that the banks would not want to put what they might view as good money after bad in this situation.

So as to the short-term effect of this, I think it is a chancy thing and you could very well see a cutoff of credit by the banks.

As to the long term, I think not only the banks but the rating agencies and the various other people that we have interviewed believe, and I agree, that you are not going to have access to capital markets here, which is one of the normal indicia of long-term viability, in the absence of having TMI-1 back operating.

Q. All right. You were in the hearing room today, were you not, during the direct and cross-examination of Mr. Wheaton?

A. Yes, sir.

Q. And did you hear him being questioned with respect to everybody's favorite subject and question; namely, the manner of the banks under the credit agreement having acted responsively and responsibly in connection with the events that followed the TMI accident?

A. Yes, I heard all of that.

Q. Can you enlighten us as to your views as to the conduct of the banks participating under the credit agreement?

A. At what point in time or during the

whole range in time or what?

Q I think it would be helpful if you were to give us the range of the sequence from the time of the accident to the formulation of the agreement and performance under the terms of the credit agreement.

A Okay. Let's take these two words that we seem to be dwelling on and do them separately.

The first one is responsive. Certainly that almost answers itself. The company is still here. It can't go to the capital markets, and the only place they are getting money is from the banks, and, therefore, the banks must have been responsive to the needs of the company and are still being, or they would be out of business.

Q The banks or the company or both?

A No, this isn't going to break any of those banks. The company is the one that would be out of business. So that is responsive.

Now, responsible, it depends upon who you talk to. I think some of the managements of the banks in the credit group now may well feel that they acted irresponsibly by going along at all last summer, and certainly there is a feeling along those lines beginning to percolate up to the agent banks.

Responsible vis-a-vis the company? Sure, they did a great thing for the company. Responsible vis-a-vis the ratepayers? Well, that is a question that the Chairman asked not too long ago. The banks don't have any duty to the ratepayers to begin with. The banks' duty is to their own depositors for whom they are fiducaries and to their own stockholders.

I suppose the company again could have done without it, if you wanted to raise rates into the stratosphere to bring the money in on a current basis. Short of doing that, however, which would have certain political problems, the banks were the only place they could go and were the banks responsible vis-a-vis the company? I think so.

Now, if you want to bring the time frame forward and talk about what they have said in testimony here and on cross-examination, about what they expect the Commission to do, if you want to talk about the choke collar that they have on the company and this material adverse change, Section 806, it is a little unusual.

I have done dozens of bank credit agreements over the last 20-odd years. This is unusual for a bank credit agreement. On the other hand, if your source of funds is essentially ratepayers who

will or will not pay enough money to the company to pay your bonds back, depending upon what a commission does, sitting there in their seat I might have designed the same kind of show cause myself.

Now, I think they were being responsible to themselves, if they wanted to do the loan. They have kept the company in business and they have kept the ratepayers from having to pay on a current basis all these purchased power costs.

So I would agree with Mr. Wheaton in all regards on that.

MR. S. RUSSELL: I believe that is all we have, Mr. Dewey.

THE CHAIRMAN: Mr. Malatesta.

MR. MALATESTA: Mr. Johnson will do the questioning, Mr. Albert Johnson.

THE CHAIRMAN: What?

MR. MALATESTA: Mr. Albert Johnson.

MR. JOHNSON: As opposed to Commissioner Johnson.

THE CHAIRMAN: Thank you.

BY MR. JOHNSON:

Q Mr. Dewey, my name is Albert Johnson. I am Assistant Counsel with the Commission.

Now, in reading through your statement,

your testimony. I just may be a little confused as to whether the purpose of your testimony is either to state your own conclusions in certain areas or whether its primary purpose is to inform the Commission with regard to the attitude of the financial community.

Now, which of the two is the purpose of your testimony?

A I think the answer to that question is: Both.

Q So ould I be correct that all of the conclusions which you have drawn, the opinions which you have stated as being your own, were based upon information received from and discussions with certain members of the financial community?

A Certainly they are based on that, because there were these people that we saw. I don't think, however, you can conclude that I wouldn't have come to the same conclusions not having seen anybody.

Q Based upon your discussions with the financial community, the banking institutions, Standard & Poor's, what-have-you, were you able to draw a conclusion as to whether the financial community's primary concern is the overall revenue, cash flow, what-have-you, that Metropolitan Edison Company is receiving, or whether the financial community is

more concerned with specific actions, i.e., disposition of TMI Unit No. 1 and the manner in which energy costs are going to be recovered?

Is it the nuts and bolts or is it the bottom line that the financial community is concerned with, regardless of how we reach that bottom line?

Am I making myself clear?

A Yes, sir, I think I understand exactly what you are saying. And I think six weeks ago I would have said that there may well be a difference between what on the one hand let's say the banks viewed as a cash flow problem, a short-term problem, and what on the other hand the investment bankers, the rating agencies, and people who take a longer-term view regarded as the long-term-viability problem which rests basically on earnings and coverage rather than cash flow.

There are two different concepts, you understand.

However, having reinterviewed the banks that they have--I hate to use this word, because it has certain pejorative overtones--but their perception has caught up with the longer-term view here of viability, and so I think that everybody now is on the same track, that you have to be looking at earnings and

coverage and the ability to regain respectable bond ratings and gain access to the equity markets, as well as just getting through the next "X" months on a cash basis.

So I think you have to look at the design of the regulatory response and not just how you supply the cash to pay the current bills.

Q As an example of the concern that I am trying to express by this question, I direct your attention to Page 7 of your testimony wherein, near the middle of that page, you point out the concern of the banking institutions with regard to possible Commission action in removing TMI-1 from rate base and indicate that the banks may well consider this to be a material adverse change, in which case there could be a change in circumstances with regard to the borrowing situation, resulting I guess in bankruptcy in your opinion.

A Well, it all depends upon what they do, really. There are two or three things that can be done.

First of all, I am relatively certain, unless opinions change, that any borrowings above the level of 292 million would not be allowed. I am less certain, but relatively clear, that as of the last time

I talked with these fellows, which is ten days or two weeks ago, something like that, their feeling was that the effect would probably be to freeze borrowings at the present level, which means no more money.

Now, there is a third thing that they can do and that is to accelerate the entire amount outstanding. I think that is much less certain.

Now, I have said that I think the probable result would be an insolvency, but again there is always another alternative. This Commission could raise rates to the point that they could pay whatever the costs are on a current basis and then you don't need any outside financing. But I regard that as unlikely.

Q Well, with regard to your discussion with the banking institutions, as to their attitude toward the removal of TMI-1 from rate base and whether, in fact, this would result in a material adverse change, at the same time that this discussion was going on did you also talk to the banking institutions and their personnel concerning the subject of recovery of energy costs and more particularly purchase power costs?

A Certainly.

Q And in fact at that time that you

talked to them and even presently, isn't it, in fact, true that Metropolitan Edison Company is not fully recovering all its energy costs?

A That is correct.

Q And did you ask the banking institutions whether they would consider Commission action which permitted Metropolitan Edison Company to collect all its energy costs including purchase power costs on a timely basis as being a material favorable change?

A Well, there isn't any such change as a material favorable change in the revolving credit agreement.

Q I understand. That is my characterization of the conduct.

A Well, I think they would like that However, I think that if that were done and TMI-1 were taken out of the rate base, you would still have a problem.

Q The one would not balance against the other?

A No, I don't think so.

Q Even if the net total revenue impact of such actions were to result in greater revenue collection by Metropolitan Edison than is true under the present circumstance?

A Well, you know, if you give the company enough revenues, then they don't need the banks any more, then they don't have to draw down any more money.

Q Now, as I say, if in fact the removal of TMI-1 could be characterized in isolation as a material adverse change, but offsetting and balancing that the Commission were to permit Metropolitan Edison Company to collect all its energy costs on a timely basis and even possibly recover some increment of deferred fuel costs so that the net effect of those two actions resulted in Metropolitan Edison Company being able to collect a greater level of revenue than it is presently collecting, wouldn't this be looked on as being a favorable posture by the banks?

A Certainly more favorable than just the removal of TMI-1, but unless the agent banks misread their group of 43 in addition to themselves, or unless something convinces them, the group as a whole, that changes its mind, I don't think the company is going to get any more money if TMI-1 is taken out of the rate base.

Q Do you have an opinion as to whether the banks would accelerate payment of the bank

borrowings if this Commission were to eliminate TMI-1 from rate base, but at the same time permit Metropolitan Edison to collect all of its energy costs on a current basis?

A Well, I addressed myself to that a few minutes ago. You remember I said at this point I was fairly certain that there wouldn't be any further borrowings but much less certain about whether there would be an acceleration, and I guess the answer is that I don't have a strong feeling one way or the other. They might just cut off credit, but not accelerate the present outstandings.

Q One last question, Mr. Dewey: At Page 6 of your testimony where you say, I believe starting the seventh line of the first full answer on that page, "The recent action of Standard & Poor's in lowering the bond ratings of the GPU subsidiaries clearly evidences alarm with respect to the Pennsylvania regulatory climate," would you interpret the lowering of a bond rating for any public utility as an indication of the rating agency's attitude toward the regulatory climate in that particular state?

A Well, that is certainly a sweeping statement, but perhaps the most important single element that goes into the rating agency's decision-

making process is regulatory climate.

Now, this is the only one of the interviews I didn't go on. Mr. Hogan interviewed Standard & Poor's who told them specifically that they were very concerned about the regulatory climate in Pennsylvania, and within ten days or two weeks lowered the company's bond ratings.

That is a conclusion we drew from that interview where it was discussed specifically.

Q Let me ask you this way, Mr. Dewey, insofar as cause and effect: Aren't there a number of different reasons why bond ratings are reduced for a particular utility?

A Certainly, reduced or raised; there is no question about it.

Q You cannot by virtue of seeing a lower bond rating by Standard & Poor's or Dow Jones or Moody's or whatever, you cannot draw a conclusion that the rating agency has lowered its opinion of the regulatory climate of the Commission where that utility operates, can you?

A Certainly if they don't say it and you don't talk to them, you can think it is an element, but you wouldn't testify to this effect.

We did have a discussion with them,

though, before they did it and that is the testimony.

Q Wouldn't you have been surprised, Mr. Dewey, if the bond rating of Metropolitan Edison had not been reduced, regardless of the regulatory climte in which it operated under the circumstances since March 28, 1979?

A No.

Q I will let you pick what you consider to be the most liberal of regulatory climates, and if Metropolitan Edison were operating in that state and the same thing happened to them in that state as happened in Pennsylvania, would you be surprised if the bond rating of Metropolitan Edison had been reduced?

A I don't think I said that and I certainly am not going to pick what I think is the most liberal regulatory climate, because I am no expert on that, but the reason I answered the way I did is because I can think of responses to an economic hardship.

You know, leaving aside the psychological, political and other effects, just thinking of the economics, I can think of a regulatory response to that economic hardship which would have preserved the parameters necessary to keep the bond rating the way it

is.

Now, you didn't ask me whether it is likely that that would have happened, but, yes, I can think of circumstances where the financial health of the company could have been maintained the way it was.

COMMISSIONER TALIAFERRO: Madam Chairman?

THE CHAIRMAN: Commissioner Taliaferro.

COMMISSIONER TALIAFERRO: I would like to address this to Counsel Russell.

THE CHAIRMAN: Which Russell? Paul Russell?

COMMISSIONER TALIAFERRO: Paul Russell.

I am somewhat concerned about the nature of this testimony, because an improper, in my opinion, foundation has been laid. I would like to request that you submit the questions asked by the witnesses to outside parties, who the parties were, so that we might have on the record a basis to evaluate some of the opinions being given by this expert witness here.

It is my understanding that you are presenting him as an expert; is that correct?

MR. P. RUSSELL: That is correct.

COMMISSIONER TALIAFERRO: Can you provide that backup information for the Commission?

MR. P. RUSSELL: That I don't know,

Commissioner. I would have to check with Mr. Dewey. I don't have it available myself, but if Mr. Dewey has access to it, we would be happy to supply it.

COMMISSIONER TALIAFERRO: That is a question also of Mr. Wheaton. Who was questioned, what were the questions asked, that kind of thing.

MR. P. RUSSELL: Would you want us to attempt to submit--

COMMISSIONER TALIAFERRO: Well, correct me if I am wrong, but it seems to me this would be subject to a motion to strike without this background information.

MR. BURGRAFF: If I might interject, since we are the ones who normally make these objections, we had a certain number of objections prepared. We were awaiting our turn. If you would like us to make them now, we can or we can wait. It makes no difference to us.

MR. McLAREN: I think all the Commissioner is doing at this point is raising a concern that the possible foundation for questioning the expert witness has not been laid and that counsel for the management consultants should consider that and perhaps supplement it tomorrow.

COMMISSIONER TALIAFERRO: Or as soon as

possible.

MR. P. RUSSELL: Madam Chairman, may I consult with the witness?

THE CHAIRMAN: Yes.

MR. JOHNSON: Madam Chairman?

THE CHAIRMAN: Yes, Mr. Johnson.

MR. JOHNSON: With regard to this particular subject, as you know, I did ask the witness at the outset of my questioning whether he was drawing his own conclusions or attempting to give information to the Commission based upon information obtained by the parties.

Aside from the obvious hearsay problem, I don't know that it is really going to satisfy the concern of Commissioner Taliaferro or anyone else to have the names of the people that he talked to. I suppose that might be interesting for informational purposes, but having those names doesn't really get to the heart of the matter.

We would actually have to have those bodies here if we are really going to be concerned with what they said or did not say.

THE CHAIRMAN: My understanding was in response to your question he indicated "Both."

COMMISSIONER TALIAFERRO: That's right.

Excuse me, Mr. Johnson, by names I mean names and positions, so we have something on the record that they are authorized to speak on behalf of the parties that the statements are being attributed to.

THE CHAIRMAN: Mr. Paul Russell.

MR. P. RUSSELL: Madam Chairman, Mr. Dewey has informed me that he does have with him today the list of the names of people that he interviewed in preparing this testimony and their positions and we would propose to read that into the record at this point, if that is acceptable.

THE CHAIRMAN: Mr. Russell, I would indicate that I think to do it at this exact moment would result in some discontinuity to the record. At the first appropriate time, we would permit you to do that.

MR. P. RUSSELL: Thank you.

THE CHAIRMAN: To further interrupt, Mr. Johnson, did we--

MR. JOHNSON: Madam Chairman, I have finished with the questions that I have, so if you were only waiting for me to complete my cross-examination of the witness before the witness should read that information in, I have finished.

THE CHAIRMAN: Thank you.

Did we establish when the downgrading from Standard & Poor's occurred?

THE WITNESS: No, ma'am, I don't have that date. We could supply it. It was sometime in February.

THE CHAIRMAN: February of this year?

THE WITNESS: Well, I should withdraw that. It was January or February. It was this year. It was after the 1st of the year, that's right.

THE CHAIRMAN: Can we get a date certain?

Commissioner Cawley.

COMMISSIONER CAWLEY: The rating by Standard & Poor's was lowered from what to what, do you recall?

THE WITNESS: From A to BB, I believe, in the case of Metropolitan Edison.

MR. S. RUSSELL: If the Commission please--

THE CHAIRMAN: Mr. Sam Russell.

MR. S. RUSSELL: MetEd/Penelec Exhibit A-63 is a letter from Standard & Poor's to MetEd under date of January 29, 1980, which describes the change in the ratings of MetEd bonds, the debentures, and preferred stock, and some of the industrial development

bonds associated with one of their pollution control issues.

Do you want to have the ratings that are indicated?

COMMISSIONER CAWLEY: Just the senior debt securities.

MR. S. RUSSELL: All right. The first mortgage bonds from BB to BBB; debentures from BB minus to BBB minus.

Are you interested in the preferred?

COMMISSIONER CAWLEY: No.

THE WITNESS: I think it was the other way around.

MR. S. RUSSELL: You are quite right, yes I am sorry.

THE CHAIRMAN: Am I also correct that in response to a question from Mr. Johnson you indicated that Standard & Poor's sole reason for downgrading MetEd's bonds was because of regulatory climate?

THE WITNESS: No, ma'am, I did not say that.

THE CHAIRMAN: What did you say?

THE WITNESS: If you don't mind, I will read from my testimony. This is on Page III-6.

"The recent action of Standard & Poor's in lowering the bond ratings of the GPU subsidiaries clearly evidences alarm with respect to the Pennsylvania regulatory climate."

Of course that isn't the only reason. There are many other reasons: Coverage, earnings, anticipated deterioration of capitalization ratios.

COMMISSIONER JOHNSON: Are any of these mentioned, Mr. Dewey, in your testimony?

THE WITNESS: No, sir, the only reason that this is mentioned here is that we connect this with the remarks that they made to Mr. Hogan about the regulatory climate. There is no inference that this is the only reason.

Of course, it would not be the only reason.

COMMISSIONER JOHNSON: But it is the only one which you articulate?

THE WITNESS: That is correct.

THE CHAIRMAN: Mr. Barasch.

MR. BARASCH: Mr. Burgraff will conduct the cross-examination.

THE CHAIRMAN: Mr. Burgraff.

MR. BURGRAFF: Initially I will start with the objections, Madam Chairman. We have been over

these a number of times, so I am not going to belabor the point.

THE CHAIRMAN: Okay, short and to the point, is that what you are telling us?

MR. BURGRAFF: That is right.

On Page III-6, we would object to the legal conclusion that some of those interviewees--we are assuming it was a lawyer--felt strongly that the removal of TMI-1 from the rate base would be illegal.

Not only is it hearsay, it is an impossible legal conclusion. I believe we have an outstanding objection to references to Mr. Levy.

MR. P. RUSSELL: I am not aware of outstanding objections. In Mr. Dewey's testimony?

MR. BURGRAFF: Well, in earlier testimony we have had Mr. Levy appear in two pieces of prior testimony, I believe, and we objected at that time and we renew our objection at this time.

That is on Page III-5 and there is a reference to Mr. Miller's testimony and Mr. Aaron Levy of the S.E.C.'s testimony last summer before the New Jersey Board of Public Utilities.

MR. FAZZONE: What is your objection?

MR. BURGRAFF: The objection is one of hearsay originally, and also the fact that we suggest

that if Mr. Levy's views are going to be relied on, he should be present to testify.

Based upon the hearsay and best evidence rule, we would also suggest that any testimony offered purporting to be new testimony offered by the bankers in this instance after they appeared and were sworn and testified here, that anything in essence that represents new testimony on their behalf should be stricken.

MR. FAZZONE: Can you give me a specific as to how that relates to Mr. Dewey's testimony?

MR. BURGRAFF: Yes, I believe on Page 7 Mr. Dewey states "The recent testimony, especially on cross-examination, of representatives of the agent banks, however, caused us to question whether there had been a change of feeling in the bank group. Accordingly, we re-interviewed the representatives of the agent banks, as a result of which it can be confirmed that such a change has definitely taken place since the dates of the original interviews."

MR. FAZZONE: What is your objection?

MR. BURGRAFF: Well, my objection is to the extent that Mr. Dewey's testimony purports to represent changes in the testimony of the bankers that they have offered in this proceeding we are asking

that it be stricken.

I would attempt to develop that at a later point in time, besides the fact that it is hearsay. We would join with Commissioner Taliaferro in questioning whether there has been indeed a proper basis for this witness' expert testimony at all.

THE CHAIRMAN: Is that a specific objection?

MR. BURGRAFF: Yes.

MR. FAZZONE: Is that as specific as you can be with that?

MR. BURGRAFF: Well, I don't think there has been a proper foundation.

THE CHAIRMAN: I would appreciate it as opposed to lumping all sorts of different--you know, you have now an objection as to proper foundation, you have some hearsay objections. Don't lump them all together unless you expect me to rule on them all together.

MR. BURGRAFF: The reason I lumped them all together is I am anticipating that the decisions will be the same as before, so I thought we could do it all at once and I could proceed.

We have been over this ground before. I mean no ill to the Commission.

MR. S. RUSSELL: You just want your lumps at one time.

MR. JOHNSON: Madam Chairman, as a point of clarification or order prior to your ruling at some subsequent time the Trial Staff mwy wish to make some kind of motion with regard to some or all of this testimony, but we would consider it to be more proper to do so at the time that this testimony is attempted to be moved into evidence.

Now, I don't know whether that is going to be at the conclusion of the testimony of these witnesses or at the end of hearings, which is what my understanding was to be the course of conduct with regard to all the parties and I guess basically what I am asking you now is: Does any ruling which you might make today with regard to the objections of Mr. Burgraff, is that conclusive with regard to any subsequent objection at the time that this testimony is attempted to be moved into evidence?

THE CHAIRMAN: First of all, I guess to answer your question, obviously that would depend upon exactly how the Chair rules, but I don't think it would deny your right to bring up an objection at another point.

Have we concluded all of the objections

that you want to raise at this time?

MR. BURGRAFF: Yes, I believe so, Madam Chairman.

THE CHAIRMAN: The Chair would then--

MR. P. RUSSELL: Madam Chairman, could I respond before--

THE CHAIRMAN: Mr. Russell.

MR. P. RUSSELL: The first point I would like to raise is I believe the objections of the Consumer Advocate are untimely. The objections are based not on cross-examination of Mr. Dewey, but rather on the face of the direct testimony that was prepared and submitted and more properly these objections should have been raised before the cross-examination that has occurred from Mr. Russell, Sam Russell, and Mr. Johnson.

Secondly, the objections are not sufficiently specific so that a response to them at this time is difficult. We have not attended earlier hearings and what occurred vis-a-vis testimony of Mr. Levy and Mr. Miller in prior hearings is really not something I am aware of.

The objections to other parts of Mr. Dewey's testimony have been again hearsay, improper foundation, all mixed together, without specific

reasons for specific motions to strike and without specific citations to portions of the testimony.

I am still not clear, for instance, how much of Page 7 they wish to have stricken, whether it is the first sentence or goes beycnd. Beyond that, on the merits of whether or not Mr. Dewey's testimony is, in fact, hearsay, it is my position that it is not, that under ocurt precedent in Pennsylvania an expert may testify based upon the opinion of other experts if the testifying expert is in a position to independently evaluate those opinions that he is using as a basis and I think that is the situation that we are finding Mr. Dewey in.

And, in fact, in response to Mr. Johnson's first question on cross, Mr. Dewey pointed out that his testimony is both what other people have told him and also his analysis, his independent analysis.

Furthermore, there is precedent in Pennsylvania that if testimony is based on sources that are used in a profession that it would not be held out of the hearing as hearsay, and although I have not developed it on direct examination, I think I could do that, that Mr. Dewey uses these sources in his profession as a financial adviser.

Furthermore, even if this is found to be hearsay, there is a long line of cases in Pennsylvania, both in the Commonwealth Court and emanating from this Commission, to the effect that the standards of evidence in administrative hearings are not nearly as strict as they are in either civil court proceedings or criminal court proceedings, and it would be our position that because of the less strict rules of evidence, even if this is found to be somewhat based on hearsay, it should be admitted.

Finally, I would say that I think Mr. Dewey's testimony is valuable. It is much broader than has been submitted by any other witness. It covers the entire gamut of the financial community and on top of that is added his expert analysis, and I would request that before any ruling finding parts of it inadmissible is entered by the Chair that we have an opportunity to supplement this oral presentation with a written legal memorandum.

THE CHAIRMAN: The objections of the Consumer Advocate as to the hearsay nature of some of the portions of the testimony are denied.

The Commission will attach the appropriate and proper weight to the testimony.

With respect to the objection to the

testimony on the basis that a not sufficient foundation has been laid, that objection is denied at this time, subject to renewal at the end of the individual's testimony.

MR. GORNISH: Madam Chairman?

THE CHAIRMAN: Mr. Gornish.

MR. GORNISH: I didn't have a chance to interject at the time. I have one problem with Mr. Burgraff's statement of the objection and I think he said it at least one time, that this was testimony on behalf of the banks. I don't think--I hope he didn't mean that, and if he did, I guess I would have to object to his objection in the sense that Mr. Dewey is not testifying on behalf of the banks in this case. He is testifying on behalf of Barry Associates, and I would just like that clarification.

MR. BURGRAFF: I appreciate that, Mr. Gornish. I didn't mean to imply that.

THE CHAIRMAN: I think your objection, to the extent that it clarifies the record, is well taken.

Mr. Burgraff, do you have any cross-examination?

MR. BURGRAFF: Yes, I do. Thank you, Madam Chairman.

BY MR. BURGRAFF:

Q Mr. Dewey, you were presented with two scenarios, I believe, apparently hypothetical, from Mr. Russell. Do you recall that?

A Yes, sir.

Q May I ask you, sir, if you discussed those particular scenarios as stated by Mr. Russell with any of the entities or individuals which you list on Pages III-3 and III-4 of your testimony?

A The answer to that is no.

Q I believe, Mr. Dewey, you note on Page III-11 of your statement that you in essence considered GPU to be a financially well-managed entity; is that correct?

A Excuse me, could you point out where on the page you are looking there?

Q It would be in the main paragraph at the top.

A Beginning the fourth line?

Q Yes.

A Well, you will note that I am there conveying the consensus of all of the people that we talked to, and all of them are, first of all, very familiar with the financial management of the company. Certainly more so than I am, because I am relatively

new on the scene here.

Secondly, these people are for the most part engaged in the public utility side of the financial community for most of their professional activities, which I am not.

Q So are you saying--

A I have said what it says here, that these people were uniformly of the opinion that the company from a financial management standpoint had done well.

Q So you are only attempting to convey the consensus; is that correct?

A That is correct.

Q And you personally do not feel qualified to offer an opinion in that regard?

A Well, I would not say that. It is part of the assignment that we have been given by the Commission's Staff to answer, among other things, the question has the company examined all the alternatives for financing that were open to it?

Frankly, that is not a question that we have focused on at this stage because we thought these three questions which have to be addressed in this hearing were of higher priority. We will opine on that.

Q Well, as I understand your testimony, you are testifying that you perhaps will have an opinion later, but you do not have one at this point in time?

A That is correct.

Q Thank you.

At Page III-4, I believe you testify in the last answer that the consensus of the individuals you interviewed indicated that the company needs an order facilitating rapid recoupment of the extraordinary purchased power costs; is that correct?

A That is right.

Q By extraordinary purchased power costs, Mr. Dewey, do you mean the costs deferred from the accident or all current energy cost recovery or both?

A Both.

Q Mr. Dewey, in your opinion was it good financial management for the company in this case not to seek the rapid recoupment referred to as the consensus opinion and as your opinion?

A You mean not to seek more rapid recoupment than they have?

Q Well, no, I would like to stay with the first question initially.

In other words, you are injecting a definition of rapid--

A I am sorry, then I don't understand the question, because I don't understand your definition as you think it juxtaposes with mine of rapid.

Q Well, perhaps we could just start with your definition of rapid.

A I haven't got one.

Q And the consensus of people you interviewed, would you indicate what they felt rapid would be?

A We didn't get into specifics on that.

Q So in other words, "The consensus of those interviewed was that an order facilitating appropriately rapid recoupment..." was needed but no one spelled out exactly what that was; is that correct?

A That is correct.

Q Would you consider the present collection as being rapid recoupment, including the interim level which is in existence at this point?

A Well, it depends upon when you want an opinion on that. Knowing everything that I know today sitting here and knowing what the other parts of the TB&A team have testified to, I would say it is

insufficiently rapid.

Q Well, then, Mr. Dewey, in your opinion, do you consider it good financial management for the company to in essence have sought an insufficiently rapid recoupment in this proceeding?

A Well, you see, the problem with answering that yes or no is that you are assuming that their opinion about a couple of things will agree with ours.

Now, as you recall hearing Mr. Wheaton say this morning, it is the opinion of the TB&A experts in the power and nuclear area that more money should be spent on the cleanup operations faster and that the company has not been spending what it might to accomplish that because of financial problems. The company may well disagree with that, so that what we characterize as insufficiently rapid they might think was enough.

Q Well, that may be, Mr. Dewey, but I am asking your opinion. I am not asking the company's opinion. I am asking your opinion.

A But you asked me my opinion as to whether it was good financial management.

Q In your opinion.

A Well, assuming that you agree with

our conclusions as to the cleanup, then it wouldn't be good financial management, but if you disagreed with us and you started from a different premise, then it might be.

Q Just as a point of clarification, Mr. Dewey, on Page III-4 of your statement, who is the company's financial adviser?

A Mr. Sanford Reese of the firm of Reese & Chandler.

Q On Page III-5, Mr. Dewey, you make some statements concerning the issue of bankruptcy; is that correct?

A Yes, sir.

Q Now, am I correct in assuming, sir, that you yourself did not do an independent analysis of the effects of bankruptcy in this case, did you?

A No.

Q Now, earlier I believe Mr. Wheaton testified that Theodore Barry & Associates did not rely on Mr. Miller's testimony as to the opinions expressed in your report concerning the application of the Bankruptcy Act and the effects of bankruptcy.

Would I be correct, then, that you relied on Mr. Levy's statements? Would that be a proper characterization?

A Well, you know the answer to this is the same as rating agency determinations. You come to a judgment. It is based on a number of factors. It is based on one's own experience. It is based on testimony. It is based on conversations with people who are important actors in the play.

Certainly to some extent Mr. Levy's testimony has importance because of his great experience and eminence in the field of utility regulation.

Mr. Miller's testimony is important because he is one of the leading authorities on bankruptcy in the United States. That is not, however, all that went into the analysis which produced this conclusion.

Q So you are saying you didn't rely on Mr. Levy's testimony as the basis for your conclusion?

A Well, would you like to have my answer read back or did you want a yes or no?

Q What I am trying to arrive at, Mr. Dewey, is if you relied on it or you didn't rely on it.

A The opinions and experience of Mr. Levy are a portion of the decision-making process here. You should know, however, that in addition to reading

his testimony, we also interviewed Mr. Levy and Mr. Guthrie, in Washington.

Q On Page III-6, Mr. Dewey, did you concern yourself with the action by Standard & Poor's in reducing the GPU bond ratings; is that correct?

A That is correct.

Q And I believe we have had some discussion of that so far. I believe you referred to Mr. Hogan earlier. I have a few questions in this regard.

Is it more proper for us to refer those questions to him or to you?

A Certainly to him, because he is the one that had the interview.

Q All right, thank you.

Mr. Dewey, have you seen MetEd/Penelec Exhibit M-3, which was presented by Mr. Seligson from Merrill Lynch?

A Excuse me, do you mean his direct testimony?

Q No, this was an exhibit offered.

A Well, I am afraid I don't know what you are talking about.

Q We will present a copy to you.

A No, I don't believe I have seen this.

Q Now, that document, if you could look at it, if you glance through it, evidences Merrill Lynch's ratings of state utility commissions. Do you see that?

A Yes, I see what this is.

Q Now, if you could look through those various ratings and the dates on each particular one, do you see any evidence of any alteration in the rating of the Pennsylvania Commission by Merrill Lynch after the June 19, 1979 decision which this Commission rendered in Phase 1 of this proceeding?

MR. P. RUSSELL: Madam Chairman, I would object to that question. Mr. Dewey has not seen this exhibit previously and has only had approximately a minute to look at it. I think that any questions asking for his interpretation of it are really unfair, because he hasn't had time to look at the document.

Any questions relating to the face of the document are really superfluous. The document can speak for itself.

MR. BURGRAFF: Well, Madam Chairman, there are simply numbers involved behind Pennsylvania. It is relative easy to go through it and Mr. Dewey has offered testimony as to how this Commission is perceived in the investment community and I am showing

him Mr. Seligson's exhibit as to how Merrill Lynch rated this Commission both before and after the accident.

THE CHAIRMAN: Mr. Burgraff, the point of counsel that the witness has not seen the document before and hasn't had time to read it is well taken.

Could you perhaps rephrase the question by specifically referring either to specific pages or quoting from the document in asking your question?

MR. BURGRAFF: Certainly.

THE CHAIRMAN: Do you only have one copy?

MR. BURGRAFF: I only have one with me, yes.

MR. S. RUSSELL: I have loaned our copy to counsel, so counsel has one.

THE CHAIRMAN: Well, I guess you get to sit together, then.

MR. BURGRAFF: I take it you do not have a copy. Would you like to glance through it and have a minute?

THE CHAIRMAN: If you are going to take it away from the witness, I am not sure how you are going to be able to ask him questions which involve looking at the document.

MR. BURGRAFF: Well, that is a problem.

I was going to consider passing it to the bench first, but I will just proceed.

MR. P. RUSSELL: Perhaps, Madam Chairman, if Mr. Burgraff would pass the copy to you, if you could look at it, I feel that our objection--I would like to renew it. I don't understand what the document says from looking at it. There are pluses and minuses and stars and I just think that it is an impossible line of cross-examination without Mr. Dewey having had some period of time.

THE CHAIRMAN: Well, the witness is an expert. Perhaps he will understand the pluses and minuses and the stars.

What is the number on that document?

MR. BURGRAFF: This is Exhibit M-3, MetEd/Penelec.

BY MR. BURGRAFF:

Q Mr. Dewey, I show you MetEd/Penelec Exhibit M-3. Could you read the date on the top right-hand column of the first page?

A April 1979.

Q Thank you, sir. I refer you to Page 3 of 6 of that document.

Could you state for the record the ratin that Merrill Lynch has given to the Pennsylvania

jurisdiction?

A 3 with an asterisk.

Q And on Page 2 of this document, could you read what 3 with an asterisk means?

A Yes. It says "Is Average."

Q And if I refer you to Page 4 of that document, sir, could you read the date that is shown thereon?

A August 1979.

Q And could you read the opinion on regulation shown for the Pennsylvania Commission on that page?

A 3 with an asterisk.

Q And if you could do the same thing on Page 5, please?

A November 1979.

Q And the rating, please?

A 3 with an asterisk.

Q And on Page 6, the date, please?

A February 1980.

Q And Merrill Lynch's Securities Research Division opinion on regulation for the Pennsylvania Commission?

A 3 with an asterisk.

Q Thank you, sir.

Mr. Dewey, given what you have just read from MetEd/Penelec Exhibit M-3, do you have any opinions as a financial witness as to any possible reason why Standard & Poor's action would indicate a different view of the Pennsylvania Commission than the Merrill Lynch Securities Research Division?

A No.

MR. P. RUSSELL: Madam Chairman, I would object again to this line of questioning. If you turn on Exhibit M-3 to Page 2 of 6, there is an entire page of explanations of what the ratings of the various regulatory jurisdictions mean. I would admit I have not read that entire page, but below the mere numbers, where No. 3 asterisk is average, there are three paragraphs of explanation.

Now, I am not sure what conclusions, if any, are proper to be drawn from the face of the exhibit which we have just seen put into evidence, but in any event, Mr. Dewey is not the witness to draw those conclusions since he has only examined the document for about now three minutes.

MR. BURGRAFF: Well, Madam Chairman, I think the question is entirely appropriate. The witness has described what the ratings are. The ratings have not changed. He has made some statements

concerning the financial community's view of regulatory climate. We are simply presenting him with a document that has been entered as an exhibit in this case that indeed comes from the financial community and we are asking him to simply explain the differential in his expert opinion.

MR. P. RUSSELL: Madam Chairman, may I approach the bench just to show you Page 2?

THE CHAIRMAN: I have seen it. I have a copy of it.

MR. P. RUSSELL: I didn't realize you have a copy. I am sorry.

THE CHAIRMAN: Mr. Dewey, do you recognize Merrill Lynch as a leading expert in the field?

THE WITNESS: As a leading expert?

THE CHAIRMAN: As a leading expert.

THE WITNESS: Certainly.

THE CHAIRMAN: Your objection is denied.

THE WITNESS: Excuse me, is there a question pending?

MR. BURGRAFF: I believe there is.

Would you repeat it, please?

(The Court Reporter then read back the question as follows:

"Question: Mr. Dewey, given what you

have just read from MetEd/Penelec Exhibit M-3, do you have any opinions as a financial witness as to any possible reason why Standard & Poor's action would indicate a different view of the Pennsylvania Commission than the Merrill Lynch Securities Research Division?")

THE WITNESS: Yes, I have. And I suppose you would like me to tell you why.

BY MR. BURGRAFF:

Q Yes, I would like you to.

A First of all, I think the document that you brought over here is a report of the Merrill Lynch Research Department. Now, Merrill Lynch is not, I believe, monolithic and their Research Department is a different part of the firm from their Investment Banking Department where Mr. Seligson, who has testified here, is one of the senior officers.

So I do not rule out the fact that he might not agree with his Research Department and may be more current on the subject.

Secondly, I don't think it is at all unusual that the rating agencies might well disagree with Merrill Lynch and they might disagree with the rating agencies.

And, third, I think the entire thing is

a matter of degree.

In answer to your question earlier, I don't think that the regulatory climate is the only factor; it is certainly not the only factor that went into the action of Standard & Poor's. I think it is a factor and I thought it was worth commenting on. I think, however, also if you read Mr. Seligson's testimony here that you will find Mr. Seligson somewhat worried about it, irrespective of what his Research Department says.

Q Mr. Dewey, do you believe that cash flow is of critical importance in the viability of GPU?

A Certainly.

Q Let me offer you a third scenario, Mr. Dewey, and that scenario would give GPU all of the cash flow benefits that they have requested in this benefit, and that would be namely the 6.9 million increase in replacement power cost.

Would that solve the short-term crisis in your opinion or the financial community's?

MR. S. RUSSELL: Well, I would join Mr. Gornish in objecting to mischaracterization of the position of respondents in the picture, because the petition before the Commission on behalf of MetEd for increase in its energy clause level did not limit the

request to 6.9 mills. The 6.9 mills came into the picture only as an interim request and, therefore, does not represent, as I think you said, all of the relief which the respondent, MetEd, has requested in this proceeding.

MR. BURGRAFF: Well, I am sure we have a difference of opinion there. However, I will rephrase the question, Mr. Russell.

BY MR. BURGRAFF:

Q In Scenario 3, Mr. Dewey, we give to GPU the 6.9 mills which has been set on an interim basis as an increase in its recovery replacement power cost; would that solve the short-term crisis in your opinion or the financial community's opinion?

A Before I answer you, I must apologize. I don't see how that differs from Mr. Russell's first scenario which was, it seemed to me, the same thing, in that you were saying that the TMI-1 issue will not be resolved at this point and in that I don't see how it differs, I will give you the same answer I gave him.

And that is, I do not know how long the banks are going to go on advancing funds here unless there has been a favorable resolution of the TMI-1 problem.

Q Well, let's build into that scenario, Mr. Dewey, the simple fact as Mr. Russell perhaps stated that the base rates do not change from what they are now, in other words there is no reduction in base rates due to TMI Unit No. 1.

Let's look at it from that point of view, with a scenario that includes the cash flow situation by in essence 6.9 mills; what is your opinion on that?

A I think if you did that and TMI-1 was not removed from the rate base, that from a cash flow standpoint I would have to recheck the figures, but my guess is the company would be okay.

Q Would your opinion be the same, Mr. Dewey, if a decision of this Commission removed TMI-1 from the rate base but did not negatively impact the cash flow of GPU?

A No, my answer would be different.

Q Mr. Dewey, based on your last answer, do you believe that it would be a responsible action on the part of the banks to stop advancing funds to this company where there is an order that in essence addresses the company's short-term cash flow needs as we have just discussed?

A Yes.

Q If such a halt were due to their

determination that the order--let me rephrase that. Let's go back to the scenario, Mr. Dewey, where the 6.9 mills is advanced but TMI-1 is removed from the rate base without negatively impacting the cash flow benefits of the 6.9 mills which we have just discussed. All right.

Assuming that decision was made by this Commission, do you believe it would be a responsible action on the part of the banks to stop advancing funds to this company if such a halt were due to their determination that an order of this type while addressing the company's short-term cash needs was a material adverse change?

A Yes.

THE CHAIRMAN: Mr. Russell, let me take the opportunity to ask are all of the witnesses available tomorrow?

MR. P. RUSSELL: Yes, ma'am, they are.

THE CHAIRMAN: How much further cross-examination do you have?

MR. BURGRAFF: That is all we have of Mr. Dewey.

MR. P. RUSSELL: Madam Chairman, although all four witnesses will be available tomorrow, if it is possible I would like to finish Mr. Dewey today

and not have him here tomorrow. But if it is not possible, he can be available tomorrow.

THE CHAIRMAN: Do the other parties have cross-examination of Mr. Dewey?

Miss Dufour.

MS. DUFOUR: About a half-dozen questions.

THE CHAIRMAN: Mr. Bowers.

MR. BOWERS: Very brief.

THE CHAIRMAN: Mrs. Smith.

MRS. SMITH: One question.

THE CHAIRMAN: Mr. Gornish.

MR. GORNISH: Yes.

THE CHAIRMAN: Yes what?

MR. GORNISH: Yes, I do have questions.

THE CHAIRMAN: Approximately how long?

MR. GORNISH: I would say about ten or fifteen minutes.

THE CHAIRMAN: Miss Dufour.

BY MS. DUFOUR:

Q Mr. Dewey, which utilities was it suggested and by whom that would not have survived TMI?

A No utilities. That was a general conclusion stated by several of the people we talked to.

Q Are utilities not usually frank, diligent and accurate when dealing with the financial community?

A Most companies fall into that--I forget your exact words--but most companies fall within that, yes.

Q Can you tell me who doesn't?

A There are a number of instances of companies that are perceived to be secretive, evasive and lots of other pejorative words like that. I would rather not name them, but you would find analysts who would have their own opinions on that.

Q Is that reflected in their ability to acquire debt?

A Sometimes yes and sometimes no.

Q Can you tell me the nature of your discussions with the NRC?

A Yes. We interviewed Mr. Peterson, who was Director of the Finance Division, principally discussing with him what role the Finance Division will play when it comes time to relicense and restart TMI-1.

Q Was your conversation couched in terms of when it comes time?

A We tried to elicit that from him

(1)

but unsuccessfully, because I don't think he knows any more than we do.

Q Are the uncertainties associated with potential bankruptcy of MetEd due to inadequate time to study the possible results?

A Partially.

Q To what degree, percentagewise?

A Well, I am afraid you get a long answer to that one, you see, because theoretically it might be possible to arrange a transfer of the franchise and then let the company go.

Whether that is practical or not we haven't had time to address. On the other hand, there are many other questions such as the fact that we have got a new Bankruptcy Act which is quite different from the one we have had for the last 41 years, and whose major provisions have not been tested in the courts.

It simply is impossible to predict what would happen in the case of a bankruptcy to electric service, to whether anybody would sell the company anything, and in that case would the courts allow the vendors and the power suppliers to be paid? What would be the role of the creditors?

It is a bog is what it is, and the time to study what might happen specifically to Metropolitan

Edison may well not solve the problem, but we are in a sea of uncertainty because of the new Act.

Q But at some point in time some company will have to go through that uncertainty, isn't that true?

A There have been a number of companies that have gone bankrupt since last October 1 and I am sure that a number of the issues which will be important and enlightening are making their leisurely way through the courts at this time, but not enough of that has become case law for anybody to be able to predict what would happen.

Q Why in your opinion is this Commission or the ratepayers the only means for MetEd's financial viability at this time?

A Well, you can't go to the capital markets which is really simply a means of postponing paying for something. You are getting a service--it is the old theory, you pay for it now and you pay for it later, and the capital markets and the banks are simply a matter of allowing the ratepayer to pay for it later.

Q But isn't it true that the state or federal government could be approached to deal with this issue?

A I am sorry, but I am afraid I don't know what the law is as to bail-out provisions.

Q Why in your opinion hasn't MetEd discerned what the law is in regard to that?

A I don't know what they haven't.

Q If they haven't, why wasn't it a subject of yours in your preparation of this testimony?

A Well, it is not part of our assignment. Obviously it is something we might focus on later, but this is not one of the three areas that we were to look at for these proceedings.

Q In your opinion is the company being responsible to the banks by not exploring all avenues of relief at present?

MR. S. RUSSELL: Well, this is assuming that they haven't. We have an exhibit in the record which shows what they have, in fact, done.

MS. DUPOUR: All right, I will withdraw the question.

BY MS. DUPOUR:

Q Who proffered the sophisticated opinion that transferral of MetEd's franchise could be accomplished without financial catastrophe?

A The S.E.C.

MS. DUFOUR: That is all the questions I have.

THE CHAIRMAN: Mr. Bowers.

BY MR. BOWERS:

Q Mr. Dewey, my name is John Bowers. I represent two Metropolitan Edison ratepayers.

I believe I recall that you testified that your testimony as to the views and the perceptions of the financial community would be the same even if you had not discussed those matters with the members of that financial community. Is that correct?

A I think I said might well be the same. I didn't say for sure that it would be.

Q Would I be correct in characterizing that outcome as a strong likelihood?

A Yes, I think you would.

Q Would such a practice be acceptable in your profession? What I am referring to is the practice of characterizing the views of other people without having had any personal or direct contact with those people whose views you are repressning?

A Could I have the question reread?

(The Court Reporter then read back the pending question.)

THE WITNESS: But with the exception of

the representative of Standard & Poor's, I have had personal and direct contact with all of the other 13 people on the list that were interviewed here.

BY MR. BOWERS:

Q I understand that, sir, but your testimony has been that even without such contact there was a strong likelihood that your testimony would be the same.

My question is simply whether or not such a practice would be regarded as acceptable under the standards of your profession?

A Well, I think the short answer to all of this is that I happen to agree with the way these people view it and, therefore, had I not seen them and here were their views, my views are the same.

Q Perhaps I am not making myself clear. Your testimony consists, as I read it, at least almost entirely of your understanding gained through direct contact with members of the financial community of those persons' views and perceptions with regard to the conditions necessary for the short and long-term financial viability of Metropolitan Edison Company.

Is that an accurate characterization of your testimony?

A That is correct.

Q And you have also testified that your testimony as to those views and perceptions would most likely be the same or remain unchanged even if you had not had any such direct contact with those persons. Is that also correct?

A No. I see where your problem is. I think, and by the way, this other happens very often, in the case of presenting expert testimony. Very often someone in my position will be asked what is your opinion about what would happen if A happened or if B happened.

