

**PECO ENERGY COMPANY
STATEMENT NO. 1**

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION.

v.

PECO ENERGY COMPANY – ELECTRIC DIVISION

DOCKET NO. R-2010-2161575

DIRECT TESTIMONY

WITNESS: CRAIG L. ADAMS

SUBJECTS: DESCRIBING PECO'S ELECTRIC
OPERATIONS; PROVIDING AN OVERVIEW OF
PECO'S RATE FILING; EXPLAINING PECO'S
CAPITAL INVESTMENT PROCESS; AND
DISCUSSING STEPS TAKEN BY PECO TO
ENHANCE THE QUALITY OF SERVICE AND
PROMOTE ECONOMIC DEVELOPMENT

DATED: MARCH 31, 2010

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**DIRECT TESTIMONY
OF
CRAIG L. ADAMS**

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I. INTRODUCTION AND PURPOSE OF TESTIMONY

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1. **Q. Please state your name and business address.**

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A. My name is Craig L. Adams. My business address is PECO Energy Company, 2301 Market Street, Philadelphia, Pennsylvania 19103.

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2. **Q. By whom are you employed and in what capacity?**

A. I am employed by PECO Energy Company (“PECO” or the “Company”) as Senior Vice President and Chief Operating Officer. In that capacity, I lead PECO’s electric and natural gas transmission and distribution operations. These operations include customer service, construction and maintenance, engineering and technical services, investment strategy, safety, environmental, training, fleet, supply operations, real estate and facilities, and human resources. These functions, in turn, are staffed by approximately 2,400 craft, professional and support employees. I also ensure that the operating groups are well integrated and focused on safety, reliability, and customer satisfaction.

3. **Q. Please summarize your prior professional experience.**

A. Over the past twenty years, I have held numerous positions with PECO and its Exelon affiliates. I will highlight a few of my more recent positions.

Before becoming Chief Operating Officer of PECO, I served as Senior Vice President for Exelon Business Services Company and Chief Supply Officer. In that role, I was

1 accountable for all supply chain operations and support processes for Exelon's
2 various businesses. My responsibilities included strategic sourcing, supply chain
3 operations and investment recovery for Exelon Energy Delivery ("EED"), Nuclear,
4 Power and Corporate Center. I was responsible for a budget of \$100 million, as well
5 as the purchase and management of \$3 billion in services and materials.

6 Prior to serving as Chief Supply Officer, I was Senior Vice President of EED Support
7 Services. In that capacity, I led the supply chain and support processes for EED. My
8 responsibilities included: contracted services and construction project management;
9 materials and logistics management; corporate fleet operations; methods, training,
10 environmental and OSHA compliance; and experience assessment.

11 Finally, prior to joining EED Support Services, I served as Vice President, Contractor
12 and Supply Management, for PECO Energy Delivery. In that role, I was responsible
13 for the start-up and development of the original supply organization. My
14 responsibilities included: contracted services and construction project management;
15 materials and logistics management; corporate fleet operations; methods, training,
16 environmental and OSHA compliance; and corporate real estate and facilities.

17 **4. Q. What is your educational background?**

18 A. I earned my Bachelor of Science in Mathematics and Economics from the State
19 University of New York, Albany, in 1983. I have completed training in the U.S.
20 Army Nuclear Power Plant Operator Program and hold an Executive Senior Reactor
21 Operator Certification.

1 5. Q. What is the purpose of your direct testimony?

2 A. The several purposes of my direct testimony are as follows: (1) to generally describe
3 PECO's electric operations; (2) to provide an overview of this rate filing, including an
4 introduction of the other witnesses who will present testimony in support of PECO's
5 case-in-chief; (3) to explain PECO's capital-investment process and to identify the
6 types of projects that comprise PECO's claimed future test year plant additions; (4) to
7 discuss various measures undertaken by the Company to ensure system safety and
8 reliability and enhance its quality of service; and (5) to discuss measures taken by the
9 Company to enhance the communities in which it operates and to promote economic
10 development.

11 II. DESCRIPTION OF PECO'S ELECTRIC OPERATIONS

12 6. Q. Please provide an overview of PECO's electric operations.

