

Power Needs Justify Hike, Utility Says

By ELEANOR CHUTE

The need for an additional power plant to assure a reliable source of energy in the future justifies West Penn Power Co.'s request for an \$81.7 million rate increase, an expert witness from the utility's parent company testified today.

John Adams, vice president of finance for Allegheny Power Systems Inc., testified at a hearing that while West Penn Power's facilities will provide adequate service through 1983, more service will be needed in the future.

Adams said the increased revenues from the rate increase would allow the utility to maintain its Double AA bond rating, increase its capital and, eventually, construct a new power plant.

The Public Utility Commission hearings on the request for the hike, which represents 17.7 percent of the utility's current annual income, opened yesterday before Michael Nemeec, administrative law judge, at the Buhl Building, Downtown.

Yesterday, West Penn Power maintained that it didn't overstate its tax payments by \$2.8 million to help justify its case for the rate increase.

PUC staff attorney Gilbert Hamberg questioned whether the utility's case took into account the \$2.8 million which the power company received as refunds from various federal and state taxes over a period of years. The figure came from a routine audit done by the Federal Energy Regulatory Commission.

West Penn Power officials agreed to make a detailed study to determine whether the refunds were considered in this current rate case.

Kenneth D. Mowl, assistant controller for the utility, however, said this figure had been balanced against other taxes which the company owed.

Mowl said the company owed about \$5 million to \$6 million in gross income taxes. Taking the \$2.8 million in refunds into account, he said, the firm asked for the rate increase to cover about \$3 million in taxes to be paid over 10 years.

After testifying, Mowl said the company is now earning less than its allowable rate of return, which he said is an indication that customers were not overcharged. The PUC allows the firm to earn 9.38 percent on its investment.

If the rate hike is approved, the average residential customer without electric heating will pay about \$68.40 more per year for electricity. Those with electric heating will pay about \$160.60 more a year.

The series of evidentiary hearings will continue in the Buhl Building through tomorrow. Others are scheduled periodically until the end of September.

New Plant Needed, Utility Claims

By JANE-ELLEN ROSENBERGER

West Penn Power Co. needs a rate increase in order to build another plant to provide necessary services in the future, a representative of the utility's parent company says.

The proposed increase would cost consumers an additional \$68 to \$160 per year.

John Adams, vice president of finance for Allegheny Power System Inc., testified at a hearing yesterday that West Penn Power's facilities will provide adequate service only through 1983.

The Public Utility Commission hearings on the request for the \$81.7 million hike opened Monday before Michael Nemeec, administrative law judge, at the Buhl Building, Downtown.

Adams estimated West Penn Power will need another operating power plant by 1986 to meet consumer demand as well as maintain an adequate power reserve.

Adams also said that denial of the rate increase by the PUC could jeopardize the

utility's AA bond rating, which is based on earnings.

The AA rating means cheaper prices for the consumer, he said, because the company can borrow money at a lower interest rate.

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Gilbert Hamberg, a PUC staff attorney, questioned the utility's claim that a rate increase was necessary to construct a new plant.

Hamberg said that the company was doing well financially and that it is exceeding the allowable 14 percent rate of return on its common stock set by the PUC last year.

He also questioned the need for a new plant, saying the utility was already operating over capacity.

Along with West Penn Power, Allegheny Power System also maintains

Potomac Edison and Monongahela Power, which have been showing inadequate earnings, according to the testimony.

Irwin Popowski, the state consumer advocate at the hearing, said, "We're just questioning whether it's the parent company or West Penn Power that needs the increase. And if it's the parent company, is it because West Penn needs it or because of the problems the other two companies are having?"