Don't go ask anybody, just give us your opinion. Now, had that been done here, my opinion would have come out at the same place it came out after I went and saw all these people. I think that is basically what I was saying.

Q In other words, you would feel qualified to represent the views or probably actions of the members of the investment banking community which have extended credit to Metropolitan Edison Company on the basis of such a hypothetical question wtihout having had any personal or direct contact with such persons?

A Okay. If you are talking about extending credit, you are talking about the banks

basically now. I would be glad to answer your question on any of the other people, but if somebody had come to me in a vacuum and said here is the revolving credit agreement, here is the situation, here are the things that the Commission may well do, what do you think would be a possible or likely outcome--again, this is pure speculation--my answer would have been "Gee, it is pretty hard to see in that case where the company would have earnings and financial viability to pay off the banks in the future and therefore you better worry that they will stop lending you any more money."

It is not an irrational way of looking at it, you know.

Q But the manner in which your profession is practiced, would it not be regarded as a preferable procedure to seek out the views of the banks involved in the revolving credit agreement directly rather than attempting to institute or discern what those views might be?

A Agreed, and, therefore, that is what we did.

Q Is there any respect that you can identify in which the interest of the banks involved in the revolving credit agreement could be considered

to be different or distinguishable from that of Metropolitan Edison with respect to the issues before this Commission at the present time in this proceeding?

A Well, when you say Metropolitan Edison, when you talk about a company, you are in essence talking about its owners, the stockholders, and therefore, my answer to your question is yes, because there is a likelihood if the banks pull the chain and the company goes down the drain, it may well be that the stockholder of Metropolitan Edison will get nothing, whereas the banks may get some recovery on their loan.

One is a secured creditor and the other is a stockholder and there is also a divergence of interest.

Q But simply with respect to the issues before this Commission, which I assume you are cognizant of, is there any distinguishable interest that you can see as between the banks and Metropolitan Edison?

A No, I think they both want the banks to stay healthy and survive and serve the territory so the one can continue in business and the other can get paid its loans.

MR. BOWERS: I have no further questions.

THE CHAIRMAN: Mrs. Smith.

BY MRS. SMITH:

Q I am Mrs. Patricia Smith and I am a very much concerned ratepayer.

How much ratepayer input did you have into your report?

A You said ratepayer input?

Q Yes.

A None.

Q None?

A None.

Q Why not?

A My portion of this study, Mrs. Smith, is the financial impact of various outcomes and with all due respect, I don't think the ratepayers are prime movers in causing a financial impact and part of the universe to which our inquiries were directed.

Q Well, that hurts my feelings that we weren't important. We are just pawns and puppets, or is that an unfair statement?

A Well, you are the wards of the Commission. You have got a regulated monopoly providing service here and the regulators are right here.

MRS. SMITH: You answered my question. We had no input into your report. Thank you.

THE CHAIRMAN: Mr. Gornish.

BY MR. GORNISH:

Q Mr. Dewey, you testified that you sought information from the financial community. What do you mean by the "financial community"?

A Would you like the types of people that we have interviewed so far, because certainly this isn't the end of the trial. This is just the beginning of our effort.

Q Yes, sir.

A We have seen three of your clients. We have interviewed the company's investment banking firm, Merrill Lynch, their public accounting firm, Coopers & Lybrand, their outside counsel, the company's financial adviser, the S.E.C., Moody's Investors Service, Standard & Poor's, and the Finance Division, as I mentioned earlier, of the Nuclear Regulatory Commission.

Q So that just to clarify, to put it another way, when you talk about the financial communit you were not simply talking about the banks?

A That is correct.

Q Mr. Dewey, on Page III-5 of your

testimony you make a statement about the assurance of continuing viability, the position of the agent banks that no funds will be available to the company, et cetera, unless the Commission provides sufficient rate relief through assuring continued viability.

What in your view is the emergence of financial viability or first I should say what is your view as to viability?

A All right. Now, I think there are two questions there and we have to understand that I am going to answer them both at the same time.

The first one is what is my mind-reading exercise as to what the banks view as the ingredients of continuing viability, and the second one is what is my view as to what is continuing viability.

Q I am asking you your view.

A Okay, you want my view?

Q If I ask you the banks' view, then I will be accused of using you as my witness.

A All right. In my view there are two parts to viability. One is short-term and one is long-term, as we have heard. I think we have to look at the longer term, though, because people are tending to blend their perceptions now and the company may not make it short-term unless there is a consensus

that it will make it long-term. Long-term means it is going to have a level of revenues sufficient to pay its costs, service its debt, preferred stock, and pay a dividend on its common stock sufficient eventually to allow the company to get back in the market for common stock the same as are other viable public utility companies.

It is simply a level of revenues that will allow the company long-term to do that.

Q What about short-term viability?

A Well, as I answered someone else earlier, six weeks ago I thought perhaps there was a difference between the two, but I am not sure today that the company will be viable short-term, that is keep getting money from its suppliers of credit if they don't think it is going to have the long-term viability also.

Q Now, in the sentence that I took this word "viability" from, it referred to sufficient rate relief to assure continuing viability.

What do you mean by that?

A Well, rates are where revenues come from, and I, unfortunately, can't tell you what is sufficient because the company has asked for one thing and our technical experts say that more money

should be spent on another thing, and we have got perhaps a delay in getting these rates in place, and I really don't think that I can at this point tell you or anyone else what is going to be sufficient.

Mr. Hogan may be able to give you a better answer to that.

Q On Page 6 of your testimony, you state that "It is not the cost of outside capital that is most important today" for the GPU companies, "It is the very availability of such capital."

Does this include Penelec also?

A Yes, sir.

Q From your review of its financial condition, do you believe that it is not able to obtain outside capital?

A That is right. I would be very surprised if Penelec could do any external financing right now.

Q On Page 8 of your testimony, you talk about the problem of TMI-1 in the rate base and you have been questioned on that by others.

What is your view of keeping TMI-1 in the rate base?

A What is my view as relates to what, whether it should be or shouldn't be?

Q Yes.

A Oh, I think it definitely should be.

Q Would the removal affect the viability of MetEd?

A Definitely.

Q In what way?

A Adversely.

Q And how would it affect it adversely

A Well, as I have testified earlier, it is my clear impression that no more funds will be advanced to the company by the banking group, and in addition to that, there is a serious adverse earnings and coverage impact, let alone any tinkering that might be done with the immediate cash flow.

Q So aside from what the banks may do, it would have an adverse impact in another way?

A That is correct.

Q On Page 9 you refer to the one sophisticated opinion, which I believe you disclosed to Mr. Bowers was the opinion of the S.E.C. which was advanced to the effect that the withdrawal and transfer of franchise could be accomplished without financial catastrophe.

Would you care to explain what that means

A Well, I don't think anybody knows

specifically what it means, but I am going to theorize for you now. If a study were done and a suitable alternative provider of electricity were to appear for this area, and the franchise were to be transferred and the property were to be transferred for sufficient consideration, this might well be the result.

Q Is that what that sophisticated opinion is or is that--

A Well, that is my summary theorizing today the conversation a while back. We did not explore all of the alternatives, but I think the thrust of the opinion that was offered to us is that there might be a way of doing this, moving the franchise.

You have got to study it and you have to talk about compensation and you have to talk about a lot of other things, but there might be a way of doing it.

Q With all those contingencies that you mentioned?

A Oh, and many more probably.

Q That is like saying if I had a million dollars I would be a millionaire?

A It is not quite like that. I wouldn't go quite that far.

Q Well, it requires somebody who is

willing to take over the franchise and has the money to pay for it; is that not correct?

A Money or securities or various other things. Just my own personal feeling, I think you might be able to design something like that. You might not like it once you designed it, but I am not sure you couldn't design it.

Q Do you think it could be done without governmental assistance?

A I don't know.

Q Mr. Dewey, on Page 11, you mentioned that, and this is presumably before the decision of the utility to pass its dividend, you say "Whether or not a temporary passing of the dividend would have a decisive negative effect on long-term access to equity financing is something I cannot conclude."

As you know, there has been a passing of the dividend and I just wondered whether you have any comment or opinion regarding that at this time?

A Well, I will comment on it. A lot of people in the financial community regard passing a dividend as absolutely anathema and say that is going to shut you out of the markets for a long time.

Obviously it is a negative thing to have to do, but I am not sure that the view I just

expressed of other people isn't a little extreme. This is very carefully worded here because I can't tell you that if you got earning money again and got in a dividend-paying status, I can't say that you couldn't do a common stock issue sometime down the road.

Q In your answer to Mr. Samuel Russell where you talked about the difference between short-term and long-term, I believe you said that there may be a way of achieving the short-term which would militate against the long-term.

Do you recall that?

A No.

Q My notes indicate you said by removing TMI-1 and accelerating the energy recoupment, that would be a short-term solution which would militate against the long-term solution.

Does that sound like something you said?

A Would you like me to clarify that?

Q Yes.

A Well, if you were to put the company in a position where it didn't need any more funds from the banks, as you accelerated the recoupment sufficiently fast, in other words raised the rates, and they didn't need any more money from the banks, it seems to me you would solve the short-term problem. You

would have an earnings and cash flow impact, however, that would go on for a long time, until TMI-1 gets back, until hearings are held, it went back in the rate base, et cetera, and I think that that would be very detrimental to long-term viability.

Q What I want to ask you first is do you recall making that statement or do you still not recall making it?

A Well, I guess what I have just told you is what the statement would have meant if I recalle making it.

Q And can you tell me why it would militate against the long-term?

A Well, because of the earnings impact you have.

Q What do you mean by that?

A Well, the recovery of the deferred energy account has a beneficial cash flow impact, but it does not have a beneficial earnings impact. That is, after all, a deferred item.

Therefore, while that will have a balance effect on the removal of TMI-1 from the rate base as far as cash flow goes, it does not help earnings and interest coverage.

Q There were some questions asked

regarding the responsibility or responsiveness of the banks. In your view is it responsible for the banks to state what their views are as to possible material adverse changes based on regulatory decisions?

A Certainly.

Q If they did not do so, would you perhaps characterize that as irresponsible or is that going too far?

A Yes, I think that is going too far.

Q Did you explore the situation surrounding the consummation of the revolving credit agreement in your investigation, in your studies?

A Well, we discussed the atmosphere and the financial situation at the time not only with your clients but with the company and, well, everybody else we talked to, because, of course, we weren't paying attention at that point, not having been involved, so we had to recreate it.

So I would say yes is the answer to your question.

Q Do you know what the assumption was at the time that was consummated regarding when TMI-1 would return to service and it would no longer be necessary to purchase as much power?

A Yes, I think it was much earlier than the company's present assumption.

Q Does the fact that it has not returned to service, TMI-1 has not returned to service as early in your view or your opinion give cause for the banks to be concerned?

A Yes.

Q On the last page of your testimony, Mr. Dewey, you state that the position of the banks is "...that they are pleased to finance the activities of the company, but are unwilling to advance funds for purposes such as cleanup costs unless they have assurance as to the source of funds to repay their loans."

What do you mean by the word "assurance"?

A I don't know what I mean by "assurance." I think that I mean that the banks have to feel, have to come to their conclusion that the company will have the money to pay them back and what goes into the decision process I think depends upon what the elements are at the time.

Q In the next sentence you say, "If this is not to be through rates, it would appear that another source or sources would have to be in place before the banks would feel justified in making loans

for that purpose."

What source or sources are you referring to?

A I have no idea.

Q Well, is that your statement or is that the way you are characterizing the banks' statement?

A The latter.

MR. GORNISH: No further questions. Thank you.

THE CHAIRMAN: Do any of the Commissioners have questions?

Commissioner Taliaferro.

COMMISSIONER TALIAFERRO: Mr. Dewey, you heard me address questions earlier which Mr. Wheaton said I should properly address to you.

One of the questions concerned the revolving credit agreement, and then earlier today you referred to it as being unusual. What I would like to know is: Would you characterize it as a first of a kind, or, in other words, how in your opinion is this revolving credit agreement so unusual? Why is it so unusual?

THE WITNESS: All right, fine. The fact of a revolving credit agreement of this relative

magnitude where a company has substantial problems is not unusual. It doesn't happen very often, but it has happened.

The part of this that is a little unusual is the material adverse change clause. Now, that is not unprecedented either, but the combination doesn't happen every day.

COMMISSIONER TALIAFERRO: Okay. The other question that I asked was in your talking to members of the financial community, did you come across any say major member of the financial community similar to the signatory banks who indicated they did not enter that arrangement and why?

In other words, what I am trying to get at is those who did enter it, are they out there on a limb, did they do it knowingly? We are back to this responsiveness.

THE WITNESS: I think that they are out on a limb. I am not sure that their collateral is sufficient to pay them back. They did it knowingly and it is my understanding, although you may have hear-say problems with this, it is my understanding that a number of banks turned them down.

COMMISSIONER TALIAFERRO: I guess I have one final question. No, that is fine. I have no other

questions.

THE CHAIRMAN: Commissioner Johnson.

COMMISSIONER JOHNSON: Mr. Dewey, we took you through the paces this afternoon, and I am just going to ask one or two very brief questions.

As I read III-6, the first paragraph, a comment is repeated more than once in the same paragraph, and that is that you are characterizing the action of Standard & Poor's in lowering the bond ratings of the GPU subsidiaries, that it clearly evidences alarm with respect to the Pennsylvania regulatory climate, and then you repeat that, this regulatory climate.

I am wondering, Mr. Dewey, the banks have access to information pertaining to the fate of the GPU system, and particularly MetEd, at the hands of the President's Commission, and the NRC, who just recently found the company, MetEd, lacking and imposed a very substantial fine. All we did was give the company money which the ratepayers have to pay. We didn't say anything harsh about them. Yet there is this renewed reference to alarm with respect to the Pennsylvania regulatory climate. It is something that you said very recently in response to a question.

I think you indicated that you did have this information on the basis of conversations with responsible officers of the banking community who were involved here. However, had they not been available to you, you would have

reached the same opinion as you looked at the facts.

You, too, I suppose feel that there is something awry with the Pennsylvania regulatory climate, and reading through your statement, I can't find out what it is that you are concerned with which leads you to characterize in a negative fashion the Pennsylvania regulatory climate. Could you enlighten me?

THE WITNESS: Yes, sir, I would be delighted to.

First of all, I am sorry that you weren't with us -- of course, it was impractical -- as we went around to see these people, because rightly or wrongly, fairly or unfairly, the subject of regulation repeatedly was one of the first things that came up and was the source of principal concern of these people.

Now if I may correct one impression I think you have: The subject of regulatory climate, what you have here is a distillation of the views of the people that we interviewed. I don't think you will find an opinion of mine on the Pennsylvania regulatory climate anywhere in here. In places where I have agreed or less often disagreed with things I have said so in the testimony. You will not find any opinion of mine in here just because at this point I don't have one.

Now, obviously, we are talking strictly finance here, and you all have much broader responsibilities than that

So I don't think that you can just take one facet of the very great responsibilities you have and say that this should be a cloud over the reputation of the Commission. It isn't and it shouldn't be.

On the other hand, the very fact of the show cause orders on the TMI rate base thing and on the franchise especially are very disturbing to people who live in the world of finance, because they don't understand and don't like the consequences of a possible negative resolution of these issues.

The world of finance is very conservative. They like things the way they are. They like to see people healthy and making money, and an accident like the accident that happened here is a cataclysm that shatters people, and I think that this is still very worrisome.

All I can tell you is that you have here a repitition and distillation of hours and hours of conversation with people who make their living in the financial community, and they are worried.

Now whether they should be or shouldn't be or whether that is unfair is probably almost irrelevant, because the very fact that they are worried leads them to do things or may lead them to do things which are not beneficial.

Now I don't know whether I have been responsive, but I have tried.

COMMISSIONER JOHNSON: I think that you have added one dimension that was left out before. They are very upset about the accident to begin with, aren't they?

THE WITNESS: Certainly.

COMMISSIONER JOHNSON: And they are upset with the great delay before the NRC in permitting the startup of TMI-1 and the general pace of things, generally speaking, as they may apply to TMI-2.

THE WITNESS: Excuse me, was that a question? Am I interrupting you?

COMMISSIONER JOHNSON: No, it was an observation, and I wanted to get your reaction to it.

THE WITNESS: I agree with that observation.

COMMISSIONER JOHNSON: So we are faced with a group of people who can feel unhappy because things don't go right, but you are aware that this body ordered an increase in the energy clause in June, and we did it again only recently.

Do you know of any other body that gave them money without making them sign in blood? This is free, you know. They are getting it from the ratepayers. We ordered it. We said to the ratepayers, "If you want to turn on the light, it is going to cost you so much more," and Sam Russell is sitting here looking at us and saying, "Well, I'm coming back to see you again," and we know that. They are going to

be here.

I don't understand the conduct of urbane, sophisticated, intelligent, highly educated, trained, skilled businessmen and women -- not so many women; they haven't got a one in their outfit.

Wouldn't you agree that there is a great deal of subjectivity involved in these reactions, in setting aside what the facts are?

You are aware also, I am sure, that this Commission acted with unusual dispatch. The accident took place March 29. The first hearing was a month later, the first week of May. June 19 we had a final order. And, you know, we have laws, just as there are laws in New York, on Wall Street. By whom they are made I don't know. I can identify the laws that are made here. One says something about base rates and what goes into them, and it enunciates a doctrine which is national in its cope that pertains to used and useful in the public interest, and when we took TMI-2 out of the rate base, it was testified by the company that they don't expect that it will be in operation before about four years, but they expect TMI-1 to be in operation.

In response to a question I asked one of the two chief executive officers, "Do you expect TMI-1 to be in operation January 1, 1980?" They said, "Oh, August 1, 1979."

"Will you settle for January 1, 1980?" And

they said, "Oh, certainly."

So in our order we said that we shall be looking at it again before January 1, 1980.

Well, we didn't stop TMI-1 from being opened January 1. It was testified here before us that it may not be open before January 1, 1981. That is not the fault of this Commission. Yet this Commission has the responsibility to make decisions which will seriously affect what happens to these companies, and how are we to deal with judgments that are made by people who wear halters over their head? Not like the Ku Klux Klan. They at least have eyes open. These are just sacks.

You are saying, "Don't confuse me with the facts," and you come up unanimously with the judgment that there is something awry. You are alarmed, you say, with respect to the Pennsylvania regulatory climate.

Can you give some advice -- I knew your father, and he always would give us advice, and we took it, and I am just asking you -- you are not quite as handsome as your father was. Pardon this. You youngsters can't appreciate this. I stopped reading The New Yorker when Dorothy Parker made that crack about, you know, the bridegroom on the cake.

Can you give us advice on what more we need to do to overcome the alarm with respect to Pennsylvania's regulatory climate, particularly since the climate has so

much to do with whether this company lives or dies?

THE WITNESS: Yes, sir, I can give you a very simple answer, but achieving it may not be as simple as the advice, which is generally the case.

I think the Commission has to come down with an order on the issues in front of it which will convince the financial community that it is the Commission's intention to maintain the company in business, solvent, financially viable over the long term, and providing the service that it is supposed to provide.

Now the consulting team for whom I am consulting here have the assignment of checking efficiency and are they doing this right, and is there money to be saved here. Fine. That is a great idea and should be done frequently. But subject to that, it looks to me like this is the best in-place entity to provide the service, and so the question is to get an understanding between the Commission and those people in New York and around the rest of the country that the Commission means to have a healthy and viable company here serving the residents of this area.

That is the bedrock question that leads to this word "alarm" that disturbs you here.

COMMISSIONER JOHNSON: You give this advice knowing that we have nothing to do or say about the company's prerogative to plan a nuclear power plant here or there or

elsewhere, that they were too close together on one island, that we have no prerogatives, and yet in the face of all of these things that we have no prerogatives over, you think that we need to do those things that will reassure the folks in New York; right?

THE WITNESS: You asked me for advice, and I gave you the best I could.

COMMISSIONER JOHNSON: But you didn't say what it is we need to do.

You know what you did, Mr. Dewey, was to respond to me like the grasshopper responded to the cricket. The cricket said, "How can I become happy like you and chirp away like you?"

The grasshopper said, "It is very simple. Become a grasshopper."

And the cricket said, "How do I do that?"

And the grasshopper said, "Get lost, son. I'm only interested in policy, not details."

Well, you have given us policy but no details, and I am disappointed. But it was a pleasure having you here, believe me.

THE WITNESS: Thank you.

THE CHAIRMAN: Do you want to follow that, Commissioner Cawley?

COMMISSIONER CAWLEY: I think it is rather

anticlimactic. I would like to ask a couple questions though.

What does the financial community understand the term "used and useful in the public service" to mean?

THE WITNESS: I don't think there is a consensus on that. It is a legal term, I think.

COMMISSIONER CAWLEY: Having just been in New York, I think they have more of an understanding of it than that, although I really wasn't able to talk to them about it. Since I have you here this week, maybe you can tell me what they are thinking.

Let me tell you what I think they think it means. I think they think that "used and useful" means in this case that you have a nuclear plant that is sititng there and that this Commission is expected to keep it in place in rates at least until the Nuclear Regulatory Commission can make a decision.

Is that a fair statement?

THE WITNESS: Well, you know there is a temptation to give you a yes or no answer to that, but that kind of question is not one that we covered with people, because "used and useful," as I understand it -- and you understand I am not a lawyer -- is kind of like beauty, you know. It is to some extent in the eye of the beholder. And we didn't really talk about people's definition of that.

If I had to answer a question like that, I think your characterization would be better than any other that I would put forward.

COMMISSIONER CAWLEY: Well, my attempt is just to give you some indication of what this Commission really has to do, and that is to consider what is a reasonable amount of time to wait for the Nuclear Regulatory Commission to make up its mind.

Unfortunately, we are in a position that we feel we have to make a decision rather quickly, and at the same time the NRC shows no inclination of making a decision until perhaps the middle of next year.

Let me move on a bit. On page 8 of your testimony, you make a rather disturbing comment to me, and that is that there is apparently such widespread and strong feeling among the banks that the "material adverse change" clause in the revolving credit agreement may be invoked and further advances to the GPU system halted, even before the conclusion of these proceedings.

Elsewhere in your testimony you state that bankruptcy is to be avoided at all costs, and it would seem to me that if those advances are halted, that there is a good possibility bankruptcy would result, and I find it disturbing that there may be some in the financial community who would consider invoking the material adverse change clause evidently

because we haven't granted rates when, in fact, we don't have any rates before us to grant. We haven't been asked to grant them.

As a matter of fact, we have given rates to the full extent they have been asked for. Were the people that expressed this to you aware of that?

THE WITNESS: Yes, they were.

I will tell you what the problem is here. The problem is the extent to which these proceedings have dragged out, and while that is so very often and you have to understand that because the regulatory process is like that, unfortunately in this case it coincides with the period of substantially increased drawdown on the part of these companies from the banks, let's say another 75 or 80 million dollars from the middle of February until sometime in April, and the banks had previously thought that there would be a determination, a decision around the early part of March, so that they could then look at that and say, "Well, we should be putting more money in here and it is all right, and the company is going to be fine," and then put the money in.

Now you see they are in a position of having to put the money up, and they are not going to know until after they put it up what the Commission decision would be, and the feeling I get from the agent banks is that there are

several among the very large participants and also a number of the small banks here in Pennsylvania and in New Jersey that are much more nervous than the agent banks are, and they are becoming each week harder to keep under control.

COMMISSIONER CAWLEY: Even though we have given them a May 23 date for a decision, they can't hold out until then?

THE WITNESS: They regard that as a long time away.

COMMISSIONER CAWLEY: Let me ask you another question. You indicate that the GPU management is given high marks for frankness, diligence, and accuracy, at least in financial matters. Did you perceive any notion of the financial community's opinion of GPU's operating management abilities?

THE WITNESS: No, sir, that was not in my bailiwick, and I didn't ask any questions along those lines.

COMMISSIONER CAWLEY: Did you receive any opinions as to the propriety of the NRC's rather substantial fine and whether it was justified?

THE WITNESS: No, that subject never came up. I think, in fact, that came after the interviews were complete.

COMMISSIONER CAWLEY: There was one gentleman I met last week who had been in the financial community for

forty years. He was portfolio manager of approximately $200 million, and he was offering to us advice. He said, "On Wall Street you must understand that if there is no profit in it, to hell with it." And I am really concerned, particularly when we talk about the financial community's opinion of us as a new Commission, whether they realize that we have more to consider than just profit. Do they?

THE WITNESS: I think so.

COMMISSIONER CAWLEY: Do they realize that we must perhaps make compromises, and if we do, how is that going to be perceived in the financial community other than granting everything that is desired always?

THE WITNESS: Well, granting everything that is desired always I don't think is the usual method of regulatory response anywhere, and I think that the sophisticated members of the financial community -- and the people that we talked to did fall in that category -- understand that compromises are a way of life.

The only question is what does the patient look like after the compromise surgery is finished? Does he make it or not?

COMMISSIONER CAWLEY: One last question.

On page 9 you say, "In any event, it is clear that all those interviewed were of the opinion that a near-term termination of the franchise would most likely have

disastrous consequences, not only to the GPU companies but also in terms of the financial community's general perception of the philosophical tendencies and capacity of the Commission."

Is that "capacity" as in "mental capacity"?

THE WITNESS: Well, certainly it is not physical.

COMMISSIONER CAWLEY: In other words, would they think we are crazy?

THE WITNESS: I don't think anybody went quite that far.

COMMISSIONER CAWLEY: Thank you very much. I have enjoyed it.

THE CHAIRMAN: In answering or giving your advice to Commissioner Johnson, and I think the concern that Commissioner Cawley has also expressed, how much responsibility does the company have in your characterization that what the decision must be is a maintenance of the company and the viability of the company?

Is that all our responsibility, or does the company bear some relationship to that? Do they have some responsibility?

THE WITNESS: Of course they do. Their responsibility is to run their business as economically as it can be done with regard to the public health and safety,

and also the way they operate, the way they plan, the way they service their customers, and these are all areas that the TS&A study is looking at, and I suspect we will have recommendations in all those areas, and I don't know what the law is here in Pennsylvania, but I suspect that you have some authority to get them to adopt recommendations to use the most efficient method of running the business.

Let alone the ratepayers, they have responsibilities to other people to run their business as best they can. Of course, the company has responsibilities, and I guess they are responsibilities that the Commission can make sure they do.

THE CHAIRMAN: Without adversely affecting the financial community's view of this Commission?

THE WITNESS: I would expect so.

THE CHAIRMAN: You indicate on III-5 of your testimony that subsequent events indicate that this may be postponed until later summer or early fall, meaning the exceeding of the credit limit.

THE WITNESS: That is correct.

THE CHAIRMAN: What events are you referring to?

THE WITNESS: Well, the elimination of the dividend is one. I think, in fact, that in and of itself takes it a number of months, because, as I recall the cash

flow forecast, the need for money plateaus in the early summer, and as long as the plateau level is below the 292, you go on for a good period of time there.

THE CHAIRMAN: To what extent should this Commission, in making any decision, be guided by symbolic or strategic importance of events to one or another party to a proceeding?

THE WITNESS: Only to the extent that it will influence the actions of other people.

THE CHAIRMAN: And what importance should we attach to your statement on III-7 that the banks feel strongly about the symbolic and strategic impotance of maintaining TMI-1 in the rate base?

THE WITNESS: Well, Madam Chairman, I will make a small admission to you here. That language -- you know, we were prepared to file this testimony quite a long time ago -- that language was written before the reinterviewing of the banks, and I think the principal concern -- I mean that is a concern, that is absolutely true, but they are worried that if TMI-1 is taken out of the rate base, even when it is restarted, it will be a substantial period of time before the process can be finished that gets it back in the rate base, and the earnings picture and the coverage picture will be sufficiently damaged during that period so that it will very much cloud the ability of the company to go to the

capital markets, which is the only way the banks are ever going to get their money back.

THE CHAIRMAN: Again, just to follow through on III-10 and III-11, where you are referring to the management competence of GPU and referring to the frankness, diligence, and accuracy, as I understood your answer to Commissioner Cawley, you are not indicating that those are the three sole criteria on which you judge management competance of a company?

THE WITNESS: Oh, no, of course not, but my area of the study at this early stage was simply to inquire into the perceptions of the financial management by the people that we talked to.

THE CHAIRMAN: That is all the questions that I have.

Thank you.

Is there anything further of this witness?

MR. P. RUSSELL: I have no redirect, Madam Chairman.

THE CHAIRMAN: Are you going to provide a list?

MR. P. RUSSELL: We were going to do that in writing, Madam Chairman.

THE CHAIRMAN: Okay, fine. Thank you.

MR. P. RUSSELL: May I excuse Mr. Dewey and not have him here tomorrow?

THE CHAIRMAN: That is correct.

(Witness excused.)

18 MR. P. RUSSELL: Thank you.

THE CHAIRMAN: Do you want to identify a certain matter for the record before we close?

MR. S. RUSSELL: I would like to dispose of it, if I may.

I am handing the reporter three copies of an exhibit which I would ask be marked for identification as MetEd/Penelec Exhibit E-35, which is the summary of the Gilbert Associates study on TMI-2 coal conversion.

(Document of 13 pages titled "TMI-2: A Coal Burning Plant?" was marked for identification as MetEd/Penelec Exhibit No. E-35.)

THE CHAIRMAN: If there is nothing further, we will adjourn until tomorrow at ten a.m.

(Adjournment at 5:20 p.m.)

Transcribed by
James P. Gunning, III
and
Craig Windsor Wallace

I hereby certify that the foregoing is a correct transcript of my Stenotype notes taken by me during the hearing on the above cause at the herein time and place before the Pennsylvania Public Utility Commission.

By Craig Windsor Wallace

Official Reporter
Craig Windsor Wallace, R.P.R.
Mohrbach & Marshal
27 North Lockwillow Ave.
Harrisburg, Pa. 17112

3-18-80

(The foregoing certification of this transcript does not apply to any reproduction of the same by any means unless under the direct control and/or supervision of the certifying reporter.)

Met-Ed/Penelec Exhibit A-89
Update of Exhibit A-78
Witnesses: J. G. Graham
F. D. Hafer

METROPOLITAN EDISON COMPANY

System Energy Costs and Sales, July 1979 - December 1980
Updated to Reflect Actual Data Through February 1980,
Assumed Unapproved Status of PJM "Cost + 10%" Pricing
Proposal in 1980 and Assumed TMI-1 Restart Unapproved
by NRC in 1980

	Energy Costs ($ millions)	Total Sales (Gwh)	mills/Kwh	Retail Sales Gwh	Retail Sales % of Total Sales
July 1979 (actual)	$ 15.5	619	25.1	582	94.0%
Aug. "	16.6	654	25.4	613	93.7
Sept. "	14.7	662	22.2	625	94.4
Oct. "	19.5	632	30.8	596	94.3
Nov. "	21.1	638	33.1	599	93.9
Dec. "	20.1	673	29.9	630	93.6
6 Months Dec. 1979	$107.5	3 878	27.7	3 645	94.1%
Average Month	$17.9	646	27.7	608	94.1%
Jan. 1980 (actual)	$ 22.3	734	30.4	687	93.6%
Feb. "	18.8	770	24.4	716	93.0
Mar. (forecast)	18.7	738	25.3	717	97.2
Apr. "	17.1	683	25.0	666	97.5
May "	17.4	635	27.4	621	97.8
June "	14.8	633	23.4	618	97.6
July "	15.0	629	23.8	614	97.6
Aug. "	18.7	662	28.2	646	97.6
Sept. "	17.0	670	25.4	655	97.8
Oct. "	18.3	645	28.4	631	97.8
Nov. "	16.8	666	25.2	648	97.3
Dec. "	20.3	709	28.6	685	96.6
12 Months Dec. 1980	$215.2	8 174	26.3	7 904	96.7%
Average Month	$ 17.9	681	26.3	659	96.7%
18 Months Dec. 1980	$322.7	12 052	26.8	11 549	95.8%
Average Month	$ 17.9	670	26.7	6[illegible]	95.8%

Assumptions

- TMI-1 does not return to service in 1980.
- Neither "Cost plus 10%" pricing of GPU's TMI-related purchases from PJM nor GPU Motion to FERC for interim relief from split savings is effective in 1980.
- Other economic TMI-related purchases (Ontario, Jamestown, APS) continue for forecast period.
- Demand component of cost of TMI-related purchases included for full forecast period.
- 15% oil price escalation, Dec. 1980 over Dec. 1979.

METROPOLITAN EDISON COMPANY

Indicated Increase in 8.8 Mill Level Charge
Based on Actual Energy Costs Experienced Through February 1980

	Actual								
	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	8 Months Feb. 1980
Total System Energy Costs* ($ millions)	$15.5	$16.6	$14.7	$19.5	$21.1	$20.1	$22.3	$18.8	$148.6
Total System Sales (GWH)	619	654	662	632	638	673	734	770	5,382
Mills/KWH of Sales	25.1	25.4	22.2	30.8	33.1	29.9	30.4	24.4	27.6
(Less): Total Retail Charges for Energy Costs (8 mills base, 8.4 mills clause, excl. taxes)									(16.4)
Increase in Energy Costs Over Level Provided for by Currently Effective Retail Rates									11.2
Indicated Increase in Level Charge (above X 1.047 revenue tax factor)									11.7

*includes demand component of cost of TMI-related short-term power purchases.

Met-Ed/Penelec Exhibit A-90
Update of Exhibit A-79
Witnesses: J. G. Graham
F. D. Hafer

Met-Ed/Penelec Exhibit A-91
Update of Exhibit A-80
Witnesses: J. G. Graham
F. D. Hafer

METROPOLITAN EDISON COMPANY

Increase in 8.8 Mill Level Charge That Would be Required to Recover Actual Energy Costs Unrecovered (Deferred) As of February 29, 1980

Actual Deferred Energy Cost Balance as of 3/1/80 Effective Date of Clause Revision (1)	$84.6
Retail Sales Projected for the Period March 1980 - December 1980 (Gwh)	6,501
Amortization Rate per Kwh, Excluding Revenue Taxes	13.0
Increase in Currently Effective 8.8 Mill Level Charge (above x 1.047 revenue tax factor)	13.6

(1) Excludes unamortized "old clause" balance recoverable by base rates ($12.0 million at 2/29/80).

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Title 52—PUBLIC UTILITIES

PENNSYLVANIA PUBLIC UTILITY COMMISSION

[INVESTIGATION DOCKET NO. 138]

Investigation Upon Commission's Own Motion to Determine Need for Additional Electric Generating and Transmission of Facilities During the Next Decade.

The Pennsylvania Public Utility Commission, under the authority contained in §1008 of the Public Utility Law of May 28, 1937, P. L. 1053 (66 P. S. §1398), adopted an order the purpose of which is to determine the need for additional electric generating and transmission of facilities during the next decade.

This order directs electric public utilities subject to Commission jurisdiction to file statements of generating capacity and estimated customer demand requirements, forecasts of expected annual load growth, schedules of generating plant and transmission line additions necessary to meet future load requirements, summaries of existing generating plants and the capital investment for pollution abatement equipment, and summaries of new and proposed generating plants and the capital investment necessary for pollution abatement equipment. The order also announces that public hearings will be scheduled at times and places to afford interested persons an opportunity to present testimony on these matters.

Order

By the Commission, March 13, 1972:

The threat of a continued shortage of electric power in Pennsylvania and nearby states is a matter of considerable concern to the Commission. As a result of the northeast blackout on November 9, 1965, this Commission has worked with commissions of other states and the Federal Power Commission to stimulate the electric power utility companies in the development of plans for increasing generating capacity to meet anticipated load growth and future demands. Such demands presumably will be further increased by the present shortage of natural gas, a matter discussed in our February 1, 1972, order at Investigation Docket No. 124, published at 2 Pa. B. 256, promulgated after public notice and hearings.

On February 14, 1966, an invitation was extended to all Pennsylvania electric companies to attend a meeting in Harrisburg on March 3, 1966 to review in depth the present and future electric power supply situation within each company's operating territory and participation in power pools. This meeting revealed that load growth had exceeded the companies forecasts and this conservative attitude had resulted in a serious installed capacity situation with most companies, making them extremely dependent on the resources of power pool interconnections.

In view of the influence of power pools, a joint meeting was held on March 31, 1966 in Philadelphia with the commissions of Delaware, District of Columbia, Maryland and New Jersey to analyze the purpose and operation of the PJM Interconnection. Efforts to reassure commission representatives that capacity was capable of meeting expected loads and still maintain adequate reserves was not accepted with confidence. The companies and public were warned by the Commissions that according to our predictions a desperate situation was developing that within the near future could result in possible blackouts and customer load curtailment. The companies were told that immediate preparations should be made to increase installed capacity until a reliable reserve of 20 percent above forecasted loads was reached.

The companies reluctantly agreed to accept the commissions' proposals and institute construction programs that would hopefully reinforce existing capacity with new generation before another disastrous interruption occurred. Unfortunately, the companies efforts were hopelessly late and another massive interruption occurred on June 5, 1967.

On June 19, 1967, another meeting was held in Philadelphia with member companies of the PJM Interconnection and representatives of the same commissions. The companies were told that excuses were unacceptable now that the condition we had feared was a reality and there was insufficient reliable capacity and transmission lines to meet customer demands. Emphasis was placed on the immediate need for protective devices to isolate local disturbances and prevent widespread cascading type interruptions that had been experienced twice already. The companies agreed to install automatic load shedding devices as a result of this meeting and conceded that additional capacity was needed and would be included in construction schedules under revision.

To reaffirm the commissions' suspicions, a joint meeting was held in Philadelphia on October 6, 1967, to explore the possibility of an independent engineering study of the PJM Interconnection. After considerable deliberation among the commissions a contract was signed with Commonwealth Associates, Inc., in February 1968 to begin a study and advance an opinion on the capacity-load-reserve picture for the PJM Interconnection.

On September 16, 1969, Commonwealth Associates presented to the Commissions and PJM member companies an analysis of the interconnection system with recommendations to avert the expected capacity deficiency. The picture presented was more dire than expected and the immediacy of the situation suggested that the companies must install combustion turbines to avert another interruption until the new base load capacity was installed. The companies were told that the commissions wanted 2,000 megawatts of combustion turbine capacity immediately. After deliberation, the companies responded that 1,200 megawatts was more reasonable because the cost would exceed $100,000,000 for this amount of generation.

The value of these conferences and recommendations has been demonstrated repeatedly because the combustion turbines have carried the electric companies through two perilous summers of capacity shortage without a major interruption and have reduced disturbances to minor voltage reductions for short periods of time. Capacity has not increased from 17,826 megawatts in 1965 with nine percent reserve to 34,842 megawatts in 1972 with 21 percent reserve through the combined efforts of the commissions and cooperation of the electric utility companies.

The Commission is now concerned about whether current plans are satisfactory to meet projected future needs for electric power. At the same time, the Commission is aware of two possible changes in conditions which may affect the demands for electric power during the next several decades:

1. A developing trend to conserve the use of electric service and a moratorium on the promotion of total electric residential living units.

2. Environmental regulations at both federal and state levels could limit the ability of the electric utility industry to meet forecasted demands for power.

It is incumbent upon the Commission to determine whether or not an electric energy shortage will develop and have an adverse affect upon the electric utility industry or if the industry's construction program calls for excessive capital investment at the expense of existing rate paying customers. It is hypothetical that such pro-

grams will attract propsective customers who may be denied energy from gas suppliers and further distort the demand for power.

Under the circumstances, it appears that a required review by order will be more satisfactory and comprehensive than the past procedure whereby an informal review was held by the Commission and reports lacking uniformity were submitted by the participating electric companies. It is appropriate for the Commission to review the revised plans of electric utilities for plant construction because the amount of money actually being spent to meet environmental standards was unforeseen when plant additions were first projected. The Commission will consider the possible adoption of a system of regular review of plans for plant expansion by electric utility companies; THEREFORE,

IT IS ORDERED:

1. That each electric public utility subject to our jurisdiction continue to file with the Commission statements of its generating capacity and estimated customer demand requirements, as well as energy furnished during the prior calendar year. The reports are to be filed on or before May 1, 1972, and May 1 of each succeeding year. The foregoing is to be furnished in the form to be prescribed by the Commission.

2. That each such company file with the Commission on or before May 1, 1972, and May 1 of each succeeding year a forecast of its expected annual load growth for the next ten years on an individual and not system basis in the form to be prescribed by the Commission.

3. That each such company file with the Commission on or before May 1, 1972, a schedule of generating plant and transmission line additions necessary for each such utility to meet forecasted load requirements during the said 10 year period.

4. That each such company file with the Commission on or before May 1, 1972, and May 1 of each succeeding year a summary of existing generating plants and the capital investment for pollution abatement equipment to bring each plant into compliance with federal, state and local pollution regulations. The summary shall include a statement of the estimated annual operating cost of this equipment.

5. That each such company file with the Commission on or before May 1, 1972, and May 1 of each succeeding year estimated construction costs of new and proposed generating plants and the capital investment necessary for pollution abatement equipment, including a statement of the estimated annual operating cost of this equipment.

6. That each such company file with the Commission on or before May 1, 1972, and May 1 of each succeeding year a copy of the company's report submitted to the Federal Power Commission on FPC Form 12.

7. That the Commission schedule public hearings at times and places to afford all interested persons an opportunity to present testimony on these matters. All interested persons will please notify the Commission in writing in advance.

8. That Pennsylvania Department of Environmental Resources, Pennsylvania Department of Commerce, Pennsylvania State Planning Board, Pennsylvania Office of State Planning and Development, and other state and local government officials, as well as groups and individuals concerned with the issues raised herein, be and are hereby invited to submit written statements on or before May 1, 1972 and, if they so desire, set forth requests for the opportunity to testify at the hearing, to be scheduled for the purposes aforesaid.

9. That this order be published in the *Pennsylvania Bulletin* forthwith.

GEORGE I. BLOOM,
Chairman

[Pa. B. Doc. No. 72-627. Filed March 31, 1972, 9:00 a.m.]

May 3, 1972

Mr. Jerry Rich, Director
Bureau of Investigations, Service and Enforcement
Pennsylvania Public Utility Commission
P. O. Box 3265
Harrisburg, Pa. 17120

Dear Mr. Rich:

Attached, in response to the Commission's March 13, 1972 Order under Investigation Docket No. 138 entitled, "Investigation upon the Commission's own motion to determine the need for additional electric generating and transmission facilities during the next decade," is the statement of Metropolitan Edison Company.

In line with the suggestion made in the letter from Mr. Rich, dated April 14, 1972, we have supplemented the data that are requested in the several forms attached to this letter. It may be helpful if we refer to this supplemental information and also comment on the data that we have supplied.

In that part of Schedule II which covers "Customer and Load Growth," we have extended the classification of customers to include "All Other" and then have shown a total of "Energy Sales." This is a necessary step in our projection of the forecast amounts for 1972 to 1980. In this connection, we want to point out that we do not ordinarily forecast customers and energy sales as a step in our long-range planning of generating plant additions, although these same quantities are projected for budget and financial planning purposes. The two distinct purposes of the forecast sometimes lead to different results. Consequently, in supplying the requested information we have used budget estimates of energy sales for 1972 and completely new estimates for 1975 and subsequent years; 1973 and 1974 represent a transition from one basis of forecast to another. The new estimates for the long-range are derived from peak load estimates, based on a constant load factor. Recent experience shows a variation of load factor within a very narrow range and continuation at the approximate recent average level can be expected.

In that part of Schedule II that relates to "Planned Capacity Additions," we have observed your request that the data be reported only for units of 300 MW or larger size. However, we have supplemented Schedule II with a complete listing of proposed additions, retirements and purchases of capacity to 1982 and have compared the total generating resources with the forecast peaks. The resulting reserves are shown both in amounts and percentages of peak load for both summer and winter conditions.

In that part of Schedule II that relates to "Transmission Line Additions" at 230 Kv or higher voltage, we are not able to give you a complete listing of proposed lines all the way to 1980. For example, you will note in the list of plant additions an unassigned 1980 generating unit; and until the location of this unit is determined, it is impossible to specify the required transmission.

In Schedule III, we have probably provided more data than are required with respect to existing plants in that we have shown the costs of pollution control covering: (1) equipment provided with the original installation, (2) equipment subsequently added, and (3) equipment yet to be added to meet applicable standards. This has been done on the basis that it makes the costs for existing plants consistent with those for plants under construction. For units under construction, we have limited the reporting to sizes of 300 MW or larger. We have modified the form for the reporting of nuclear units to reflect radioactive and non-radioactive pollution control investments.

Additionally, we have supplied a copy of FPC Form No. 12 which is the 1971 Power System Statement from Jersey Central Power & Light Company covering the GPU Integrated System to the Federal Power Commission. Since it is not possible to determine Met-Ed input data for many of the schedules, we have also supplied Met-Ed Supplements 9, 10, 13, 14 and 19 which are Met-Ed input data to Schedules 9, 10, 13, 14 and 19 respectively.

We will be pleased to provide any further explanations you may desire.