13 A. PECO provides electric service to approximately 1.6 million retail customers located
14 throughout a 2,100 square-mile area in southeastern Pennsylvania. The Company's
15 electric-service territory comprises all or portions of Bucks, Chester, Delaware,
16 Montgomery, Philadelphia and York Counties and includes a total population served
17 of approximately 2.4 million people.

18 7. Q. What services does PECO offer its electric customers?

19 A. PECO makes available both bundled and unbundled electric service. Most of our
20 residential and small-commercial customers have elected a bundled service, whereby
21 PECO, as the default-service provider, procures and delivers power to their home or

1 place of business. With the passage of the Electricity Generation Customer Choice
2 and Competition Act in 1996, customers also have the option to procure their own
3 power and pay PECO for delivery (*i.e.*, distribution) service only. In addition, and as
4 set forth in our electric tariff, qualifying customers can avail themselves of a variety
5 of outdoor-lighting, interruptible and other services.

6 **8. Q. How does PECO's customer base break down by major customer classification?**

7 A. As of December 31, 2009, we served approximately 1,403,166 residential customers;
8 148,943 small commercial and industrial customers; and 3,265 large commercial and
9 industrial customers. Residential customers account for nearly 34% of metered
10 usage.

11 **9. Q. What are the major assets and facilities that PECO utilizes to provide electric
12 service to its customers?**

13 A. PECO is the largest electric and natural gas utility in Pennsylvania. To provide
14 electric service to its customers, PECO operates and maintains approximately 1,067
15 miles of higher-voltage transmission, 15,260 miles of underground distribution cable,
16 and 12,933 miles of aerial distribution lines. In addition, we operate and maintain
17 approximately 500 power substations.

18 It is important to note that this infrastructure is a mix of reliable historic facilities in
19 the more mature areas of our service territory such as Philadelphia and its adjacent
20 suburbs, and newer equipment in the outer suburbs and rural communities in our
21 service territory. This requires a high and varied level of expertise as well as a

1 significant capital investment to maintain and operate to provide the service and
2 reliability that our customers expect to receive.

3 **10. Q. How does PECO staff its electric distribution operations?**

4 A. At future test year end (December 31, 2010), we project that 1,600 employees will be
5 engaged full-time in our electric operations. Of that number, approximately 867 are
6 involved in the physical operation of the electric system. Another 493 employees are
7 responsible for supporting services such as engineering and project management, real
8 estate and facilities, safety, training, fleet management, and customer operations.
9 Lastly, approximately 240 employees represent administrative and other functions
10 including Energy Acquisition, Regulatory, Governmental and External Affairs,
11 Finance, Information Technology, Supply, and Human Resources.

12 **III. OVERVIEW OF RATE FILING**

13 **11. Q. Please summarize the relief that PECO is requesting through this rate filing.**

14 A. PECO is seeking an increase in its annual electric operating revenues of
15 approximately \$316 million, or 7% on a total revenue basis. We are also proposing
16 that certain categories of costs, including: (1) retail transmission service costs, (2)
17 meter costs, and (3) energy-related working capital costs, be unbundled and recovered
18 through separate surcharge mechanisms. We have requested an effective date of May
19 30, 2010, but recognize that our filing will likely be suspended and investigated. In
20 addition, our request reflects an expansion of our discounted low income Customer

1 Assistance Program (“Electric CAP”), as described in the testimony being submitted
2 by Ms. Feldhake (PECO Statement No. 6).

3 **12. Q. Why is PECO requesting a rate increase at this time?**

4 A. In brief, as is further discussed in the testimonies of PECO witnesses Phillip Barnett
5 and Robert O’Brien, it has been 21 years since our last electric base rate case.
6 PECO’s base rates are no longer sufficient to provide a reasonable return on our
7 ongoing investments in the facilities required to provide our customers with the safe
8 and reliable service they have come to expect. We continue to invest in new and
9 replacement plant and PECO’s costs continue to rise. These costs include the
10 Company’s materials and contracting expenses, as well as costs for employee wages,
11 pension and healthcare benefits. At the same time, PECO’s base distribution
12 revenues (excluding surcharges for required energy efficiency and smart meter
13 spending) declined in 2009 and are projected to decline in 2010. In addition, as
14 further discussed by Mr. O’Brien and Mr. Frank Jiruska, PECO is aggressively
15 moving forward to comply with the energy efficiency requirements of Pennsylvania’s
16 Act 129, which will reduce consumption and will impact our revenues and our ability
17 to maintain, improve, and safely operate our infrastructure.

18 **13. Q. What steps has PECO taken to constrain increases in the cost of providing**
19 **electric service?**

1 A. Since PECO's restructuring case nearly fourteen years ago,¹ our operating costs
2 (exclusive of required energy-efficiency and smart-meter spending) have increased by
3 a compound annual growth rate of only 1.3%, or well below the rate of inflation over
4 that period. We have accomplished this through the deployment of new technologies,
5 the management of the size of our workforce, the realization of merger-related
6 synergies and the implementation of process improvements, and competitive-
7 procurement policies and benchmarking.

8 **14. Q. Please identify the other witnesses providing direct testimony on behalf of PECO**
9 **in this proceeding.**

10 A. In addition to myself, the following witnesses will be responsible for presenting
11 PECO's case-in-chief:

12 **Phillip S. Barnett** (PECO Statement No. 2) is PECO's Senior Vice President and
13 Chief Financial Officer. Mr. Barnett provides an overview of PECO's principal
14 accounting exhibits; discusses PECO's budgeting process; and describes the services
15 that PECO receives from the Exelon Business Services Company and the estimated
16 cost of those services during the future test year.

17 **Robert L. O'Brien** (PECO Statement No. 3) is a principal consultant to Black &
18 Veatch Corporation, an engineering and management consulting firm that was
19 retained by PECO to assist it in preparing and presenting this rate filing. Mr. O'Brien
20 sponsors Exhibits RLO-1 and RLO-2, which set forth PECO's revenue requirement

¹ *Application of PECO Energy Company for Approval of Its Restructuring Plan Under Section 2805 of the Public Utility Code*, Docket No. R-00973953, December 23, 1997 (181 PUR4th 517 (Pa. P.U.C. 1997)).

1 for the future test year ending December 31, 2010 and historic test year ended
2 December 31, 2009, respectively. He specifically supports PECO's rate base,
3 revenue, operating expense and tax claims.

4 **Jorge Acevedo** (PECO Statement No. 4) is PECO's Controller. Mr. Acevedo
5 describes PECO's accounting processes; supports the assignment and allocation of
6 common costs between PECO's electric and gas operations; and explains the
7 development of the depreciated original cost of the Company's utility plant in service
8 and its claim for annual depreciation expense.

9 **Paul R. Moul** (PECO Statement No. 5) is the Managing Consultant of P. Moul &
10 Associates, Inc. Mr. Moul presents testimony concerning the rate of return that
11 PECO should be afforded an opportunity to earn on its rate base. He supports
12 PECO's claimed capital-structure ratios, its embedded costs of debt and preferred
13 stock, and its requested equity allowance.

14 **Lauren B. Feldhake** (PECO Statement No. 6) is Director of Customer Financial
15 Operations. Ms. Feldhake discusses important changes PECO is implementing to
16 improve and expand the availability of its Electric CAP program and the Company's
17 overall outreach to low-income customers.

18 **Frank J. Jiruska** (PECO Statement No. 7) is PECO's Director of Energy and
19 Marketing Services. Mr. Jiruska discusses the energy-efficiency and conservation
20 programs for electric customers that PECO has implemented or will implement in
21 compliance with Act 129 of 2008 and the customer savings the programs will bring.

1 **Howard S. Gorman** (PECO Statement No. 8) is a principal consultant with Black &
2 Veatch. At PECO's request, he has prepared and sponsors an unbundled, fully
3 allocated customer class cost-of-service study.

4 **Alan B. Cohn** (PECO Statement No. 9) is Manager of Revenue Analysis in PECO's
5 Regulatory and External Affairs Department. Mr. Cohn presents PECO's proposed
6 tariff rates and explains how the results of Mr. Gorman's class cost-of-service study,
7 as well as the consideration of other factors, were utilized in the rate-design process.
8 Mr. Cohn also explains and quantifies the Company's proposals to unbundle, and
9 recover through separate reconcilable surcharge mechanisms, transmission, meter-
10 related and certain working-capital costs.