Sincerely yours,

W. M. Creitz
President

Met-Ed
PUC Docket 138

MET-ED, 10 YEAR FORECAST, 1970-1981 LOAD, CAPACITY AND RESERVES

Existing and Planned Capacity	(1) In-Service Date	(2) Capacity Rating (MW) S	(3) Capacity Rating (MW) W	(4) Purchase or (Sale) (MW) S	(5) Purchase or (Sale) (MW) W	(6) Peak Load (MW) S	(7) Peak Load (MW) W	(8) Reserves (MW) S (2+4-6)	(9) Reserves (MW) W (3+5-7)	(10) Reserves (%) S 8/6	(11) Reserves (%) W 9/7
Existing at 4-30-72		1278	1339								
Comb. Turbines (5 Units)	5-72	110	135								
Summer, 1972		1388		12		1370		142		10.4	
Winter, 1972-73			1474		297		1510		261		17.3
Summer, 1973		1388		279		1465		202		13.8	
TMI #1 Nuclear (50%)	11-73	396	409								
Winter, 1973-74			1883		178		1630		431		26.4
Summer, 1974		1784		84		1570		298		19.0	
Winter, 1974-75			1883		264		1760		387		22.0
TMI #2 Nuclear (50%)	5-75	440	453								
Summer, 1975		2224		(10)		1680		438		26.1	
Winter, 1975-76			2336		65		1900		501		26.4
Summer, 1976		2224		(50)		1800		365		20.3	
Retire Eyler and Crawford	11-76	(162)	(173)								
Winter, 1976-77			2163		390		2050		503		24.5
Summer, 1977		2062		198		1925		335		17.4	
Winter, 1977-78			2163		590		2215		538		24.3
Summer, 1978		2062		420		2060		422		20.5	
Winter, 1978-79			2163		902		2390		675		28.2
Combustion Turbines	3-79	200	260								
Summer, 1979		2262		296		2205		353		16.0	
Winter, 1979-80			2423		812		2580		655		25.4
Unassigned coal fired unit (50%)	1-80	320	320								
Summer, 1980		2582		182		2360		404		17.1	
Winter, 1980-81			2743		797		2785		755		27.1
Portland #1 Nuclear (50%)	1-81	600	600								
Summer, 1981		3182		(185)		2525		472		18.7	
Winter, 1981-82			3343		542		3005		880		29.3
Combustion Turbines	3-82	100	130								

Purchase or (Sale) - Under the contract among the GPU Companies, there are weekly purchases and sales of installed capacity for the purpose of equalizing reserves among the several companies. After the required transactions Met-Ed's reserve percentages will be the same as those forecast for the GPU System, except for the effect of diversity which will generally decrease the reserve applicable to an individual company. The indicated transactions have been established on the basis that the diversity is distributed proportionately among the several companies with the result that company reserve percentages are lower than GPU System reserve percentages by about 2% in summer and about 1% in winter.

Also included in the net purchases for the summers of 1973, 1974 and 1975 are temporary purchases (June to September) from PP&L Co.

Column numbers added. (Revised 5/10/72)

Excerpts from pp. 6-7 of ME Rate Order
of 9/14/70 at C.18859 et al.

At June 30, 1969, respondent furnished electric service to 293,054 customers located in the cities of Easton, Lebanon, Reading and York, and in 92 boroughs and 155 townships, located in the counties of Adams, Berks, Bucks, Chester, Cumberland, Dauphin, Lancaster, Lebanon, Lehigh, Monroe, Montgomery, Northampton, Pike, and York. The service area comprises approximately 3,300 square miles, or seven percent of the entire state, with an estimated population of 839,000.

Respondent is constructing a nuclear generating station at Three Mile Island near Middletown, Pennsylvania, and has an interest in the Conemaugh steam generating station which is being constructed in Indiana County, Pennsylvania. The benefits to be derived from these two new generating stations are not reflected in these proceedings.

THE REGULATORY PROBLEM

The facts of this case reflect a regulatory problem which began to arise a few years ago, and which has now reached the acute stage.

The roots of the problem are that customer demands for service have risen faster than could have been predicted from any past experience, and that electric companies generally and this company in particular, partly on a voluntary basis and partly under the spur of our insistence, are engaged in unprecedented construction programs to meet those demands.

The problem is complicated by two significant facts. First, generating stations, which constitute a large part of the construction program, require a period of four or more years from the time the determination to build is made until the time when they are ready for service. Consequently, for example, if new generating stations are needed for the projected customer demands of 1974, the construction of those stations must be undertaken no later than 1970.

Second, the spurt of increased construction requirements of

electric utilities has been paralleled by a spurt in the cost of money which the utilities must obtain to finance that construction. As an example, between 1965 and 1969 this respondent sold four issues of bonds at successive coupon rates as follows: 4-5/8%, 5-3/4%, 7% and 8-1/8%.

Respondent's own construction program, for only the three year 1970-72, will cost approximately $275 million which is about 66% of its entire investment in electric plant at June 30, 1969. We take judicial notice that even this program will not provide adequate generating reserves.

First, we may ignore the matters which we have described above. The disadvantage is that there will occur an ever-widening gap between the public's demand for service and respondent's ability to supply it, because of inability to attract the capital needed for construction.

Second, we may take into account the matters discussed above. The advantage of this course is to assure that the public's demand for service will be met.

We believe that the second course is essential to the public interest. We believe that voltage reduction, brownouts, blackouts, and eventual rationing of energy would be intolerable, not only because of the general public inconvenience, but because of the direct effect on commerce and industry and the ultimate effect on employment and economic well-being in the Commonwealth.

We believe that if we failed to pursue the second course, the courts would reverse us on the principle that we must not sacrifice the public's interest in the assurance of adequate and reliable service.

The Superior Court on various occasions has said that we are not bound by formula in many rate case aspects, but rather are obliged to exercise our reasonable judgement upon the evidence submitted of record: see for example City of Pittsburgh v. Pennsylvania Public Utility Commission, 208 Pa. Superior Ct. 260 (1966).

Excerpts from pp. 8-9 of ME Rate Order of 8/8/72
at C. 19312 et al.

Following the blackout in the northeast sector of the nation in November, 1965, this Commission began a comprehensive review of the existing and future electric power supply in Pennsylvania. In the interim years and to date, we have held extended meetings with all Pennsylvania electric utilities, the Commissions of New Jersey, Delaware, Maryland, District of Columbia, the Federal Power Commission, representatives of the PJM power pool, and engineering consultants. After a review of actual and forecasted annual peak load growths and related system capacity reserves, we have concluded and urged that a 20 percent reserve capacity margin is necessary to cover peak loads, scheduled maintenance and forced outages in order to avoid blackouts, load curtailments, and voltage reductions. The attainment and maintenance of at least a 20 percent reserve capacity margin, which this Commission is urging on the electric utilities, and other factors such as growth rate in annual peak load, will require the acquisition of future generating sites and related transmission and distribution rights-of-way well in advance of actual use.

The Federal Power Commission (FPC) issued Order No. 420 at Docket No. R-379 on January 7, 1971, which states " . . . in recent years utilities have experienced numerous problems in acquiring adequate plant sites and related facilities due in a large degree to scarcity of land available for utility needs. This Commission recognizes that scarcity of land for such utility functions is due in part to such factors as the increase in population, the growing use of water front property for recreational, residential and industrial use, and the growing objections raised to proposed location of utility facilities, on the basis of conservation, safety, aesthetics and other grounds." On February 23, 1971, the FPC issued Order No. 420A which states that land held for future use is to be allowed in rate base, and that gains or losses in selling or disposing of such land would pass to ratepayers.

In addition to the Federal Power Commission's and this Commission's allowances for land held for future use in other proceedings, a number of other State Commissions have concluded that it is prudent and responsible action on the part of electric utilities to invest in land that will be needed for future expansion. In fact, the Virginia Supreme Court held that " . . . it is proper for the Commission to include money invested in telephone plant under construction and the value of real property. . . ."

We are aware of the several years lag being experienced in the actual construction of electric plant. The need for planning and acquisition of associated land and land rights is imperative if we are to have dependable, adequate and reliable supplies of electric energy where and when it is needed. We are also aware of the utility planning process that must allow for ample lead-time so that environmental factors can be thoroughly studied and reviewed in timely fashion with public agencies and responsible citizen conservation groups. Such review processes usually create long delays upon which the utility receives no return on non-productive committed capital. Also, interest is not capitalized on land or land sites.

In consideration of the foregoing, we allow respondent's claim of $1,061,648 for Electric Plant Held for Future Use.

Excerpts from pp. 9-10 and Concurring Opinion
of ME Order of 3/25/74 at R.I.D. 64 et al.

Plant Held for Future Use

Respondent claims $4,318,726 for Electric Plant Held for Future Use. This amount represents the cost of land for two future nuclear generating plants. One plant is to be located in Tilden Township, Berks County, (Berne site) and the other will be in Upper Mount Bethel, (Portland site).

At present, respondent plans to place in operation the Upper Mount Bethel plant site around 1984, and the Tilden Township plant site around 1985. In our prior order, the Tilden Township plant site cost was included in measures of value as a prudent and reasonable investment; similar logic dictates that the Upper Mount Bethel project site also be included in measures of value.

We are aware of the several years lag being experienced in the actual construction of electric plant. The need for planning and acquisition of associated land and land rights is imperative if we are to have dependable, adequate and reliable supplies of electric energy where and when it is needed. We are also aware of the utility planning process that must allow for ample lead-time so that environmental factors can be thoroughly studied and reviewed in timely fashion with public agencies and responsible citizen conservation groups. Such review processes usually create long delays upon which the utility receives no

return on nonproductive committed capital. Also, interest is not capitalized on land or land sites.

Considering the extensive delays in obtaining approval for power plant sites, this Commission is of the opinion that a restrictive policy toward Plant Held for Future Use would be detrimental to both the consumers and utilities involved. From data presented before this Commission in this case and others, there is an indication that extensive delays are being encountered before generation stations can be put in service. Therefore, this Commission will determine, on a case by case basis, the propriety of a utility's claim for Plant Held for Future Use. We allow $4,318,726 for Plant Held for Future Use.

PENNSYLVANIA PUBLIC UTILITY COMMISSION

R. I. D. 64

PENNSYLVANIA PUBLIC UTILITY COMMISSION

V.

METROPOLITAN EDISON COMPANY

CONCURRING OPINION BY CHAIRMAN BLOOM:

With utmost reluctance, I cast my vote for the order in this case which the Commission is issuing today. Without that vote, no order could issue, and the already-long delayed rate relief desperately needed by the utility would be further delayed into the indefinite future.

Some years ago at the insistence of this Commission, Metropolitan Edison Company embarked upon a program to enlarge its facilities so as to meet the public's need for power.

Some measure of the extent of that program appears in Met Ed Exhibit 6-G, which shows that at the end of 1972 the utility's net book value of plant in service--that is, in actual use--was $439 million, whereas the construction work in progress--money spent on plant then being built--was $256 million. About 37% of its net plant was producing no revenue.

A report for 1973, similar to Exhibit 6-G but as of one year later, shows net plant in service of $459 million and construction work in progress of $333 million. Therefore, 42% of the utility's net plant at December 31, 1973 was producing no revenue.

On the other hand, the construction work must be paid for as it progresses, and it can be paid for only if the utility has the funds with which to do so.

Metropolitan Edison has had very serious difficulty in raising those funds, and in large part the cause of that difficulty has been the refusal of this Commission to allow earnings in sufficient amount to permit the issuance of bonds under the company's indenture. That indenture provides that when earnings before taxes become less than twice the annual interest requirements on the outstanding bonds, no more bonds can be issued.

In the utility's rate case at C. 18859, the test year ended June 30, 1969, and the revenue increase sought was $18.9 million. Four hundred forty-two (442) days later, by our order of September 14, 1970, we allowed $16.8 million.

In its rate case at C. 19312, the test year ended December 31, 1970, and the revenue increase asked for was $22.6 million. Five hundred eighty-five (585) days later, by our order of August 8, 1972, we allowed $17.2 million.

During the long delays between test year end and our rate decisions, the company was experiencing the same inflation of costs as those with which everyone is familiar, and it does little good, for example, to permit the utility to begin collecting in late 1972 a rate premised on 1970 year-end costs.

The result of the delays, and of the reluctance to grant adequate relief, has resulted in frequent inability of the utility to meet the two-times-earned requirement of its indenture and raise construction money through the sale of bonds.

We are about to repeat our earlier errors. The test year of the present case ended August 31, 1972, and the rate increase asked for is $34.8 million. Now, five hundred seventy-one (571) days later, our order grants an increase of $18.4 million.

The company's earnings before taxes for the year 1973 were 2.09 times interest requirements on its bonds already outstanding, even though a part of the present rate increase has been collected since September 1, 1973. It is obvious that the company is unable to issue additional bonds, even though it will require $117 million of outside funds for its 1974 construction program. Further, in 1974 some $24.5 million of its old bonds, bearing a 2-7/8% interest rate, will come due (Met Ed Exhibit 1-I). Almost certainly, the bonds used to refund the maturing ones will bear interest in the 8-to-9% area, thus further reducing the times-interest-earned figure.

I shall mention only in passing the order's refusal of (1) an allowance for a $983,400-per-year wage increase which became effective May 1, 1973, eight months after the test year. We did allow a wage increase ten months after the test year at C. 18859 (Met Ed). This is illogical and wrong; (2) its postponement of the recovery of $1 million spent for production maintenance in the test year and; (3) its rejection of a $600,000 cost for tree-trimming on the basis of a past record which in no way supports the disallowance.

The end result of the order is to increase the financing difficulties which the company has experienced over the last five years, and even to threaten discontinuance of the construction program undertaken by the company at our urging. If the company's consumers are without adequate electricity a few years hence, the cause will be our unwillingness to grant proper rate relief.

I concur in the order, but only for the reason stated in the first paragraph of this opinion.

GEORGE I. BLOOM
Chairman

March 25, 1974

Excerpts from 88 PUR 3rd 331-2 re PN
Order of 3/29/71 at C.18944

Plant Held for Future Use

Respondent's Exhibit 3R reflects a total of $499,796 for plant held for future use at December 31, 1969. Of this amount, $347,115 is claimed as a measure of value, reflecting a total reduction of $131,600 in the original and adjusted claims shown in respondent's Exhibits 1 and 3A.

The Mansfield 115-kv line, scheduled to be in service in 1972, is included at the depreciated cost of $9,290. For 12 land sites, including 2 generating station sites, 9 transmission facility sites, and a service center site, amounting to $106,260, the estimated in service dates range from 1972–1980. The estimated in service date of the Lake City steam station land site amounting to $141,138 is beyond 1980. Rights of way for 5 transmission lines, amounting to $90,427, are estimated to be in service 1970–1976.

[4] This commission and other commissions have recognized in the past that the acquisition of future production, transmission, and distribution sites is generally a prudent and responsible action on the part of electric utilities. We are also aware of the several years' lag experienced in the actual construction of electric plant, and the need for planning and acquisition of associated land and land rights.

We have stated in prior orders that the record must contain sufficient evidence for us to allow claims for possible future use, and that we must limit respondent's claim to those items which are being held for imminent use or for which definite plans or projections have been made.

The Federal Power Commission's (FPC's) Order No. 420 issued January 7, 1971, states: ". . . in recent years utilities have experienced numerous problems in acquiring adequate plant sites and related facilities due in a large degree to scarcity of land available for utility needs. The commission recognizes that scarcity of land for such utility functions is due in part to such factors as the increase in population, the growing use of water front property for recreational, residential, and industrial use, and the growing objections raised to proposed location of utility facilities on the basis of conservation, safety, aesthetics, and other grounds." ". . . it is the commission's opinion that Proposal A will best accomplish the desired objectives." Proposal A states that land is to be allowed in rate base and that gains or losses would pass to ratepayers upon final disposition.

In consideration of the foregoing, we allow respondent's claim of $347,115 for electric plant held for future use.

Excerpts from pp. 13 et seq. and Concurring
Opinion of PN Rate Order of 8/17/73 at R.I.D. 16

Following the blackout in the northeast sector of the nation in November, 1965, this Commission began a comprehensive review of the existing and future electric power supply in Pennsylvania. In the interim years and to date, we have held extended meetings with all Pennsylvania electric utilities, representatives of several power pools, the Federal Power Commission and various State Commissions. After a review of actual and forecasted annual peak load growth and related system capacity reserves, we have concluded and urged that at least a 20 percent reserve capacity margin is necessary to cover peak loads, scheduled maintenance and forced outages in order to avoid blackouts, load curtailments, and voltage reductions. The attainment and maintenance of at least a 20 percent reserve capacity margin, which this Commission is advocating, and other factors, such as growth rate in annual peak load, will require the acquisition of future generating sites and related transmission and distribution rights-of-way well in advance of actual use.

The Federal Power Commission (FPC) issued Order No. 420 at Docket No. R-379 on January 7, 1971, which states ". . . in recent years utilities have experienced numerous problems in acquiring adequate plant sites and related facilities due in large degree to scarcity of land available for utility needs. This Commission recognizes that scarcity of land for such utility functions is due in part to such

factors as the increase in population, the growing use of water front property for recreational, residential and industrial use, and the growing objections raised to proposed location of utility facilities, on the basis of conservation, safety, aesthetics and other grounds." On February 23, 1971, the FPC issued Order No. 420A which states that land held for future use is to be allowed in rate base, and that gains or losses in selling or disposing of such land would pass to ratepayers.

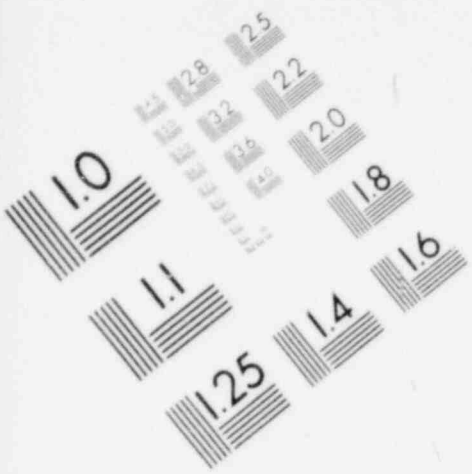
In addition to the Federal Power Commission's and this Commission's allowances for land held for future use in other proceedings, a number of other State Commissions have concluded that it is prudent and responsible action on the part of electric utilities to invest in land that will be needed for future expansion.

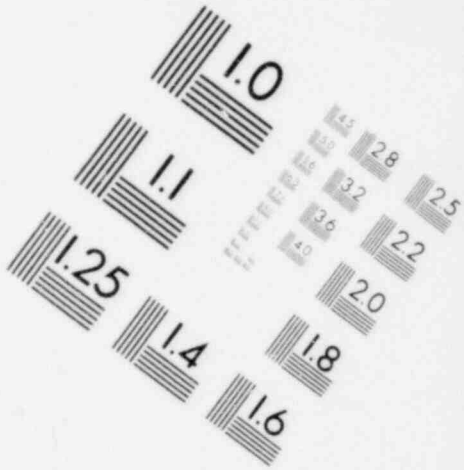
We are aware of the several years lag being experienced in the actual construction of electric plant. The need for planning and acquisition of associated land and land rights is imperative if we are to have dependable, adequate and reliable supplies of electric energy where and when it is needed. We are also aware of the utility planning process that must allow for ample lead-time so that environmental factors can be thoroughly studied and reviewed in timely fashion with public agencies and responsible citizen conservation groups. Such review processes usually create long delays upon which the utility receives no return on non-productive committed capital. Also, interest is not capitalized on land or land sites.

Individual complainants, while recognizing that

investment in future generating plant and distribution line land sites may be desirable, contend that there should be a reasonable cut-off date and that the plant sites with expected dates of use beyond 1980 should be excluded from the measures of value.

Considering the extensive delays in obtaining approval for power plant sites, this Commission is of the opinion that a restrictive policy toward Plant Held for Future Use would be detrimental to both the consumers and utilities involved. From data presented before this Commission in this case and others, there is an indication that extensive delays are being encountered before generation stations can be put in service. Therefore, this Commission will determine, on a case by case basis, the propriety of a utility's claim for Plant Held for Future Use. However, it is our opinion that items not directly related to generation, transmission or distribution system facilities should not be considered in determining proper levels of Plant Held for Future Use. In view of the foregoing, we will allow $84€,415 for Plant Held for Future Use.





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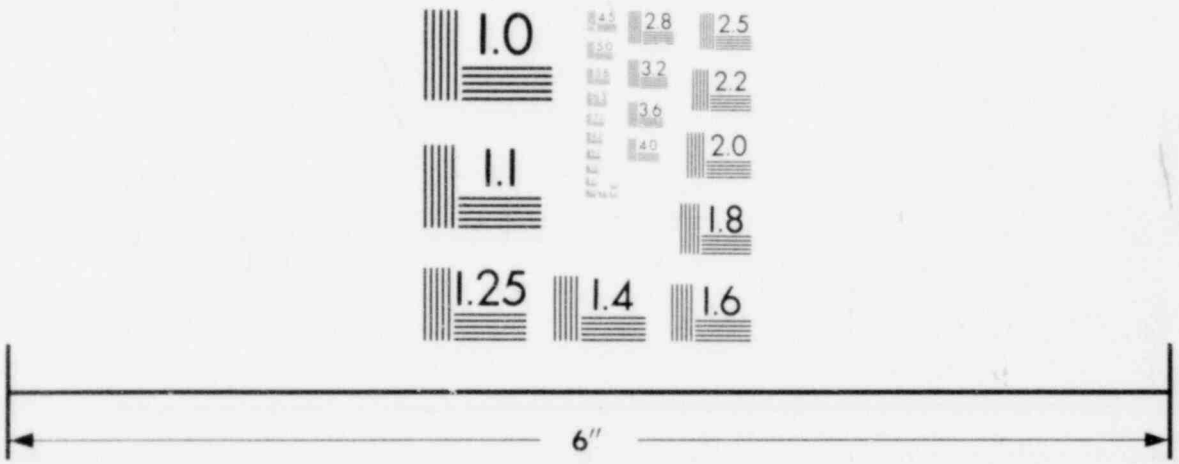

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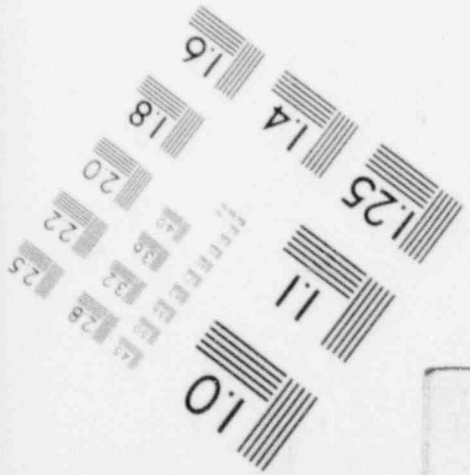

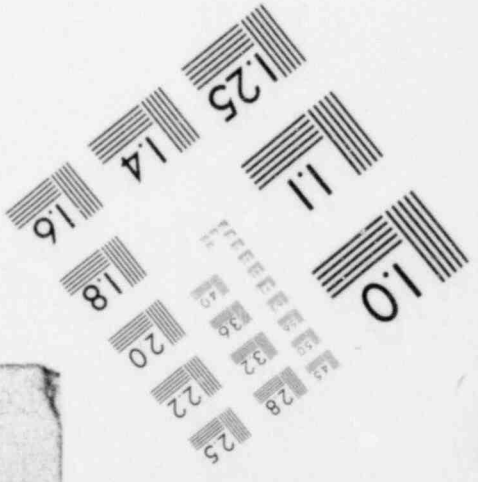

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Rate Investigation Docket No. 16

PENNSYLVANIA PUBLIC UTILITY COMMISSION
v.
PENNSYLVANIA ELECTRIC COMPANY

CONCURRING OPINION BY CHAIRMAN BLOOM:

In my dissenting opinion of January 26, 1973 in Pa. P.U.C. v. Duquesne Light Company at C. 19276, I set forth my objections to the manner of computing the cash working capital allowance, and the illegal treatment of net salvage, as set forth in the majority order.

In the majority's order in the Pennsylvania Electric Company case, it continues to apply the same errors on these two points.

In addition, Pennsylvania Electric Company has claimed rate case expense amortization over a two-year period, but the majority order lengthens the amortization period to five years.

The five-year period was established as a policy by this Commission long ago, when the time elapsing between any two rate cases of a utility was at least five years; and the intent was that the expenses of one rate case would have been completely amortized before another case began.

In the present era of inflation and heavy construction, the time lapse between rate cases is just about two years, and the five-year period has no relationship to reality.

I am of the opinion that the majority order is wrong on these three points. However, this rate increase was filed with us about sixteen months ago, and the test year on which the request for rate relief is based ended almost twenty months ago.

The utility is desperately in need of earnings to finance the construction program we have demanded that it undertake, and each day's delay in disposing of this rate case renders that financing more difficult.

If I do not concur in disposing of the case, the effect will be to further prolong the already prolonged delay in the rate relief needed by the utility.

Therefore, opposed as I am to the three points described earlier, I am casting my vote with the majority.

(signed) GEORGE I. BLOOM

Chairman

August 17, 1973

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Public Meeting held April 20, 1978
Harrisburg, PA 17120

Commissioners Present:

Louis J. Carter, Chairman
Robert K. Bloom
Helen B. O'Bannon
Michael Johnson
W. Wilson Goode

A. 100548 - Application of Metropolitan Edison Company, Pennsylvania Electric Company, and Jersey Central Power and Light Company for approval, pursuant to Sections 202(e) and 701.1 of the Public Utility Law, of an agreement providing for transfer and acquisition of undivided interests in nuclear generating units under construction known as Three Mile Island Station Unit No. 2 and Forked River Station.

O R D E R

BY THE COMMISSION:

On August 3, 1977, Metropolitan Edison Company (MetEd), Reading; Pennsylvania Electric Company (Penelec), Johnstown; and Jersey Central Power and Light Company (Jersey), Morristown, New Jersey; filed with this Commission, pursuant to Section 701.1 of the Public Utility Law, 66 P.S. §1271.1, a revised agreement dated July 27, 1977, providing for (a) the transfer by MetEd and Penelec and the acquisition by Jersey of undivided interests aggregating 40% in the Three Mile Island Station Unit No. 2 (TMI-2) which is essentially completed and scheduled to go into service in June 1978, and (b) the transfer by Jersey and the acquisition by MetEd and Penelec of undivided interests aggregating 50% in the Forked River Station (FR) which is under construction and scheduled to go into service in 1983 or later.

Pursuant to our staff's requests for further information, the applicants furnished ninety-five (95) exhibits which we deem supplemental to, and a part of, the application.

Our evaluation of the instant application is concerned with its affects on the ability of MetEd and Penelec to provide adequate, economic, and reliable service to the consumers of the Commonwealth. We are of the opinion that the impact of the agreement would be adverse to the public interest.

Adequate Service

The application establishes that MetEd and Penelec are winter-peaking companies, and that the General Public Utilities (GPU) system is forecast to be winter-peaking starting in the winter of 1979-80. Applicants' Exhibit No. 4 indicates that under the proposed transfer of interests in TMI-2 and FR, the estimated reserve capacity margin of MetEd would fall to nine percent, and Penelec to zero percent, in the winter of 1982-83. Should completion of Forked River Station be delayed, it is probable that the companies would be faced with the problems attendant with negative reserve capacity margins in the ensuing winters until such time as the station should come into commercial service.

Economic Service

We are convinced that approval of the instant application would lead to higher costs for MetEd and Penelec, and higher rates for their customers, particularly in the long run. Our conviction is based, in part, on the following considerations:

1. Applicants' exhibits indicate that the levelized annual cost of supplying company generation requirements over the lifetime of TMI-2 would be greater for both MetEd and Penelec should this application be approved (Applicants' Exhibit No. 1, Section D, exhibits D-7 and D-8). Such higher costs would ordinarily increase the revenue requirements of MetEd and Penelec beyond what otherwise might be expected.

2. In previous rate filings (MetEd at C. 19312, R.I.D. 64, and R.I.D. 170; Penelec at C. 18944, R.I.D. 16, and R.I.D. 172) MetEd and Penelec stated their need for higher revenues in order to offer a return sufficient to attract the financial capital necessary to finance construction of TMI-2. This building program is now virtually completed. Approval of the instant application would shift the burden of financing one-half of Forked River Station onto MetEd and Penelec and, if TMI-2 is an indicator, exert additional upward pressure on the companies' rates.

3. The latest information before us estimates the completion cost of TMI-2 at $679 million, and that of FR at $1,156 million. Under the terms of the proposed agreement, the sale price for each facility shall be equal to its book costs (p. 2, par. 1.03; and p. 6, par. 2.02). Even assuming no further escalation of costs for FR, approval of this application would require MetEd and Penelec to sell 352Mw of TMI-2 capacity to Jersey at $772/KW and purchase 560Mw of FR capacity from Jersey at $1,032/KW.

4. The Forked River Station is being constructed on the coast of the State of New Jersey, removed from the MetEd and Penelec service areas. Approval of the application would necessitate MetEd and Penelec's assumption of approximately twenty million dollars in costs for transmission lines to make FR energy available to them (Applicants' Exhibit 84).

5. Accrued allowances for funds used during construction of these facilities would be included in their selling prices under the agreement. The contemplated treatment of AFC is detrimental to MetEd and Penelec in several ways.

   a. Most of the AFC for TMI-2 was accrued at rates less than 9%, while AFC for Forked River will be accruing at rates greater than 9%, applied to a larger base (Applicants' Exhibit No. 27).

   b. The Board of Public Utility Commissioners of the State of New Jersey has allowed varying proportions of Jersey's investment in FR to be in rate base. Nevertheless, the agreement which is the subject of this application states that the price to be paid for FR by MetEd and Penelec would be increased by an amount equal to the AFC which would have accrued had those portions not been included in rate base (p. 7, par. 2.03). This provision would give Jersey a double return on the relevant investment.

   c. Jersey has experienced difficulty in financing Forked River, and this has resulted in a slowing down of its construction by at least four years, during which AFC has been accruing (Applicants' Exhibit Nos. 27 and 48). The accrual of AFC over this period has increased the cost of Forked River, and is questionable under the circumstances.

Reliable Service

The GPU Corporation's 1976 annual report to stockholders states that MetEd is 67% coal-fired, and Penelec is 88% coal-fired (p. 17). Approval of the subject application would substantially maintain MetEd's and Penelec's dependence on coal until such time as Forked River Station comes into commercial service.

Upon full consideration of the application, the Commission is of the opinion that the transfer of ownership interests sought in the application of Metropolitan Edison Company, Pennsylvania Electric Company, and Jersey Central Power and Light Company would not be in the best interest of the public of this Commonwealth in that it would adversely affect the ability of the Pennsylvania companies to furnish adequate, economic, and reliable electric power; THEREFORE,

IT IS ORDERED: That the application by Metropolitan Edison Company, Pennsylvania Electric Company, and Jersey Central Power and Light Company be and is hereby denied.

BY THE COMMISSION,

C. J. McElwee

C. J. McElwee
Secretary

(SEAL)

ORDER ADOPTED: April 20, 1978

ORDER ENTERED:

MAY 4 1978

Met-Ed/Penelec Exhibit A-93
Witnesses: J. G. Graham
F. D. Hafer

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

General Public Utilities Corporation) Docket No. EL80-22

COMPLAINT AND REQUEST FOR INVESTIGATION

I. Introduction

In accordance with the provisions of Section 206(a) of the Federal Power Act, General Public Utilities Corporation (GPU) on behalf of itself and its subsidiaries Jersey Central Power & Light Company (Jersey Central), Metropolitan Edison Company (Met-Ed) and Pennsylvania Electric Company (Penelec) hereby complains to the Commission that, under present conditions, the pricing arrangement contained in the Pennsylvania-Jersey-Maryland power pooling agreement (PJM agreement) is unjust and unreasonable insofar as it applies the so-called "split savings" concept to those additional energy purchases made by GPU and its subsidiaries as a result of the accident at Three Mile Island No. 2 generating unit (TMI-2). The split-savings concept is unjust and unreasonable as applied to GPU's current situation in that it produces revenue substantially in excess of the seller's cost. Indeed the net effect has been that extraordiniary costs to the GPU companies and their customers resulting from the accident has resulted in a reduction in the charges to their customers by the selling PJM companies. GPU requests 1) an investigation of same, and 2) that the Commission order that such additional sales be made at a price equal to the seller's cost of supplying such service namely the incremental production cost plus any other costs reasonably allocable to supplying such service.

GPU recognizes that the Commission, in setting this matter for investigation, may wish to consider the broader question of the appropriateness of the split-savings concept in general or as it applies under the PJM agreement. While GPU welcomes any such broad investigation, GPU is deeply concerned that the delay inherent in any broad investigation of this subject matter will render moot any practical relief to GPU. For this reason GPU is filing contemporaneously with this request for investigation, a motion for the issuance of an interim order to apply with respect solely to the question of the appropriate pricing scheme to be applied to that portion of additional purchases from the PJM pool which GPU estimates to result from the accident at TMI-2.

II. Background Statement

The PJM agreement has been in existence for a number of years. Like most power pooling agreements it had its genesis in a desire to enhance reliability through the interconnection of major utility systems in order to enhance the sharing of reserves and to aid the member systems in times of emergency. With this end in mind, the rules of the PJM agreement (which are well known to this Commission) are structured in a fashion which encourage each member to provide capacity sufficient to meet its own needs and in a mix which will meet its individual needs in the most economic fashion.

It has long been recognized that a corollary benefit of interconnected operation is the economy achievable through sale of capacity and energy--in particular, as pertinent here, the savings achievable by economic dispatch of all the generating units in the pool. Consequently energy is bought and sold today among the PJM pool members on an hour-by-hour basis with transactions accounted for after the fact at a price half way between the decremental or avoided cost of the purchasing utility and the incremental cost of the selling utility.

This so-called "split savings" concept arose long ago at a time when there existed no wide disparity between the fuel costs of operating generating units of different types and between the fuel costs of the various member systems. 1/ In addition, since the primary purpose of the pool was the enhancement of reliability, the provision of a market for economy energy was a secondary purpose. It was contemplated that, in the long run, the member utility systems would not "lean" on the pool for either their capacity or their energy needs. In other words, the rules were structured to encourage members to be buyers as often as sellers.

1/ These disparities exist today for reasons which are largely external to the normal planning decisions of utility managers. Among the factors causing today's disparities are 1) air pollution requirements which, in the early 1970's, mandated a switch from coal to oil for generating units; 2) PUC decisions requiring investment in combustion turbines; and 3) continuing escalation in oil prices.

It was, of course, recognized that, since it was most economic to install generating units in large increments, there would be times when some members would have an excess of capacity while other members might be deficient and that there would also be times when, over an intermediate period, some members would be net purchasers of energy from the pool while others would be net sellers. 1/

The situation envisaged as "normal" disappeared on March 28, 1979. As a result of the events of that date, GPU lost the availability of approximately 1700 megawatts of capacity from its TMI-1 and TMI-2 nuclear generating units. The energy from these units was among the cheapest on the entire GPU system. 2/ GPU responded to this situation by seeking every possible economic alternative source of power to replace the lost capacity and energy from TMI-1 and TMI-2. As the Commission is aware by reason of filings made by GPU and other entities, GPU has been able to arrange a series of purchases in addition to purchases from the PJM pool as follows:

1. 200 mw capacity and energy from Ontario Hydro;

2. 40 mw capacity and energy from Jamestown, New York;

3. purchases of capacity and energy in varying amounts (depending upon the availability of the supplier's resources) directly from Allegheny Power System, Inc. ("APS") and other purchases made by APS for GPU's benefit from systems further west;

4. energy purchases of up to 200 mw from Pennsylvania Power & Light Company's (PL) Martins Creek Units Nos. 3 & 4.

A brief review of GPU's pool and non-pool replacement power purchases in the months following the TMI-2 accident is instructive. In April 1979, the GPU companies did not have any source of replacement power from other utilities except the purchase of PJM interchange and the GPU companies purchased

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1/ It should be noted that with the addition of TMI-2 to GPU's resources in late 1978 GPU would, but for the accident, have been a net seller to the Pool for the next several years.

2/ Prior to the accident TMI-1 had been generating energy at a fuel cost of approximately 2.5 mills per kWh and TMI-2 had been generating energy at a fuel cost of approximately 3.5 mills per kWh.

674,738 mWh of interchange from PJM at an average billing rate of 46.2 mills/kWh including an average adder by the selling PJM companies of 9.5 mills/kWh or 25.9% over the sellers' incremental production cost. In May, the GPU companies had in place a bulk purchase arrangement with APS and purchased 102,294 mWh from APS; by virtue of such purchases, the GPU companies reduced their purchases of interchange from PJM to 595,981 mWh at an average billing rate of 50.4 mills/kWh including an average adder by the selling PJM companies of 10.8 mills/kWh or 27.3% over the sellers' incremental production cost. (Sales of interchange by the GPU companies to PJM were nominal in April and May 1979).

By June 1979, the GPU companies had additional bulk power supply arrangements in effect, and they purchased 229,853 mWh from sources other than PJM interchange. In the light of such other purchases, the GPU companies reduced their purchases of PJM interchange to 292,661 mWh at an average billing rate of 45.3 mills/kWh including an average adder by the selling PJM companies of 11.0 mills/kWh or 32.0% over the sellers' incremental production cost. In addition, the GPU companies sold 33,256 mWh of interchange to PJM in June.

For the remaining months of 1979 and the first two months of 1980 the actual results were as follows:

1979/80	PJM Production Cost Mills/kWh	Split Savings Adder Mills/kWh	Markup on Cost %
July	25.9	11.2	43
August	31.0	11.0	35
Sept.	33.5	10.7	32
Oct.	38.1	11.3	30
Nov.	35.8	13.9	39
Dec.	35.5	14.6	41
Jan.	41.4	15.5	37
Feb.	44.6	14.4	32

The amount of the "adder" is, of course, anticipated to rise during 1980 as a result of continuing increases in oil prices.

The bulk power purchase arrangements which the GPU companies have been successful in negotiating thus far are non-firm--i.e., are subject to the availability of the supplier's equipment and may be interrupted by it at any time and for any period. (For example, the lowest cost source of supply to the GPU companies has been APS generation; that supply was interrupted on July 5, 1979 and has not yet resumed.) The volume and the pricing of interchange purchases by the GPU companies from PJM will depend upon hour-by-hour

changes in (a) load levels both within GPU and outside GPU, (b) the availability of GPU's generating facilities and energy provided therefrom on economic dispatch, (c) the energy provided on economic dispatch by the other PJM companies, and (d) the availability and purchase prices of energy from suppliers outside PJM.

GPU was actually a net-seller to the pool during July and August 1979 because of the nature of some of the outside purchases which GPU was making. From APS, and through APS from systems even farther west (under the agreement with APS), GPU purchased coal-fired capacity and associated energy on a weekly basis--the commitment being made in advance. Once the purchase was made, GPU had this relatively low cost coal-fired energy available on a 24-hour basis. When GPU's loads were down during nighttime off-peak hours it then had available a certain amount of excess energy which it sold to other PJM companies at a lower cost than any PJM company could then produce. The arrangement was economic to GPU because it could avoid much of the higher cost daytime energy it would otherwise have to purchase from other PJM companies on a split-savings rate.

Quite naturally the availability and prices of the replacement power purchases were and are a major concern to the state regulatory commissions in Pennsylvania and New Jersey. In its Order adopted June 15, 1979 and entered June 19, 1979 at I-79040308, the Pennsylvania Public Utility Commission ("PaPUC") made the following findings (at p. 16):

> "Pricing of Wholesale Purchases of Power
>
> In accordance with typical agreements between interconnected electric utilities, economy dispatched energy is sold at a price midway between the cost of generation of the selling utility and the alternative generation cost to the buying utility - thereby "splitting" the savings between the buyer and the seller. Although the price at which electricity is sold at wholesale is subject to the jurisdiction of the Federal Energy Regulatory Commission ("FERC"), the cost of purchased power impacts directly on retail rates and therefore is of concern to this Commission.

"Under conditions approaching an equilibrium where electric utilities each buy and sell roughly equivalent amounts of energy annually, the split-savings method of pricing economy sales seems to result in an equitable distribution of the benefits of shared generation. One utility is not significantly better or worse off than another. However, when one or two utilities are forced to buy massive amounts of power from other utilities with large amounts of available generation, such as during the coal strike of 1977-78, an equitable imbalance occurs. The cost of purchases of power during that emergency by utilities in Western Pennsylvania imposed a considerable burden on those utilities, while the utilities in Eastern Pennsylvania received unexpected revenues.

"The loss of generation at Three Mile Island has created a similar imbalance. Metropolitan Edison Company and Pennsylvania Electric Company will incur higher purchased power costs, while the selling companies will generate unexpected revenues.

"The Commission is of the opinion that the split savings pricing of interchange sales during emergency conditions is not in the public interest. We will direct Met Ed and Penelec to petition FERC and to negotiate with the other members of the PJM power pool to eliminate split savings during emergency conditions and to price such power at cost. Cf., Order adopted June 7, 1979 at Docket No. P-79060181 (Petition of Pennsylvania Power & Light Company for Declaratory Order).

"As an incentive to pursue this elimination of split savings during emergencies, the Commission will consider the efforts of Respondents in this respect in determining whether to allow the amortization of such energy costs deferred during the 18 month period in which their energy clauses are levelized."

Similar views were expressed by members of the Board of Public Utilities of the State of New Jersey ("NJBPU") on June 18, 1979 at the public meeting of the NJBPU held in connection with the adoption of a rate order entered that date by the NJBPU relating to Jersey Central.

Promptly following the entry of the PaPUC Orders and NJBPU Orders, the GPU Companies advised the other members of PJM of such directives, requested that such members enter into negotiations to accomplish the objectives of these

provisions of such Orders and informed such members of the intention of the GPU Companies promptly to file a petition with the Federal Energy Regulatory Commission ("FERC") in accordance with such directives if such negotiations were not successful.

Since that time, the GPU Companies have been involved in extensive negotiations with the other members of PJM. However, it has not been feasible to obtain an agreement with the other PJM Companies which could be implemented in a timely fashion. It is under these circumstances that this complaint and request for investigation is being filed.

III. Conclusion

The matters stated herein raise serious questions about the justness and reasonableness of the application of the split-savings concept within PJM, at least as applied to GPU's present situation. In GPU's view, the results for 1979 and the first two months of 1980 compel the conclusion that, as applied to that situation, the present rates are not just and reasonable.

GPU respectfully requests prompt Commission attention to its complaint and its request for a change in the split-savings pricing scheme to reflect a sale at the sellers' cost. In order to afford at least some relief from the present arrangement within a meaningful time frame, GPU also requests prompt Commission action on the accompanying motion for interim relief.

Respectfully submitted,

DEBEVOISE & LIBERMAN
1200 17th Street, N.W.
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By_____
Leonard W. Belter
James B. Liberman
Attorneys for
General Public Utilities
Corporation

March 21, 1980

Met-Ed/Penelec Exhibit A-94
Witnesses: J. G. Graham
F. D. Hafer

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

General Public Utilities Corporation) Docket No. EL80-22

MOTION FOR ISSUANCE OF INTERIM ORDER

I. Introduction

General Public Utilities Corporation (GPU) has this date filed a complaint and request for investigation of the application of the split-savings rate to the additional energy purchases which it would make from the PJM power pool as a result of the accident at Three Mile Island No. 2 nuclear generating unit. GPU has requested an order that such additional purchases by GPU be priced at the sellers' cost.

GPU recognizes that the Commission and/or potential intervenors may desire to investigate the split-savings concept in the PJM power pool in a broad context. While GPU would welcome a broad-based investigation, GPU is deeply concerned that any such investigation may significantly delay appropriate relief to GPU. Therefore GPU herewith 1) requests an interim order of the Commission which would direct that, until a final order is issued or the TMI-1 generating unit resumes the generation of electric energy on a continuing basis, energy associated with up to 1100 mW and totaling no more than 7,000,000 mWh (said numbers representing the anticipated output of TMI-1 and TMI-2 nuclear generating units) be sold by the PJM companies to GPU at a price consisting of the seller's incremental production cost plus any other costs reasonably associated with supplying such

service 1/; 2) asks that the Commission grant this interim relief in its order initiating this proceeding; or 3) in the event that the Commission feels that some investigation is required prior to adoption of an interim order, that the Commission phase this proceeding in order that immediate attention be focused on the need for and scope of an interim order and that any other items the Commission chooses to investigate be set for evidentiary presentations, cross-examination, and briefing after the Commission has issued an interim order which rectifies, to the extent possible, the present inequitable arrangement. 2/

II. Argument

A. The Commission's Authority and Responsibility to Issue Interim Orders:

In the usual rate investigation, the Commission protects consumers against unjustified charges by exercising its suspension and refund powers. In lengthy proceedings the Commission has recognized that even the provision for refunds does not fully protect the interest of ratepayers and it has adopted the practice of issuing interim rate orders. FPC v. Tennessee Gas Transmission Company, 371 U.S. 145 (1962); Georgia Power Company v. FPC, 373 F.2d 485 (5th Cir. 1967).

1/ GPU believes that there are other costs reasonably associated with each service. In Docket Nos. 79-28 and 79-29, the Commission is considering issues relating to the appropriate magnitude of "adders" to incremental production costs for conservation energy. It may be that those proceedings establish the appropriate size of "adders" in response to this motion. If not, GPU would be willing to consider any other "adders" that can be cost-justified. GPU is convinced, however, that the "adders" to incremental production cost currently being paid by it under split-savings-namely 14 mills per kWh and above - are unjust and unreasonable and are not cost-justified.

2/ This interim relief cannot consist of a price which is subject to refund. Were that the case, GPU would have no basis on which to decide each week whether to purchase from the pool or from other sources.

Since the instant investigation takes place under Section 206 of the Federal Power Act, any unfairness in the present rate can be remedied only prospectively from the date of a Commission order. Hence, the usual considerations which favor issuing of interim orders as soon as possible, where some form of relief can be granted in advance of a final order, is even more appropriate. As we shall point out herein, there is ample justification on the basis of the present verified pleading and, we anticipate, on the basis of the factual elements which are not in dispute here, for the Commission to issue the interim order requested by GPU.

B. The Unfairness of the Present Pricing Arrangement:

The facts with respect to actual interchange purchases by GPU from PJM during 1979 establish that the selling companies received their incremental cost of production of the energy sold to GPU plus a sum which represented approximately 25-40% of that total incremental cost. 1/ Whatever economic arguments can be made for the appropriateness of such recovery over cost in normal circumstances, 2/ there can be no justification for recovery of such levels for the unanticipated purchases GPU is compelled to make as a result of the loss of generation at TMI. That loss is unprecedented both in magnitude and duration. TMI generation (approximately 1700 mW) has now been lost for almost one year. It cannot be fairly argued that the PJM agreement contemplated an outage of this magnitude for a duration in excess of one year when the split-savings concept was adopted.

In short, the present arrangement is inequitable as it is now applied to the TMI loss situation and that inequity must be rectified.

1/ See GPU's Complaint and Request for Investigation p. 4. From July 1979 through February 1980 the average split-savings "adder" was 14.7 mills/kWh. This "adder" is increasing as a result of the increase in oil prices resulting from OPEC actions.