11 **Stephen R. Xander** (PECO Statement No. 10) is Manager of Special Projects in
12 PECO's Regulatory and External Affairs Department. Mr. Xander discusses various
13 recommended changes and clarifications to PECO's tariff rules and regulations and
14 describes proposed changes to PECO's Electric Universal Service Fund Charge
15 mechanism.

16 **IV. PECO'S CAPITAL INVESTMENT PROCESS**

17 **15. Q. How does PECO determine its annual capital-investment requirements?**

18 A. The development of PECO's capital investment plan begins with a detailed budgeting
19 and long range plan ("LRP") development process. Once projects are budgeted, they
20 then must go through an additional rigorous review-and-approval process. Projects
21 are approved by review committees in three stages: conceptual design, detailed
22 design, and construction, and Company executives sit on the committees. Final

1 approval authority is based on delegation-of-authority dollar limits. PECO utilizes
2 these processes to achieve the optimal spend to achieve reliability, safety and
3 customer-service goals, and the optimal efficiency of PECO's operations.

4 **16. Q. Please describe, in broad terms, the types of plant additions that PECO expects**
5 **to place in service during the course of the future test year.**

6 A. PECO's projected future test year plant additions are itemized by functional area and
7 by FERC account in Section C-2, Schedule 3 of Exhibit RLO-1. In short, our 2010
8 capital budget calls for overall electric plant additions of approximately \$323 million,
9 including, but not limited to, nearly \$40 million in new transmission facilities and
10 \$258 million in new distribution facilities. For the most part, the projected
11 expenditures are designed to maintain and/or enhance the safety and reliability of our
12 backbone electric-delivery system (*e.g.*, substation equipment, poles and towers,
13 overhead and underground conduit and conductors, and line transformers).

14 **17. Q. In your opinion, is all of the plant that PECO has included in its rate base claim**
15 **needed in order to provide safe and reliable electric service?**

16 A. Yes, it is.

1 V. QUALITY OF SERVICE, COMMUNITY SUPPORT, AND ECONOMIC
2 DEVELOPMENT

3 18. Q. What steps has PECO taken in recent years to ensure system reliability?

4 A. Each year, PECO invests heavily in its electric system to increase the reliability and
5 enhance the quality of the service it provides. For example in 2009, PECO began or
6 completed work on the following projects:

- 7 • Construction of two new electric substations in South Philadelphia, and planning
8 for new facilities to support the expansion of the Pennsylvania Convention Center
9 in downtown Philadelphia.
- 10 • Construction of a new transmission substation in Center Point, Worcester
11 Township, Montgomery County.
- 12 • Installation of new electric distribution circuits in Plymouth Meeting and Lower
13 Merion, and new circuits to expand electric supply from the Company's
14 Gladwyne substation.
- 15 • Installation of reclosers, sectionalizers and distribution automation in the West
16 Norriton and Norristown areas, which help pinpoint problems and quickly restore
17 service.
- 18 • Installation of new electric cable, switches, transformers and other pole-top
19 equipment to expand capacity and reconfigure electric flow on circuits serving
20 customers in Wynnewood, Bryn Mawr, Upper Merion, Norristown, Linfield,
21 Audubon, and Horsham.
- 22 • Identification of 14 priority circuits for reliability improvements that serve
23 customers in Upper Merion, Norristown, Whitemarsh, Cheltenham, Upper
24 Moreland, Horsham, Lower Gwynedd, Jenkintown, Perkiomen, Trooper, and
25 Lower Pottsgrove.
- 26 • Vegetation-clearance work in Royersford, Trooper, Betzwood, Collegeville,
27 Trappe, Salford, Oaks, Perkiomen, and Upper Providence to help prevent service
28 interruptions especially during storms, reduce the length of the interruptions when
29 they do occur, and improve service.
- 30 • Installation of 500kv capacitors at the Elroy substation in Franconia Township.
- 31 • Relocation of numerous utility facilities for road improvements, including the
32 relocation of facilities as part of the Route 202 bypass project.