2/ The recent dramatic rise in oil prices plays a major role in elevating the adder. One pundit has accurately quipped that every time the price of oil is raised by $1.00, coal-burning utilities get 50 cents of that rise in the form of split-savings adder, even though no oil is used.

C. Facts Which Are Not in Dispute:

In the course of their examination of the impact of the loss of TMI generation the PJM companies conducted studies designed to show the impact on the members of the loss of TMI generation. Since the studies were conducted on a joint basis, GPU believes that there is no dispute of fact over what those studies show.

The loss of TMI energy resulted in a change in the energy production cost of all PJM members since, throughout the system on an economic dispatch basis, the energy needs of all members would be met on a different basis than they would be met if TMI-1 and TMI-2 were available. The PJM studies indicate that the loss of TMI energy resulted in total annualized 1979 energy cost increases of $12 million, $19 million, and $345 million for Public Service Electric and Gas Company (PS), Philadelphia Electric (PE), and GPU respectively during 1979. At the same time the total energy cost of Pennsylvania Power & Light (PL), Baltimore Gas & Electric (BC), and Potomac Electric Power Company (PEP) would decrease by $15 million, $8 million, and $11 million respectively. The reduction was due to split-savings revenues on additional sales by PL, BC, and PEP.

D. The Proposed Interim Order Is Clearly Fair and in the Public Interest:

Under the proposed interim order the predominant sellers within the PJM power pool (PL, BC, and PEP) would continue to receive their incremental energy production cost plus some additional amount with respect to the unanticipated sales to be made to GPU as a result of the loss of TMI generation. Although GPU is not taking a position at the outset with respect to the fairness of the split-savings concept in all situations, we recognize that there are those who would argue that the split-savings concept is appropriate in a power pool agreement such as PJM in that it creates an economic incentive to the participants to fairly structure their generating mix in the fashion which best meets their own needs. In other words, some will argue, in defense of the split-savings concept, that it provides a pricing signal which creates a disincentive for a company to install relatively low capacity cost high operating cost generating units (such as combustion turbines) in the expectation of relying heavily upon the availability of interchange power

within the pool. 1/

Whatever may be the merits of such economic arguments under normal circumstances, it is clear that such economic incentive justification is irrelevant with respect to the interim relief GPU is now requesting. The situation presented here is unique. Seventeen hundred megawatts of capacity have been lost to GPU now for at least a year. When that capacity is restored in part, such fact might constitute an appropriate reason for a reexamination of the interim order. Alternatively, the interim order could be phrased in such fashion that it apply until the TMI-1 generating unit resumes the generation of electric energy on a continuing basis or until a final order is issued.

In short, the limited interim order we propose cannot conceivably be unfair in any respect.

In view of 1) the unfairness of the present arrangement as it applies to the incremental sales occasioned by the loss of TMI generation; 2) the profit levels being obtained on those sales as evidenced by 1979 results; 3) the result of the PJM studies indicating the effect of the loss of TMI generation; and 4) the fairness of the limited interim order we propose here, GPU submits that a proper exercise of the Commission's authority under Section 206 of the Federal Power Act requires the adoption of the interim order we propose here at the earliest practical moment.

III. Suggested Procedures

GPU cannot anticipate the precise nature of the responses which its complaint and the instant motion will generate. Should any interested party desire an investigation of the broader subject matter of split savings in general, the Commission could accommodate such desires by means of an investigation conducted in the normal fashion. In the unlikely event that responses to this pleading indicate that there are matters which require an evidentiary hearing prior

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1/ GPU would dispute that the split-savings concept had any impact on its capacity planning. In any event, whether or not this is so is irrelevant with respect to the requested interim relief.

to the adoption of an interim order, 1/ GPU requests that, in that event, the Commission phase this proceeding and order expedited consideration of GPU's proposed interim order. The first step in any such expedited proceeding should consist of a conference of all parties to be held within 10 days of the Commission's initial response in this proceeding. 2/ Depending on the nature of responses, GPU may suggest other procedural steps to the Commission.

1/ Although we cannot conceive of circumstances which would require an evidentiary hearing replete with cross-examination, we would note that under Section 206 of the Federal Power Act the Commission is not required to conduct a hearing of this type:

> "There is nothing in Section 206(a) which prohibits the Commission from eliminating an unlawful practice without simultaneously holding a full-rate hearing to provide a proper rate." (Georgia Power Company v. FPC, 373 F.2d 485, 487 (5th Cir. 1967).

2/ Copies of GPU's Complaint and this Motion are being served on representatives of all PJM companies and on representatives of the regulatory commissions in Pennsylvania, New Jersey, Maryland, Virginia and the District of Columbia. Under the Commission's rules, responses to motions are due within fifteen days.

IV. Conclusion

Wherefore the Commission should issue an interim order directing that, until TMI-1 resumes the generation of electrical energy on a contining basis, PJM energy interchange sales to the GPU companies associated with up to 1100 mW and totaling no more than 7,000,000 mWh should be priced at the seller's incremental energy production cost plus any other costs reasonably associated with supplying such service.

Respectfully submitted,

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Corporation

March 21,1980

Met-Ed/Penelec Exhibit A-95
Update of Exhibit A-77
Witnesses: J. G. Graham
F. D. Hafer

PENNSYLVANIA ELECTRIC COMPANY

System Energy Costs and Sales, July 1979 - December 1980
Updated to Reflect Actual Data Through February 1980 and
Assumed Unapproved Status of PJM "Cost + 10%" Pricing Proposal in 1980

	Energy Costs ($ millions)	Total Sales (Gwh)	mills/Kwh	Retail Sales Gwh	Retail Sales % of Total Sales
July 1979 (actual)	$ 9.8	817	12.0	767	93.9%
Aug. "	12.3	813	15.1	763	93.8
Sept. "	11.0	867	12.7	810	93.4
Oct. "	15.2	862	17.6	800	92.8
Nov. "	13.4	898	14.9	824	91.8
Dec. "	15.9	964	16.5	872	90.5
6 Months Dec. 1979	$ 77.6	5 221	14.9	4 836	92.6%
Average Month	$12.9	870	14.9	806	92.6%
Jan. 1980 (actual)	$ 19.7	997	19.8	897	90.0
Feb. "	19.3	1 060	18.2	947	89.3
Mar. (forecast)	22.6	1 108	20.4	996	89.9
Apr. "	17.7	995	17.8	904	90.9
May "	15.3	908	16.9	839	92.4
June "	16.7	906	18.4	836	92.3
July "	15.6	869	18.0	809	93.1
Aug. "	14.1	839	16.8	780	93.0
Sept. "	13.1	884	14.8	819	92.6
Oct. "	15.1	898	16.8	825	91.9
Nov. "	17.1	951	18.0	871	91.6
Dec. "	24.2	1 048	23.1	938	89.5
12 Months Dec. 1980	$210.5	11 463	18.4	10 461	91.3%
Average Month	$ 17.5	955	18.3	872	91.3%
18 Months Dec. 1980	$288.1	16 684	17.3	15 297	91.7%
Average Month	$ 16.0	927	17.3	850	91.7%

(1) See "Cost + 10%" assumption

Assumptions

- TMI-1 does not return to service in 1980.
- Neither "Cost plus 10%" pricing of GPU's TMI-related purchases from PJM nor GPU Motion to FERC for interim relief from split savings is effective in 1980.
- Other economic TMI-related purchases (Ontario, Jamestown, APS) continue for forecast period.
- Demand component of cost of TMI-related purchases included for full forecast period.
- 15% oil price escalation, Dec. 1980 over Dec. 1979.

Met-Ed/Penelec Exhibit A-96
Update of Exhibit A-87
Witnesses: J. G. Graham
F. D. Hafer

PENNSYLVANIA ELECTRIC COMPANY

Increase in 6.5 Mill Level Charge That Would be Required to Recover Energy Costs Projected to be Unrecovered (Deferred) As of May 30, 1980, the Deferred Energy Balance Which Could Be Addressed By a Commission Decision in May 1980

Deferred Energy Costs as of 2/29/80 (actual; $ millions)	$ 7.8
Estimated Additional Unrecovered Energy Costs through 5/31/80(2):	
March 1980	4.2
April 1980	1.4
May 1980	.6
TOTAL	6.2
Projected Balance as of 6/1/80 Effective Date of Clause Revision	$14.0
Retail Sales Projected for the Period June 1980 - December 1980 (Gwh)	5,878
Amortization Rate per Kwh, Excluding Revenue Taxes	2.4
Increase in Currently Effective 6.5 Mill Level Charge (above x 1.047 revenue tax factor)	2.5

(1) Excludes unamortized "old clause" balance recoverable by base rates ($8.5 million at 2/29/80).

(2) See Exhibit A-95.

GENERAL PUBLIC UTILITIES CORPORATION
Projected Net Short-Term Debt
February-December 1980
($ millions)

	1980									
	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Jersey Central	$ 75	$ 98	$114	$137	$148	$135	$152	$137	$121	$139
Met-Ed*	89	107	102	110	105	107	119	118	115	121
Penelec	-	-	-	-	-	-	-	-	5	-
GPU Corp.	50	51	57	59	60	70	73	74	83	84
System Total	$214	$256	$273	$306	$313	$312	$344	$329	$324	$344

Major Assumptions:

- Neither "Cost plus 10%" pricing of GPU's TMI-related purchases from PJM nor GPU Motion to FERC for interim relief from split savings in effective in 1980.
- $30 million Penelec bond issue in December and a $5 million refinancing for Met-Ed in November
- Pennsylvania energy clause increases:

Company	Effective Date	Increase
Met-Ed	3/1/80	6.9 Mills/Kwh
Penelec	None	

- For financial forecasting purposes, a GPU common stock dividend of $0.25/share is assumed to resume in the second quarter of 1980 and continue at that level for the balance of the year. If the dividend were not resumed, GPU's cash requirements would decrease by $15 million in the months of May, August and November.

* Includes $13 million of Long-Term Debt Issued and Outstanding to Banks.

Met-Ed/Penelec Exhibit A-97
Update of Exhibit A-72
Witnesses: J. G. Graham
F. D. Hafer
Page 1 of 3

METROPOLITAN EDISON COMPANY
Projected Source & Application of Funds
February - December 1980
($ Millions)

	Forecast 1980										
	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
Applications of Funds											
Construction	$ 4	3	4	4	4	3	6	3	2	8	41
Refinancing	-	-	-	-	-	-	-	-	5	-	5
Sinking Funds	-	-	-	-	-	-	1	-	1	-	2
Total Applications	$ 4	3	4	4	4	3	7	3	8	8	48
Sources of Funds											
Internal Sources	$ 5	(8)	12	(6)	7	1	(5)	4	6	2	18
Long-Term Debt	-	-	-	-	-	-	-	-	5	-	5
Preferred Stock	-	-	-	-	-	-	-	-	-	-	-
Temporary Investments	-	-	-	-	-	-	-	-	-	-	-
Short-Term Debt	(1)	11	(8)	10	(3)	2	12	(1)	(3)	6	25
Total Sources	$ 4	3	4	4	4	3	7	3	8	8	48
Short-Term Debt Outstanding											
Per Original Budget	$ 99	110	102	112	109	111	123	122	119	125	
Adjustments (Cumulative):											
Interchange & Purchase Power	11	15	15	15	15	15	15	15	15	15	
Fuel Expenditures	(10)	(11)	(10)	(11)	(12)	(12)	(12)	(12)	(12)	(12)	
TMI #2 Insurance Proceeds	(6)	-	-	-	-	-	-	-	-	-	
Reduced Revenues	3	5	5	5	5	5	5	5	5	5	
FIT Refund	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	
Taxes Other	-	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	
Other	(2)	(3)	(1)	(2)	(3)	(3)	(3)	(3)	(3)	(3)	
Current Short Term Debt Estimates*	89	107	102	110	105	107	119	118	115	121	

*Includes $13 million of Long-Term Debt Issued and Outstanding to Banks

PENNSYLVANIA ELECTRIC COMPANY
Projected Source & Application of Funds
February - December 1980
($ Millions)

	Forecast 1980										
	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
Applications of Funds											
Construction	$ 6	13	8	8	8	8	9	8	7	9	84
Refinancing	-	-	-	-	-	-	-	1	-	-	1
Sinking Funds	-	1	-	-	1	1	-	1	-	1	5
Total Applications	$ 6	14	8	8	9	9	9	10	7	10	90
Sources of Funds											
Internal Sources	$ 20	(7)	(6)	3	10	3	11	9	(12)	8	39
Long-Term Debt	-	-	-	-	-	-	-	-	-	30	30
Preferred Stock	-	-	-	-	-	-	-	-	-	-	-
Temporary Investments	(14)	21	14	5	(1)	6	(2)	1	7	(16)	21
Short-Term Debt	-	-	-	-	-	-	-	-	12	(12)	-
Total Sources	$ 6	14	8	8	9	9	9	10	7	10	90
STD (Temporary Invest) Outstanding											
Per Original Budget	$(51)	(30)	(16)	(11)	(12)	(6)	(8)	(7)	12	(16)	
Adjustments (Cumulative):											
Interchange & Purchase Power	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	
Fuel Expenditures	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	
TMI #2 Insurance Proceeds	12	-	-	-	-	-	-	-	-	-	
Common Dividend to GPU	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	
Federal Income Tax Payment	5	5	5	5	5	5	5	5	5	5	
Taxes Other	-	4	4	4	4	4	4	4	4	4	
Other	(1)	3	5	5	5	5	5	5	5	5	
Current Short Term Debt (Temporary Invest.) Estimates	$(56)	(39)	(23)	(18)	(19)	(13)	(15)	(14)	5	(23)	

METROPOLITAN EDISON COMPANY
PENNSYLVANIA ELECTRIC COMPANY
(DOCKET NO. I-79040308-PHASE 2)

This exhibit indicates new security offerings of Met-Ed, Penelec and General Public Utilities Corporation from January 1969 through December 1978 inclusive.

METROPOLITAN EDISON COMPANY
NEW SECURITIES ISSUED FROM JANUARY 1969 THROUGH DECEMBER 1978 (1)

Offer Month/ Year	Description of Issue	Number of Shares	Amount ($ 000)	Cost to Company (%)
6/69	8 1/8% Bonds Due 1999			
11/71	7 7/8% Bonds Due 2001	-	15 000	7.84
9/71	8.12% Preferred	160 000	16 000	8.09
3/72	7.68% Preferred	350 000	35 000	7.67
5/72	7 7/8% Bonds Due 2002	-	26 000	7.82
7/72	8.32% Preferred	250 000	25 000	8.30
10/72	8 1/8% Debentures Due 1997	-	53 000	8.09
4/73	8.12% Preferred	250 000	25 000	8.09
10/73	8.32% Preferred	150 000	15 000	8.32
12/73	8 3/4% Debentures Due 1998	-	20 000	8.74
12/73	8 1/2% Bonds Due 2003	-	20 000	8.5
3/75	9 3/4% Bonds Due 1983	-	50 000	9.65
9/75	9 5/8% Bonds Due 1985	-	45 000	9.85
3/76	9% Bonds Due 2006	-	50 000	9.18
9/77	8 3/8% Bonds Due 2007	-	35 000	8.53
1/78	6% Bonds Due 2008 (2)	-	8 700	6.10
9/78	9% Bonds Due 2008	-	50 000	9.11

(1) Excludes 1% Bond issued to Small Business Administration.

(2) Pollution Control Bond

PENNSYLVANIA ELECTRIC COMPANY
NEW SECURITIES ISSUED FROM JANUARY 1969 THROUGH DECEMBER 1978 (1)

Offer Month/ Year	Description of Issue	Number of Shares	Amount ($ 000)	Cost to Company (%)
5/69	8% Bonds Due 1999	-	28 000	7.98
4/70	9 3/8% Bonds Due 2000	-	25 000	9.39
1/71	8 1/8% Debentures Due 1996	-	30 000	8.12
8/71	8 1/2% Debentures Due 1996	-	20 000	8.53
12/71	8.36% Preferred	250 000	25 000	8.37
12/71	7 7/8% Bonds Due 2001	-	30 000	7.84
6/72	8.12% Preferred	250 000	25 000	8.13
7/73	8 3/8% Bonds Due 2003	-	30 000	8.38
6/74	10 5/8% Bonds Due 2004	-	50 000	10.66
4/75	11.72% Preferred	250 000	25 000	12.31
8/75	10 3/4% Bonds Due 1984	-	45 000	11.08
10/75	10.88% Preferred	320 000	32 000	11.30
3/76	9.00% Preferred	1 400 000	35 000	9.54
6/76	9 3/4% Bonds Due 2006	-	60 000	10.00
7/76	7 3/4% Bonds Due 2006 (2)	-	12 000	8.09
12/77	6 1/8% Due 2007 (2)	-	16 420	6.32
6/78	9 1/2% Bonds Due 2008	-	45 000	9.67

(1) Excludes 1% Bond issued to Small Business Administration.

(2) Pollution Control Bonds.

GENERAL PUBLIC UTILITIES CORPORATION
NEW SECURITIES ISSUED FROM JANUARY 1969 THROUGH DECEMBER 1978

Offer Month/ Year(1)	Description of Issue	Number of Shares	Amount ($ 000)	Proceeds ($/Share) or Cost (%) to Company	Prior Year-End Book Value ($/Share)	% Below Prior Year-End Book Value
9/69	Common Stock Rights	1 322 500	28 943	21.15	20.61	(2.6)%
12/69	10 1/4% Debentures Due 1974	-	50 000	10.25%	-	-
5/70	Common Stock Rights	1 389 960	24 324	17.10	21.04	18.7
11/70	Common Stock Public	1 000 000	19 140	19.06	21.04	9.4
11/70	10 1/4% Debentures Due 1980	-	58 000	10.26%	-	-
5/71	Common Stock Rights	2 993 442	59 869	19.74	21.05	6.2
12/71	Common Stock Public	1 400 000	29 203	20.78	21.05	1.3
5/72	Common Stock Rights	3 437 406	65 311	18.77	21.22	11.5
12/72	Common Stock Public	1 500 000	33 384	22.16	21.22	.3
5/73	Common Stock Rights	3 932 764	72 756	18.27	21.63	15.5
6/74	Common Stock Rights	4 301 702	50 000	10.98	21.94	50.0
3/75	Common Stock Public	2 300 000	30 636	13.23	21.66	38.9
9/75	Common Stock Rights	4 971 971	68 613	13.08	21.66	39.6
1975	Dividend Reinvestment Plan	126 723	1 980	15.62	21.66	27.9
1976	Dividend Reinvestment Plan	506 567	8 697	17.17	20.93	18.0
6/77	Common Stock Rights	3 770 000	70 499	18.32	21.41	14.4
1977	Dividend Reinvestment Plan	590 604	11 332	19.19	21.41	10.4
	TRAESOP	97 692	2 064	21.13	21.41	1.3
1978	Dividend Reinvestment Plan	857 278	15 249	17.79	21.94	18.9
	TRAESOP	392 151	7 343	18.72	21.94	14.7
1979	Dividend Reinvestment Plan (2)	272 685	4 570	16.76	22.41	25.2
	TRAESOP (2)	19 940	349	17.50	22.41	21.9

(1) Annual summary of Dividend Reinvestment Plan and TRAESOP (Tax Reduction Act Employee Stock Ownership Plan).
(2) Suspended in April 1979

March 25, 1980

MET-ED/PENELEC Exhibit A - 99
Witnesses: J. G. Graham
F. D. Hafer

PARSIPPANY, N.J., March 25, 1980. General Public Utilities Corporation (GPU) and its subsidiaries filed suit today in federal district court in New York City against the Babcock & Wilcox Company (B&W) and its parent corporation, J. Ray McDermott & Co. Inc., seeking more than $500 million in damages resulting from the accident last year at the Three Mile Island nuclear plant. B&W was contractually responsible for supplying the nuclear steam supply system and the written procedures and training services necessary for operation of the plant.

GPU is charging B&W with gross negligence, strict liability for equipment failure, intentional breach of contract and breach of express and implied warranties. GPU is represented in this action by the law firms of Kaye, Scholer, Fierman, Hays & Handler, and Berlack, Israels & Liberman, both of New York City.

- more -

GPU Chairman William G. Kuhns stated that the suit is based upon extensive investigations conducted by the company and its attorneys into the causes of the March 28, 1979 accident at Three Mile Island. Based on the investigations, Mr. Kuhns explained, the company firmly believes that the proximate cause of the accident was the failure of B&W to provide, as it was contractually obligated to, proper procedures and training to the utility's operators in order for them to respond promptly and correctly.

GPU asserts that the B&W operating procedures and training for both routine and emergency conditions were incorrect, incomplete and inappropriate to the system it supplied, misled the operators in their handling of the plant, and were therefore a critical and proximate cause of the accident.

GPU also asserts that B&W knew that the same type of accident had occurred previously on another B&W supplied system at the Davis-Besse plant of Toledo Edison. As a result of the Davis-Besse events, the complaint states that based on B&W's own internal documents, B&W knew more than one year prior to the accident at Three Mile Island that it had not supplied sufficient information to reactor operators, including GPU, in the area of response to a loss of coolant accident of the type experienced at Davis-Besse and TMI.

Moreover, the complaint states that B&W knew if events such as had occurred at Davis-Besse were to take place in a nuclear plant operating at or near full power, it was probable that the nuclear core would cease to be covered by water and that serious fuel damage would result. Despite B&W's knowledge of these facts and the strong recommendation by B&W engineers that B&W send corrected procedures to GPU and to all other owners of B&W-supplied nuclear plants, B&W failed to send revised procedures to GPU at any time prior to the Three Mile Island accident.

In emphasizing the significance of B&W's failure to communicate the lessons learned from previous accidents to the operators of nuclear facilities, Chairman Kuhns pointed to several major findings reached by the President's Commission on the Accident at Three Mile Island.

"The findings state, in part," quoted Kuhns, "The September 1977 incident at Davis-Besse, another plant with a B&W reactor, foreshadowed several aspects of the TMI-2 accident. A serious warning by a senior engineer at B&W that more precise instructions be given to operators 'fell between the cracks.' This warning, issued 13 months before the TMI-2 accident, if heeded, would have prevented the accident."

The President's Commission also found that, "Nine times before the TMI accident, PORV's (Pilot-Operated Relief Valves) stuck open at B&W plants. B&W did not inform its customers

of these failures, nor did it highlight them in its own training program so that operators would be aware that such a failure causes a small-break LOCA (Loss of Coolant Accident)."

Kuhns also pointed to the Rogovin independent fact-finding study commissioned by the NRC which states in part, "The Davis-Besse accident was intensively analyzed - by Toledo Edison, by Babcock & Wilcox, and by the NRC. Each of these studies identified what should have been perceived to be a significant safety issue. But because no effective system for evaluating operating experience was in effect, none of the results of these studies were ever communicated to Metropolitan Edison or its operators of the TMI-2 plant."

In addition to its claim in excess of $500 million for damages suffered up to this date, GPU also is seeking to recover very substantial future damages it anticipates. GPU's damages include past and anticipated costs for the repair and rehabilitation of Three Mile Unit 2, the unit at which the accident occurred, for modification of the adjacent Three Mile Island Unit 1, which was also supplied by B&W and for the capital and operating costs associated with GPU's investment in TMI-2. The company claim includes reimbursement for the cost of generating and purchasing replacement power during the period that Three Mile Island Units 1 and 2 are not generating electricity.

X X X

Metropolitan Edison Company
Returns on Rate Base
1969 to 1979

Line No.	Description	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
1	Overall Return	6.38%	5.89%	7.64%	7.96%	8.39%	8.45%	8.74%	8.73%	9.73%	9.41%	6.66%
2	Allowed Return	-	8.65%	8.65%	8.65%	8.65%	9.28%	9.82%	9.82%	9.82%	9.74%	9.47%
3	Return on Common	9.11%	7.02%	10.12%	10.63%	11.41%	11.09%	11.02%	10.93%	13.54%	12.80%	4.93%
4	Allowed Return on Common	-	13.11%	13.11%	13.05%	13.05%	13.33%	13.70%	13.70%	13.70%	13.59%	12.83%

MET-ED/PENELEC EXHIBIT A-100

Witnesses: J. G. Graham
F. D. Hafer

MET-ED/PENELEC EXHIBIT A-101
Witnesses: J. G. Graham
F. D. Hafer

PENNSYLVANIA ELECTRIC COMPANY
Rates of Return
1969 - 1979

	Overall Returns		Common Equity Returns	
	Achieved	Allowed	Achieved	Allowed
1969	7.12%	-	11.42%	-
1970	7.11%	-	10.66%	-
1971	7.79%	8.21%	12.20%	14.20%
1972	7.50%	8.21%	10.47%	14.20%
1973	8.41%	8.97%	12.67%	14.57%
1974	7.36%	8.97%	9.14%	14.57%
1975	8.71%	8.97%	12.63%	14.57%
1976	8.80%	9.53%	11.66%	14.80%
1977	8.40%	9.53%	9.98%	14.80%
1978	8.15%	9.56%	9.18%	13.50%
1979	8.69%	9.55%	10.50%	13.12%

METROPOLITAN EDISON COMPANY

Docket I-79040308

Response to Three Mile Island Alert (TMIA) Interrogatory No. 3: "With respect to all training and management programs described in Mr. Arnold's testimony, provide a similar breakdown of costs."

Partial response with respect to TMI-2 recovery costs:

Bechtel Power Corporation was retained by Met-Ed for the purpose of making an assessment of the costs and schedule of the decontamination and recommissioning of TMI-2. A copy of the preliminary Bechtel Report dated July 13, 1979 is available for inspection at the Three Mile Island discovery room.

Met-Ed/Penelec Exhibit D-11
Witness: R. C. Arnold

METROPOLITAN EDISON COMPANY

Docket No. I-79040308

Response to Three Mile Island Alert (TMIA) Interrogatory No. 14(a), as modified by Commission Order entered January 18, 1980: "Has the Company engaged in any consideration of the psychological, health and economic impact of the accident on the Greater Harrisburg Area?"

Response:

No studies have been done of the psychological and economic impact of the accident on the Harrisburg area. While Met-Ed has performed no study on the health impact of the accident, we have retained the consulting firm of Pickard, Lowe and Garrick, Inc., which has performed an analysis of the off-site radiation levels. However, this study is not translated into possible health effects.

Other studies similar to that performed by Pickard, Lowe and Garrick, Inc. have been conducted and translated into health effects. The Ad Hoc Population Dose Assessment Group study (sponsored jointly by NRC, EPA and HEW), the President's Commission study and the Rogovin study have in each case concluded that there have been no significant health effects on the residents of the Harrisburg area as a result of the TMI-2 accident.

Met-Ed/Penelec Exhibit D-12
Witness: R. C. Arnold

Metropolitan Edison Company
Docket No. I-79040308

Response to Office of Consumer Advocate No. 27, Set IV:

"Provide a summary of the major activities at TMI-2 to clean-up and restore the plant. Indicate when the activities will take place, what tasks are presently being performed, and which tasks are complete. Provide cost estimates for the tasks, and relate the costs to the estimates on page 6 of Met-Ed/Penelec Statement A-1".

Response:

See Met-Ed/Penelec Exhibit D-10 regarding cost estimates and activities in the clean-up and restoration of TMI-2. The cost estimates and schedules contained in the Bechtel Report dated July 13, 1979 were reflected in Met-Ed/Penelec Statement A-1 page 6.

Met-Ed/Penelec Exhibit E-34
Witness: B. H. Cherry

GPU Service

GPU Service Corporation
100 Interpace Parkway
Parsippany, New Jersey 07054
201 263-6500
TELEX 136-482
Writer's Direct Dial Number:

March 4, 1980

Dr. John Sawhill, Deputy Secretary
U.S. Department of Energy
1000 Independence Avenue, S.W.
Washington, D.C. 20585

Dear Dr. Sawhill:

GPU Service Corporation, on behalf of the General Public Utilities Companies (Jersey Central Power & Light Company, Metropolitan Edison Company, and Pennsylvania Electric Company), is developing a systemwide master plan for conservation and load management programs. This plan has the goal of reducing the System peak demand growth by at least 1000 megawatts by 1990 (about one-half of currently projected growth) through a coordinated effort among the companies, their customers and appropriate regulatory agencies.

It is our belief that this program represents a major departure from traditional utility planning and provides a unique opportunity to develop, implement, and test a "blueprint" for comprehensive conservation and load management reduction programs. The underlying premise of the plan is that the economic attractiveness of investments in conservation and load management should be measured on the same basis as investments in generation. Where conservation and load management investments are shown to be economic, the plan proposes GPU investment in such activities as an "offset" to otherwise needed capacity investments. This approach allows the economic decisions on conservation and load management equipment to be made on the basis of marginal costs, rather than on an embedded cost basis when such judgments are made by energy users. For this reason we believe the proposed approach embodies features of:

1. Minimizing the cost of service to customers

2. Efficient deployment of capital by the utility

3. Predictability of market penetration by conservation and load management systems

4. Quality control for all installations.

The plan relies heavily on proven technological concepts, and could find wide applicability to many U.S. utility systems. The analytical tools, methodologies, and organizational structures described by the plan could provide a valuable prototype for integration within the objectives of the National Energy Plan. We are in the final stages of developing the details of our program, and plan to file program documents with rate regulatory agencies in New Jersey and Pennsylvania. With favorable regulatory response, General Public Utilities and its subsidiaries are fully committed to carry out this program. Given its potential applicability to other utility systems, however, the plan could find significant enhancement were it to encompass both regional and national priorities. GPU, therefore, would welcome an opportunity to work with the Department of Energy to develop and implement the plan.

This letter will give: a description of the GPU Service territory, including projected growth and customer mix; a general outline of the plan as currently conceived; a schedule for its phased implementation and verification; and a discussion of existing GPU load management activities. This material is provided to initiate discussions that will clarify areas in which both GPU and DOE might find common interest. In addition, for your information, we are enclosing a copy of our 1978 annual report.

THE NEED FOR CONSERVATION AND LOAD MANAGEMENT

General Public Utilities Corporation is an electric utility holding company that provides electricity to some 4 million people living in about half the land area of New Jersey and Pennsylvania. It serves over 1.5 million customers. More than 31 billion kilowatt hours of electricity were distributed in 1979. Of this total, 34% went to residential customers, 23% to commercial accounts and 37% to industry.

The GPU System includes three operating companies: Jersey Central Power & Light Company and in Pennsylvania, Metropolitan Edison Company and Pennsylvania Electric Company. The System has total assets of $4.6 billion, making it the nation's 14th largest investor-owned electric utility.

From 1965 through 1973, System energy needs doubled every 9 years, at a rate of 8.2% per year. During 1974-1975, growth declined and since that period has grown at a rate of 3.6% per year. This trend, if unchecked, will continue through the early 1980's, with growth tapering off to about 2.5% by 1990.

In 1980, winter and summer peak demand for the System is projected to be about 6,000 MW. Prior to the development of our current conservation and load management program we projected the 1990 System peak growth to be about 8,000 MW (~3% annual growth rate). Successful implementation of the current conservation and load management plan will result in reduction of the 1990 peak to about 7,000 MW (~1.5% annual growth).

THE MASTER PLAN

The Conservation and Load Management Master Plan, as currently conceived, is designed to effect the unconstrained load growth in a way which minimizes the cost of service to our customers, minimizes future investments in generation capacity, conserves energy, lessens dependence on foreign oil and optimizes the use of existing generating capacity.

Judgments on the value of specific components will be made on the basis of marginal cost decisions, rather than embedded costs of "new capacity." Thus, a large reliance will be placed on the provision of end use hardware -- often through subcontractors -- to the customer. The Plan proposes that the capital required to supply these items could be treated in a manner analogous to capital commitments in new generation facilities (recognition in rate base). This basic premise will be the subject of review by both New Jersey and Pennsylvania rate regulatory agencies in the next few months. From a societal perspective, supply of end use items eliminates the need for the customer to make economic decisions on load shifting equipment, were he required to supply such items as storage water heaters on his own. By encompassing the supply of end use items, the Plan proposes a more realistic treatment of capital by the utility and eliminates the need to rely on motivational incentives to convince the customer to make investments in conservation.

The Master Plan has two major segments; the Residential Program and the Commercial and Industrial Program. Each is summarized below.

Residential Program

The proposed Residential Program takes an integrated approach that focuses on the supply by GPU -- as part of our rate base -- of end use equipment such as storage water heating or weatherization requirements, as well as on implementation of time of day (TOD) rates. In addition, the program includes energy audit programs, storage space heating, demonstration solar systems, and direct load controls. Other facets of the program will receive consideration as development and verification of progress

continues, however, all will be consistent with the general residential program theme of shifting peak loads and offsetting peak capacity requirements to minimize consumer costs. It should be noted that in contrast to the commercial and industrial sectors, conservation opportunities (for electricity) in the GPU System residential sector appear to be relatively limited. This judgment is somewhat tentative, and will be reviewed as results from energy audits become available. The various aspects of the residential program are outlined below:

1) Time of Day Rates: Starting in 1981, it will be proposed that all new construction customers with electric space heat, electric water heat or both will be required to go on the TOD rate. Turnover customers with monthly usage over 1,000 KWh will also be required to go on the rate. Existing customers will not be required to accept TOD rates, however, they will be actively recruited.

2) Energy Audits: All customers, particularly those who voluntarily or mandatorily accept TOD rates, will be provided a comprehensive energy audit.

3) Weatherization: GPU will a) provide on the spot weatherization or advice at the time of the Energy Audit, and b) propose that "super" insulation levels be mandatory for new home construction.

4) Storage Water Heaters: The program will propose that storage water heaters will be provided to all mandatory TOD rate users and to voluntary TOD users on request.

5) Storage Space Heating: The program will also propose that thermal storage space heaters (technology choice to be developed) will be supplied to all mandatory TOD rate users and will be offered to existing customers who voluntarily accept TOD rates.

6) Demonstration Programs: Demonstration programs will be conducted in the areas of solar technology, remote control of storage water heaters, remote control of air conditioners, master metered building conversion, and general water heat pumps.

Commercial and Industrial Program

The Commercial and Industrial Program is balanced between load shifting and conservation opportunities. Because detailed end use information is currently not sufficient to determine specifics of programs suitable for widescale deployment, the Commercial and Industrial programs begin with a number of

demonstration activities aimed at identification and verification of opportunities. These demonstration efforts will provide the basis for implementation of widescale programs. GPU will evaluate conservation and load management opportunities using the capacity offset approach described in the residential programs. It is expected that the benefits of this "implicit marginal cost" approach to system planning will yield substantial benefits in the Commercial and Industrial sectors. Among the currently attractive candidate programs are:

- Heating/Cooling Storage
- Direct Load Controls
- Improved Building Design
- Energy Efficient Lighting
- Energy Efficient Motors
- Energy Management Systems

As in the residential programs, the Commercial and Industrial efforts will rely heavily on the implementation of TOD rates. This rate approach will be buttressed by subcontractors and a team of highly competent engineers, knowledgeable in building design, HVAC system design and operation, and industrial processes. This group will provide the expertise for identifying opportunities in the Commercial and Industrial sectors.

The proposed Commercial and Industrial Program includes the following components:

1) Time of Day Rates: TOD rates will be implemented on a mandatory, but phased basis, starting in 1981. Customers with greater than 3 MW usage will be required to accept TOD rates first, followed by smaller customers with over 500 KW levels.

2) Customer Energy/Load Management Program: This program envisions a comprehensive audit/information program whereby formal assistance will be given to individual customers and seminars established for groups of customers with similar needs.

3) Demonstration Programs: GPU has identified several opportunities for the demonstration of demand reduction programs. These include year-round storage system use (space heating, water heating and space cooling), special off-peak storage rates for storage system customers; and

the retrofit of heat recovery systems in electrically heated commercial buildings.

4) Curtailable Rates: GPU will propose a new curtailable rate structure with a variety of customer options to enhance flexibility.

5) Cogeneration: GPU is actively pursuing a variety of cogeneration opportunities for both commercial and government (DOD) customers. As part of the plan, GPU will develop a series of modular cogeneration systems, providing design, economic analysis and technical consultation -- again offering to install systems as a part of GPU's rate base.

Tables 1 through 3 summarize the projected load reduction for all of the components in both sectors.

GPU EXPERIENCE

GPU established a load management policy in 1975 and has instituted a broad range of individual projects at the demonstration level. The GPU Companies have promoted TOD rates from as early as 1972; instituted energy audits in 1978; tested off-peak metering of water heaters; demonstrated more than thirty off-peak storage systems; tested cooling storage installations; instituted Energy Management Committee programs with all of our large commercial and industrial customers; and have accomplished load shifts and savings of greater than 600 MW in the period.

MILESTONES/PHASES

Figure 1 indicates the phased approach anticipated by the Plan. In each phase, the processes of analysis, demonstration, implementation and verification are employed in varying degrees in each program.

Phase I anticipates significant work in the continuing cost/benefit analyses of each program. Methodologies and organizational structures will be evaluated and developed to implement properly the program. Analytical tools will be prepared to provide a rapid means of review and verification of each project. The phase also anticipates the initiation of several demonstration programs and a few actual implementation programs in the residential sector and a few demonstration programs initiated for the Commercial and Industrial sector.

Phases II and III, encompassing the four year period starting mid-year 1981, anticipates the deployment of most of

the plan, with first priority (in terms of scheduling) given to residential activities. The verification and feedback aspects of the Plan would then come into play, resulting in the modification of existing programs and the identification and implementation of new initiatives.

These efforts are overlaid by interactions associated with institutional constraints (PUC, FERC, SEC, State Energy Programs, etc.) and with organizational modifications and enhancements. As such, these constraints are important for resolution in each block of the matrix.

SUMMARY

The GPU Energy Conservation and Load Management Master Plan has been described. The broader implications of the blueprint that will result has the potential for national value. It is our belief that this program is the first comprehensive effort by a U.S. utility to apply a consistent approach to end use programs and capacity decisions. Further, it is a pioneering program in recommending a consistent regulatory treatment for end use technology as well as generation capacity. DOE participation in the program will provide DOE an opportunity to help in the development and implementation of these efforts, to assess the usefulness of the "capacity offset" strategy and to measure the viability of a number of individual programatic elements. This opportunity for participation is provided in conjunction with a utility organization experienced in the conservation and load management ethic and firmly committed to success in our current efforts. We believe that success in our efforts will have a significant impact on energy use in the GPU service area and should have wide applicability to other utility systems.

As indicated earlier, GPU will be reviewing the various aspects of the program with both New Jersey and Pennsylvania rate regulatory agencies in the coming months. Positive regulatory reaction to the "capacity offset" concept and treatment of end use investments in rate base is clearly required for the program to go forward in its present form. An important contribution that DOE could make to assure the success of these efforts, could be to take part in these rate regulatory proceedings.

In addition to participation in regulatory forums, a DOE contribution to program cost is solicited. We currently envision that Phase I of our program will cost ~$1 million. GPU seeks DOE support of ~$500,000 or approximately half of the costs of the planning phase of the program to support such actions as:

- Evaluation of various technologies as to their

economic impact on the customer;

- Development of a data base as to how individuals use electricity;

- Development of analytical tools used to evaluate the impact of the various technologies employed; and

- Development of the priorities of the program.

These activities will be accomplished by GPU personnel, augmented by subcontracts with recognized experts in various fields.

Additionally, GPU desires continued discussions with DOE to develop areas of common interest throughout the entire program. GPU, of course, is committed to this Plan without federal support.

Your review and advice would be appreciated.

Very truly yours,

B. H. Cherry, Vice President
Corporate Planning

BHC:so
Attachments

TABLE 1

MASTER PLAN SUMMARY

GPU LOAD REDUCTIONS
(Megawatts)

	WINTER PEAK[1]			SUMMER PEAK[2]		
Year	Residential[3] Program	C&I[4] Program	Total	Residential[5] Program	C&I[6] Program	Total
1980	-	43.1	43.1	-	39.1	39.1
1981	11.5	65.8	77.3	12.3	60.0	72.3
1982	48.8	75.2	124.0	42.0	62.8	104.8
1983	61.5	92.2	153.7	44.7	66.6	111.3
1984	74.5	97.7	172.2	51.5	68.6	120.1
1985	106.7	106.9	213.6	58.7	75.6	134.3
1986	105.3	104.4	209.7	59.6	75.0	134.6
1987	104.9	103.4	208.3	60.3	76.2	136.5
1988	104.7	103.1	207.8	61.2	75.8	137.0
1989	103.6	102.5	206.1	60.6	75.5	136.1
1990	103.6	103.5	207.1	61.5	75.7	137.2
1980-90	825.1	997.8	1822.9	512.4	750.9	1,263.3

1. January of year shown.
2. August of year shown.
3. See Table 3.
4. See Table 5.
5. See Table 4.
6. See Table 6.

Source: GPU calculations.

TABLE 2

RESIDENTIAL PROGRAM SUMMARY

GPU WINTER LOAD REDUCTION
(Megawatts)

Year[1]	TOD[2] Rate	Storage[3] Water Heat	Storage[4] Space Heat	New Home[5] Insulation	Residential Total
1981	4.1	3.8	3.6	-	11.5
1982	4.1	13.0	18.6	13.1	48.8
1983	4.1	14.3	30.3	12.8	61.5
1984	4.0	20.0	37.8	12.7	74.5
1985	4.0	26.1	64.3	12.3	106.7
1986	3.9	26.1	64.3	11.0	105.3
1987	3.9	26.1	64.3	10.6	104.9
1988	3.9	26.1	64.3	10.4	104.7
1989	2.8	26.1	64.3	10.4	103.6
1990	2.8	26.1	64.3	10.3	103.6
1981-90	37.4	207.7	476.1	103.6	825.1

1. January of year shown.
2. See Table 18.
3. See Table 23.
4. See Table 28.
5. See Table 30.

Source: GPU calculations.

TABLE 3

RESIDENTIAL PROGRAM SUMMARY

GPU SUMMER LOAD REDUCTION
(Megawatts)

Year[1]	TOD[2] Rate	Storage[3] Water Heat	New Home[4] Insulation	AC EER[5] Improvement	Residential Total
1981	5.3	3.8	20.1	3.2	12.3
1982	5.3	13.0	20.5	3.6	42.0
1983	5.3	14.3	20.5	4.6	44.7
1984	5.2	20.0	20.8	5.5	51.5
1985	5.2	26.1	21.0	6.4	58.7
1986	5.1	26.1	21.1	7.3	59.6
1987	5.1	26.1	21.0	8.1	60.3
1988	5.0	26.1	21.2	8.9	61.2
1989	3.6	26.1	21.3	9.6	60.6
1990	3.6	26.1	21.4	10.4	61.5
1981-90	48.7	207.7	188.4	67.6	512.4

1. August of year shown.
2. See Table 13.
3. See Table 23.
4. See Table 33.
5. See Table 34.

Source: GPU calculations.

Figure 1

MASTER PLAN MILESTONE MATRIX

PHASE	TIME FRAME	$(MM)	ANALYSIS	DEMONSTRATION	IMPLEMENTATION	VERIFICATION
I	July, 1980 to July, 1981	1.0	Cost/Benefit All Programs	Residential (heavy) C/I (moderate)	Residential	
II	July, 1981 to July, 1983	3.0	Continued from Phase I	C/I (heavy)	Development of Residential, Developmental C/I	All Phase I Activities
III	July, 1983 to July, 1985	6.0	Verification of Results	Moderate C/I New Initiatives in Both Sectors	Continued Residential and C/I Programs	All Residential and C/I Programs

MULTI-UNIT NUCLEAR GENERATING STATION SITES IN UNITED STATES IN EXCESS OF 1600 MW

State	Owner	Site	No. of Units	Aggregate Nameplate Rating, MW
Ala.	Ala. Pwr. Co.	Barton	1*, 2*	2416
Ala.	Ala. Pwr. Co.	Farley	1, 2*	1776
Ala.	TVA	Bellefonte	1*, 2*	2664
Ala.	TVA	Browns Ferry	1, 2, 3	3456
Ariz.	Ariz. Pub. Ser. (w/others)	Palo Verde	1*, 2*, 3*, 4*, 5*	6665
Ark.	Ark. Pwr. & Lt.	Arkansas Nuclear	1, 2*	1845
Cal.	Pac. Gas & Elec.	Diablo Canyon	1*, 2*	2295
Cal.	So. Cal. Edison (w/others)	San Onofre	1, 2*, 3*	2812
Conn.	Conn. Lt. & Pwr.	Millstone	1, 2*, 3*	2728
Fla.	Fla. Pwr. Corp.	Crystal River	1, 2, 3, 4*, 5*	3135
Fla.	Fla. Pwr. & Lt.	St. Lucie	1, 2*	1700
Fla.	Fla. Pwr. & Lt.	Turkey Point	1, 2, 3, 4	2339
Ga.	Ga.Pwr. Co. (w/others)	Edwin I. Hatch	1, 2*	1700
Ga.	Ga. Pwr. Co. (w/others)	Vogtle	1*, 2*	2784
Ill.	Comm. Edison	Braidwood	1*, 2*	2300
Ill.	Comm. Edison	Byron	1*, 2*	2300
Ill.	Comm. Edison (w/others)	Carroll County	1*, 2*	2300
Ill.	Comm. Edison	Dresden	1, 2, 3	1865
Ill.	Comm. Edison	LaSalle	1*, 2*	2294
Ill.	Comm. Edison (w/others)	Quad Cities	1, 2	1656
Ill.	Comm. Edison	Zion	1, 2	2196
Ill.	Ill. Pwr. Co.	Clinton	1*, 2*	1900
Ind.	Pub. Ser. of Ind.	Marble Hill	1*, 2*	2260
La.	Gulf States	River Bend	1*, 2*	2072
La.	La. Pwr. & Lt.	Waterford	1, 2, 3*	2066
Md.	BG&E Co.	Calvert Cliffs	1, 2	1829
Mass.	Boston Edison	Pilgrim	1, 2*	1858
Mich.	Detroit Edison	Greenwood	1*, 2*, 3*	3497
Mich.	Ind. & Mich. Pwr.	Donald C. Cook	1, 2	2285
Miss.	Miss. Pwr. & Lt. Co.	Grand Gulf	1*, 2*	2604
Miss.	TVA	Yellow Creek	1*, 2*	2750
Mo.	Union Electric	Callaway	1*, 2*	2384
N.H.	Pub.Ser.of N.H. (w/others)	Seabrook	1*, 2*	2300
N.J.	PSE&G Co.	Hope Creek	1*, 2*	2134
N.J.	PSE&G Co. (w/others)	Salem	1, 2*	2327
N.J.	JCP&L Co.	Forked River/ Oyster Creek	1*/1	1801
N.Y.	Con Ed/PASNY	Indian Point	2, 3	2086
N.Y.	L.I.L. Co.	Jamesport	1*, 2*	2382
N.Y.	Niagara Mohawk	Nine Mile Point	1, 2*, 3*	3108
N.C.	Carol. Pwr. & Lt.	Brunswick	1, 2	1733
N.C.	Carol. Pwr. & Lt.	Shearon Harris	1*, 2*, 3*, 4*	3804
N.C.	Duke Power	McGuire	1*, 2*	2440
N.C.	Duke Power	Perkins	1*, 2*, 3*	4023
Ohio	Cleve. Electric (w/others)	Perry	1*, 2*	2410
Ohio	Ohio Edison (w/others)	Erie	1*, 2*	2560
Ohio	Toledo Edison (w/others)	Davis-Besse	1, 2*, 3*	2812
Okla.	Pub. Ser. of Okla.	Black Fox	1*, 2*	2300
Ore.	Port. Gen. Elec (w/others)	Pebble Springs	1*, 2*	2555

State	Owner	Site	No. of Units	Aggregate Nameplate Rating
Pa.	Duquesne Lt. (w/others)	Beaver Valley	1, 2*	1846
Pa.	Met-Ed (w/others)	Three Mile Island	1, 2	1832
Pa.	Penna. Power & Lt.	Susquehanna	1*, 2*	2304
Pa.	Phila. Elect. (w/others)	Peach Bottom	2, 3	2304
Pa.	Phila. Elect.	Limerick	1*, 2*	2153
R.I.	N.Eng. Elec.	Nepco	1*, 2*	2300
S.C.	Duke Power	Catawba	1*, 2*	2410
S.C.	Duke Power	Cherokee	1*, 2*, 3*	4023
S.C.	Duke Power	Oconee	1, 2, 3	2802
Tn.	TVA	Hartsville	1*, 2*, 3*, 4*	5148
Tn.	TVA	Phipps Bend	1*, 2*	2574
Tn.	TVA	Sequoyah	1*, 2*	2442
Tn.	TVA	Watts Bar	A, B, C, D, 1*, 2*	2780
Tex.	Houston Lt. & Pwr.	Allen Creek	1*, 2*	2400
Tex.	Houston Lt. & Pwr./ Owners Group	South Texas	1*, 2*	2800
Tex.	Tex. Pwr. & Lt. (w/others)	Comanche Peak	1*, 2*	2365
Va.	Va. Elect. Pwr. Co.	North Anna	1, 2*, 3*, 4*	3692
Va.	Va. Elect. Pwr. Co.	Surry	1, 2	1735
Wash.	WPPSS	Hanford	1, 2, 3, 4*	4460
Wash.	WPPSS	Satsop	1*, 2*	2480
Wash.	Puget Sound (w/others)	Skagit	1*, 2*	2660

*Units marked with asterisks are presently planned or under construction. Also, some sites contain both nuclear and fossil capacity.

Source: U. S. Department of Energy Inventory of Power Plants in the United States - April, 1979, Energy Information Administration, DOE/EIA - 0095, U. S. Government Printing Office, Washington, D. C.

Metropolitan Edison Company
Docket No. I-79040308

Response to Commission request for a proposal to convert TMI-1 to a coal-fired unit at N.T. 2775 and 2776.

COMMISSION REQUEST

> We invite respondents to promptly present to the Commission a proposal, in the context of this Commission's jurisdiction to set rates, for converting TMI-1 to a coal-fired unit based upon reasonable assurance of the recovery of the cost of conversion per rates.
>
> The proposal should address, one, the actions and approvals required to convert TMI-1; two, the time and cost required to convert TMI-1; and, three, the nature of the regulatory assurance required to commit respondents to a conversion of TMI-1.
>
> You will consider to what extent the TMI unit 2 study can be utilized for the purpose of answering questions of the conversion of TMI-1 unit to coal.

RESPONSE

GPU does not regard mandated conversion of TMI-1 to coal-fired operation to be an appropriate action. Such a conversion would require a capital expenditure of more than $1.46 billion, and the converted plant could probably not be placed in service before December 1986. The additional cost of replacement energy for lost TMI-1 generation between January 1, 1981 and December 1, 1986 would be on the order of $1.7 billion. For the first 10 years of

converted plant operation, the levelized ¢/KWH cost for the converted plant would be almost double that for energy from the TMI-1 nuclear unit plus a capacity - equalizing portion of a non-TMI sited coal-fired plant. We see no reason why TMI-1 cannot and should not be returned to service as a nuclear unit as expeditiously as possible. TMI-1 was not damaged in the March 28, 1979 accident at TMI-2. Six sister plants to the TMI units have been, and continue to be, allowed to operate. GPU is confident that it can meet all regulatory requirements concerning the return to service and continued safe operation of TMI-1. As demonstrated in my prior testimony, TMI-1 compiled an admirable operating record prior to the TMI-2 accident, and GPU is confident that a fine record can be maintained upon its return to service. Operation of TMI-1 as a nuclear unit for the balance of its intended life will provide enormous economic benefit to our customers relative to any possible substitute generation. We see no reason to deprive our customers of this benefit. GPU has also pledged to do its utmost to ensure that the TMI plant is a "good neighbor" during future operation.

The following information is presented in specific response to the questions posed by the Commission.

A. Applicability of the TMI-2 Conversion Study

With respect to the issue "consider to what extent the TMI Unit 2 study can be utilized for the purpose of answering questions of the conversion of TMI-1 unit to coal," the TMI-2 Coal Conversion Study is sufficiently applicable to TMI-1 to allow making a preliminary cost assessment of the latter's conversion to coal. As nuclear units, TMI-1, at a licensed thermal power level of 2535 MW, has a 9% lower rating than TMI-2 at 2772 MW. TMI-1 is slightly less efficient than TMI-2. This results in a maximum dependable electrical capacity of 776 MW, which is 12% less than that of TMI-2 at 880 MW. According to Gilbert Associates' analysis, TMI Unit 1 and Unit 2 have the same main steam flow and feedwater temperature. The equipment size and location for the coal conversion of either unit (but not both units) would be the same. The net output of Unit 1 after conversion to coal would be 1263 MW vs. 1352 MW for Unit 2. The existing Unit 1 turbine cycle has a higher turbine heat rate than that of Unit 2.

The cost analysis presented here assumed that Unit 2 would be retired in place and that the area north of Unit 1 is not a suitable location for the new boilers and topping turbines. The latter judgement is based primarily on physical space considerations. The plant layout would be essentially the same as in the Unit 2 study, using longer steam and feedwater lines extending to Unit 1. Gilbert

Associates also assumed that the overall schedule and cost factors would be the same as those used in the Unit 2 study. The best coal conversion concept, as determined in the Phase I study, is a combination of commercially available high pressure bituminous coal-fired boilers with topping turbines. Two sets of boilers and topping turbines will be required to supply the full load steam flow to the existing TMI-1 turbine. The topping turbine initial steam conditions of 3500 psig, 1000 F, were selected to provide the required inlet steam conditions to the existing TMI-1 turbine without the use of desuperheating sprays at the topping turbine exhaust.

The TMI-1 turbine plant, cooling towers, and switchyard will be converted to the new steam supply without any major changes to the existing equipment. The main steam and feedwater piping will be reconnected to the fossil steam supply, and the existing cooling towers will be used to provide cooling water to the new equipment, eliminating the need for any changes to the river water intake system. Any controls or instruments now in the TMI-1 control room that are required for the operation of the TMI-1 turbine with the new steam supply will be duplicated in the new control room. The power output of the topping turbines will be connected to the existing 500 kV line from TMI-1 to the switchyard. Auxiliary power to the new equipment will be obtained from the 230 kV switchyard.

The new boilers and topping turbines will be located to the south of the TMI-2 cooling towers. The SO_2 removal system and coal handling equipment will be located to the south of the new boilers.

The boilers will have a balanced draft design with motor-driven fans and electrostatic dust collectors. The SO2 removal system will be a wet lime or limestone system, with residue conditioning for offsite dry storage. The topping turbines will have hydrogen cooled generators with 500 kV unit step-up transformers. Three half-sized turbine-driven boiler feed pumps will be provided in the new turbine room.

The equipment is designed for base load operation.

B. Required Actions and Approvals

With respect to the Commission's first question, "the actions and approvals required to convert TMI-1" are the same as those described in the TMI-2 Coal Conversion Study. Permits or applications required for construction of two coal-fired boilers and assoicated equipment and service facilities will include the following:

a. Preparation of an Environmental Report for submission to the lead federal agency (to be determined).

b. Prevention of Significant Deterioration of Air Quality application to U.S. Environmental Protection Agency (EPA).

c. An Air Quality Plan Approval by the Pennsylvania Department of Environmental Resourses (DER).

d. National Pollutant Discharge Elimination System (NPDES) permits for liquid discharges during construction and

operation covering main plant areas, coal pile areas, the solid waste disposal area, and the sewage plant (DER).

e. A Spill Prevention Control and Countermeasures (SPCC) Plan (DER).

f. A Soils Erosion and Sedimentation Plan for the main plant and the solid waste area (DER).

g. A U.S. Corps of Engineers Work in Waterways Permit will be required for a new bridge for railroad coal and limestone deliveries, and for passenger cars and truck traffic. A Section 401, Clean Water Act of 1977, certification of water quality by the Commonwealth of Pennsylvania will be required before the Corps issues this permit. A Pennsylvania DER Encroachment Permit will also be required for this bridge.

h. A Pennsylvania DER Dam Certification will be required for the solid waste area.

i. A Federal Aviation Agency approval or permit for a tall chimney.

j. A Pennsylvania DER solid waste permit.

k. A fuel use permit for natural gas (if it were to be used) from the Federal Energy Regulatory Commission.

l. Building plans approval for fire protection and personnel safety by the Pennsylvania Department of Labor and Industry.

m. Pennsylvania Department of Transportation (PennDOT) permits for public highway interfaces by entrances, exits,

overpasses or underpasses for access to the island over the new bridge, or for the new dedicated solid waste haul road.

n. Conrail track crossing and switch agreements.

o. Pennsylvania State Fire Marshall liquid fuel storage permits.

p. Local township building or construction permits.

q. If natural gas is to be used as fuel, a PennDOT road crossing permit and a Conrail track crossing agreement may also be required. The pipeline will be brought to TMI on either the new bridge or the existing (north) bridge.

r. The York Haven Power Corp. license from the FERC will have to be amended to provide for the release of land on the south end of the island which is now reserved for recreational development.

A total of 40 or more permits will probably be required before the project is completed. Some of the permits or approvals are relatively routine. However, those required for air quality, solid waste disposal, and the chimney are critical and will have to be obtained before construction can proceed.

Conversion of TMI-1 to coal or gas firing will require review and possible amendment of three existing licenses. One of these licenses is for the York Haven hydro station and the other two are for the TMI-1 and TMI-2 nuclear stations.

The York Haven hydro station license is under the control of the Federal Energy Regulatory Commission (FERC). Under this license the York Haven Power Company committed the southern portion of Three Mile Island to development as a multi-use recreation area. Most if not all of this area will be required to build the coal conversion station and the necessary support facilities, and therefore it will be necessary to amend this license to obtain a release from this commitment. This license amendment is not expected to pose a serious impediment to conversion.

Special consideration would have to be given to present and future Nuclear Regulatory Commission requirements regarding the operation of a coal-fired plant adjacent to the presumably decommissioned TMI-1 and TMI-2 reactors.

GPUSC has contacted the Federal Aviation Administration (FAA) local office in Harrisburg, PA regarding the maximum height stack that could be erected for the coal conversion facility. The location of the stack as presently laid out is in the aircraft approach zone for Harrisburg International Airport. As pointed out in Section 8.0 of the TMI-2 conversion report, the cooling tower height of 360 ft is inadequate for a stack, both from the standpoint of meeting the Prevention of Significant Deterioration (PSD) Increments for sulfur dioxide and particulates and from the standpoint of downwash in the plant area. Based on preliminary studies, it appears that a stack height in the 500 to 700 foot range will be

required to meet PSD increments. The FAA has informed GPUSC that a stack higher than 360 ft might be approved, but it would be necessary to file a formal application giving the coordinates of the stack and the stack height desired. Approval of a stack higher than 360 ft will probably be contingent upon providing special lighting and possibly other aircraft aids.

The conversion of TMI-1 from a nuclear generating station to a coal fired generating station will cause substantial changes in the environmental impact of the station. Impacts requiring study are identified below. The major impacts resulting from the conversion to coal firing are expected to be centered around two key areas. These are (a) increased project land requirements and changes in existing land use, and (b) coal fired combustion by-product and fugitive airborne emissions.

Converting TMI-1 to a coal fired facility will require the construction of boilers, precipitators, SO2 removal system, ash ponds, reagent handling systems, short term SO2 residual storage areas, industrial waste treatment facilities, coal handling equipment areas, a 30 day long term coal pile area, a small active coal pile area, coal pile runoff treatment facilities, railroad trackage and a bridge. A laydown area for construction will also be needed. The total area of TMI is about 470 acres, of which about 200 acres are presently used by TMI-1 and TMI-2. It is expected that the remaining 270 acres will be utilized by the conversion project during its construction phase.

Converting TMI-1 to coal will necessitate the acquisition and development of a solid waste site to receive the expected lifetime output of the SO2 removal system. A solid waste site survey identified several sites within 20 miles of TMI that appear acceptable, including one site that is less than three miles from TMI, and which meets project volumetric requirements. This site encompasses 550 acres and will require partial re-zoning from residential/conservation.

The operation phase of the project will entail airborne emissions of by-products formed from the combustion of coal as well as airborne emissions released from the coal handling system and storage areas.

While EPA New Source Performance Standards (NSPS) can be met, it is presently unknown what stack height the FAA will ultimately approve due to the prximity of Harrisburg International Airport. Demonstrating that primary and/or secondary air quality standards will be met will depend on allowable stack height, discharge concentration of pollutants (i.e., effectiveness of flue gas treatment), stack gas exit temperature, background ground level concentration of pollutants and the refinement of the air dispersion model ultimately selected.

Environmental impacts that will have to be evaluated for the conversion project include:

a. Possible increase in sulfur dioxides, particulates, and nitrogen oxides over the existing background.

b. Possible increase in particulates over background in the adjoining Harrisburg air basin which has been declared non-attainment for particulates.

c. Potential socio-economic impact of taking active farmland and potential farmland for a solid waste disposal area.

d. Potential ground water contamination in the solid waste disposal area.

e. Nature of flora and fauna in the solid waste disposal area (i.e., presence of endangered species, etc.)

f. Potential noise impact from both the plant and the solid waste haul equipment.

g. Possible impact of chimney height on Harrisburg airport traffic pattern.

h. Impact of constructing and operating the coal facility on the flora and fauna in the plant area.

i. Potential impact of a new railroad, car, and truck bridge on existing traffic patterns.

j. Potential impact of coal and limestone trains into and out of plant site.

k. Possible impact of fugitive dust from coal piles and limestone storage.

l. Increased river water consumption, if any.

m. Industrial waste discharge quality and quantity.

n. Sewage treatment plant discharge.

C. Time and Cost of Conversion

With respect to the Commission's second request, "the time and cost required to convert TMI-1," the schedule from the TMI-2 Coal Conversion Study is directly applicable and the estimated costs are only slightly greater. A milestone schedule showing the engineering-construction time estimates for the coal conversion of TMI-2, as prepared by Gilbert Associates appears in Appendix I. The schedule for the TMI-2 coal-firing option, from boiler purchase to commercial operation, is estimated at 59 months. To this must be added an eighteen month lead time for licensing of the site, preparation of specifications, and procurement activities before boiler purchase. During this time there is minimal site activity. NRC approval would not be required for this off-site activity.

The commercial operation date is shown as November 30, 1986 based on a project start date of July 1, 1980.

The following assumptions are implicit in the schedule:

1. the site is available for construction activities as of the dates shown on the schedules with no access restrictions, limitations on construction permits, or demolition of existing structures,

2. Adequate labor force to support parallel construction of both boilers and other major critical items,
3. Normal productivity, and
4. Five eight-hour days, forty hours per week.

The TMI-2 Coal Conversion Study prepared by Gilbert Associates concludes that the capital cost, including allowance for funds used during construction (AFDC) for a December 1986 commercial operation date with coal firing, would be $1.365 billion. Gilbert Associates estimates that the cost of converting TMI Unit 1 would be higher by $39 million. Of this $39 million, about $17 million is hardware costs, mostly for additional main steam, feedwater, and circulating water piping. Appendix II shows general arrangment layout of the TMI Unit 2 coal conversion plot plan. This arrangement is referred to as a "strung out" arrangement. Generally, it is desirable to locate as close together as possible the boilers, turbines, generators, condensers, and cooling towers. In this instance, because of the presence of existing equipment, the topping turbines and boilers are connected to the existing TMI-2 turbine by a 1400-foot, high-temperature, high-pressure steam line. There is probably no pipeline of that length for that type of service in the world. Nevertheless, Gilbert Associates and GPU believe it is technologically possible to construct such a pipeline, although its operational and reliability

implications have not been fully explored. The conversion to coal of TMI-1 would require an even longer pipeline because of the arrangement of the existing station.

The cost, then, for the conversion of TMI-1 to coal is expected to total $1.404 billion or $1112 per KW, plus an additional $11 million for initial development of a solid waste disposal site. These capital cost estimates do not include on the order of $50 million for decommissioning the TMI-1 reactor. The total new investment to convert TMI-1 to coal is in excess of $1.46 billion.

The cash flow for the expenditure of the $1.46 billion would be something like the following:

Year	Expenditure (Millions of Dollars)
1980	5
1981	39
1982	130
1983	246
1984	397
1985	375
1986	273
Total	1465

These figures do not include the existing investment in TMI-1 of over $400 million. Approximately one third of this existing investment, consisting primarily of the generator, turbine, condenser, the associated equipment and buildings, and the cooling towers would be useful in the converted plant.

There are a number of problems and risks in converting TMI-1 to a coal plant. These problems and risks have been identified by Gilbert Associates in the TMI-2 Coal Conversion Study. They are equally applicable to the conversion of TMI-1 to coal. The Gilbert Associates discussion on this subject as applied to TMI-1 follows.

The Phase II study program has not identified any major engineering or design feasibility risks, although there are a number of unique features to this conversion project and the engineering and design work completed in this study is very preliminary. The topping turbine generators are adapted from standard Westinghouse designs and the high pressure boilers utilize proven designs for Pennsylvania bituminous coal. The long topping turbine exhaust piping can be installed using proven procedures for steam distribution piping. The other components of the plant will be conventional power plant equipment. The controls and electrical designs are unusual but utilize standard power plant design procedures and equipment. The unknowns involved with operating and maintaining an SO_2

removal system would be the same as for any coal burning installation.

The major areas of concern and risk are licenses and permits. Anticipated requirements are discussed in Section 10.0, of the conversion report and summarized above, and the key items affecting licensing feasibility are summarized in Section 2.2 of the report. It is not certain that all licenses and permits can be obtained. Even if all regulatory requirements can ultimately be met, there are unquantified risks of schedule delays and cost increases due to either schedule delays or increased direct costs of meeting regulatory requirements. The cost of compliance with the air pollution requirements, including obtaining offsetting particulate emissions, can be very high. The solid waste disposal permit for the SO_2 residue disposal site can also become a problem.

The control problems involved with operating three separate turbine generators as a single unit have not been completely analyzed. The initial Westinghouse studies indicated a possible problem area involving the electrical characteristics of the three transformers. Additional system stability studies may be needed to analyze the transmission problems of a roughly 1300 MW full load trip. The control system that would permit operating the low pressure turbine at half load with one topping turbine and one boiler in service will have to be developed. A system that would permit removing one of the topping turbines from service, while maintaining the second topping turbine and low

pressure turbine on the line, may not be feasible as the systems are now conceived. Any single boiler or turbine trip will trip all three turbines. Operation as a single unit is well within current turbine-generator control technology.

The restrictions on the stack discharge elevation imposed by the approach pattern of the airport may cause some problems in complying with federal air quality regulations. Additional studies will be required to develop the stack discharge design parameters that are needed to comply with all the regulations involving ground level concentrations. A stack height in the 500 to 700 foot range is anticipated, compared to the current 360 foot height limit approved by the FAA for the cooling towers.

The initial studies have identified several locations near Three Mile Island that appear suitable for further consideration as SO_2 residue and ash disposal sites. The qualification of a disposal site will require a detailed field examination, including subsurface sampling. The environmental impact report for the selected site will also require additional study. It may be difficult and/or very time consuming to qualify the disposal site and obtain the necessary permits. The public transport route from the plant to the disposal site can also be a problem area. A private haul road may be a good solution, using off-road sized trucks, if the site is close enough to TMI.

The installation of the coal-fired boilers will increase the industrial waste loading and require new treatment facilities. A new discharge permit will be required to cover coal pile drainage, boiler and air heater washing, and general boiler and turbine plant drainage. The existing outfall can be used, eliminating waterfront work.

Field test work will be required to determine the effect on the overall cooling tower performance of the additional cooling water flow. The cooling tower should have sufficient excess capacity to handle the added flow, with a small reduction in flow to the main condensers. This design will eliminate any work at the river intake, and not materially increase the water use of the plant from current design values.

Additional work will be required on the steam piping layouts at the exhaust steam connections to the existing main steam piping. Studies will be required to prevent excessive nozzle loading and steam hammer problems in the new and existing piping.

D. Revenue Requirements

In addition to the problems and risks noted above, converting TMI-1 to a coal plant would impose considerably increased revenue requirements on our customers.

These have been estimated from preliminary results of a study of TMI-2 disposition options now in progress. This study is described below. The increased revenue requirements for

converting TMI-1 to coal (as estimated from the TMI-2 study) include on the order of $1.7 billion or 6.4 ¢/KWH, for replacement energy for TMI-1 being out of service from 1/1/81 to 12/1/86.

Four options for the disposition TMI-2 are being studied:

1. Return TMI-2 to service as a nuclear unit.
2. Convert TMI-2 to a fossil-fired unit using Pennsylvania bituminous coal; and
3. Convert TMI-2 to a fossil-fired unit using natural gas for five years, then Pennsylvania bituminous coal; and
4. Not return TMI-2 to service, and develop alternate coal capacity at other sites.

The objective of this study was to evaluate the above options in terms of customer revenue requirements.

The revenues required for each of the options for the first ten years of operation, on a levelized basis (1987 through 1996), are:

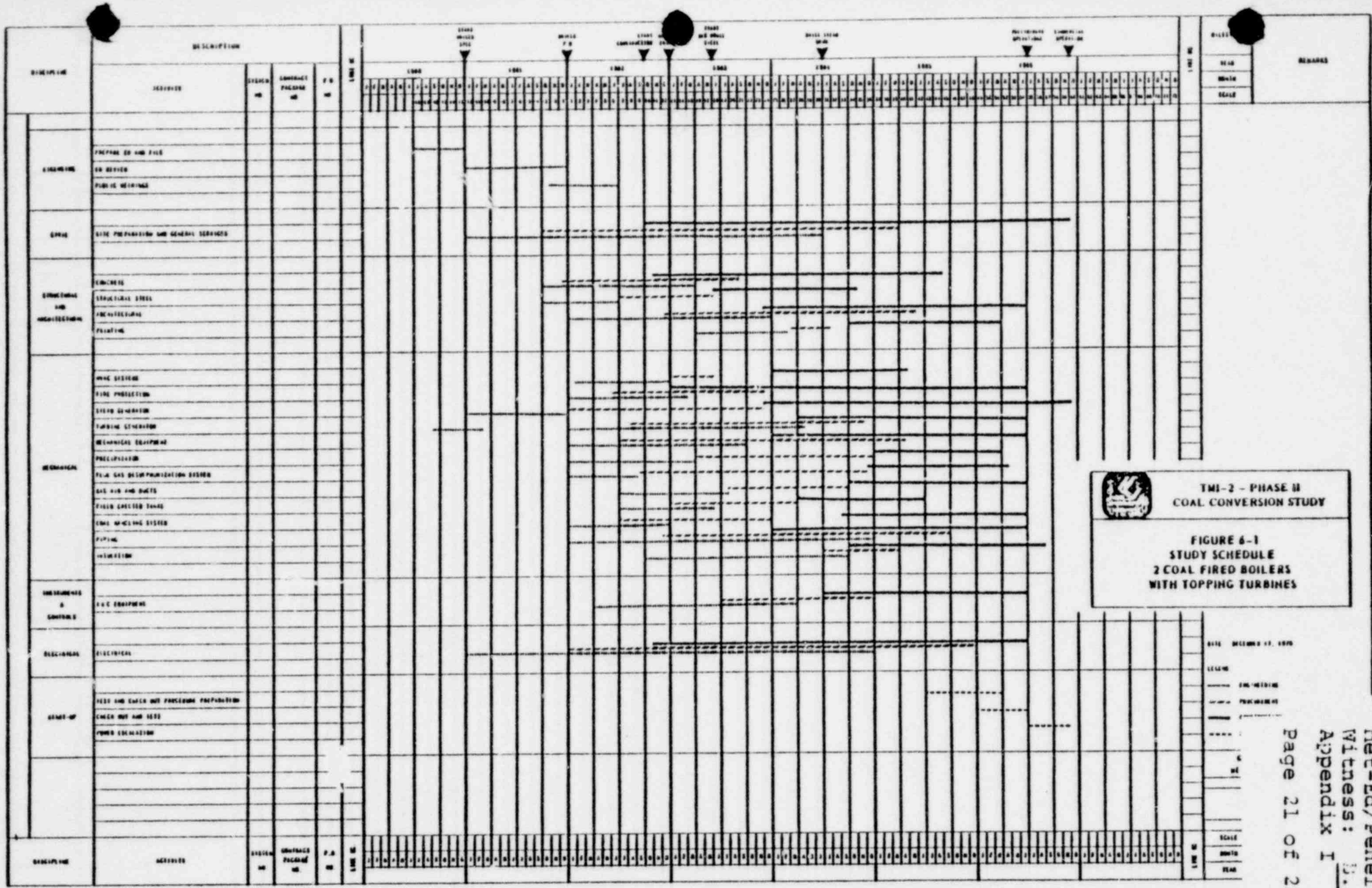
The revenues required for each of the option for the first ten years of operation, on a levelized basis (1987 through 1996),

Option	Description	Estimated Cost (Levelized ¢/KWH)
1	TMI-2 + part of a coal unit	5.6
2	TMI-2 coal	11.5
3	TMI-2 gas/coal	10.3
4	Coal units at other sites	11.8

The comparison was made on the basis of approximately equal installations of capacity; hence Option #1 is a combination of TMI-2 nuclear plus other coal capacity. The cost includes fuel, O&M, operating income, depreciation, capital additions, and taxes.

The analysis assumed that the required capital would be available for each of the above options.

As can be clearly seen, economics greatly favor return of TMI-1 to service as a nuclear unit. No constraints on capital availability due to company financial conditions were assumed. For this capital to be available in 1981-1986, we expect that significant levels of CWIP in rate base would be required.

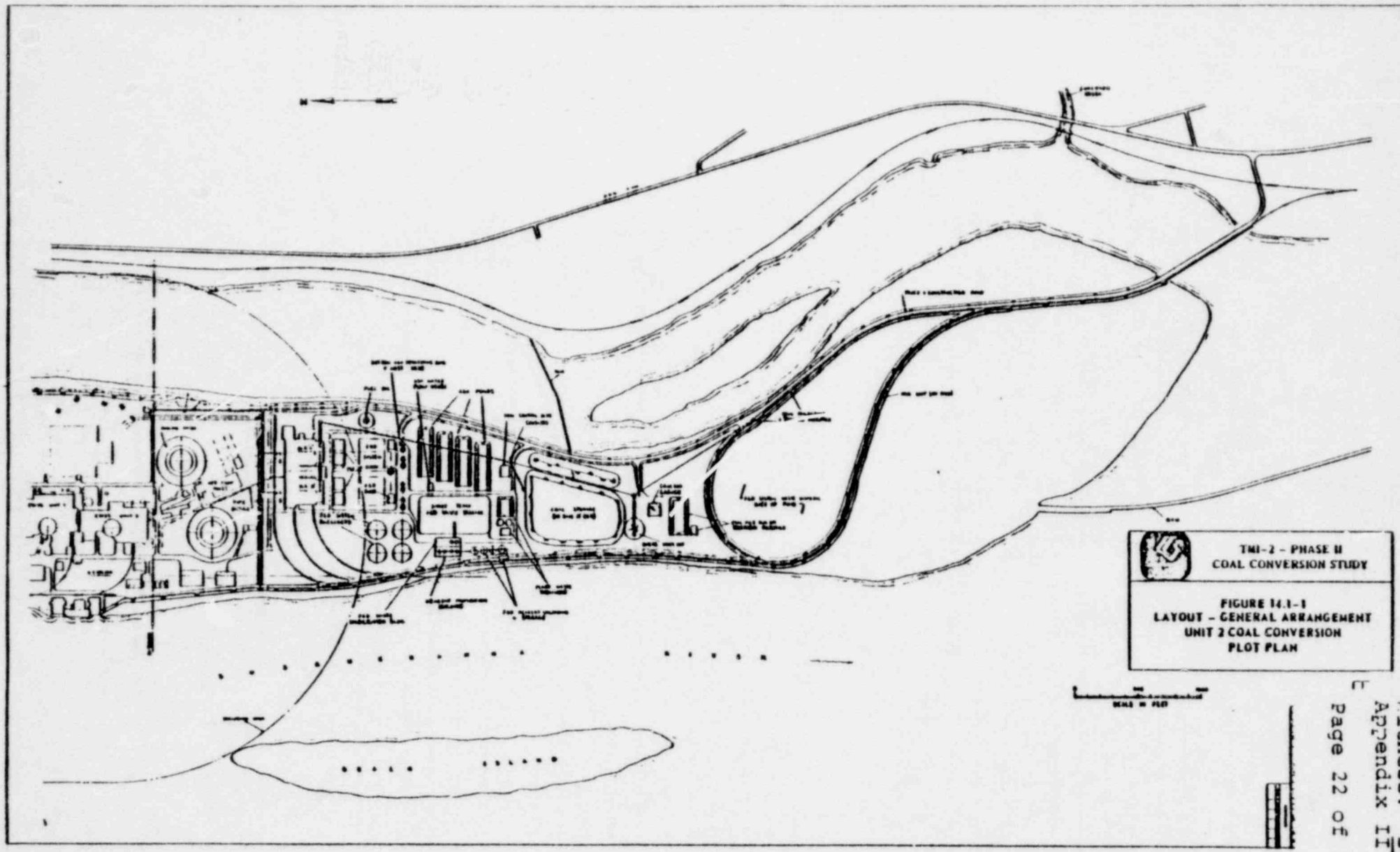


TMI-2 – PHASE II
COAL CONVERSION STUDY

FIGURE 6-1
STUDY SCHEDULE
2 COAL FIRED BOILERS
WITH TOPPING TURBINES

POOR ORIGINAL

Met-Ed/Penelec Exhibit F-36
Witness: D. H. Cherry
Appendix I
Page 21 of 22



Metropolitan Edison Company
Docket No. I-79040308

Response to Commission request for the time and cost to build a new coal-fired plant at N.T. 2966.

COMMISSION REQUEST

> One of the questions I have is if you could indicate the time which it would take to build a new coal-fired plant and the cost.

RESPONSE

The time it would take to build a new coal-fired unit in the 600 to 800-MW size range depends on the site selected, and whether or not the environmental data needed to meet regulations are already available or if they must be collected. At a new site, for which the data are not already available, the total schedule is about 9.5 years. This includes data collection, licensing, construction, and new plant startup. The cost of such a unit, assuming that it is similar to Homer City 3 and assuming that the unit could be completed for commercial operation in 1986, would be in the $850-900 million range, including escalation and AFDC.

In answering the Commission's question we assumed a plant similar to Homer City Unit 3, but with all necessary pollution control systems added. Regulations have proliferated over the years since the Homer City Unit 3 project began. A coal-fired plant commenced today (or in the 1980's will

minimum require sulphur dioxide scrubbers. Additional environmental standards, including compliance with the Federal Water Pollution Control Act as amended and the Resource Conservation and Recovery Act, must also be met. A Homer City 3 type plant will take more than 3 years longer to build and cost more than 20 percent more (excluding inflation) for environmental controls than the original Homer City 3 unit.

The construction schedule for a coal-fired power plant in the 600 to 800 MW size range follows:

Activity	Estimated Schedule, Years
Preliminary Engr. & Environmental Report Studies (Phase I)	2.5
Discussions with regulators	-
Permit processing and Engineering (Phase II)	2.0
Construction (Phase III)	4.5
Start-up	0.5
Total	9.5

For purpose of comparison with the TMI coal conversion option, the cash flow associated with the construction of a new 625-MW cool plant to go into service in 1986 would be something like the following, based on an $850 million total cost.

Year	Expenditure Millions of dollars
Pre-1981	9
1981	40
1982	73
1983	133
1984	204
1985	264
1986	104
1987	23
Total	850

The above numbers include AFDC.

Metropolitan Edison Company
Docket No. I-79040308

Response to Commission request as to the favorability of federal regulations and laws on gas and coal usage for electric generation, whether there would be any available federal funds for TMI-2 conversion, and the limits on the utilization of gas at N.T. 2966 and 2967.

COMMISSION REQUEST

> I also note that in Section 11.3 of the Phase II Gilbert Study, there is an indication that federal regulations, laws on gas usage for electric generation and coal-firing are favorable for this project, that is referring to Unit 2.
>
> Would you indicate whether there would be any available federal funds for conversion and also what are the limits on the utilization of gas? I think if I am looking at it correctly, there has been presupposed in here the use of gas for a period of ten years, from 1985 to 1995, and then a coal conversion of Unit 2.
>
> What are the restrictions on using gas to generate electricity, or do you see none and that is the reason -- in other word, could you go beyond 1995 in utilizing gas.
>
> Again I refer to a statement that is in Section 11-8, the possibility of a three way utility (self help) propane air fuel supply should be given strong consideration from both an economic and secure supply standpoint.

RESPONSE

The Power Plant and Industrial Fuel Use Act of 1978 (the "Act") generally prohibits the use of petroleum and natural gas

by certain electric power plants after 1990. However, recognizing that not all power plants will be able to comply with the Act, the Economic Regulatory Administration within the Department of Energy established criteria upon which owners and operators of new and/or existing generating enstallations may petition for an exemption from this prohibition of the Act. Based on GPU's understanding of 10CFR parts 502, 503, 505, 507, and 508 it would appear that GPU may be eligible to obtain an exemption to burn natural gas as an interim fuel while conversion of TMI-2 to coal is accomplished. Discussions with DOE are needed to further clarify exemption feasibility.

Based on our preliminary evaluation of the Act we would conclude that there will be no federal funds available for the conversion of a nuclear unit to a coal or gas burning unit.

The limits on the utilization of natural gas are essentially those contained in the Act. In essence, this act prohibits the use of petroleum products or natural gas in existing or new boilers after 1990. Gilbert Associates and GPU have assumed that a five ten year temporary exemption could be obtained by GPU to burn natural gas. The TMI-2 Coal conversion Study postulates conversion of the TMI-2 gas-fired plant to coal in 1991.

At the present time, it is necessary to obtain from DOE's Economic Regulatory Administration, an exemption from the Fuel Use Act restrictions on burning natural gas in boilers in order to displace middle distillate fuel oil.

Such exemptions have been granted for a 5 year period, provided that the utility can demonstrate that coal or alternate energy sources (presumably including nuclear) are not being displaced. It is not clear that a guaranteed exemption could be obtained by GPU in 1980 for burning gas between late 1986 and 1991, since the use of gas might be displacing nuclear or coal. An exemption might be conditioned on natural gas supply and demand perceptions in 1985, for example. There is considerable risk, therefore, in proceeding with a plant that can burn only gas at its planned startup date.

Additional restrictions on using natural gas are supply and economics. GPU's consultants have indicated that major gas transmission supply line operators servicing the Harrisburg area are projecting increased supply of natural gas through the year 1990. After that, however, the supply starts decreasing. The Natural Gas Policy Act of 1978 permits new gas prices at the wellhead to escalate at least with inflation, or more, depending upon the category of gas. Thus, it is anticipated that natural gas will increase in price by about 12 to 15% per year through 1985. Most new gas could be deregulated after 1985, and the assumption is being made that it will increase in price by 11% per year through 1990. Initial installation of coal burning capability provides more favorable operating economics. However, the costs associated with environmental compliance for coal plants and coal handling equipment are relatively large compared to a plant that burns natural gas. Therefore, it was

thought that over the initial five years, economics and availability of supply might favor natural gas. Gilbert Associates was therefore requested to supply an evaluation of a natural gas fired conversion of TMI-2 so that GPU might be able to evaluate the economics of that option as well as initial coal-firing.

Utility use of natural gas is placed in the lowest priority category during the winter months when demand for natural gas is great. There is a possibility that curtailments of natural gas to utilities will be enacted. This is particularly true when temperatures drop below 20 degrees Fahrenheit and demand for natural gas for residential heating picks up. Please note that this is also likely to be a time of peak or near peak demand for electricity, because of electric heating usage.

We would expect on average about ten days during the months of January and February when gas would not be available to a generating station. One option available to protect against a curtailment is to use propane--air. Propane would be available from several major suppliers. However, TMI-2's demand of roughly sixty thousand barrels of propane per day would have to be purchased or contracted from foreign sources. Because these supplies are politically priced, this may not be a viable alternative. A long term outlook for propane is that it will track crude oil prices.

Propane/air facilities, which will deliver the equivalent Btu per cubic foot as utility gas could be used in conjunction with utility and/or self help gas. Texas Eastern, a major supplier, has a propane pipeline near TMI. There is ample storage in the Delaware Valley so that propane could be brought in by truck, rail, or pipeline. Because of the volume of gas that would be consumed at TMI-2, however, the propane/air supply must be viewed as supplemental.

Met-Ed/Penelec Exhibit E-40
Witness: B. H. Cherry

METROPOLITAN EDISON COMPANY
Docket No. I-79040308

Response to Pa. PUC Secretarial letter dated March 12, 1980, Appendix A, Data Requests No. 8:

"On page 44 of a presentation made to Governor Thornburgh on November 16, 1979, there are statements which highlight GPU's management's commitment "to develop and implement programs that will reduce by 50% peak load increases currently projected to occur over the next ten years." Provide the Commission with a detailed summary of the current status of this or any other long or short range conservation/load management programs."

RESPONSE

Future conservation/load management program objective is to "reduce by 50% peak load increases currently projected to occur over the next ten years" will be an integral part of the Conservation and Load Management Master Plan.

Response to Consumer Advocate oral data request at N.T. 88:

What portion of the $5 million a month fuel clause underrecovery is purely attributable to an increased cost of Arab oil.

The $5 million a month increase is based on the months of July, August and September 1979 as shown on Appendix A of the November 1, 1979 filing of the "Petition of Metropolitan Edison Company for Modification of Commission Order Entered on June 19, 1979". In these months, the energy clause revenues for energy costs recovered only $15.3 million of $29.5 million in energy costs above level recovered by base rates. (Refer to page in Appendix A entitled "Metropolitan Edison Company Statement of Retail Energy Clause Revenues, Expenses and Deferrals" for details.)

The oil fired portion of these costs consists of Met-Ed oil fired generation, purchases from PJM which are predominately from oil fired equipment, and purchases from PP&L which are from the oil fired Martins Creek station. The effect of the oil cost increase on this energy was calculated by comparing the actual unit cost to that as shown in the official 1978 9+3 budget. Since the PP&L purchase was made to replace PJM purchase, its cost was compared to the budget PJM purchase cost.

The attached calculation shows, based on the calculation, that the effect of oil cost increases on Met-Ed were $300,000 in July, $533,000 in August and $658,000 in September for a three month total of $1,491,000.

METROPOLITAN EDISON COMPANY
Calculation Showing the Effect of Oil Cost
Increases on Energy Generated and Purchased
by Met-Ed for July, August and September 1979

		July	August	September	Total
1. Met-Ed budgeted oil fired generation rate (9+3 budget)	($/MWH)	44.7	44.9	45.2	
2. Met-Ed actual oil fired generation rate	($/MWH)	51.7	56.0	54.9	
3. Difference (2-1)	($/MWH)	7.0	11.1	9.7	
4. Met-Ed accual oil fired generation	(GWH)	5.7	11.7	5.1	
5. Increased cost of oil fired generation (3X4)	($000)	40	130	49	219
6. Met-Ed budgeted PJM energy purchase rate (9+3 budget)	($/MWH)	30.8	30.8	30.8	
7. Met-Ed actual PJM energy purchase rate	($/MWH)	33.8	38.0	45.2	
8. Difference (7-6)	($/MWH)	3.0	7.2	14.4	
9. Met-Ed actual PJM energy purchase	(GWH)	14.4	23.1	26.8	
10. Increased cost of PJM energy purchase (8X9)	($000)	43	166	386	595
11. Met-Ed actual PP&L energy rate	($/MWH)	36.7	38.7	38.6	
12. Difference (11-6)	($/MWH)	5.9	7.9	7.8	
13. Met-Ed actual PP&L energy purchase	(GWH)	36.8	30.0	28.6	
14. Portion of PP&L energy purchase cost attributable to oil increase (12X13)	($000)	217	237	223	677
15. Total effect of oil increase on energy generated and purchased (5+10+14)	($000)	300	533	658	1 491

METROPOLITAN EDISON COMPANY

PENNSYLVANIA ELECTRIC COMPANY

Docket No. I-79040308

Response to Pa. PUC Secretarial letter dated March 12, 1980, Appendix A, Data Request No. 6:

"Respondents are requested to provide the Commission with a feasibility and impact assessment of secondary voltage reduction as a method of reducing the cost of energy purchases. This assessment should include estimates of the potential costs and benefits of such voltage reductions at various practical levels of reduction."

Response:

For many years, the GPU System Companies, (Met-Ed, Penelec and Jersey Central) along with many other utilities, have used voltage reduction as a method to reduce temporarily the customer kilowatt demand during periods of capacity shortage. We have always assumed that very little energy saving resulted from this action, since most loads except lighting would operate for a longer period of time to compensate for the reduced voltage. Many utility engineers, including ourselves, continue to feel that this is the result.

More recently, we have been following with interest rather detailed studies attempting to prove or disprove the energy saving concept. These studies were conducted by Southern California Edison Company and American Electric Power Company. California studies indicated the potential of more than a 1% reduction in energy consumption for each 1% reduction in voltage. As a result of that study, the California Public Utility Commission has required at least some of the companies within their jurisdiction to reduce their distribution voltage to the minimum permitted by their regulations on those circuits which do not require capital investment for implementation. Voltage will be reduced on other circuits only to the extent that the additional required capital investment can be cost justified.

The study conducted by American Electric Power, on the other hand, indicated that there was no significant energy saving from a voltage reduction, and we understand AEP has not reduced their distribution voltage.

We also intend to follow very closely a research project, presently in its initial stage, being conducted by the Electric Power Research Institute on the distribution system of a Texas utility. It should provide information useful to both utilities and utility commissions in analyzing the potential benefits of voltage reductions. Unfortunately, this is a three-year study, so that results will not be available in the immediate future.

It appears from the Southern California Edison study that the energy savings available vary with the types of loads on the distribution circuit. It is also likely that distribution circuits in the East, with a significant amount of resistance heating, might be different than those in the West, where air conditioning motor loads probably predominate. In an attempt to determine if energy savings exist on its distribution circuits, Met-Ed has recently started a study reducing voltage on the distribution circuits out of one Substation. Results from this program will not be available within more than a year after reliable data starts to come from the project. Penelec, on the other hand, operates with a different concept of voltage control and can not readily select a test area such as Met-Ed is doing and will follow the results of the Met-Ed program.

We believe that there is no conclusive evidence whether or not voltage reductions result in energy conservation on our system. In addition, reliable evidence either way will probably not be available for several years. However, because of our desire to take all steps that could possibly conserve energy, the Met-Ed program to implement voltage reductions on those circuits where this can be done without the investment of additional capital has been instituted.

However, it has been our experience that we receive voltage complaints from some customers even when their distribution circuit voltage is above the minimum PUC regulations. The number of voltage complaints which we have received in recent years has never been excessively high and has, in fact, been reducing. With the institution of this voltage reduction program, however, we must anticipate that the number of voltage complaints, both informal and formal, will probably increase, resulting in additional cost, both for the Company and the Commission.

METROPOLITAN EDISON COMPANY

PENNSYLVANIA ELECTRIC COMPANY

Docket No. I-79040308

Response to Pa. PUC Secretarial letter dated March 12, 1980, Appendix A, Data Requests No. 1:

"On pages 18-21 of the Respondents' July 19, 1979 response to paragraph 6 of the Commission's June 19, 1979 Order, there is a summary of Met-Ed's and Penelec's planned mass media activities for the last six months of 1979. Provide the Commission with a similar summary and corresponding exhibits of the actual mass media activities during the same period. Also, submit any media program evaluations that were conducted to determine which media activities were most (cost) effective in reducing on-peak and/or overall energy consumption. If a media program evaluation was not conducted, provide evidence that these media expenditures are being used efficiently.

Provide the Commission with a summary of the current and planned media activities over the 1980 calendar year and demonstrate how these planned activities relate to Respondents' assessment of the effectiveness of its prior media activities.

For each of the tariff or program recommendations requested below, include a summary of the media activities that will be used to support each recommendation."

Response

The objective of Met-Ed's and Penelec's Energy Conservation Advertising was to:

(1) eliminate unnecessary and inefficient usage of electricity to reduce energy consumption and replacement power cost, particularly during peak use periods; and

(2) defer customer use from system peak periods to off-peak periods to achieve energy savings, reduce purchase power cost, and restrain growth in peak period demands.

The communications vehicles used to achieve these objectives were the use of newspapers, bill inserts and bill messages, company truck posters, radio spots and customer information booths. The mass media activities for the last six months of 1979 were as follows:

Penelec

1. Newspaper Advertising - schedule of insertions for six months 1979

	Dailies	Weeklies	Size
Ad #1	July 11	Week of July 9	36"
Ad #2	July 25	Week of July 23	36"
Ad #3	Sept. 13	Week of Sept. 9	44"
Ad #4	Oct. 17	Week of Oct. 15	54"
Ad #5	Dec. 4	Week of Dec. 3	52"

2. Bill Inserts and Bill Messages

a. Bill Inserts:

Insert #1 - July 1975, "President's Letter" (to all customers)

Insert #2 - August 1979, "Residential Energy Audit" (to approximately 9,000 electric heat customers)

Insert #3 - September 1979, "What's A Time-of-Day Rate?" (to all water heating customers over 1200 kWh per month)

Insert #4 - September 1979, "An Important Message for Penelec Customers" (to all customers)

Insert #5 - October 1979, "For Penelec's Electric Water Heating Customers" (to all electric water heating customers)

Insert #6 - November 1979, "Coal--One of Our Country's Principal Energy Sources" (to all customers)

b. Bill Messages:

Bill messages promoting load management and conservation were used on customer bills for the months of August through November 1979. (A Christmas message was used on the December bills.) They are being continued in 1980.

3. Company Truck Posters

During the period of September 1979 to December 1979, Company trucks carried a poster with the theme of "Insulate The Kilowattcher Way." From December 1979 to present, the theme is "Save Energy--Insulate Your Electric Water Heater."

4. Customer Information Exhibits

Penelec had a Customer Information Display at the Annual Keystone Country Festival at Lakemont Park, Altoona, Pennsylvania on September 8-9, 1979. The booth displayed Energy Conservation and Load Management ideas including Time-of-Day Rate, Storage Heating, Storage Water Heating and insulation, plus other conservation ideas.

In 1980, we plan to display at Home Shows, Energy Fairs, and other local fairs and shopping mall exhibits through our entire service area, with main emphasis on Conservation and Load Management Measures, including Time-of-Day Rate, Storage Heating, and Water Heating.

Cost Summary

Conservation & Load Management Advertising

	Last Six Months 1979 Estimated Cost	Last Six Months 1979 Actual	Twelve Months 1980 Estimated
Newspaper	$33,000	$50,180	$93,750
Television	None	None	48,000
Radio	None	None	20,000
Bill Inserts	21,000	21,175	67,500
Truck Posters	900	840	1,000
Exhibits	1,500	300	8,000

No media program evaluations were conducted in the last half of 1979. A comprehensive assessment of consumer reactions to GPU advertising was conducted in November 1978.

It was identified that one of Penelec's problems in future advertising would be to sustain the high saturation level of awareness established by the "Wait Until Eight" and "Kilowattcher" themes of past advertising.

One recommendation was to move from the generic or concept advertising to more specifics for the residential customer. This is being followed in our 1980 mass media energy conservation advertising.

In response to the Commission's request for "evidence that these media expenditures are being used efficiently" we list the following: three sets of statistics - (1) comparison of the growth rate in customer use; (2) customer response to Time-of-Day metering promotion; and (3) requests for energy audits by total electric customers.

Comparison-kWh/Cust.

	Compound Avg. % Change/Period Six Months Ending Feb. 1975 to 1979	% Change/Period Six Months Ending Feb. 1980 over 1979
Residential		
Total Electric*	-4.5%	-6.4%
Non-Total Electric	1.0%	0.9%
Commercial	3.6%	-1.7%

*kWh normalized for weather and the changeover to monthly billing.

Residential Time-of-Day Rate and Energy Audits Comparison

	July-Dec., 1978		July-Dec., 1979		
	Surveys Requested	New RT Customers Connected	Surveys Requested	New RT Customers Connected	1980 Goal
T.O.D. (RT Rate)	440	18	889	213	750
	Requests	Inspec.	Requests	Inspec.	Inspec.
Energy Audits (AE & RS)	695	695	689	689	6,700

Met-Ed

Cost Summary

Conservation & Load Management Advertising

	Last Six Months 1979 Estimated Cost	Last Six Months 1979 Actual	Twelve Months 1980 Estimated
Newspaper	$24,000	$27,476	$60,000
Radio	5,000	29,730	30,000
Bill Inserts	7,500	4,200	10,000
Truck Posters	750	900	1,500
Exhibits	1,000	1,100	12,000

No media program evaluations were conducted in the last half of 1979. A comprehensive assessment of consumer reactions to GPU advertising was conducted in November 1978. Excerpts from this report are available for inspection.

Following the accident at TMI, media advertising was resumed in mid-July, 1979. In response to the Commission's request for "evidence that these media expenditures are being used efficiently" we list the following: three sets of statistics - (1) comparison of the growth rate in customer use; (2) customer response to Time-of-Day metering promotion; and (3) requests for energy audits by total electric customers.

Comparison-kWh/Cust.

	Compound Avg. % Change/Period Six Months Ending Feb. 1975 to 1979	% Change/Period Six Months Ending Feb. 1980 over 1979
Residential		
Total Electric*	-3.0%	-5.4%
Non-Total Electric	1.4%	0.2%
Commercial	4.8%	4.2%

*kWh normalized for weather.

	July-Dec., 1978		July-Dec., 1979		
	Surveys Requested	New RST Customers Connected	Surveys Requested	New RST Customers Connected	1980 Goal
T.O.D. (RST Rate)	343	66	641	124	275
	Requests	Inspec.	Requests	Inspec.	Inspec.
Energy Audits (AE & RSH)	393	329	494	443	850

Media activities to support energy conservation and load management programs and tariff changes will be developed at the time the programs are ready for implementation. Samples of Met-Ed's proposed newspaper ads are available for inspection and copying.

Copies of newspaper ads, bill inserts, bill messages, and excerpts from the media program evaluation report are available for inspection and copying.

METROPOLITAN EDISON COMPANY

PENNSYLVANIA ELECTRIC COMPANY

Docket No. I-79040308

Response to Pa. PUC Secretarial letter dated March 12, 1980, Appendix A, Data Requests No. 2 (first paragraph), No. 3, No. 4 and No. 7

Data Request No. 2 (first paragraph)

"Since March 28, 1979, the Respondents have had to purchase a substantial amount of replacement energy which has altered the Respondents' costs of supplying energy. Provide the Commission with time-of-day (energy) rate proposals that both reflect Met-Ed's and Penelec's current costs of supplying energy and will provide incentives for consumers to make desired changes in their consumption patterns. At the minimum the responses should address recommended changes to Penelec's RS, RT, RL, GS, GL, GP (sic) and Met-Ed's RS, RST, GPL-2, LP, TP rate structures. In addition, specifically address the feasibility of providing time-of-day rates to Met-Ed's GPL-2 customers with less than 50 KW billing demand."

Data Request No. 3

"Provide the Commission with proposals for residential rate schedule modifications, other than the time-of-day proposals requested in #2) above (e.g. load factor service, inverted block schedules, a two block rate similar to that proposed in R.I.D. 626, etc.). These proposals should reflect Respondent's perspective of changing energy costs since March 28, 1978 and should provide incentives for consumers to make desired changes in their consumption patterns."

Data Request No. 4

"Provide the Commission with proposals for Commercial and Industrial rate schedule modifications other than the time-of-day proposals requested in #2) above. At the minimum address the potential impact of the following tariff modifications: a) reduce the minimum curtailable load below 500 kW in Met-Ed's GPL-2, LP and TP schedules, and Penelec's GL and LP schedules, b) providing multi-tier credits for curtailable revenues that would vary with specified levels of curtailable service, c) changing the ratio between the maximum off-peak and on-peak billing demand to induce more customers to use off-peak capacity, and d) permitting customers to make a one-time adjustment in their minimum billing demand ratchet if they can alter their demand requirements as a result of a tariff modification.

Respondents are directed to provide the Commission with the number of customers with curtailable service, the total curtailable capacity in each rate class discussed above and the additional costs of providing customer service associated with curtailable service. Respondents should also address any technical constraints associated with providing curtailable service below the 500 kW level."

Data Request No. 7

"For those industrial and commercial customers who will not be participating in existing or proposed time-of-day tariffs (e.g. recommendations in #2) or any other existing or proposed tariffs that are designed to reflect Respondents' current and future costs of providing energy (e.g. recommendations in #4), Respondents are requested to provide the Commission with a proposed tariff rider that would require commercial and industrial customers served under Met-Ed's tariffs GPL-2, LP, TP and Penelec's GS, GL, GP (sic) to pay the average cost of purchased power, experienced by Met-Ed for each billing month, for each kWh in excess of some targeted consumption level (e.g. 95%). The target level of energy consumption will be a percentage (e.g. 95%) of the customer's consumption during some base period (i.e. first quarter 1979). This change will replace the energy charge and the net energy charge rider, and the revenues collected through this charge would be treated as net energy charge revenues by the Respondents."

Response

Refer to the record at N. T. 3060, starting at line 23, statement by Chairman Shanaman, "There is no intent to do other than what we have stated in our prior orders. To the extent that there appears to be some conflict between the two, we will take that under advisement and get back to you".

The Commission's prehearing order of December 21, 1979, states "The Commission has no desire to undertake a redetermination of Respondents' base rates as a hypothetical exercise. If this Commission finds TMI-1 no longer used and useful in the public service, then the determination of just and reasonable rates for Respondents will be an issue before us."

The Respondents respectfully submit that time and available manpower limitations do not permit Respondents, in the instant proceedings, to respond meaningfully to the rate design issues raised in this interrogatory.

The available data is being incorporated in the Master Plan which will address several of these issues which are related to conservation and load management.

Met-Ed/Penelec Exhibit J-16
Witness: E. F. Carter

METROPOLITAN EDISON COMPANY

PENNSYLVANIA ELECTRIC COMPANY

Docket No. I-79040308

Response to Pa. PUC Secretarial letter dated March 12, 1980, Appendix A, Data Requests No. 2b:

"The number of residential, commercial and industrial customers in each rate class discussed above that have meters capable of recording on- and off-peak consumption."

Response

The following tables contain the customer counts that meet the above specifications as of 2/29/80.

Metropolitan Edison Company

Classification	Rate Class	Number
Residential	RST	373
Commercial	GPL-2	4
Industrial	GPL-2	12
"	LP	13
"	TP	17
Total		419

Pennsylvania Electric Company

Classification	Rate Class	Number
Residential	RT	359
Commercial &	GL	70
Industrial	LP	13
Total		442

Met-Ed/Penelec Exhibit J-17
Witness: E. F. Carter

METROPOLITAN EDISON COMPANY

PENNSYLVANIA ELECTRIC COMPANY

Docket No. I-79040308

Response to Pa. PUC Secretarial letter dated March 12, 1980, Appendix A, Data Request No. 2-c:

"The total costs of providing time-of-day meters to individual customers in each rate class discussed above."

Response

The total costs of providing a time-of-day (T-O-D) meter is as follows:

Residential & Small Commercial:

T-O-D meter installation	$ 235
less "Normal" meter installation	35
Incremental Cost	$ 200

Large Commercial (Secondary Voltage):

T-O-D meter installation	$ 480
less "Normal" meter installation	250
Incremental Cost	$ 230

Industrial (Primary and Transmission Voltages):

T-O-D meter installation	$1360
less "Normal" meter installation	485
Incremental Cost	$ 875

The above estimates are not all inclusive. For example, regardless of whether a commercial meter installation is T-O-D or not the same meter socket, instrument transformers, wiring, etc. would be required for either installation. Therefore, these equally applicable costs are not included in the above estimates.

At the current time, T-O-D metering is experiencing rapid technological changes. Costs can vary significantly depending upon the sophistication of the rate design, the Operating & Maintenance costs associated with meter reading equipment, meter reader skills required, etc.

METROPOLITAN EDISON COMPANY

PENNSYLVANIA ELECTRIC COMPANY

Docket No. I-79040308

Response to PaPUC Secretarial letter dated March 12, 1980, Appendix A, Data Requests No. 5:

"In Exhibits 27 and 28 of the Respondents' July 19, 1979 response to paragraph 6 of the Commission's June 19, 1979 Order, there are sample responses from a self-generation customer survey conducted for Respondents. While most of the customers state that their generation facilities are restricted to emergency use only, a few of the customers indicate they have generating facilities that could be utilized to meet more of their own electricity requirements. Provide an assessment of the necessary rate considerations and purchase agreements that will induce such customers to generate more of their own requirements and/or provide energy into Respondents' system. Present an analysis of the levels and duration of customer's generating capacity that could become available under a range of rate and purchase agreement scenarios."

Response

Penelec

The results of the initial survey of customers who have self-generation equipment in place were documented in Respondents' July 19, 1979 response to paragraph 6 of the Commission's June 19, 1979 Order. In October, 1979, Penelec did conduct a follow-up survey (1) of those customers who had responded negatively to the July survey, (2) recontacted the customers identified in the original survey as "new" potential, and (3) followed-up as necessary with 15 accounts who had not responded to the initial survey in time to be included in the Respondents' July 19, 1979 response. The final tally of the self-generation survey is as follows:

1. 106 units are in place, totaling 160,898 kilowatts capacity.

2. 19 of these units, totaling 133,802 kilowatts, were identified as potentially available for daily operation.

3. Of the 133,802 kilowatts, 131,887 kilowatts of capacity are presently being used on a daily basis, thus leaving 1,915 kilowatts which were identified as new potential.

4. The remaining 27,096 kilowatts (160,898 kW minus 133,802 kW) are strictly "emergency only" generation.

5. Of the 1,915 kW of new potential generation identified, none of it can be operated on a daily basis due to either economics, design, or fuel availability constraints.

6. Customer comments to the follow-up survey can be summarized as follows:

Emergency Use Only - 8

Uneconomical and/or Fuel Constraints Preclude Operation on a regular basis - 8

No comment - 5

Met-Ed

The results of the initial survey of customers who have self-generation equipment in place were documented in Respondents' July 19, 1979 response to Paragraph 6 of the Commission's June 19, 1979 Order. Customer comments as a result of that survey can be summarized as follows:

Emergency Use Only - 13

Uneconomical and/or Fuel Constraints Preclude Operation on a Regular Basis - 4

The same customers were contacted a second time during the Fall, 1979. None of the respondents changed their answer to the original request.

Two industrial customers had indicated originally and still have generating facilities that could be used in extreme emergencies to provide additional electricity for their own requirements. Both customers, however, indicated that they are not interested in providing additional generation for their own use for economic reasons. One of the two noted that to generate electricity over and above its requirements for process steam is not economical since it would cost approximately 18¢ per kilowatthour to generate the electricity while blowing steam to the atmosphere. The other industrial customer considers cost information confidential, will not supply it, and would only consider increasing its internal generation under emergency conditions.

Met-Ed/Penelec Exhibit J-19
Witness: E. F. Carter

METROPOLITAN EDISON COMPANY

PENNSYLVANIA ELECTRIC COMPANY

Docket No. I-79040308

Response to Pa. PUC Secretarial letter dated March 12, 1980, Appendix A, Data Requests No. 2a:

"The average hourly energy costs, per kWh, and the corresponding hourly loads for each hour, for each of the twelve months ending March 31, 1979, and for each month, for the period between March 31, 1979 and December 31, 1979.

Response

Tables A and B, attached, show the hourly loads and estimated hourly cost of generation. This cost includes fuel, purchases, sales and incremental maintenance costs. These costs are at the generation level and, therefore, include no losses. Additionally, no operation and maintenance expenses nor capital costs are included.

We have completed estimating the costs for the peak day, the typical week day and the typical week-end day for each month in 1979. Additional days are extremely time-consuming and costly to prepare.

METROPOLITAN EDISON COMPANY

Cost of Generation (Including Sales & Purchases)

Peak Days, Typical Weekdays and Typical Weekend Days
In 1979

	Peak Day (1)	Typical Weekday (2)	Typical Weekend Day (3)
Jan	Fri - 19	Wed - 31	Sat - 27
Feb	Mon - 12	Thur - 8	Sun - 11
Mar	Mon - 12	Wed - 14	Sat - 24
Apr	Mon - 9	Thur - 19	Sat - 14
May	Thur - 10	Thur - 3	Sat - 26
June	Mon - 18	Mon - 11	Sun - 10
July	Mon - 16	Mon - 30	Sun - 22
Aug	Wed - 1	Fri - 3	Sun - 26
Sep	Tues - 4	Thur - 13	Sun - 2
Oct	Thur - 11	Mon - 29	Sun - 28
Nov	Thur - 29	Thur - 1	Sun - 4
Dec	Thur - 20	Thur - 6	Sun - 9

Typical weekday is the day in which the daily kWh use is closest to the average of the weekday kWh usage of the month. The same idea is used to determine the typical weekend day.

METROPOLITAN EDISON COMPANY
GENERATION COSTS SUMMARY

FRI. - JAN. 19, 1979 - PEAK

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	1118.	17838.32	15.96
2	1098.	17155.24	15.62
3	1079.	16738.10	15.51
4	1069.	16405.23	15.35
5	1074.	16427.72	15.30
6	1129.	18627.50	16.50
7	1284.	27046.02	21.06
8	1457.	33148.02	22.75
9	1496.	36258.54	24.24
10	1492.	35613.82	23.87
11	1490.	34216.91	22.96
12 NOON	1442.	32125.34	22.28
1 PM	1391.	30516.31	21.94
2	1413.	31209.12	22.09
3	1383.	30094.20	21.76
4	1352.	28130.73	20.81
5	1359.	28593.86	21.04
6	1405.	30572.37	21.76
7	1396.	30070.92	21.54
8	1354.	28261.98	20.87
9	1315.	25238.26	19.19
10	1263.	24488.52	19.39
11	1175.	20422.08	17.38
12 MID	1078.	17158.07	15.92
TOTAL	31112.	626357.19	20.13
OFF-PEAK 9P-9A	14320.	261713.35	18.28
ON-PEAK 9A-9P	16792.	364643.84	21.72
OFF-PEAK 8P-8A	14139.	250693.07	17.73
ON-PEAK 8A-8P	16973.	375664.13	22.13
OFF-PEAK 11P-7A	8929.	147396.20	16.51
ON-PEAK 7A-11P	22183.	478960.99	21.59

METROPOLITAN EDISON COMPANY
GENERATION COSTS SUMMARY

SAT. - JAN. 27, 1979

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	927.	10231.17	11.04
2	883.	9520.72	10.78
3	869.	9283.03	10.68
4	847.	8916.21	10.53
5	852.	8974.81	10.53
6	870.	9263.18	10.65
7	917.	10095.16	11.01
8	988.	11419.68	11.56
9	1081.	14472.54	13.39
10	1128.	15969.70	14.16
11	1144.	16290.32	14.24
12 NOON	1116.	14927.74	13.38
1 PM	1072.	13311.76	12.42
2	1032.	12166.20	11.79
3	1006.	11622.22	11.55
4	987.	11325.82	11.47
5	1008.	11644.43	11.55
6	1080.	13375.71	12.38
7	1080.	13885.49	12.86
8	1053.	12651.03	12.01
9	1010.	11684.18	11.57
10	987.	11264.33	11.41
11	933.	10349.03	11.09
12 MID	866.	9239.95	10.67
TOTAL	23736.	281884.40	11.88

METROPOLITAN EDISON COMPANY
GENERATION COSTS SUMMARY

WED. - JAN. 31, 1979 - TYPICAL

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	1000.	11571.87	11.57
2	968.	10955.35	11.32
3	952.	10658.28	11.20
4	941.	10532.24	11.19
5	953.	10750.08	11.28
6	1015.	11777.70	11.60
7	1180.	14581.83	12.36
8	1374.	20862.33	15.18
9	1402.	20715.76	14.78
10	1375.	20574.45	14.96
11	1391.	21424.03	15.40
12 NOON	1373.	20567.77	14.98
1 PM	1334.	19353.08	14.51
2	1350.	19669.65	14.57
3	1326.	18822.58	14.20
4	1301.	15755.63	12.11
5	1345.	17431.25	12.96
6	1373.	16908.19	12.31
7	1387.	16595.97	11.97
8	1367.	16099.30	11.78
9	1311.	14412.07	10.99
10	1271.	13072.46	10.29
11	1191.	11467.62	9.63
12 MID	1094.	10374.60	9.48
TOTAL	29574.	374934.10	12.68
OFF-PEAK 9P-9A	13341.	157320.13	11.79
ON-PEAK 9A-9P	16233.	217613.97	13.41
OFF-PEAK 8P-8A	13250.	151016.44	11.40
ON-PEAK 8A-8P	16324.	223917.66	13.72
OFF-PEAK 11P-7A	8103.	91201.96	11.26
ON-PEAK 7A-11P	21471.	283732.14	13.21

METROPOLITAN EDISON COMPANY
GENERATION COSTS SUMMARY

THUR. - FEB. 08, 1979 - TYPICAL

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	1027.	8317.78	8.10
2	997.	8006.96	8.03
3	984.	7945.34	8.07
4	979.	7963.05	8.15
5	997.	8038.71	8.06
6	1044.	8360.81	8.01
7	1202.	10202.51	8.49
8	1365.	12548.39	9.19
9	1410.	13424.24	9.52
10	1401.	13295.74	9.49
11	1403.	13329.36	9.50
12 NOON	1388.	13071.96	9.42
1 PM	1331.	12119.74	9.11
2	1346.	12381.04	9.20
3	1305.	11640.74	8.92
4	1282.	11254.89	8.78
5	1304.	11574.61	8.88
6	1351.	12313.36	9.11
7	1411.	13242.30	9.39
8	1383.	12638.72	9.14
9	1347.	12024.26	8.93
10	1313.	11746.99	8.95
11	1227.	10442.52	8.51
12 MID	1123.	9615.81	8.56
TOTAL	29920.	265519.87	8.87
OFF-PEAK 9P-9A	13668.	116633.12	8.53
ON-PEAK 9A-9P	16252.	148886.75	9.16
OFF-PEAK 8P-8A	13605.	115233.14	8.47
ON-PEAK 8A-8P	16315.	150286.73	9.21
OFF-PEAK 11P-7A	8353.	68470.98	8.20
ON-PEAK 7A-11P	21567.	197048.89	9.14

METROPOLITAN EDISON COMPANY
GENERATION COSTS SUMMARY

SUN. - FEB. 11, 1979

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	1020.	7671.34	7.52
2	986.	7016.79	7.12
3	972.	6780.99	6.98
4	968.	6709.64	6.93
5	971.	6738.15	6.94
6	989.	6905.13	6.98
7	1015.	7055.24	6.95
8	1049.	7494.69	7.14
9	1071.	7856.41	7.34
10	1104.	8399.91	7.61
11	1099.	8414.49	7.66
12 NOON	1101.	8405.38	7.63
1 PM	1090.	8193.43	7.52
2	1042.	7364.44	7.07
3	1017.	6989.31	6.87
4	1009.	6977.09	6.91
5	1024.	7038.88	6.87
6	1094.	8200.40	7.50
7	1162.	10878.74	9.36
8	1169.	11096.65	9.49
9	1154.	10571.97	9.16
10	1130.	8805.78	7.79
11	1093.	8148.61	7.46
12 MID	1080.	7883.62	7.30
TOTAL	25409.	191597.08	7.54

METROPOLITAN EDISON COMPANY
GENERATION COSTS SUMMARY

MON. - FEB. 12, 1979 - PEAK

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	1057.	7592.61	7.18
2	1051.	7490.79	7.13
3	1042.	7333.87	7.04
4	1042.	7353.81	7.06
5	1060.	7608.35	7.18
6	1127.	8658.61	7.68
7	1288.	12742.25	9.89
8	1471.	19603.48	13.33
9	1531.	22514.36	14.71
10	1550.	22777.69	14.70
11	1571.	23413.82	14.90
12 NOON	1543.	22622.33	14.66
1 PM	1498.	20519.26	13.70
2	1520.	20792.43	13.68
3	1484.	19506.37	13.14
4	1428.	18784.84	13.15
5	1450.	19285.69	13.30
6	1458.	19351.55	13.27
7	1492.	19826.19	13.29
8	1456.	19302.31	13.26
9	1404.	17549.88	12.50
10	1351.	13936.40	10.32
11	1269.	11269.67	8.88
12 MID	1168.	9273.92	7.94
TOTAL	32311.	379110.45	11.73
OFF-PEAK 9P-9A	14457.	135378.10	9.36
ON-PEAK 9A-9P	17854.	243732.35	13.65
OFF-PEAK 8P-8A	14330.	130413.62	9.10
ON-PEAK 8A-8P	17981.	248696.83	13.83
OFF-PEAK 11P-7A	8835.	68054.19	7.70
ON-PEAK 7A-11P	23476.	311056.26	13.25

METROPOLITAN EDISON COMPANY
GENERATION COSTS SUMMARY

MON. - MAR. 12, 1979 - PEAK

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	942.	10673.60	11.33
2	935.	10547.60	11.28
3	927.	10341.54	11.16
4	930.	10445.32	11.23
5	933.	10493.46	11.25
6	1010.	12611.48	12.49
7	1163.	18342.60	15.77
8	1338.	29430.75	22.00
9	1397.	35811.91	25.63
10	1429.	34905.72	24.43
11	1427.	34316.22	24.05
12 NOON	1394.	32626.87	23.41
1 PM	1337.	28978.16	21.67
2	1323.	28191.41	21.31
3	1282.	24684.00	19.25
4	1242.	20898.92	16.83
5	1253.	20437.42	16.31
6	1244.	18989.28	15.26
7	1296.	21864.70	16.87
8	1306.	22159.39	16.97
9	1267.	20745.86	16.37
10	1231.	20933.59	17.01
11	1129.	15949.38	14.13
12 MID	1037.	11982.42	11.55
TOTAL	28772.	506361.60	17.60
OFF-PEAK 9P-9A	12972.	197563.66	15.23
ON-PEAK 9A-9P	15800.	308797.94	19.54
OFF-PEAK 8P-8A	12842.	182497.60	14.21
ON-PEAK 8A-8P	15930.	323864.00	20.33
OFF-PEAK 11P-7A	7877.	95438.02	12.12
ON-PEAK 7A-11P	20895.	410923.58	19.67

METROPOLITAN EDISON COMPANY
GENERATION COSTS SUMMARY

WED. - MAR. 14, 1979 - TYPICAL

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	875.	9062.91	10.36
2	835.	8353.87	10.00
3	814.	8004.28	9.83
4	814.	7919.92	9.73
5	812.	7951.09	9.79
6	873.	8922.76	10.22
7	1021.	11527.49	11.29
8	1181.	16077.03	13.61
9	1229.	17486.00	14.23
10	1220.	17193.58	14.09
11	1269.	17542.41	13.82
12 NOON	1247.	16688.96	13.38
1 PM	1212.	15730.16	12.98
2	1226.	16287.15	13.28
3	1191.	15376.25	12.91
4	1162.	14397.76	12.39
5	1185.	14889.66	12.57
6	1183.	15125.18	12.79
7	1238.	16809.54	13.58
8	1240.	17199.97	13.87
9	1216.	16590.32	13.64
10	1168.	14969.89	12.82
11	1085.	12421.56	11.45
12 MID	1006.	10960.60	10.90
TOTAL	26302.	327488.35	12.45
OFF-PEAK 9P-9A	11713.	133657.40	11.41
ON-PEAK 9A-9P	14589.	193830.95	13.29
OFF-PEAK 8P-8A	11700.	132761.73	11.35
ON-PEAK 8A-8P	14602.	194726.63	13.34
OFF-PEAK 11P-7A	7050.	72702.92	10.31
ON-PEAK 7A-11P	19252.	254785.43	13.23

METROPOLITAN EDISON COMPANY
GENERATION COSTS SUMMARY

MAR.24,1979(SAT.)

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	744.	6982.42	9.38
2	693.	6613.09	9.54
3	686.	6411.02	9.35
4	674.	6332.66	9.40
5	690.	6536.45	9.47
6	711.	6632.28	9.33
7	751.	7008.63	9.33
8	836.	8109.43	9.70
9	917.	9455.10	10.31
10	984.	10857.66	11.03
11	1005.	10867.66	10.81
12 NOON	991.	10578.82	10.67
1 PM	968.	10551.67	10.90
2	933.	9958.45	10.67
3	911.	9650.04	10.59
4	891.	9516.12	10.68
5	884.	9365.26	10.59
6	919.	9997.98	10.88
7	958.	11177.59	11.67
8	928.	10724.23	11.56
9	899.	10321.25	11.48
10	840.	8828.19	10.51
11	792.	7670.01	9.68
12 MID	730.	6531.90	8.95
TOTAL	20335.	210677.91	10.36

METROPOLITAN EDISON COMPANY
GENERATION COSTS SUMMARY

MON.,APRIL 9,1979-PEAK

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	825.	14415.57	17.47
2	786.	13115.12	16.69
3	796.	13125.51	16.49
4	792.	12739.04	16.08
5	804.	12914.42	16.06
6	877.	15588.35	17.77
7	1013.	21960.15	21.68
8	1213.	32955.36	27.17
9	1302.	37946.79	29.15
10	1336.	39900.01	29.87
11	1352.	39123.15	28.94
12 NOON	1342.	37136.00	27.67
1 PM	1287.	33762.58	26.23
2	1311.	33872.53	25.84
3	1274.	33302.68	26.14
4	1267.	34004.86	26.84
5	1279.	33687.56	26.34
6	1266.	34056.32	26.90
7	1273.	34408.95	27.03
8	1269.	32808.23	25.85
9	1237.	31310.09	25.31
10	1187.	28608.02	24.10
11	1095.	23253.22	21.24
12 MID	1000.	19180.04	19.18
TOTAL	27183.	663174.54	24.40
9P-9A	11690.	245301.58	21.03
9A-9P	15493.	417372.97	26.94
8P-8A	11625.	239164.87	20.57
8A-8P	15558.	424009.67	27.25
11P-7A	6893.	123038.19	17.85
7A-11P	20290.	540136.35	26.62

METROPOLITAN EDISON COMPANY
GENERATION COSTS SUMMARY

SATURDAY, APRIL 14, 1979

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	704.	10858.65	15.42
2	660.	10138.40	15.36
3	647.	9866.16	15.25
4	647.	9772.53	15.10
5	637.	9624.07	15.11
6	650.	9796.50	15.07
7	676.	10361.78	15.33
8	741.	11576.93	15.62
9	833.	13518.48	16.23
10	893.	15731.75	17.62
11	891.	14865.64	16.68
12 NOON	896.	15096.08	16.85
1 PM	863.	14358.81	16.64
2	831.	13694.58	16.48
3	801.	12549.45	15.67
4	771.	11993.22	15.56
5	782.	12450.62	15.92
6	784.	12714.16	16.22
7	808.	13241.20	16.39
8	858.	14311.34	16.68
9	846.	14093.13	16.66
10	813.	13174.31	16.20
11	767.	12197.82	15.90
12 MID	704.	10604.35	15.06
TOTAL	18503.	296589.94	16.03

METROPOLITAN EDISON COMPANY
GENERATION COSTS SUMMARY

THURS.,APRIL 19,1979-TYPICAL

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	834.	14522.72	17.41
2	813.	14193.77	17.46
3	806.	13702.83	17.00
4	805.	13262.42	16.48
5	820.	13714.37	16.72
6	871.	15587.21	17.90
7	997.	20645.81	20.71
8	1144.	31183.50	27.26
9	1189.	30432.10	25.59
10	1201.	31985.92	26.63
11	1206.	32051.14	26.58
12 NOON	1172.	29357.46	25.05
1 PM	1133.	27882.55	24.61
2	1148.	28758.88	25.05
3	1092.	26865.21	24.60
4	1077.	25823.89	23.98
5	1086.	25927.83	23.87
6	1053.	25580.21	24.29
7	1053.	25636.92	24.35
8	1137.	29736.22	26.15
9	1128.	29444.11	26.10
10	1076.	29963.16	27.85
11	993.	25258.49	25.44
12 MID	898.	19862.86	22.12
TOTAL	24732.	561379.58	23.51
OFF-PEAK 9P-9A	11246.	242329.24	21.55
ON-PEAK 9A-9P	13486.	339050.34	25.14
OFF-PEAK 8P-8A	11185.	241341.25	21.58
ON-PEAK 8A-8P	13547.	340038.33	25.10
OFF-PEAK 11P-7A	6844.	125491.98	18.34
ON-PEAK 7A-11P	17888.	455887.60	25.49

METROPOLITAN EDISON COMPANY
GENERATION COSTS SUMMARY

THUR. - MAY 3, 1979 - TYPICAL

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	801.	15691.80	19.59
2	769.	14145.72	18.39
3	755.	13774.45	18.24
4	743.	13427.72	18.07
5	742.	13522.23	18.22
6	800.	15401.64	19.25
7	923.	20733.60	22.46
8	1089.	29142.06	26.76
9	1155.	29510.43	25.55
10	1138.	29210.91	25.67
11	1153.	29947.83	25.97
12 NOON	1154.	29482.81	25.55
1 PM	1113.	27951.27	25.11
2	1151.	30070.72	26.13
3	1121.	29153.55	26.01
4	1106.	28519.77	25.79
5	1133.	30547.82	26.96
6	1093.	30951.33	28.32
7	1083.	31394.05	28.99
8	1073.	30830.35	28.73
9	1069.	29037.40	27.16
10	1046.	26134.70	24.97
11	958.	23516.67	24.55
12 MID	859.	18587.90	21.64
TOTAL	24027.	590686.72	24.58
OFF-PEAK 9P-9A	10640.	233588.90	21.95
ON-PEAK 9A-9P	13387.	357097.82	26.67
OFF-PEAK 8P-8A	10554.	233115.88	22.09
ON-PEAK 8A-8P	13473.	357570.84	26.54
OFF-PEAK 11P-7A	6392.	125285.04	19.60
ON-PEAK 7A-11P	17635.	465401.67	26.39

METROPOLITAN EDISON COMPANY
GENERATION COSTS SUMMARY

THUR.-MAY 10,1979-PEAK

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	838.	13696.38	16.34
2	816.	12930.16	15.85
3	792.	12542.39	15.84
4	760.	11985.95	15.77
5	763.	12060.89	15.81
6	802.	12715.64	15.85
7	929.	16532.80	17.80
8	1089.	24701.11	22.68
9	1171.	27894.44	23.82
10	1218.	30364.02	24.93
11	1243.	30767.95	24.75
12 NOON	1259.	30286.75	24.06
1 PM	1227.	28363.41	23.12
2	1274.	31898.80	25.04
3	1263.	31216.18	24.72
4	1241.	29490.02	23.76
5	1242.	31083.82	25.03
6	1189.	32038.90	26.95
7	1170.	29073.13	24.85
8	1139.	26509.41	23.27
9	1168.	34178.91	29.26
10	1160.	27860.97	24.02
11	1064.	20608.89	19.37
12 MID	938.	11538.90	12.30
TOTAL	25755.	570339.83	22.14
OFF-PEAK 9P-9A	11122.	205068.52	18.44
ON-PEAK 9A-9P	14633.	365271.31	24.96
OFF-PEAK 8P-8A	11119.	211353.00	19.01
ON-PEAK 8A-8P	14636.	358986.84	24.53
OFF-PEAK 11P-7A	6638.	104003.11	15.67
ON-PEAK 7A-11P	19117.	466336.72	24.39

METROPOLITAN EDISON COMPANY
GENERATION COSTS SUMMARY

SAT. MAY 26,1979

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	691.	11622.32	16.82
2	646.	10621.60	16.44
3	630.	9916.66	15.74
4	610.	9516.54	15.60
5	607.	9400.14	15.49
6	611.	9519.74	15.58
7	620.	9747.25	15.72
8	669.	11067.72	16.54
9	752.	13003.33	17.29
10	808.	14578.50	18.04
11	834.	15483.01	18.56
12 NOON	833.	15330.14	18.40
1 PM	809.	14570.68	18.01
2	804.	14685.98	18.27
3	765.	13649.69	17.84
4	751.	13416.50	17.86
5	762.	13626.55	17.88
6	773.	14075.50	18.21
7	756.	13728.64	18.16
8	748.	13360.32	17.86
9	767.	13813.12	18.01
10	766.	13716.48	17.91
11	718.	11811.91	16.45
12 MID	657.	11118.73	16.92
*TOTAL	17387.	301381.04	17.33

METROPOLITAN EDISON COMPANY
GENERATION COSTS SUMMARY

SUN.-JUNE10,1979

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	730.	12160.55	16.66
2	680.	11069.38	16.28
3	647.	10652.72	16.46
4	633.	10601.33	16.75
5	619.	10401.31	16.80
6	613.	10227.38	16.68
7	615.	10426.16	16.95
8	652.	10771.41	16.52
9	707.	11493.12	16.26
10	762.	12606.34	16.54
11	805.	13768.95	17.10
12 NOON	840.	14770.78	17.58
1 PM	852.	15493.64	18.19
2	846.	15215.49	17.99
3	822.	14514.78	17.66
4	822.	14564.01	17.72
5	832.	14887.98	17.89
6	832.	15126.56	18.18
7	824.	14652.56	17.78
8	805.	14137.44	17.56
9	837.	14918.34	17.82
10	871.	16382.11	18.81
11	827.	15286.64	18.48
12 MID	801.	13504.46	16.86
TOTAL	18274.	317633.43	17.38

METROPOLITAN EDISON COMPANY
GENERATION COSTS SUMMARY

MON. - JUNE 11, 1979 - TYPICAL

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	757.	11852.27	15.66
2	745.	12658.36	16.99
3	717.	12312.58	17.17
4	713.	12224.16	17.14
5	721.	12660.96	17.56
6	769.	13744.11	17.87
7	883.	16021.08	18.14
8	1049.	23253.88	22.17
9	1148.	28685.39	24.99
10	1184.	30014.66	25.35
11	1218.	31270.36	25.67
12 NOON	1226.	32959.71	26.88
1 PM	1203.	31043.17	25.80
2	1213.	29586.55	24.39
3	1193.	29044.00	24.35
4	1152.	27187.16	23.60
5	1149.	26342.54	22.93
6	1094.	24258.16	22.17
7	1061.	22733.97	21.43
8	1013.	20837.55	20.57
9	1023.	20580.02	20.12
10	1047.	21890.02	20.91
11	969.	19400.10	20.02
12 MID	876.	16343.89	18.66
TOTAL	24123.	526904.66	21.84
OFF-PEAK 9P-9A	10394.	201046.80	19.34
ON-PEAK 9A 9P	13729.	325857.86	23.74
OFF-PEAK 8P-8A	10269.	192941.43	18.79
ON-PEAK 8A-8P	13854.	333963.22	24.11
OFF-PEAK 11P-7A	**6181**	**107817.41**	**17.44**
ON-PEAK 7A-11P	**17942**	**419087.25**	**23.36**

METROPOLITAN EDISON COMPANY
GENERATION COSTS SUMMARY

MON.(PEAK).-JUNE18,1979

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	754.	13478.87	17.88
2	728.	11938.65	16.40
3	710.	11720.07	16.51
4	699.	11661.96	16.68
5	712.	11545.61	16.22
6	752.	12627.69	16.79
7	847.	14717.71	17.38
8	1053.	22808.02	21.66
9	1157.	30011.64	25.94
10	1252.	34231.91	27.34
11	1268.	35362.18	27.89
12 NOON	1300.	34851.89	26.81
1 PM	1260.	33877.22	26.89
2	1282.	35021.96	27.32
3	1249.	30717.10	24.59
4	1227.	29385.32	23.95
5	1221.	28246.06	23.13
6	1169.	25661.21	21.95
7	1117.	23658.50	21.18
8	1069.	21640.51	20.24
9	1073.	21573.37	20.11
10	1106.	22548.21	20.39
11	1019.	19301.94	18.94
12 MID	901.	16803.93	18.65
TOTAL	24925.	553391.54	22.20
OFF-PEAK 9P-9A	10438.	199164.31	19.08
ON-PEAK 9A-9P	14487.	354227.23	24.45
OFF-PEAK 8P-8A	10354.	190726.05	18.42
ON-PEAK 8A-8P	14571.	362665.50	24.89
OFF-PEAK 11P-7A	6103.	104494.50	17.12
ON-PEAK 7A-11P	18822.	448897.05	23.85

METROPOLITAN EDISON COMPANY
GENERATION COSTS SUMMARY

MON., JULY 16,1979-PEAK

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	832.	17673.87	21.24
2	798.	19492.01	24.43
3	776.	19239.89	24.7[illegible]
4	771.	19672.35	25.[illegible]
5	766.	19595.44	25 [illegible]
6	804.	20491.57	2[illegible]
7	899.	21696.60	[illegible]
8	1093.	26244.99	[illegible]
9	1208.	31244.31	25.86
10	1273.	34347.95	26.98
11	1330.	35094.51	26.39
12 NOON	1358.	36904.21	27.18
1 PM	1342.	37072.98	27.63
2	1374.	39854.28	29.01
3	1358.	38969.21	28.70
4	1348.	38617.97	28.65
5	1339.	38499.86	28.75
6	1294.	36482.91	28.19
7	1250.	34588.64	27.67
8	1198.	31585.84	26.37
9	1191.	31018.27	26.04
10	1197.	31556.26	26.36
11	1113.	28009.64	25.17
12 MID	991.	24018.00	24.24
TOTAL	26904.	711971.55	26.46
OFF-PEAK 9P-9A	11248.	278934.93	24.80
ON-PEAK 9A-9P	15655.	433036.62	27.66
OFF-PEAK 8P-8A	11231.	278708.89	24.82
ON-PEAK 8A-8P	15672.	433262.66	27.65
OFF-PEAK 11P-7A	6637.	161879.73	24.39
ON-PEAK 7A-11P	20266.	550091.82	27.14

METROPOLITAN EDISON COMPANY
GENERATION COSTS SUMMARY

SUNDAY, JULY 22,1979

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	691.	16243.95	23.51
2	646.	15225.87	23.57
3	611.	14875.67	24.35
4	594.	14721.20	24.78
5	585.	14595.89	24.95
6	588.	14619.23	24.86
7	581.	14473.81	24.91
8	615.	15094.60	24.54
9	681.	16668.05	24.48
10	737.	16306.36	22.13
11	791.	17279.03	21.84
12 NOON	830.	18757.13	22.60
1 PM	851.	19371.88	22.76
2	848.	19573.64	23.08
3	828.	19210.87	23.20
4	830.	19321.87	23.28
5	852.	19835.51	23.28
6	867.	20126.06	23.21
7	837.	19659.44	23.49
8	831.	19480.31	23.44
9	864.	20102.88	23.27
10	892.	20601.43	23.10
11	873.	20203.29	23.14
12 MID	816.	18711.11	22.93
TOTAL	18139.	425059.06	23.43

METROPOLITAN EDISON COMPANY
GENERATION COSTS SUMMARY

MON., JULY 30, 1979-TYPICAL

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	708.	18066.31	25.52
2	691.	14988.00	21.69
3	676.	15801.48	23.37
4	674.	15766.75	23.39
5	682.	16021.56	23.49
6	726.	16576.28	22.83
7	830.	17109.49	20.61
8	1016.	20770.07	20.44
9	1120.	24084.30	21.50
10	1179.	26027.80	22.08
11	1243.	28312.57	22.78
12 NOON	1256.	32846.09	26.15
1 PM	1224.	38230.42	31.23
2	1244.	37816.31	30.40
3	1247.	33347.68	26.74
4	1236.	34438.73	27.86
5	1234.	36025.76	29.19
6	1212.	35325.01	29.15
7	1175.	33704.17	28.68
8	1128.	32231.80	28.57
9	1146.	28637.94	24.99
10	1174.	31603.10	26.92
11	1099.	27277.88	24.82
12 MID	984.	23470.29	23.85
TOTAL	24904.	638479.79	25.64
OFF-PEAK 9P-9A	10380.	241535.51	23.27
ON-PEAK 9A-9P	14524.	396944.28	27.33
OFF-PEAK 8P-8A	10406.	246089.15	23.65
ON-PEAK 8A-8P	14498.	392390.64	27.07
OFF-PEAK 11P-7A	5971.	137800.17	23.08
ON-PEAK 7A-11P	18933.	500679.63	26.44

METROPOLITAN EDISON COMPANY
GENERATION COSTS SUMMARY

WED., AUG. 1, 1979-PEAK

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	960.	18023.77	18.77
2	902.	18374.16	20.37
3	868.	17526.01	20.19
4	855.	17399.33	20.35
5	844.	17165.03	20.34
6	880.	17762.87	20.19
7	972.	19961.39	20.54
8	1122.	26726.34	23.82
9	1237.	30577.24	24.72
10	1295.	35720.41	27.58
11	1345.	41602.86	30.93
12 NOON	1374.	47194.82	34.35
1 PM	1374.	46532.41	33.87
2	1423.	45902.96	32.26
3	1399.	47728.73	34.12
4	1369.	45831.31	33.48
5	1350.	45076.37	33.39
6	1327.	44588.80	33.60
7	1267.	45130.68	35.62
8	1227.	42921.68	34.98
9	1236.	40458.99	32.73
10	1238.	41875.20	33.82
11	1167.	34251.84	29.35
12 MID	1045.	26078.67	24.96
TOTAL	28076.	814411.29	29.01
OFF-PEAK 9P-9A	12090.	285721.25	23.63
ON-PEAK 9A-9P	15986.	528690.04	33.07
OFF-PEAK 8P-8A	12089.	295603.00	24.45
ON-PEAK 8A-8P	15987.	518808.30	32.45
OFF-PEAK 11P-7A	7326.	152290.62	20.79
ON-PEAK 7A-11P	20750.	662120.67	31.91

METROPOLITAN EDISON COMPANY
GENERATION COSTS SUMMARY

FRI.,AUG. 3,1979-TYPICAL

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	896.	16170.94	18.05
2	850.	18563.64	21.84
3	831.	18760.52	22.58
4	814.	19650.15	24.14
5	817.	19440.88	23.80
6	845.	19002.65	22.49
7	938.	18766.86	20.01
8	1096.	31002.65	28.29
9	1188.	29472.79	24.81
10	1236.	32288.69	26.12
11	1267.	34806.91	27.47
12 NOON	1269.	40950.04	32.27
1 PM	1256.	40522.98	32.26
2	1280.	38224.41	29.86
3	1284.	39566.63	30.82
4	1261.	37886.12	30.04
5	1249.	36692.43	29.38
6	1208.	35318.72	29.24
7	1149.	34095.02	29.67
8	1158.	33127.97	28.61
9	1146.	30453.60	26.57
10	1151.	31710.92	27.55
11	1086.	26937.46	24.80
12 MID	972.	22806.51	23.46
TOTAL	26247.	706219.50	26.91
OFF-PEAK 9P-9A	11484.	272285.97	23.71
ON-PEAK 9A-9P	14763.	433933.53	29.39
OFF-PEAK 8P-8A	11442.	273266.78	23.88
ON-PEAK 8A-8P	14805.	432952.72	29.24
OFF-PEAK 11P-7A	6963.	153162.15	22.00
ON-PEAK 7A-11P	19284.	553057.35	28.68

METROPOLITAN EDISON COMPANY
GENERATION COSTS SUMMARY

SUNDAY, AUG. 26, 1979

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	784.	17151.28	21.88
2	728.	16533.83	22.71
3	700.	16894.92	24.14
4	681.	16862.10	24.76
5	670.	16840.82	25.14
6	672.	16492.72	24.54
7	673.	16547.70	24.59
8	699.	16645.84	23.81
9	748.	16370.10	21.89
10	800.	17593.23	21.99
11	846.	18499.07	21.87
12 NOON	870.	18971.04	21.81
1 PM	888.	19287.97	21.72
2	874.	19161.31	21.92
3	870.	19012.70	21.85
4	853.	18723.78	21.95
5	875.	19094.74	21.82
6	880.	19258.87	21.89
7	875.	19169.09	21.91
8	887.	19441.13	21.92
9	935.	20162.46	21.56
10	936.	20226.77	21.61
11	893.	19565.30	21.91
12 MID	848.	17467.85	20.60
TOTAL	19485.	435974.61	22.37

METROPOLITAN EDISON COMPANY
GENERATION COSTS SUMMARY

SUNDAY, SEPT. 2, 1979

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	696.	15921.76	22.73
2	655.	16867.74	25.75
3	619.	16306.28	26.34
4	608.	15895.35	26.14
5	602.	16421.96	27.28
6	602.	16395.36	27.23
7	621.	16562.94	26.67
8	656.	16918.11	25.79
9	712.	16857.20	23.68
10	762.	17724.30	23.26
11	813.	18331.09	22.55
12 NOON	834.	18668.46	22.38
1 PM	846.	18396.64	21.75
2	843.	18422.60	21.85
3	837.	18185.41	21.73
4	837.	18185.69	21.73
5	845.	18334.43	21.70
6	857.	18660.99	21.77
7	841.	18338.85	21.81
8	837.	18232.66	21.78
9	884.	19171.75	21.69
10	870.	18950.87	21.78
11	840.	19087.77	22.72
12 MID	764.	17528.13	22.94
TOTAL	18281.	424266.34	23.21

METROPOLITAN EDISON COMPANY
GENERATION COSTS SUMMARY

THURS.,SEPT. 4,1979-PEAK

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	791.	18389.13	23.25
2	749.	17239.69	23.02
3	744.	17149.66	23.05
4	728.	16915.46	23.24
5	732.	16687.37	22.80
6	782.	17568.31	22.47
7	898.	20439.24	22.76
8	1107.	23395.34	21.13
9	1276.	28681.43	22.48
10	1289.	29999.87	23.27
11	1340.	32208.36	24.04
12 NOON	1379.	33832.75	24.53
1 PM	1362.	34442.94	25.29
2	1397.	37026.43	26.50
3	1398.	37885.95	27.10
4	1366.	36392.46	26.64
5	1381.	37008.12	26.80
6	1341.	36442.58	27.18
7	1298.	34409.59	26.51
8	1282.	32742.84	25.54
9	1320.	34273.88	25.97
10	1277.	31465.62	24.64
11	1170.	25807.64	22.06
12 MID	1051.	22583.76	21.49
TOTAL	27 58.	672988.43	24.51
OFF-PEAK 9P-9A	11305.	256322.65	22.67
ON-PEAK 9A-9P	16153.	416665.77	25.79
OFF-PEAK 8P-8A	11349.	261915.10	23.08
ON-PEAK 8A-8P	16109.	411073.32	25.52
OFF-PEAK 11P-7A	6475.	146972.62	22.70
ON-PEAK 7A-11P	20983.	526015.81	25.07

METROPOLITAN EDISON COMPANY
GENERATION COSTS SUMMARY

THURS.,SEPT. 13,1979-TYPICAL

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	812.	16502.10	20.32
2	761.	15731.46	20.67
3	739.	15237.28	20.62
4	712.	14734.51	20.69
5	724.	14962.27	20.67
6	774.	15846.87	20.47
7	911.	19368.19	21.26
8	1063.	26179.85	24.63
9	1150.	29950.34	26.04
10	1171.	29888.27	25.52
11	1191.	31310.44	26.29
12 NOON	1190.	30734.99	25.83
1 PM	1166.	28911.56	24.80
2	1195.	29254.37	24.48
3	1185.	29036.17	24.50
4	1158.	28189.96	24.34
5	1157.	27778.34	24.01
6	1107.	26005.57	23.49
7	1093.	25465.94	23.30
8	1107.	25551.99	23.08
9	1134.	26310.30	23.20
10	1073.	24665.56	22.99
11	988.	20959.75	21.21
12 MID	888.	18502.81	20.84
TOTAL	24449.	571078.89	23.36
OFF-PEAK 9P-9A	10595.	232640.99	21.96
ON-PEAK 9A-9P	13854.	338437.91	24.43
OFF-PEAK 8P-8A	10579.	229000.95	21.65
ON-PEAK 8A-8P	13870.	342077.95	24.66
OFF-PEAK 11P-7A	6321.	130885.48	20.71
ON-PEAK 7A-11P	18128.	440193.41	24.28

METROPOLITAN EDISON COMPANY
GENERATION COSTS SUMMARY

THUR.-OCT. 11,1979-PEAK

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	880.	21263.67	24.16
2	837.	22051.84	26.35
3	816.	21647.54	26.53
4	820.	21795.45	26.58
5	826.	21948.92	26.57
6	886.	21953.64	24.78
7	1038.	25164.60	24.24
8	1226.	33999.62	27.73
9	1270.	36520.10	28.76
10	1276.	36954.43	28.96
11	1284.	36055.70	28.08
12 NOON	1258.	34253.33	27.23
1 PM	1210.	32227.17	26.63
2	1207.	31905.76	26.43
3	1169.	31278.65	26.76
4	1117.	29698.68	26.59
5	1141.	30281.45	26.54
6	1120.	29812.28	26.62
7	1138.	30345.90	26.67
8	1169.	31161.25	26.66
9	1161.	30640.81	26.39
10	1115.	28164.10	25.26
11	1033.	25398.78	24.59
12 MID	934.	23483.33	25.14
TOTAL	25931.	688014.98	26.53
OFF-PEAK 9P-9A	11681.	303399.57	25.97
ON-PEAK 9A-9P	14250.	384615.41	26.99
OFF-PEAK 8P-8A	11572.	297512.28	25.71
ON-PEAK 8A-8P	14359.	390502.70	27.20
OFF-PEAK 11P-7A	7037.	179308.97	25.48
ON-PEAK 7A-11P	18894.	508706.00	26.92

METROPOLITAN EDISON COMPANY
GENERATION COSTS SUMMARY

SUN.-OCT. 28,1979

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	696.	19412.63	27.89
2	650.	15463.67	23.79
3	628.	13510.64	21.51
4	622.	12375.31	19.90
5	635.	12913.31	20.34
6	652.	13496.66	20.70
7	678.	14791.40	21.82
8	743.	19664.30	26.47
9	831.	25378.27	30.54
10	860.	31475.32	36.60
11	874.	28707.36	32.85
12 NOON	892.	29028.83	32.54
1 PM	879.	31197.49	35.49
2	837.	27199.13	32.50
3	813.	24207.93	29.78
4	791.	23180.53	29.31
5	816.	24562.23	30.10
6	871.	28045.05	32.20
7	892.	28944.98	32.45
8	870.	27274.88	31.35
9	849.	25328.15	29.83
10	820.	22095.15	26.95
11	782.	22202.48	28.39
12 MID	753.	19853.33	26.37
TOTAL	18734.	540309.02	28.84

METROPOLITAN EDISON COMPANY
GENERATION COSTS SUMMARY

MON.-OCT. 29,1979-TYP

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	723.	15697.34	21.71
2	715.	15612.56	21.84
3	731.	16219.61	22.19
4	721.	16062.98	22.28
5	745.	18055.41	24.24
6	812.	21977.12	27.07
7	973.	34876.59	35.84
8	1152.	52751.59	45.79
9	1213.	55767.71	45.98
10	1206.	56941.71	47.22
11	1224.	55767.09	45.56
12 NOON	1200.	54084.39	45.07
1 PM	1165.	51376.12	44.10
2	1178.	52129.94	44.25
3	1139.	49620.05	43.56
4	1099.	45402.23	41.31
5	1130.	47296.00	41.85
6	1172.	52456.62	44.76
7	1177.	53860.46	45.76
8	1136.	48978.09	43.11
9	1104.	44331.92	40.16
10	1077.	41419.23	38.46
11	993.	36476.13	36.73
12 MID	897.	27356.94	30.50
TOTAL	24682.	964517.85	39.08
OFF-PEAK 9P-9A	10752.	352273.22	32.76
ON-PEAK 9A-9P	13930.	612244.63	43.95
OFF-PEAK 8P-8A	10643.	340837.43	32.02
ON-PEAK 8A-8P	14039.	623680.42	44.42
OFF-PEAK 11P-7A	6317.	165858.56	26.26
ON-PEAK 7A-11P	18365.	798659.29	43.49

METROPOLITAN EDISON COMPANY
GENERATION COSTS SUMMARY

THURS.,NOV. 1,1979-TYPICAL

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	836.	22568.47	27.00
2	802.	20521.76	25.59
3	792.	19529.95	24.66
4	777.	18579.28	23.91
5	797.	19574.14	24.56
6	862.	23567.55	27.34
7	1010.	36560.44	36.20
8	1161.	53996.97	46.51
9	1213.	53776.75	44.33
10	1203.	51020.47	42.41
11	1206.	48845.63	40.50
12 NOON	1187.	47692.48	40.18
1 PM	1131.	46872.23	41.44
2	1151.	50148.65	43.57
3	1114.	46473.23	41.72
4	1098.	41144.67	37.47
5	1110.	45890.13	41.34
6	1165.	53065.20	45.55
7	1171.	53743.65	45.90
8	1139.	51165.29	44.92
9	1102.	47138.27	42.78
10	1058.	41314.93	39.05
11	975.	36224.26	37.15
12 MID	878.	26820.01	30.55
TOTAL	24938.	956234.41	38.34
OFF-PEAK 9P-9A	11161.	373034.51	33.42
ON-PEAK 9A-9P	13777.	583199.90	42.33
OFF-PEAK 8P-8A	11050.	366396.03	33.16
ON-PEAK 8A-8P	13888.	589838.38	42.47
OFF-PEAK 11P-7A	6754.	187721.60	27.79
ON-PEAK 7A-11P	18184.	768512.81	42.26

METROPOLITAN EDISON COMPANY
GENERATION COSTS SUMMARY

SUNDAY, NOV. 4, 1979

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	706.	19927.85	28.23
2	675.	18125.97	26.85
3	661.	16715.96	25.29
4	664.	16508.04	24.86
5	661.	16399.25	24.81
6	681.	16572.17	24.34
7	715.	20167.53	28.21
8	751.	21795.06	29.02
9	804.	26819.91	33.36
10	820.	24600.38	30.00
11	831.	24219.33	29.14
12 NOON	837.	25139.72	30.04
1 PM	827.	24295.86	29.38
2	801.	22872.34	28.55
3	776.	22331.46	28.78
4	771.	21849.03	28.34
5	808.	24544.82	30.38
6	893.	31597.56	35.38
7	918.	32893.37	35.83
8	908.	31389.82	34.57
9	882.	30013.01	34.03
10	859.	28045.22	32.65
11	838.	28029.29	33.45
12 MID	800.	24486.74	30.61
TOTAL	18887.	569339.67	30.14

METROPOLITAN EDISON COMPANY
GENERATION COSTS SUMMARY

THURS.,NOV. 29,1979-PEAK

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	886.	20769.99	23.44
2	839.	19859.63	23.67
3	830.	19674.45	23.70
4	825.	19861.67	24.07
5	840.	20171.86	24.01
6	913.	21601.52	23.66
7	1082.	27308.06	25.24
8	1227.	36785.59	29.98
9	1265.	39517.63	31.24
10	1271.	40812.79	32.11
11	1280.	41218.10	32.20
12 NOON	1260.	40800.96	32.38
1 PM	1233.	37433.06	30.36
2	1262.	39169.59	31.04
3	1243.	37899.24	30.49
4	1230.	37141.62	30.20
5	1298.	41982.91	32.34
6	1344.	48813.50	36.32
7	1318.	44577.22	33.82
8	1299.	43831.66	33.74
9	1278.	44669.82	34.95
10	1222.	39881.50	32.64
11	1139.	30893.43	27.12
12 MID	1043.	25788.70	24.73
TOTAL	27427.	820464.50	29.91
OFF-PEAK 9P-9A	12111.	322114.03	26.60
ON-PEAK 9A-9P	15316.	498350.47	32.54
OFF-PEAK 8P-8A	12124.	327266.22	26.99
ON-PEAK 8A-8P	15303.	493198.28	32.23
OFF-PEAK 11P-7A	7258.	175035.88	24.12
ON-PEAK 7A-11P	20169.	645428.62	32.00

METROPOLITAN EDISON COMPANY
GENERATION COSTS SUMMARY

THURS., DEC. 6, 1979-TYPICAL

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	914.	23282.31	25.47
2	878.	19700.63	22.44
3	857.	18250.63	21.30
4	860.	18503.56	21.52
5	872.	19869.60	22.79
6	942.	24686.91	26.21
7	1117.	34815.29	31.17
8	1277.	46522.30	36.43
9	1314.	43956.08	33.45
10	1311.	44450.77	33.91
11	1306.	44023.61	33.71
12 NOON	1270.	42039.59	33.10
1 PM	1228.	39230.97	31.95
2	1248.	39440.60	31.60
3	1219.	37449.73	30.72
4	1207.	37736.80	31.26
5	1266.	45861.97	36.23
6	1298.	49377.49	38.04
7	1266.	46374.64	36.63
8	1241.	42875.53	34.55
9	1194.	39488.47	33.07
10	1150.	35542.36	30.91
11	1071.	32613.57	30.45
12 MID	962.	26430.56	27.47
TOTAL	27268.	852523.99	31.26
OFF-PEAK 9P-9A	12214.	344173.82	28.18
ON-PEAK 9A-9P	15054.	508350.17	33.77
OFF-PEAK 8P-8A	12094.	339706.21	28.09
ON-PEAK 8A-8P	15174.	512817.78	33.80
OFF-PEAK 11P-7A	7402.	185539.52	25.07
ON-PEAK 7A-11P	19866.	666984.47	33.57

METROPOLITAN EDISON COMPANY
GENERATION COSTS SUMMARY

SUNDAY, DEC. 9, 1979

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	827.	19251.68	23.28
2	793.	16987.73	21.42
3	771.	15303.09	19.85
4	761.	14695.36	19.31
5	763.	15188.22	19.91
6	771.	16279.17	21.11
7	810.	18161.59	22.42
8	853.	20410.93	23.93
9	917.	24437.34	26.65
10	944.	26947.01	28.55
11	961.	26308.61	27.38
12 NOON	966.	25346.76	26.24
1 PM	969.	25875.41	26.70
2	942.	25063.50	26.61
3	929.	23510.34	25.31
4	929.	23948.02	25.78
5	986.	26984.65	27.37
6	1044.	36661.27	35.12
7	1030.	31609.15	30.69
8	1020.	28621.73	28.06
9	1000.	26781.99	26.78
10	973.	25188.64	25.89
11	937.	25612.89	27.33
12 MID	898.	20949.82	23.33
TOTAL	21794.	560124.92	25.70

METROPOLITAN EDISON COMPANY
GENERATION COSTS SUMMARY

THURS.,DEC. 20,1979-PEAK

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	1077.	25609.80	23.78
2	1048.	23419.48	22.35
3	1016.	21659.62	21.32
4	1016.	21585.11	21.25
5	1021.	21742.19	21.29
6	1092.	24990.03	22.88
7	1246.	32586.83	26.15
8	1421.	45909.06	32.31
9	1474.	48220.25	32.71
10	1480.	48818.65	32.99
11	1498.	48149.52	32.14
12 NOON	1461.	45295.89	31.00
1 PM	1405.	42240.27	30.06
2	1423.	42660.99	29.98
3	1397.	40375.37	28.90
4	1373.	39135.91	28.50
5	1414.	42953.22	30.38
6	1468.	47943.58	32.66
7	1457.	48102.63	33.01
8	1423.	45275.87	31.82
9	1397.	43128.02	30.87
10	1341.	39274.94	29.29
11	1264.	35478.38	28.07
12 MID	1160.	28575.81	24.63
TOTAL	31372.	903131.39	28.79
OFF-PEAK 9P-9A	14176.	369051.49	26.03
ON-PEAK 9A-9P	17196.	534079.91	31.06
OFF-PEAK 8P-8A	14099.	363959.26	25.81
ON-PEAK 8A-8P	17273.	539172.14	31.21
OFF-PEAK 11P-7A	8676.	200168.86	23.07
ON-PEAK 7A-11P	22696.	702962.53	30.97

PENNSYLVANIA ELECTRIC COMPANY

Cost of Generation (Including Sales & Purchases)

Peak Days, Typical Weekdays and Typical Weekend Days
In 1979

	Peak Day (1)	Typical Weekday (2)	Typical Weekend Day (3)
Jan	Fri - 19	Fri - 5	Sat - 27
Feb	Mon - 12	Mon - 19	Sat - 3
Mar	Mon - 12	Thur - 8	Sat - 24
Apr	Mon - 9	Thur - 19	Sat - 14
May	Thur - 10	Wed - 30	Sat - 19
June	Fri - 15	Thur - 21	Sun - 10
July	Mon - 16	Wed - 11	Sun - 15
Aug	Mon - 27	Mon - 6	Sun - 5
Sep	Thur - 6	Thur - 27	Sun - 30
Oct	Thur - 25	Tues - 16	Sun - 14
Nov	Thur - 29	Mon - 12	Sun - 11
Dec	Mon - 17	Fri - 7	Sun - 9

Typical weekday is the day in which the daily kWh use is closest to the average of the weekday kWh usage of the month. The same idea is used to determine the typical weekend day.

PENNSYLVANIA ELECTRIC COMPANY
GENERATION COSTS SUMMARY

JAN.5,1979-TYP-FRIDAY

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	1541.	18987.78	12.32
2	1504.	17823.67	11.85
3	1463.	17027.96	11.64
4	1456.	16962.65	11.65
5	1473.	17275.70	11.73
6	1521.	18282.10	12.02
7	1650.	22141.12	13.42
8	1882.	29230.43	15.53
9	1949.	30349.92	15.57
10	1979.	30904.78	15.62
11	1984.	32660.26	16.46
12 NOON	1944.	29069.92	14.95
1 PM	1865.	26354.82	14.13
2	1887.	26845.43	14.23
3	1836.	25393.00	13.83
4	1785.	24082.29	13.49
5	1833.	25322.31	13.81
6	1925.	28925.69	15.03
7	1935.	28516.37	14.74
8	1875.	26757.51	14.27
9	1817.	26393.89	14.53
10	1714.	22945.42	13.39
11	1617.	20106.75	12.43
12 MID	1454.	17294.35	11.89
TOTAL	41889.	579654.13	13.84
OFF-PEAK 9P-9A	19224.	248427.84	12.92
ON-PEAK 9A-9P	22665.	331226.29	14.61
OFF-PEAK 8P-8A	19092.	244471.82	12.80
ON-PEAK 8A-8P	22797.	335182.31	14.70
OFF-PEAK 11P-7A	12062.	145795.33	12.09
ON-PEAK 7A-11P	29827.	433858.81	14.55

PENNSYLVANIA ELECTRIC COMPANY
GENERATION COSTS SUMMARY

JAN.19,1979-PEAK-FRIDAY

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	1557.	21244.54	13.64
2	1547.	21043.94	13.60
3	1514.	20842.81	13.77
4	1513.	22519.61	14.88
5	1520.	22294.35	14.67
6	1576.	24127.59	15.31
7	1736.	29808.94	17.17
8	1936.	35688.14	18.43
9	2005.	37900.97	18.90
10	2050.	37481.10	18.28
11	2083.	36018.65	17.29
12 NOON	2055.	33096.65	16.11
1 PM	1968.	30140.34	15.32
2	2003.	31431.41	15.69
3	1963.	29956.57	15.26
4	1885.	26832.28	14.23
5	1873.	26503.08	14.15
6	1936.	28048.86	14.49
7	1995.	31048.95	15.56
8	1911.	27656.99	14.47
9	1848.	25065.74	13.56
10	1759.	23944.19	13.61
11	1647.	23260.96	14.12
12 MID	1495.	20726.27	13.86
TOTAL	43375.	666682.92	15.37
OFF-PEAK 9P-9A	19805.	303402.32	15.32
ON-PEAK 9A-9P	23570.	363280.60	15.41
OFF-PEAK 8P-8A	19648.	290567.09	14.79
ON-PEAK 8A-8P	23727.	376115.83	15.85
OFF-PEAK 11P-7A	12458.	182608.06	14.66
ON-PEAK 7A-11P	30917.	484074.86	15.66

PENNSYLVANIA ELECTRIC COMPANY
GENERATION COSTS SUMMARY

JAN. 27,1979-SATURDAY

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	1340.	19470.88	14.53
2	1316.	18422.35	14.00
3	1286.	17864.70	13.89
4	1233.	16744.31	13.58
5	1218.	16365.11	13.44
6	1236.	16815.90	13.61
7	1290.	18010.62	13.96
8	1352.	20031.81	14.82
9	1433.	23680.31	16.52
10	1540.	26367.57	17.12
11	1591.	28077.12	17.65
12 NOON	1585.	27744.61	17.50
1 PM	1539.	25062.21	16.28
2	1536.	25393.41	16.53
3	1508.	23569.00	15.63
4	1477.	21939.08	14.85
5	1500.	22528.94	15.02
6	1573.	25271.58	16.07
7	1617.	27118.39	16.77
8	1563.	24974.96	15.98
9	1503.	22412.14	14.91
10	1459.	20780.43	14.24
11	1377.	18605.90	13.51
12 MID	1319.	17666.47	13.39
TOTAL	34391.	524917.81	15.26

PENNSYLVANIA ELECTRIC COMPANY
GENERATION COSTS SUMMARY

SATURDAY,FEB. 3,1979

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	1454.	18631.24	12.81
2	1397.	17846.06	12.77
3	1363.	17432.82	12.79
4	1337.	17097.85	12.79
5	1345.	17015.39	12.65
6	1362.	17520.83	12.86
7	1399.	18127.88	12.96
8	1504.	19634.86	13.06
9	1602.	21162.06	13.21
10	1644.	21937.75	13.34
11	1674.	22550.16	13.47
12 NOON	1643.	21832.05	13.29
1 PM	1610.	21282.51	13.22
2	1560.	20512.88	13.15
3	1514.	19721.78	13.03
4	1506.	19420.24	12.90
5	1536.	19938.54	12.98
6	1591.	20652.55	12.98
7	1666.	21886.42	13.14
8	1639.	21395.51	13.05
9	1585.	20933.86	13.21
10	1537.	20189.75	13.14
11	1456.	19149.51	13.15
12 MID	1370.	17607.96	12.85
TOTAL	36294.	473480.46	13.05

PENNSYLVANIA ELECTRIC COMPANY
GENERATION COSTS SUMMARY

M.NDAY,FEB. 12,1979-PEAK

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	1532.	19384.88	12.65
2	1484.	18118.18	12.21
3	1468.	17926.97	12.21
4	1488.	18181.04	12.22
5	1500.	18345.88	12.23
6	1554.	19115.78	12.30
7	1748.	21985.47	12.58
8	1960.	27182.25	13.87
9	2052.	31351.42	15.28
10	2077.	29954.48	14.42
11	2124.	32298.33	15.21
12 NOON	2122.	31947.90	15.06
1 PM	2059.	30699.17	14.91
2	2072.	30794.00	14.86
3	2006.	28294.40	14.10
4	1956.	27098.17	13.85
5	1971.	27257.57	13.83
6	2004.	26815.46	13.38
7	2065.	27860.91	13.49
8	2069.	25270.63	12.21
9	1995.	28455.41	14.26
10	1942.	26462.79	13.63
11	1802.	23019.54	12.77
12 MID	1661.	20835.18	12.54
TOTAL	44711.	608655.80	13.61
OFF-PEAK 9P-9A	20191.	261909.39	12.97
ON-PEAK 9A-9P	24520.	346746.41	14.14
OFF-PEAK 8P-8A	20134.	259013.37	12.86
ON-PEAK 8A-8P	24577.	349642.43	14.23
OFF-PEAK 11P-7A	12435.	153893.38	12.38
ON-PEAK 7A-11P	32276.	454762.42	14.09

PENNSYLVANIA ELECTRIC COMPANY
GENERATION COSTS SUMMARY

MONDAY,FEB. 19,1979-TYPICAL

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	1507.	22339.91	14.82
2	1497.	21953.90	14.67
3	1463.	21299.09	14.56
4	1441.	20871.73	14.48
5	1452.	20888.15	14.39
6	1512.	21810.05	14.42
7	1612.	24599.72	15.26
8	1739.	27604.00	15.87
9	1878.	31820.00	16.94
10	1910.	32806.28	17.18
11	1956.	32454.78	16.59
12 NOON	1956.	32323.52	16.53
1 PM	1885.	32032.62	16.99
2	1918.	32046.52	16.71
3	1850.	31898.48	17.24
4	1820.	32265.02	17.73
5	1844.	32602.22	17.68
6	1847.	32618.74	17.66
7	1932.	33484.81	17.33
8	1937.	34369.80	17.74
9	1902.	34369.41	18.07
10	1837.	33446.35	18.21
11	1701.	29067.81	17.09
12 MID	1493.	24502.78	16.41
TOTAL	41889.	693475.71	16.56
OFF-PEAK 9P-9A	19132.	300203.48	15.69
ON-PEAK 9A-9P	22757.	393272.23	17.28
OFF-PEAK 8P-8A	19156.	302752.89	15.80
ON-PEAK 8A-8P	22733.	390722.82	17.19
OFF-PEAK 11P-7A	11977.	178265.32	14.88
ON-PEAK 7A-11P	29912.	515210.39	17.22

PENNSYLVANIA ELECTRIC COMPANY
GENERATION COSTS SUMMARY

THURSDAY, MARCH 8, 1979-TYPICAL

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	1293.	16583.06	12.83
2	1247.	15796.43	12.67
3	1235.	15516.88	12.56
4	1234.	15617.20	12.66
5	1251.	15881.99	12.65
6	1317.	16859.37	12.80
7	1460.	19228.49	13.17
8	1667.	25827.49	15.49
9	1747.	28106.08	16.09
10	1779.	29788.26	16.74
11	1758.	29854.41	16.98
12 NOON	1733.	29377.79	16.95
1 PM	1676.	27446.76	16.38
2	1679.	27736.70	16.52
3	1622.	25296.65	15.60
4	1544.	22979.86	14.88
5	1560.	23135.44	14.83
6	1593.	23707.37	14.98
7	1710.	26491.48	15.49
8	1704.	28067.58	16.47
9	1682.	26766.35	15.91
10	1620.	24913.07	15.38
11	1521.	21611.33	14.21
12 MID	1440.	19489.20	13.53
TOTAL	37076.	556079.24	15.00
OFF-PEAK 9P-9A	17036.	235430.59	13.82
ON-PEAK 9A-9P	20040.	320648.64	16.00
OFF-PEAK 8P-8A	16971.	234090.86	13.79
ON-PEAK 8A-8P	20105.	321988.37	16.02
OFF-PEAK 11P-7A	10481.	134972.62	12.88
ON-PEAK 7A-11P	26595.	421106.61	15.83

PENNSYLVANIA ELECTRIC COMPANY
GENERATION COSTS SUMMARY

MON. - MARCH 12, 1979 - PEAK

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	1401.	18572.47	13.26
2	1378.	18227.72	13.23
3	1343.	17740.88	13.21
4	1333.	17569.21	13.18
5	1357.	17930.86	13.21
6	1438.	19220.03	13.37
7	1580.	21513.52	13.62
8	1782.	27066.20	15.19
9	1901.	32929.06	17.32
10	1990.	35931.01	18.06
11	2024.	37150.46	18.35
12 NOON	1974.	33445.49	16.94
1 PM	1900.	28440.46	14.97
2	1906.	28312.57	14.85
3	1834.	25212.35	13.75
4	1752.	23761.80	13.56
5	1750.	23826.00	13.61
6	1738.	23655.41	13.61
7	1843.	26984.14	14.64
8	1867.	29423.81	15.76
9	1815.	28253.38	15.57
10	1773.	27190.73	15.34
11	1647.	22136.74	13.44
12 MID	1494.	19743.06	13.21
TOTAL	40820.	604237.34	14.80
OFF-PEAK 9P-9A	18427.	259840.47	14.10
ON-PEAK 9A-9P	22393.	344396.87	15.38
OFF-PEAK 8P-8A	18341.	255164.78	13.91
ON-PEAK 8A-8P	22479.	349072.55	15.53
OFF-PEAK 11P-7A	11324.	150517.74	13.29
ON-PEAK 7A-11P	29496.	453719.60	15.38

PENNSYLVANIA ELECTRIC COMPANY
GENERATION COSTS SUMMARY

SATURDAY, MARCH 24, 1979

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	1080.	15098.89	13.98
2	1044.	14287.01	13.68
3	1011.	13812.88	13.66
4	971.	13479.28	13.88
5	978.	13380.67	13.68
6	1002.	13606.07	13.58
7	1041.	14300.92	13.74
8	1138.	15777.80	13.86
9	1257.	17531.99	13.95
10	1327.	19401.01	14.62
11	1378.	20617.98	14.96
12 NOON	1375.	19968.48	14.52
1 PM	1351.	19338.13	14.31
2	1313.	18526.74	14.11
3	1304.	18114.19	13.89
4	1308.	18064.42	13.81
5	1306.	18114.12	13.87
6	1372.	19387.96	14.13
7	1397.	20218.71	14.47
8	1387.	20231.52	14.59
9	1350.	18682.83	13.84
10	1283.	17417.84	13.58
11	1219.	16365.90	13.43
12 MID	1119.	14793.85	13.22
TOTAL	29311.	410519.19	14.01

PENNSYLVANIA ELECTRIC COMPANY
GENERATION COSTS SUMMARY

MONDAY, APRIL 9, 1979-PEAK

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	1244.	17850.21	14.35
2	1234.	17690.24	14.34
3	1208.	17301.40	14.32
4	1200.	17181.35	14.32
5	1216.	17063.30	14.03
6	1269.	17840.61	14.06
7	1418.	20132.17	14.20
8	1661.	24506.20	14.75
9	1801.	28154.03	15.63
10	1855.	29841.49	16.09
11	1887.	30702.07	16.27
12 NOON	1861.	29436.91	15.82
1 PM	1852.	29211.33	15.77
2	1884.	29828.68	15.83
3	1849.	28172.51	15.24
4	1781.	25805.47	14.49
5	1808.	27189.66	15.04
6	1809.	27509.72	15.21
7	1806.	27197.53	15.06
8	1798.	26788.37	14.90
9	1770.	25342.88	14.32
10	1718.	24546.46	14.29
11	1570.	22110.59	14.08
12 MID	1403.	19488.41	13.88
TOTAL	38903.	580891.62	14.93
OFF-PEAK 9P-9A	16943.	243864.99	14.39
ON-PEAK 9A-9P	21960.	337026.63	15.35
OFF-PEAK 8P-8A	16912.	241053.84	14.25
ON-PEAK 8A-8P	21991.	339837.78	15.45
OFF-PEAK 11P-7A	10193.	144547.70	14.18
ON-PEAK 7A-11P	28710.	436343.92	15.20

PENNSYLVANIA ELECTRIC COMPANY
GENERATION COSTS SUMMARY

SATURDAY, APRIL 14, 1979

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	1117.	16240.51	14.54
2	1058.	15350.93	14.51
3	1024.	14877.60	14.53
4	1006.	14730.46	14.64
5	997.	14542.00	14.59
6	995.	14558.94	14.63
7	1028.	15107.59	14.70
8	11[illegible]6.	16451.29	14.74
9	1211.	17720.55	14.63
10	1[illegible]77.	18825.18	14.74
11	1[illegible]91.	18695.14	14.48
12 [illegible]ON	1[illegible]76.	18407.54	14.43
[illegible]	1225.	17842.39	14.57
2	1196.	17376.58	14.53
3	1158.	16908.42	14.60
4	1162.	16802.41	14.46
5	1187.	17156.88	14.45
6	1181.	16896.75	14.31
7	1238.	17627.65	14.24
8	1299.	18868.74	14.53
9	1313.	19098.97	14.55
10	1272.	18711.60	14.71
11	1205.	17785.49	14.76
12 MID	1086.	16295.75	15.01
TOTAL	27918.	406879.37	14.57

PENNSYLVANIA ELECTRIC COMPANY
GENERATION COSTS SUMMARY

THURSDAY, APRIL 19, 1979-TYPICAL

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	1233.	17637.36	14.30
2	1218.	17411.80	14.30
3	1208.	17219.03	14.25
4	1196.	17102.91	14.30
5	1209.	17266.97	14.28
6	1276.	18363.38	14.39
7	1395.	20103.75	14.41
8	1563.	23129.35	14.80
9	1668.	26186.46	15.70
10	1693.	26450.33	15.62
11	1678.	26467.76	15.77
12 NOON	1639.	24984.64	15.24
1 PM	1567.	23152.77	14.78
2	1628.	24535.21	15.07
3	1576.	23495.42	14.91
4	1481.	21533.17	14.54
5	1491.	21672.92	14.54
6	1488.	22122.78	14.87
7	1499.	23164.07	15.45
8	1574.	26587.25	16.89
9	1580.	27012.32	17.10
10	1545.	26595.98	17.21
11	1458.	24558.10	16.84
12 MID	1310.	20586.84	15.72
TOTAL	35173.	537340.59	15.28
OFF-PEAK 9P-9A	16279.	246161.94	15.12
ON-PEAK 9A-9P	18894.	291178.65	15.41
OFF-PEAK 8P-8A	16191.	246987.80	15.25
ON-PEAK 8A-8P	18982.	290352.79	15.30
OFF-PEAK 11P-7A	10045.	145692.05	14.50
ON-PEAK 7A-11P	25128.	391648.55	15.59

PENNSYLVANIA ELECTRIC COMPANY
GENERATION COSTS SUMMARY

THURS.,MAY 10,1979-PEAK

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	1143.	15400.89	13.47
2	1104.	14770.66	13.38
3	1042.	14005.00	13.44
4	1024.	13794.66	13.47
5	1016.	13747.69	13.53
6	1065.	14495.80	13.61
7	1203.	16445.02	13.67
8	1421.	19787.05	13.92
9	1534.	21761.60	14.19
10	1577.	22173.80	14.06
11	1587.	21991.77	13.86
12 NOON	1610.	21733.41	13.50
1 PM	1583.	21265.28	13.43
2	1590.	21590.34	13.58
3	1663.	23118.21	13.90
4	1583.	22280.11	14.07
5	1550.	21507.97	13.88
6	1495.	20997.28	14.05
7	1451.	20015.80	13.79
8	1461.	20168.83	13.80
9	1480.	22243.50	15.03
10	1493.	22305.46	14.94
11	1372.	18868.13	13.75
12 MID	1226.	16683.75	13.61
TOTAL	33273.	461152.00	13.86
OFF-PEAK 9P-9A	14643.	202065.70	13.80
ON-PEAK 9A-9P	18630.	259086.30	13.91
OFF-PEAK 8P-8A	14589.	202547.60	13.88
ON-PEAK 8A-8P	18684.	258604.40	13.84
OFF-PEAK 11P-7A	8823.	119343.46	13.53
ON-PEAK 7A-11P	24450.	341808.54	13.98

PENNSYLVANIA ELECTRIC COMPANY
GENERATION COSTS SUMMARY

SATURDAY, MAY 19, 1979

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	1026.	15076.83	14.69
2	953.	13957.10	14.65
3	949.	14155.87	14.92
4	920.	13030.16	14.16
5	913.	13576.14	14.87
6	920.	13769.52	14.97
7	968.	13538.75	13.99
8	1064.	14772.93	13.88
9	1143.	15720.18	13.75
10	1267.	18222.83	14.38
11	1282.	18701.79	14.59
12 NOON	1283.	19092.78	14.88
1 PM	1240.	18322.53	14.78
2	1200.	17546.71	14.62
3	1177.	17490.44	14.86
4	1163.	17161.67	14.76
5	1172.	16998.11	14.50
6	1192.	17120.69	14.36
7	1179.	17212.05	14.60
8	1125.	16182.36	14.38
9	1143.	16990.29	14.86
10	1187.	17837.81	15.03
11	1128.	17126.21	15.18
12 MID	998.	15086.21	15.12
TOTAL	26592.	388689.93	14.62

PENNSYLVANIA ELECTRIC COMPANY
GENERATION COSTS SUMMARY

WED.,MAY 30,1979-TYPICAL

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	1140.	16733.92	14.68
2	1103.	16104.27	14.60
3	1067.	15482.86	14.51
4	1064.	15312.63	14.39
5	1064.	15314.41	14.39
6	1111.	16016.26	14.42
7	1263.	18074.83	14.31
8	1450.	20661.37	14.25
9	1530.	21615.85	14.13
10	1573.	22077.62	14.04
11	1601.	22170.74	13.85
12 NOON	1568.	21709.16	13.85
1 PM	1480.	20840.66	14.08
2	1550.	21967.63	14.17
3	1536.	21813.34	14.20
4	1481.	21105.11	14.25
5	1483.	21025.75	14.18
6	1474.	20781.74	14.10
7	1469.	20986.18	14.29
8	1434.	21050.22	14.68
9	1438.	21171.87	14.72
10	1474.	21728.35	14.74
11	1367.	19968.05	14.61
12 MID	1226.	17976.49	14.66
TOTAL	32946.	471689.30	14.32
OFF-PEAK 9P-9A	14859.	214989.28	14.47
ON-PEAK 9A-9P	18087.	256700.02	14.19
OFF-PEAK 8P-8A	14767.	214545.30	14.53
ON-PEAK 8A-8P	18179.	257144.00	14.15
OFF-PEAK 11P-7A	9038.	131015.66	14.50
ON-PEAK 7A-11P	23908.	340673.64	14.25

PENNSYLVANIA ELECTRIC COMPANY
GENERATION COSTS SUMMARY

SUNDAY, JUNE 10, 1979

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	1021.	15057.75	14.75
2	972.	14230.42	14.64
3	931.	13747.67	14.77
4	893.	13385.23	14.99
5	879.	13100.25	14.90
6	893.	13516.50	15.14
7	887.	13937.81	15.71
8	926.	14327.75	15.47
9	1071.	15290.07	15.12
10	1089.	16355.74	15.02
11	1135.	16859.55	14.85
12 NOON	1145.	16760.80	14.64
1 PM	1160.	16878.19	14.55
2	1164.	17182.69	14.76
3	1122.	16963.64	15.12
4	1111.	16694.40	15.03
5	1127.	16996.59	15.08
6	1138.	16996.25	14.94
7	1126.	16910.19	15.02
8	1129.	16903.58	14.97
9	1146.	17123.79	14.94
10	1196.	17684.75	14.79
11	1209.	17450.36	14.43
12 MID	1111.	16079.93	14.47
TOTAL	25521.	380433.90	14.91

PENNSYLVANIA ELECTRIC COMPANY
GENERATION COSTS SUMMARY

FRI.,JUNE 15,1979-PEAK

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	1133.	16333.94	14.42
2	1070.	15207.85	14.21
3	1054.	15001.34	14.23
4	1019.	13866.71	13.61
5	1042.	14118.58	13.55
6	1073.	14616.99	13.62
7	1187.	16374.21	13.79
8	1335.	18949.26	14.19
9	1572.	25946.39	16.51
10	1582.	26576.40	16.80
11	1666.	27696.23	16.62
12 NOON	1605.	26217.22	16.33
1 PM	1592.	27374.25	17.19
2	1607.	27697.34	17.24
3	1608.	27778.38	17.28
4	1535.	26256.69	17.11
5	1518.	25246.33	16.63
6	1496.	24365.75	16.29
7	1483.	23744.00	16.01
8	1411.	21160.07	15.00
9	1387.	20360.77	14.68
10	1411.	20679.09	14.66
11	1371.	19651.92	14.33
12 MID	1201.	16648.79	13.86
TOTAL	32958.	511868.53	15.53
OFF-PEAK 9P-9A	14468.	207395.08	14.33
ON-PEAK 9A-9P	18490.	304473.44	16.47
OFF-PEAK 8P-8A	14283.	201809.46	14.13
ON-PEAK 8A-8P	18675.	310059.07	16.60
OFF-PEAK 11P-7A	8779.	122168.42	13.92
ON-PEAK 7A-11P	24179.	389700.11	16.12

PENNSYLVANIA ELECTRIC COMPANY
GENERATION COSTS SUMMARY

THURS.,JUNE 21,1979-TYPICAL

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	1219.	18504.60	15.18
2	1074.	16262.70	15.14
3	1046.	15886.97	15.19
4	1029.	15742.84	15.30
5	1029.	15748.15	15.30
6	1068.	16340.23	15.30
7	1163.	17252.58	14.83
8	1334.	19279.81	14.45
9	1445.	20773.48	14.38
10	1531.	22401.19	14.63
11	1568.	22854.24	14.58
12 NOON	1580.	23354.09	14.78
1 PM	1546.	23430.99	15.16
2	1550.	22893.67	14.77
3	1540.	22457.10	14.58
4	1496.	22053.95	14.74
5	1509.	22359.03	14.82
6	1484.	22121.58	14.91
7	1467.	21408.02	14.59
8	1418.	20648.37	14.56
9	1431.	21224.46	14.83
10	1444.	21480.83	14.88
11	1355.	20481.29	15.12
12 MID	1209.	18213.07	15.06
TOTAL	32535.	483169.24	14.85
OFF-PEAK 9P-9A	14415.	215966.55	14.98
ON-PEAK 9A-9P	18120.	267202.69	14.75
OFF-PEAK 8P-8A	14401.	216417.53	15.03
ON-PEAK 8A-8P	18134.	266751.71	14.71
OFF-PEAK 11P-7A	8837.	133951.13	15.16
ON-PEAK 7A-11P	23698.	349218.10	14.74

PENNSYLVANIA ELECTRIC COMPANY
GENERATION COSTS SUMMARY

WED., JULY 11, 1979-TYPICAL

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	1053.	15788.68	14.99
2	1003.	14804.24	14.76
3	984.	14787.41	15.03
4	976.	14775.13	15.14
5	983.	15166.21	15.43
6	1003.	15277.97	15.23
7	1084.	16410.32	15.14
8	1272.	18305.71	14.39
9	1408.	20484.62	14.55
10	1461.	21458.89	14.69
11	1497.	21829.15	14.58
12 NOON	1533.	22558.98	14.72
1 PM	1523.	22622.70	14.85
2	1541.	22482.45	14.59
3	1492.	22658.72	15.19
4	1500.	23034.38	15.36
5	1495.	23022.03	15.40
6	1445.	21779.82	15.07
7	1400.	20933.67	14.95
8	1364.	19964.19	14.64
9	1371.	19871.32	14.49
10	1396.	20263.78	14.52
11	1327.	20645.23	15.56
12 MID	1162.	17440.42	15.01
TOTAL	31273.	466366.04	14.91

PENNSYLVANIA ELECTRIC COMPANY
GENERATION COSTS SUMMARY

SUNDAY, JULY 15, 1979

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	982.	16010.11	16.30
2	912.	14714.63	16.13
3	898.	14522.63	16.17
4	872.	14234.49	16.32
5	889.	14480.63	16.29
6	845.	14057.13	16.64
7	848.	14075.67	16.60
8	896.	13690.43	15.28
9	967.	13715.66	14.18
10	1056.	15110.95	14.31
11	1089.	15551.41	14.28
12 NOON	1114.	15797.93	14.18
1 PM	1140.	16108.81	14.13
2	1122.	15966.30	14.23
3	1085.	15871.31	14.63
4	1069.	15530.42	14.53
5	1078.	15777.93	14.64
6	1090.	15765.69	14.46
7	1096.	15594.26	14.23
8	1081.	15130.62	14.00
9	1101.	16323.25	14.83
10	1169.	17030.82	14.57
11	1163.	18436.37	15.85
12 MID	1033.	16891.77	16.35
TOTAL	24595.	370389.24	15.06

PENNSYLVANIA ELECTRIC COMPANY
GENERATION COSTS SUMMARY

MON., JULY 16, 1979-PEAK

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	1057.	17096.26	16.17
2	1041.	17639.61	16.94
3	987.	17057.66	17.28
4	980.	17334.40	17.69
5	1021.	17278.61	16.92
6	1016.	17515.82	17.24
7	1073.	17967.93	16.75
8	1292.	19797.46	15.32
9	1450.	22156.19	15.28
10	1570.	24290.84	15.47
11	1645.	25604.19	15.56
12 NOON	1683.	26681.46	15.85
1 PM	1646.	26530.40	16.12
2	1653.	27005.10	16.34
3	1598.	25719.84	16.10
4	1579.	26095.16	16.53
5	1567.	25550.66	16.31
6	1538.	23811.12	15.48
7	1510.	23242.51	15.39
8	1434.	21929.17	15.29
9	1421.	22117.68	15.56
10	1467.	22731.78	15.50
11	1418.	23859.15	16.83
12 MID	1267.	20038.62	15.82
TOTAL	32913.	529051.60	16.07
OFF-PEAK 9P-9A	14069.	230473.48	16.38
ON-PEAK 9A-9P	18844.	298578.12	15.84
OFF-PEAK 8P-8A	14040.	230434.98	16.41
ON-PEAK 8A-8P	18873.	298616.63	15.82
OFF-PEAK 11P-7A	8442.	141928.91	16.81
ON-PEAK 7A-11P	24471.	387122.70	15.82

PENNSYLVANIA ELECTRIC COMPANY
GENERATION COSTS SUMMARY

SUNDAY, AUG. 5, 1979

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	995.	18690.73	18.78
2	948.	18228.44	19.23
3	910.	17840.30	19.60
4	884.	17635.41	19.95
5	870.	17796.27	20.46
6	861.	17740.82	20.60
7	869.	17952.04	20.66
8	918.	18605.34	20.27
9	998.	18961.39	19.00
10	1062.	18488.55	17.41
11	1105.	19251.27	17.42
12 NOON	1131.	19496.54	17.24
1 PM	1142.	19755.51	17.30
2	1136.	19746.00	17.38
3	1099.	19408.38	17.66
4	1114.	19596.74	17.59
5	1123.	19709.54	17.55
6	1138.	19859.98	17.45
7	1138.	19789.73	17.39
8	1129.	19841.16	17.57
9	1147.	20162.69	17.58
10	1195.	20950.01	17.53
11	1228.	22917.78	18.66
12 MID	1144.	21333.51	18.65
TOTAL	25284.	463758.14	18.34

PENNSYLVANIA ELECTRIC COMPANY
GENERATION COSTS SUMMARY

MON.,AUG. 6,1979-TYPICAL

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	1083.	19280.19	17.80
2	1055.	18674.07	17.70
3	1057.	18537.39	17.54
4	1045.	18552.63	17.75
5	1032.	18906.44	18.32
6	1082.	19016.44	17.58
7	1159.	19868.50	17.14
8	1356.	21360.60	15.75
9	1509.	24149.50	16.00
10	1592.	25686.13	16.13
11	1653.	27921.42	16.89
12 NOON	1673.	28833.39	17.23
1 PM	1639.	28878.47	17.62
2	1653.	30480.21	18.44
3	1616.	31126.9?	19.26
4	1580.	29553.48	18.70
5	1566.	29827.36	19.05
6	1528.	27890.32	18.25
7	1502.	27407.44	18.25
8	1454.	25535.88	17.56
9	1429.	24671.86	17.27
10	1495.	26177.90	17.51
11	1399.	25352.19	18.12
12 MID	1238.	21765.43	17.58
TOTAL	33395.	589454.15	17.65
OFF-PEAK 9P-9A	14510.	251641.27	17.34
ON-PEAK 9A-9P	18885.	337812.87	17.89
OFF-PEAK 8P-8A	14430.	252163.64	17.47
ON-PEAK 8A-8P	18965.	337290.50	17.78
OFF-PEAK 11P-7A	8751.	154601.09	17.67
ON-PEAK 7A-11P	24644.	434853.05	17.65

PENNSYLVANIA ELECTRIC COMPANY
GENERATION COSTS SUMMARY

MON.,AUG. 27,1979-PEAK

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	1031.	16783.00	16.28
2	1028.	16240.24	15.80
3	1006.	15568.87	15.48
4	974.	14713.55	15.11
5	980.	14800.68	15.10
6	1034.	15689.38	15.17
7	1165.	18732.69	16.08
8	1352.	22127.45	16.37
9	1523.	26864.05	17.64
10	1610.	30058.05	18.67
11	1693.	33920.30	20.04
12 NOON	1719.	35287.28	20.53
1 PM	1655.	33326.81	20.14
2	1665.	33114.88	19.89
3	1622.	31178.02	19.22
4	1584.	30568.46	19.30
5	1575.	30913.34	19.63
6	1527.	28708.82	18.80
7	1506.	27686.86	18.38
8	1499.	27500.36	18.35
9	1547.	28475.63	18.41
10	1506.	27502.85	18.26
11	1381.	25792.62	18.68
12 MID	1262.	24410.52	19.34
TOTAL	33444.	609964.68	18.24
OFF-PEAK 9P-9A	14242.	239225.88	16.80
ON-PEAK 9A-9P	19202.	370738.80	19.31
OFF-PEAK 8P-8A	14266.	240837.46	16.88
ON-PEAK 8A-8P	19178.	369127.22	19.25
OFF-PEAK 11P-7A	8480.	136938.91	16.15
ON-PEAK 7A-11P	24964.	473025.77	18.95

PENNSYLVANIA ELECTRIC COMPANY
GENERATION COSTS SUMMARY

THURS.,SEPT. 6,1979-PEAK

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	1174.	19281.98	16.42
2	1126.	17469.64	15.51
3	1094.	16399.22	14.99
4	1088.	19010.38	17.47
5	1096.	19059.95	17.39
6	1128.	19903.18	17.64
7	1261.	19343.55	15.34
8	1458.	23932.92	16.41
9	1587.	26521.62	16.71
10	1642.	28240.43	17.20
11	1662.	28390.29	17.08
12 NOON	1682.	28255.41	16.80
1 PM	1646.	28570.68	17.36
2	1670.	29466.28	17.64
3	1646.	29555.65	17.96
4	1614.	28994.72	17.96
5	1638.	30532.00	18.64
6	1587.	28529.93	17.98
7	1548.	26923.89	17.39
8	1538.	26231.63	17.06
9	1622.	27988.32	17.26
10	1556.	26426.90	16.98
11	1441.	22125.43	15.35
12 MID	1290.	22492.06	17.44
TOTAL	34794.	593646.06	17.06
OFF-PEAK 9P-9A	15299.	251966.82	16.47
ON-PEAK 9A-9P	19495.	341679.23	17.53
OFF-PEAK 8P-8A	15334.	253433.53	16.53
ON-PEAK 8A-8P	19460.	340212.53	17.48
OFF-PEAK 11P-7A	9257.	152959.95	16.52
ON-PEAK 7A-11P	25537.	440686.11	17.26

PENNSYLVANIA ELECTRIC COMPANY
GENERATION COSTS SUMMARY

THURS.,SEPT. 27,1979-TYPICAL

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	1128.	18703.45	16.58
2	1053.	16699.81	15.86
3	1041.	16547.36	15.90
4	1043.	16851.93	16.16
5	1039.	16513.18	15.89
6	1103.	18182.85	16.48
7	1271.	22535.01	17.73
8	1478.	28655.02	19.39
9	1545.	31334.82	20.28
10	1602.	33331.20	20.81
11	1598.	31870.92	19.94
12 NOON	1577.	31187.19	19.78
1 PM	1551.	31308.17	20.19
2	1559.	30724.19	19.71
3	1547.	30826.48	19.93
4	1489.	28613.87	19.22
5	1539.	30488.92	19.81
6	1484.	30305.62	20.42
7	1475.	29821.50	20.22
8	1561.	32278.64	20.68
9	1554.	33431.99	21.51
10	1479.	31308.16	21.17
11	1368.	27003.44	19.74
12 MID	1207.	23052.83	19.10
TOTAL	33291.	641576.53	19.27
OFF-PEAK 9P-9A	14755.	267387.84	18.12
ON-PEAK 9A-9P	18536.	374188.69	20.19
OFF-PEAK 8P-8A	14764.	269485.01	18.25
ON-PEAK 8A-8P	18527.	372091.52	20.08
OFF-PEAK 11P-7A	8885.	149086.41	16.78
ON-PEAK 7A-11P	24406.	492490.12	20.18

PENNSYLVANIA ELECTRIC COMPANY
GENERATION COSTS SUMMARY

SUNDAY, SEPT. 30, 1979

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	929.	17560.79	18.90
2	893.	17167.82	19.22
3	863.	16809.18	19.48
4	835.	16676.44	19.97
5	837.	17220.98	20.57
6	824.	17261.03	20.95
7	855.	17951.39	21.00
8	898.	17794.70	19.82
9	983.	17700.81	18.01
10	1061.	19290.94	18.18
11	1099.	20064.56	18.26
12 NOON	1137.	21392.37	18.81
1 PM	1143.	21434.39	18.75
2	1117.	20482.54	18.34
3	1087.	19897.55	18.31
4	1068.	19506.29	18.26
5	1092.	19872.06	18.20
6	1092.	19897.88	18.22
7	1104.	20308.46	18.40
8	1184.	22239.05	18.78
9	1191.	22143.44	18.59
10	1168.	21406.25	18.33
11	1131.	20463.98	18.09
12 MID	1082.	18290.50	16.90
TOTAL	24673.	462832.57	18.76

PENNSYLVANIA ELECTRIC COMPANY
GENERATION COSTS SUMMARY

SUNDAY, OCT. 14, 1979

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	1063.	18444.27	17.35
2	1001.	16106.62	16.09
3	978.	15556.47	15.91
4	963.	15271.13	15.86
5	967.	15431.00	15.96
6	965.	15374.75	15.93
7	1000.	15974.17	15.97
8	1073.	17566.94	16.37
9	1145.	19727.22	17.23
10	1211.	21218.65	17.52
11	1239.	21582.18	17.42
12 NOON	1282.	22475.69	17.53
1 PM	1293.	22868.23	17.69
2	1246.	21808.18	17.50
3	1210.	21098.71	17.44
4	1196.	20494.45	17.14
5	1196.	20383.96	17.04
6	1229.	21118.04	17.18
7	1247.	21204.98	17.00
8	1304.	22566.83	17.31
9	1310.	22800.08	17.40
10	1295.	22758.10	17.57
11	1262.	23013.69	18.24
12 MID	1233.	21515.43	17.45
TOTAL	27908.	476359.74	17.07

PENNSYLVANIA ELECTRIC COMPANY
GENERATION COSTS SUMMARY

TUES.,OCT. 16,1979-TYPICAL

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	1206.	20347.07	16.87
2	1152.	18745.50	16.27
3	1140.	18014.45	15.80
4	1108.	17474.48	15.77
5	1142.	18070.34	15.82
6	1193.	18964.17	15.90
7	1351.	23307.86	17.25
8	1570.	32721.90	20.84
9	1674.	37755.49	22.55
10	1660.	35478.88	21.37
11	1659.	35174.11	21.20
12 NOON	1618.	32022.75	19.79
1 PM	1588.	31555.80	19.87
2	1596.	31459.98	19.71
3	1579.	30506.18	19.32
4	1525.	28541.62	18.72
5	1512.	28046.30	18.55
6	1505.	27782.71	18.46
7	1547.	29438.86	19.03
8	1608.	31338.53	19.49
9	1603.	31188.13	19.46
10	1519.	29096.73	19.16
11	1413.	25216.02	17.85
12 MID	1297.	23541.18	18.15
TOTAL	34765.	655789.03	18.86
OFF-PEAK 9P-9A	15765.	283255.20	17.97
ON-PEAK 9A-9P	19000.	372533.83	19.61
OFF-PEAK 8P-8A	15694.	276687.84	17.63
ON-PEAK 8A-8P	19071.	379161.19	19.88
OFF-PEAK 11P-7A	9589.	158465.06	16.53
ON-PEAK 7A-11P	25176.	497323.97	19.75

PENNSYLVANIA ELECTRIC COMPANY
GENERATION COSTS SUMMARY

THURS., OCT. 25, 1979-PEAK

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	1240.	19530.43	15.75
2	1218.	19225.67	15.78
3	1179.	18817.81	15.96
4	1178.	18586.94	15.78
5	1184.	18657.10	15.76
6	1233.	19527.32	15.84
7	1384.	22359.96	16.16
8	1617.	26458.78	16.36
9	1714.	28998.34	16.92
10	1733.	28032.63	16.18
11	1757.	28244.59	16.08
12 NOON	1726.	27946.92	16.19
1 PM	1701.	27235.69	16.01
2	1712.	28234.50	16.49
3	1690.	26974.07	15.96
4	1633.	26636.16	16.31
5	1634.	26685.92	16.33
6	1634.	26976.59	16.51
7	1692.	28798.56	17.02
8	1697.	27703.92	16.33
9	1669.	26765.74	16.04
10	1603.	25997.17	16.22
11	1484.	23920.61	16.12
12 MID	1337.	21427.80	16.03
TOTAL	36649.	593743.22	16.20
OFF-PEAK 9P-9A	16371.	263507.93	16.10
ON-PEAK 9A-9P	20278.	330235.29	16.29
OFF-PEAK 8P-8A	16326.	261275.33	16.00
ON-PEAK 8A-8P	20323.	332467.89	16.36
OFF-PEAK 11P-7A	9953.	158133.03	15.89
ON-PEAK 7A-11P	26696.	435610.18	16.32

PENNSYLVANIA ELECTRIC COMPANY
GENERATION COSTS SUMMARY

SUN.,NOV. 11,1979

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	1024.	17117.70	16.72
2	974.	16546.06	16.99
3	964.	16428.77	17.04
4	943.	16005.89	16.97
5	942.	16689.58	17.72
6	968.	17391.95	17.97
7	989.	17493.55	17.69
8	1043.	17516.54	16.79
9	1150.	18720.80	16.28
10	1217.	19485.35	16.01
11	1245.	19883.15	15.97
12 NOON	1274.	20208.80	15.86
1 PM	1283.	20240.97	15.78
2	1274.	20536.83	16.12
3	1237.	19995.96	16.16
4	1239.	20077.55	16.20
5	1264.	20323.79	16.08
6	1342.	21118.93	15.74
7	1371.	21340.74	15.57
8	1368.	20828.17	15.23
9	1329.	20931.20	15.75
10	1311.	20660.26	15.76
11	1238.	19769.86	15.97
12 MID	1183.	19028.62	16.09
TOTAL	28172.	458341.03	16.27

PENNSYLVANIA ELECTRIC COMPANY
GENERATION COSTS SUMMARY

MON.,NOV. 12,1979-TYPICAL

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	1158.	17608.33	15.21
2	1112.	16949.64	15.24
3	1096.	16714.09	15.25
4	1089.	15933.34	14.63
5	1110.	16100.51	14.50
6	1168.	16835.16	14.41
7	1320.	20043.83	15.18
8	1548.	22960.53	14.83
9	1653.	25022.33	15.14
10	1723.	28376.07	16.47
11	1712.	25839.80	15.09
12 NOON	1681.	24933.54	14.83
1 PM	1631.	24123.69	14.79
2	1616.	23376.15	14.47
3	1556.	23902.97	15.36
4	1519.	23304.75	15.34
5	1554.	24419.97	15.71
6	1672.	25791.23	15.43
7	1683.	25843.23	15.36
8	1655.	26000.56	15.71
9	1610.	24532.91	15.24
10	1541.	23797.91	15.44
11	1445.	22470.20	15.55
12 MID	1341.	20833.23	15.54
TOTAL	35193.	535713.98	15.22
OFF-PEAK 9P-9A	15581.	235269.11	15.10
ON-PEAK 9A-9P	19612.	300444.87	15.32
OFF-PEAK 8P-8A	15538.	234779.69	15.11
ON-PEAK 8A-8P	19655.	300934.29	15.31
OFF-PEAK 11P-7A	9394.	141018.14	15.01
ON-PEAK 7A-11P	25799.	394695.84	15.30

PENNSYLVANIA ELECTRIC COMPANY
GENERATION COSTS SUMMARY

THURS.,NOV.29, 1979-PEAK

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	1296.	20806.93	16.05
2	1253.	20172.38	16.10
3	1225.	19845.48	16.20
4	1229.	20083.74	16.34
5	1276.	20758.10	16.27
6	1320.	21473.23	16.27
7	1490.	24455.49	16.41
8	1678.	27362.85	16.31
9	1774.	31330.82	17.66
10	1814.	33193.94	18.30
11	1805.	32220.59	17.85
12 NOON	1792.	31596.49	17.63
1 PM	1766.	30296.69	17.16
2	1813.	31993.91	17.65
3	1794.	31312.43	17.45
4	1740.	29648.24	17.04
5	1810.	32047.19	17.71
6	1903.	36898.11	19.39
7	1895.	35541.21	18.76
8	1867.	34657.41	18.56
9	1816.	33288.66	18.33
10	1754.	30775.07	17.55
11	1628.	27836.74	17.10
12 MID	1440.	24107.67	16.74
TOTAL	39178.	681703.37	17.40
OFF-PEAK 9P-9A	17363.	289008.48	16.65
ON-PEAK 9A-9P	21815.	392694.89	18.00
OFF-PEAK 8P-8A	17405.	290966.33	16.72
ON-PEAK 8A-8P	21773.	390737.04	17.95
OFF-PEAK 11P-7A	10529.	171703.01	16.31
ON-PEAK 7A-11P	28649.	510000.37	17.80

PENNSYLVANIA ELECTRIC COMPANY
GENERATION COSTS SUMMARY

FRI.,DEC. 7,1979-TYPICAL

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	1249.	18875.78	15.11
2	1220.	18611.73	15.26
3	1181.	18066.78	15.30
4	1175.	18004.69	15.32
5	1170.	17860.85	15.27
6	1278.	19573.06	15.32
7	1471.	22941.79	15.60
8	1681.	32611.38	19.40
9	1794.	37507.64	20.91
10	1824.	34962.83	19.17
11	1827.	32133.60	17.59
12 NOON	1814.	29770.63	16.41
1 PM	1775.	28546.70	16.08
2	1798.	29356.81	16.33
3	1726.	26742.32	15.49
4	1645.	24239.66	14.74
5	1751.	27545.54	15.73
6	1768.	27367.85	15.48
7	1752.	26532.20	15.14
8	1698.	25991.04	15.31
9	1645.	23697.12	14.41
10	1580.	22787.92	14.42
11	1462.	21342.25	14.60
12 MID	1307.	19154.55	14.66
TOTAL	37591.	604224.71	16.07
OFF-PEAK 9P-9A	16568.	267338.42	16.14
ON-PEAK 9A-9P	21023.	336886.29	16.02
OFF-PEAK 8P-8A	16419.	253527.89	15.44
ON-PEAK 8A-8P	21172.	350696.82	16.56
OFF-PEAK 11P-7A	10051.	153089.23	15.23
ON-PEAK 7A-11P	27540.	451135.49	16.38

PENNSYLVANIA ELECTRIC COMPANY
GENERATION COSTS SUMMARY

SUNDAY, DEC. 9, 1979

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	1195.	18027.06	15.09
2	1152.	17317.09	15.03
3	1122.	16759.95	14.94
4	1095.	16426.30	15.00
5	1097.	16379.20	14.93
6	1137.	17033.54	14.98
7	1162.	17453.48	15.02
8	1209.	18241.08	15.09
9	1298.	19689.14	15.17
10	1373.	21349.80	15.55
11	1402.	20913.08	14.92
12 NOON	1425.	20922.24	14.68
1 PM	1434.	21062.56	14.69
2	1422.	21030.76	14.79
3	1373.	20190.52	14.71
4	1372.	20499.65	14.94
5	1438.	22113.94	15.38
6	1508.	23305.02	15.45
7	1509.	22701.27	15.04
8	1470.	21804.13	14.83
9	1453.	21749.08	14.97
10	1428.	21798.11	15.26
11	1362.	20677.87	15.18
12 MID	1274.	19092.92	14.99
TOTAL	31710.	476537.81	15.03

PENNSYLVANIA ELECTRIC COMPANY
GENERATION COSTS SUMMARY

MON.,DEC.17,1979-PEAK

	LOAD(MW)	COSTS($)	$ PER MW
1 AM	1282.	18349.59	14.31
2	1261.	17898.44	14.19
3	1289.	18387.63	14.27
4	1287.	18322.35	14.24
5	1308.	18771.42	14.35
6	1408.	21816.15	15.49
7	1583.	26872.77	16.98
8	1821.	41004.80	22.52
9	1930.	47650.38	24.69
10	1990.	49813.34	25.03
11	2032.	50195.10	24.70
12 NOON	2013.	48937.64	24.31
1 PM	1969.	47150.02	23.95
2	1974.	47434.89	24.03
3	1941.	48096.04	24.78
4	1894.	44585.47	23.54
5	1961.	47895.96	24.42
6	1959.	47071.07	24.03
7	2024.	51147.48	25.27
8	2005.	50506.06	25.19
9	1961.	49835.11	25.41
10	1903.	44718.47	23.50
11	1750.	35769.33	20.44
12 MID	1569.	28035.18	17.87
TOTAL	42114.	920264.69	21.85
OFF-PEAK 9P-9A	18391.	337596.51	18.36
ON-PEAK 9A-9P	23723.	582668.18	24.56
OFF-PEAK 8P-8A	18422.	339781.24	18.44
ON-PEAK 8A-8P	23692.	580483.45	24.50
OFF-PEAK 11P-7A	10987.	168453.53	15.33
ON-PEAK 7A-11P	31127.	751811.16	24.15

COMPOSITE AVERAGE REVENUE PER MWH

Company	YEAR 1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1979*	Increase (1979-'69)/1969
Metropolitan Edison Co①	$38.66	$40.59	$37.02	$37.04	$32.88	$24.02	$22.87	$21.01	$17.06	$15.11	$40.71	169%
Pennsylvania Electric Co.	38.95	37.01	33.05	31.42	26.93	23.07	21.86	21.31	17.51	17.02	43.06	153
Combined	38.83	38.50	34.69	33.71	29.51	23.59	22.32	21.17	17.30	16.16	42.07	160
Jersey Central P&L Co.	47.66	47.15	40.83	36.98	34.87	24.81	23.66	22.42	21.00	20.35	51.55	153
Duquesne Light Co.	44.00	36.09	33.14	32.17	24.94	19.07	18.56	17.95	15.79	14.43	45.9	218
Pennsylvania P&L Co.	36.16	34.78	31.28	28.04	24.71	20.58	20.16	18.98	17.14	16.23	37.5	131
Philadelphia Elec. Co.②	44.20	42.93	38.66	38.35	34.03	24.40	23.19	21.34	17.86	16.02	47.0	193
West Penn Power Co.	31.80	26.19	24.41	26.50	20.56	15.50	14.87	14.58	13.74	13.37	30.9	131

Sources: For 1969 through 1977, U.S. Federal Power Commission/Department of Energy Statistics of Privately Owned Electric Utilities in the United States. Table 13. For 1978, USR Schedules II and XIV.

* Dec. 1979 Operating Reports for ME, Pn and JC, T. Huber provided others which will be used in GPU Board Report.

Notes:

1. Does not reflect impact of levelized EAC increase of 6.9 mills/kwh eff. 3/1/80
2. " " " " " approximate 7.1% base rate increase recommended by ALJ on 3/29/80.

Met-Ed/Penelec Exhibit J-20
Witness: E. F. Carter

METROPOLITAN EDISON COMPANY
(I-79040308)

COMMISSION DATA REQUEST - 3/24/80

Request:

"Should be placed in record on Wednesday, March 26, 1980.

1. Assuming TMI-1 is removed from rate base, and assuming alternatively that (a) base rates are not reduced and deferred energy costs are amortized through base rates, and (b) base rates are reduced and deferred energy costs are amortized through a uniform increase in the energy costs rates, describe the differences in the assumed alternative recoveries in terms of the relative recovery from the different classes of customers.

2. If the energy cost rates are increased, what are the percentage revenue recoveries by customer class?

3. If the present base rates are reduced, what are the percentage reductions in revenue recoveries by customer class?

4. If the annual base rate jurisdictional costs of TMI-1 for Met-Ed are assumed to be $26.9 million, and the base rates are reduced by that amount:

(a) what would be the effect for the average non-heating residential and the average heating residential customer?

(b) if, further, the energy cost rates were increased by an equivalent annual amount, what would be the net effect for the average non-heating and heating residential customer?"

Response:

Item 1 - Respond orally making reference to Met-Ed/Penelec Exhibit J-4 and pages 2 and 3 of this exhibit.

Item 2 - Refer to page 2, column 3 for distribution of recovery.

Item 3 - Refer to pages 2 and 3 of this exhibit.

Item 4 - Refer to pages 2 and 3 of this exhibit in conjunction with Met-Ed/Penelec Exhibit J-22.

METROPOLITAN EDISON COMPANY

Forecast 1980

(Official Budget)

Rate Classification	Sales[1] GWH	Sales[1] Percent	Base Revenues Amount	Base Revenues Percent
(1)	(2)	(3)	(4)	(5)
Residential				
Total Electric	816	9.97%	$ 29 633 249	10.77%
Other	1 816	22.17	79 806 443	29.02
Total Residential	2 632	32.14%	$109 439 692	39.79%
Commercial	1 677	20.48	61 461 287	22.35
Industrial	3 469	42.35	90 597 026	32.94
Street Lighting	41	0.50	3 097 266	1.13
Other (includes Borderline)	153	1.87	4 917 369	1.79
Total Retail	7 972	97.34%	$269 512 640	98.00%
FERC Sales for Resale	218[2]	2.66	5 499 360	2.00
Total Company	8 190	100.00%	$275 012 000[3]	100.00%

Notes: (1) Per Met-Ed/Penelec Exhibit H-1.

(2) Per Met-Ed/Penelec Exhibit B-1-1, page 3 of 9, line 6.

(3) Per Met-Ed/Penelec Exhibit B-1-1, page 1 of 9, column 3, line 1.

METROPOLITAN EDISON COMPANY

Rate Classification (1)	R.I.D. 170 & 171 Supp.41 Increase Over Supp. 22(1) Amount (2)	Percent(2) (3)	Increase to Class(1) (4)	Index of Col. 4 (5)	Rate Base Allocated To Customer Classes(3) Amount ($-000) (6)	Percent of Total (7)	Class Rates of Return (8)
Residential							
Total Electric	$ 1 372 879	9.2%	13.383%	1.339	$ 72 596	11.076%	9.2%
Other	5 655 884	33.2	9.699	0.970	206 939	31.572	9.7
Total Residential	7 228 763	42.4%	10.317%	1.032	$279 535	42.648%	9.6%
Commercial	6 601 437	38.8	9.425	0.943	263 900	40.262	10.1
Large Industrial	2 522 622	14.8	11.577	1.158	78 013	11.902	9.8
Street Lighting	119 153	0.7	4.086	0.409	10 447	1.594	10.3
Other	497 528	2.9	10.057	1.006	23 560	3.594	9.8
Total Retail	$16 969 506	99.6%	9.996%	1.000	$655 455	100.000%	9.8%
Forfeited Discount	68 740	0.4	9.917	0.992			
Total Jurisdictional	$17 038 246	100.0%	9.996%				

Notes:

(1) Per compliance filing at RID 170 & 171 "Proof of Revenues" implementation of $17,720 246 Step 2 final increase ($17,038,246 retail amount).

(2) Distribution of the increase between rate classes.

(3) Per RID 434 compliance filing.

METROPOLITAN EDISON COMPANY
(I-79040308)

Annual Impact of Proposed 6.9 Mills/kWh

Increase in the Energy Clause Adjustment Factor for

Various Residential Average Use Customers

Class of Customers

METROPOLITAN EDISON COMPANY
COMPARISON OF PRESENT AND PROPOSED RATES
FOR AN AVERAGE CUSTOMER
RS NO WATER HEATING

	ENERGY (KWH)	PRESENT REVENUE			PROPOSED REVENUE			BASE INCREASE		OVERALL INCREASE	
		BASE	ENERGY	NET	BASE	ENERGY	NET	AMOUNT	PERCENT	AMOUNT	PERCENT
	1	*2*	*3*	*4=2+3*	*5*	*6*	*7=5+6*	*8=5-2*	*9=8/2*	*10=7-4*	*11=10/4*
JAN 79	493.	22.60	4.34	28.50	22.60	7.72	31.88	0.0	0.0	3.38	11.9
FEB	499.	22.83	4.39	28.80	22.83	7.81	32.22	0.0	0.0	3.42	11.9
MAR	466.	21.59	4.10	27.18	21.59	7.29	30.37	0.0	0.0	3.19	11.7
APR	444.	20.76	3.91	26.11	20.76	6.95	29.15	0.0	0.0	3.04	11.6
MAY	373.	18.10	3.28	22.63	18.10	5.84	25.19	0.0	0.0	2.56	11.3
JUN	402.	19.19	3.54	24.06	19.19	6.29	26.81	0.0	0.0	2.75	11.4
JUL	436.	20.46	3.84	25.72	20.46	6.83	28.71	0.0	0.0	2.99	11.6
AUG	494.	22.64	4.35	28.56	22.64	7.73	31.94	0.0	0.0	3.38	11.8
SEP	513.	23.35	4.51	29.48	23.35	8.03	33.00	0.0	0.0	3.52	11.9
OCT	435.	20.43	3.83	25.67	20.43	6.81	28.65	0.0	0.0	2.98	11.6
NOV	413.	19.60	3.63	24.59	19.60	6.47	27.43	0.0	0.0	2.84	11.5
DEC	435.	20.43	3.83	25.67	20.43	6.81	28.65	0.0	0.0	2.98	11.6
	5403.	251.98	47.55	316.97	251.98	84.58	354.00	0.0	0.0	37.03	11.7

NOTE: NET REVENUE INCLUDES A TAX SURCHARGE of 6.92%

NOTE: PRESENT ENERGY = 8.8 MILLS/KWH, PROPOSED ENERGY = 15.654 MILLS/KWH

PRESENT SUMMER RATE

KWH BLOCKS			*RATE BLOCKS*
MINIMUM	0.	____$	4.1500.
FIRST	1.	_AT_	0.0 /KWH
OVER	1.	_AT_	0.0375/KWH

PRESENT WINTER RATE

KWH BLOCKS			*RATE BLOCKS*
MINIMUM	0.	____$	4.1500.
FIRST	1.	_AT_	0.0 /KWH
NEXT	999.	_AT_	0.0375/KWH
OVER	1000.	_AT_	0.0355/KWH

METROPOLITAN EDISON COMPANY
COMPARISON OF PRESENT AND PROPOSED RATES
FOR AN AVERAGE CUSTOMER
RS WITH RESTRICTED WATER HEATING

	ENERGY (KWH)	PRESENT REVENUE BASE	PRESENT REVENUE ENERGY	PRESENT REVENUE NET	PROPOSED REVENUE BASE	PROPOSED REVENUE ENERGY	PROPOSED REVENUE NET	BASE INCREASE AMOUNT	BASE INCREASE PERCENT	OVERALL INCREASE AMOUNT	OVERALL INCREASE PERCENT
	1	**2**	**3**	*4=2+3*	**5**	**6**	*7=5+6*	*8=5-2*	*9=8/2*	*10=7-4*	*11=10/4*
JAN 79	885.	32.86	7.79	42.92	32.86	13.85	48.98	0.0	0.0	6.06	14.1
FEB	904.	33.57	7.96	43.85	33.57	14.15	50.04	0.0	0.0	6.19	14.1
MAR	863.	32.04	7.59	41.85	32.04	13.51	47.77	0.0	0.0	5.92	14.1
APR	824.	30.57	7.25	39.94	30.57	12.90	45.59	0.0	0.0	5.65	14.1
MAY	686.	25.40	6.04	33.20	25.40	10.74	37.90	0.0	0.0	4.70	14.2
JUN	716.	26.52	6.30	34.66	26.52	11.21	39.57	0.0	0.0	4.91	14.2
JUL	735.	27.24	6.47	35.60	27.24	11.51	40.64	0.0	0.0	5.04	14.2
AUG	770.	28.55	6.78	37.31	28.55	12.05	42.58	0.0	0.0	5.27	14.1
SEP	766.	28.40	6.74	37.11	28.40	11.99	42.36	0.0	0.0	5.25	14.1
OCT	723.	26.79	6.36	35.00	26.79	11.32	39.96	0.0	0.0	4.96	14.2
NOV	712.	26.37	6.27	34.46	26.37	11.15	39.34	0.0	0.0	4.88	14.2
DEC	767.	28.44	6.75	37.16	28.44	12.01	42.42	0.0	0.0	5.26	14.2
	9351.	346.75	82.30	453.06	346.75	146.39	517.15	0.0	0.0	64.09	14.1

NOTE: NET REVENUE INCLUDES A TAX SURCHARGE OF 6.92%
NOTE: PRESENT ENERGY = 8.8 MILLS/KWH, PROPOSED ENERGY = 15.654 MILLS/KWH

PRESENT SUMMER RATE

KWH BLOCKS			*RATE BLOCKS*
MINIMUM	0.	____$	4.1500.
FIRST	1.	_AT_	0.6 /KWH
NEXT	199.	_AT_	0.0375/KWH
NEXT	400.	_AT_	0.0264/KWH
OVER	600.	_AT_	0.0375/KWH

PRESENT WINTER RATE

KWH BLOCKS			*RATE BLOCKS*
MINIMUM	0.	____$	4.1500.
FIRST	1.	_AT_	0.0 /KWH
NEXT	199.	_AT_	0.0375/KWH
NEXT	400.	_AT_	0.0264/KWH
NEXT	800.	_AT_	0.0375/KWH
OVER	1400.	_AT_	0.0355/KWH

METROPOLITAN EDISON COMPANY
COMPARISON OF PRESENT AND PROPOSED RATES
FOR AN AVERAGE CUSTOMER
RESIDENTIAL - HEATING (RSH) WITH RESTRICTED WATER HEATING

	ENERGY	PRESENT REVENUE			PROPOSED REVENUE			BASE INCREASE		OVERALL INCREASE	
	(KWH)	BASE	ENERGY	NET	BASE	ENERGY	NET	AMOUNT	PERCENT	AMOUNT	PERCENT
	*1**	**2**	**3**	*4=2+3*	**5**	**6**	*7=5+6*	*8=5-2*	*9=8/2*	*10=7-4*	*11=10/4*
JAN 79	2459.	90.83	21.90	119.02	90.83	38.96	136.08	0.0	0.0	17.06	14.3
FEB	2867.	104.25	25.23	136.69	104.25	44.88	156.34	0.0	0.0	19.65	14.4
MAR	2637.	96.09	23.21	125.95	96.09	41.28	144.02	0.0	0.0	18.07	14.3
APR	1631.	60.37	14.35	78.90	60.37	25.53	90.08	0.0	0.0	11.18	14.2
MAY	1065.	39.54	9.35	51.63	39.54	16.64	58.92	0.0	0.0	7.29	14.1
JUN	814.	30.20	7.16	39.45	30.20	12.74	45.03	0.0	0.0	5.56	14.1
JUL	813.	30.16	7.15	39.40	30.16	12.73	44.98	0.0	0.0	5.58	14.2
AUG	864.	32.07	7.60	41.89	32.07	13.53	47.82	0.0	0.0	5.93	14.2
SEP	861.	31.96	7.58	41.75	31.96	13.48	47.65	0.0	0.0	5.90	14.1
OCT	891.	33.09	7.84	43.22	33.09	13.95	49.33	0.0	0.0	6.11	14.1
NOV	1355.	50.49	11.92	65.90	50.49	21.21	75.19	0.0	0.0	9.29	14.1
DEC	1850.	68.50	16.37	89.61	68.50	29.12	102.36	0.0	0.0	12.75	14.2
	18145.	667.55	159.66	873.41	667.55	284.05	997.80	0.0	0.0	124.39	14.2

NOTE: NET REVENUE INCLUDES A TAX SURCHARGE OF 6.92%

NOTE: PRESENT ENERGY = 8.8 MILLS/KWH, PROPOSED ENERGY = 15.654 MILLS/KWH

PRESENT SUMMER RATE

KWH BLOCKS			*RATE BLOCKS*
MINIMUM	0.	_____$	4.1560.
FIRST	1.	_AT_	0.0 /KWH
NEXT	199.	_AT_	0.0375/KWH
NEXT	400.	_AT_	0.0264/KWH
OVER	600.	_AT_	0.0375/KWH

PRESENT WINTER RATE

KWH BLOCKS			*RATE BLOCKS*
MINIMUM	0.	_____$	4.1560.
FIRST	1.	_AT_	0.0 /KWH
NEXT	199.	_AT_	0.0375/KWH
NEXT	400.	_AT_	0.0264/KWH
NEXT	800.	_AT_	0.0375/KWH
OVER	1400.	_AT_	0.0355/KWH

METROPOLITAN EDISON COMPANY
COMPARISON OF PRESENT AND PROPOSED RATES
FOR AN AVERAGE CUSTOMER
RESIDENTIAL TOTAL ELECTRIC

		ENERGY (KWH)	PRESENT REVENUE			PROPOSED REVENUE			BASE INCREASE		OVERALL INCREASE	
			BASE	ENERGY	NET	BASE	ENERGY	NET	AMOUNT	PERCENT	AMOUNT	PERCENT
		*1**	**2**	**3**	*4=2+3*	**5**	**6**	*7=5+6*	*8=5-2*	*9=8/2*	*10=7-4*	*11=10/4*
JAN	79	3057.	105.36	26.90	139.55	105.36	47.85	160.50	0.0	0.0	20.95	15.0
FEB		3348.	114.70	29.46	152.10	114.70	52.41	175.05	0.0	0.0	22.95	15.1
MAR		2970.	102.57	26.14	135.81	102.57	46.49	156.16	0.0	0.0	20.35	15.0
APR		1934.	69.31	17.02	91.13	69.31	30.27	104.38	0.0	0.0	13.25	14.5
MAY		1274.	47.45	11.21	61.94	47.45	19.94	70.67	0.0	0.0	8.73	14.1
JUN		953.	35.41	8.39	46.25	35.41	14.92	52.78	0.0	0.0	6.53	14.1
JUL		907.	33.69	7.98	44.00	33.69	14.20	50.22	0.0	0.0	6.22	14.1
AUG		935.	34.74	8.23	45.37	34.74	14.64	51.78	0.0	0.0	6.41	14.1
SEP		915.	33.99	8.05	44.39	33.99	14.32	50.66	0.0	0.0	6.27	14.1
OCT		967.	35.94	8.51	46.94	35.94	15.14	53.57	0.0	0.0	6.63	14.1
NOV		1348.	50.22	11.86	65.56	50.22	21.10	74.80	0.0	0.0	9.24	14.1
DEC		1872.	67.32	16.47	88.45	67.32	29.30	101.28	0.0	0.0	12.83	14.5
		20480.	730.70	180.22	961.49	730.70	320.58	1101.85	0.0	0.0	140.36	14.6

NOTE: NET REVENUE INCLUDES A TAX SURCHARGE OF 6.92%

NOTE: PRESENT ENERGY = 8.8 MILLS/KWH, PROPOSED ENERGY = 15.654 MILLS/KWH

PRESENT SUMMER RATE

KWH BLOCKS			*RATE BLOCKS*
MINIMUM	0.	_____$	4.1500.
FIRST	1.	_AT_	0.0 /KWH
NEXT	199.	_AT_	0.0375/KWH
NEXT	400.	_AT_	0.0264/KWH
OVER	600.	_AT_	0.0375/KWH

PRESENT WINTER RATE

KWH BLOCKS			*RATE BLOCKS*
MINIMUM	0.	_____$	4.1500.
FIRST	1.	_AT_	0.0 /KWH
NEXT	199.	_AT_	0.0375/KWH
NEXT	400.	_AT_	0.0264/KWH
NEXT	800.	_AT_	0.0375/KWH
OVER	1400.	_AT_	0.0321/KWH

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Public Meeting held April 20, 1978
Harrisburg, PA 17120

Commissioners Present:

Louis J. Carter, Chairman
Robert K. Bloom
Helen B. O'Bannon
Michael Johnson
W. Wilson Goode

A. 100548 - Application of Metropolitan Edison Company, Pennsylvania Electric Company, and Jersey Central Power and Light Company for approval, pursuant to Sections 202(e) and 701.1 of the Public Utility Law, of an agreement providing for transfer and acquisition of undivided interests in nuclear generating units under construction known as Three Mile Island Station Unit No. 2 and Forked River Station.

O R D E R

BY THE COMMISSION:

On August 3, 1977, Metropolitan Edison Company (MetEd), Reading; Pennsylvania Electric Company (Penelec), Johnstown; and Jersey Central Power and Light Company (Jersey), Morristown, New Jersey; filed with this Commission, pursuant to Section 701.1 of the Public Utility Law, 66 P.S. §1271.1, a revised agreement dated July 27, 1977, providing for (a) the transfer by MetEd and Penelec and the acquisition by Jersey of undivided interests aggregating 40% in the Three Mile Island Station Unit No. 2 (TMI-2) which is essentially completed and scheduled to go into service in June 1978, and (b) the transfer by Jersey and the acquisition by MetEd and Penelec of undivided interests aggregating 50% in the Forked River Station (FR) which is under construction and scheduled to go into service in 1983 or later.

Pursuant to our staff's requests for further information, the applicants furnished ninety-five (95) exhibits which we deem supplemental to, and a part of, the application.

Our evaluation of the instant application is concerned with its affects on the ability of MetEd and Penelec to provide adequate, economic, and reliable service to the consumers of the Commonwealth. We are of the opinion that the impact of the agreement would be adverse to the public interest.

Adequate Service

The application establishes that MetEd and Penelec are winter-peaking companies, and that the General Public Utilities (GPU) system is forecast to be winter-peaking starting in the winter of 1979-80. Applicants' Exhibit No. 4 indicates that under the proposed transfer of interests in TMI-2 and FR, the estimated reserve capacity margin of MetEd would fall to nine percent, and Penelec to zero percent, in the winter of 1982-83. Should completion of Forked River Station be delayed, it is probable that the companies would be faced with the problems attendant with negative reserve capacity margins in the ensuing winters until such time as the station should come into commercial service.

Economic Service

We are convinced that approval of the instant application would lead to higher costs for MetEd and Penelec, and higher rates for their customers, particularly in the long run. Our conviction is based, in part, on the following considerations:

1. Applicants' exhibits indicate that the levelized annual cost of supplying company generation requirements over the lifetime of TMI-2 would be greater for both MetEd and Penelec should this application be approved (Applicants' Exhibit No. 1, Section D, exhibits D-7 and D-8). Such higher costs would ordinarily increase the revenue requirements of MetEd and Penelec beyond what otherwise might be expected.

2. In previous rate filings (MetEd at C. 19312, R.I.D. 64, and R.I.D. 170; Penelec at C. 18944, R.I.D. 16, and R.I.D. 172) MetEd and Penelec stated their need for higher revenues in order to offer a return sufficient to attract the financial capital necessary to finance construction of TMI-2. This building program is now virtually completed. Approval of the instant application would shift the burden of financing one-half of Forked River Station onto MetEd and Penelec and, if TMI-2 is an indicator, exert additional upward pressure on the companies' rates.

3. The latest information before us estimates the completion cost of TMI-2 at $679 million, and that of FR at $1,156 million. Under the terms of the proposed agreement, the sale price for each facility shall be equal to its book costs (p. 2, par. 1.03; and p. 6, par. 2.02). Even assuming no further escalation of costs for FR, approval of this application would require MetEd and Penelec to sell 352Mw of TMI-2 capacity to Jersey at $772/KW and purchase 560Mw of FR capacity from Jersey at $1,032/KW.

4. The Forked River Station is being constructed on the coast of the State of New Jers , removed from the MetEd and Penelec service area Approval of the application would necessitate MetEd and Penelec's assumption of approximately twenty million dollars in costs for transmission lines to make FR energy available to them (Applicants' Exhibit 84).

5. Accrued allowances for funds used during construction of these facilities would be included in their selling prices under the agreement. The contemplated treatment of AFC is detrimental to MetEd and Penelec in several ways.

   a. Most of the AFC for TMI-2 was accrued at rates less than 9%, while AFC for Forked River will be accruing at rates greater than 9%, applied to a larger base (Applicants' Exhibit No. 27).

   b. The Board of Public Utility Commissioners of the State of New Jersey has allowed varying proportions of Jersey's investment in FR to be in rate base. Nevertheless, the agreement which is the subject of this application states that the price to be paid for FR by MetEd and Penelec would be increased by an amount equal to the AFC which would have accrued had those portions not been included in rate base (p. 7, par. 2.03). This provision would give Jersey a double return on the relevant investment.

   c. Jersey has experienced difficulty in financing Forked River, and this has resulted in a slowing down of its construction by at least four years, during which AFC has been accruing (Applicants' Exhibit Nos. 27 and 48). The accrual of AFC over this period has increased the cost of Forked River, and is questionable under the circumstances.

Reliable Service

The GPU Corporation's 1976 annual report to stockholders states that MetEd is 67% coal-fired, and Penelec is 88% coal-fired (p. 17). Approval of the subject application would substantially maintain MetEd's and Penelec's dependence on coal until such time as Forked River Station comes into commercial service.

Upon full consideration of the application, the Commission is of the opinion that the transfer of ownership interests sought in the application of Metropolitan Edison Company, Pennsylvania Electric Company, and Jersey Central Power and Light Company would not be in the best interest of the public of this Commonwealth in that it would adversely affect the ability of the Pennsylvania companies to furnish adequate, economic, and reliable electric power; THEREFORE,

IT IS ORDERED: That the application by Metropolitan Edison Company, Pennsylvania Electric Company, and Jersey Central Power and Light Company be and is hereby denied.

BY THE COMMISSION,

C. J. McElvee

C. J. McElvee
Secretary

(SEAL)

ORDER ADOPTED: April 20, 1978

ORDER ENTERED:

MAY 4 1978