1 As a result of these and other projects, PECO's electric reliability in 2009 was its best
2 in 15 years and, in fact, was among its best ever. Indeed, since 1999, when the PUC
3 established reliability standards, PECO's average number of service interruptions has
4 decreased by 27 percent and the average time customers are without power has
5 declined 48 percent. This is evidence of PECO's sound management of its electric
6 distribution system, especially considering that we have not had a base rate increase
7 in 21 years.

8 PECO will continue to invest in projects to improve its reliability in 2010. We have
9 already begun installing a new, thicker type of aerial cable – called Hendrix cable – in
10 various areas in our service territory with dense tree coverage in an effort to increase
11 our reliability and reduce outages.

12 **19. Q. What steps has PECO taken in recent years to enhance the quality of the service**
13 **it provides?**

14 A. PECO has launched several programs which, in my view, have significantly
15 improved the quality of the service we provide our customers. First, we installed an
16 automated meter-reading system throughout our service territory and, accordingly,
17 now process more accurate and timely reads. Second, we implemented a new
18 Customer Information and Management System ("CIMS") that facilitates more
19 rigorous financial controls, produces more customer-centric data, and improves
20 service to our customers. Third, we have deployed an array of technological tools to
21 enhance our customer service, including, among others, Virtual Hold telephone
22 technology that provides customers with the option of maintaining their position in

1 the queue and receiving a call back from PECO, instead of waiting on the phone; the
2 capability to report and receive outage information via our website; and updates that
3 allow customers to more easily process a change of service. Fourth, we established
4 three separate call centers: the Customer Contact Center, which handles all routine
5 requests for service and billing questions; the Financial Call Center, which provides
6 credit-and-collection services; and the CAP Call Center, which supports PECO's
7 universal-service programs.

8 **20. Q. Have these enhancements helped PECO improve its performance in the area of**
9 **customer service?**

10 **A. Yes, they have, as measured by the following metrics:**

11 **Busy-Out Rate.**² PECO's busy-out rate declined from 1.0% in 2007 to
12 0.03% in 2009.

13 **Call Abandonment Rate.** Between 2007 and 2009, we reduced our call-
14 abandonment rate from 4.77% to 2.96%.

15 **Calls Answered Within 30 Seconds.** Between 2007 and 2009, we increased
16 the percentage of calls answered within 30 seconds from 78.6% to 81.3%.

17 **Meter-Reading Frequency.** We reduced the number of residential meters
18 not read for six months or longer from 1,084 in January, 2007 to 6 in
19 December, 2009.

² The number of customer calls that received a busy signal divided by the total number of calls.

1 **Response to Disputes.** All (*i.e.*, 100%) residential customer disputes are
2 responded to within 30 days.

3 As a consequence of the foregoing, PECO's infraction rate dropped from 0.11 per
4 thousand customers in 2007 to 0.07 in 2008.

5 **21. Q. You noted previously that PECO was expanding its low income Customer**
6 **Assistance Program. Please elaborate.**

7 A. As part of the electric default service proceeding at Docket No. P-2008-2062739,
8 (Order entered June 2, 2009), PECO agreed to a number of CAP affordability
9 enhancements, as well as cost-containment measures to minimize the impact of
10 increased costs on non-CAP customers. The key enhancements that are discussed in
11 Ms. Feldhake's testimony are:

- 12 a. PECO is adopting a seven-tier CAP rate design for its electric
13 utility service.
- 14 b. PECO is increasing the discount levels that it offers to CAP
15 customers so that approximately 90% of each tier of CAP
16 customers will meet the Commission's affordability targets.
- 17 c. PECO is implementing new cost-containment design criteria that
18 limit maximum CAP benefits on a system-wide basis.

19 **22. Q. Act 129 of 2008 imposed certain requirements on electric distribution companies**
20 **to promote energy efficiency and the use of "smart" meters. How has PECO**
21 **responded to these requirements?**

22 A. PECO has emerged as a leader in these areas by: (1) aggressively soliciting input and
23 collaboration from its various stakeholder groups, and (2) taking full advantage of

1 available federal programs and funding opportunities. For example, in October 2009,
2 PECO launched the first of its energy efficiency programs – its Compact Fluorescent
3 Lamp (“CFL”) program. PECO requested expedited Commission approval of this
4 program to coordinate its launch with the ENERGY STAR® “Change A Light,
5 Change the World” program sponsored by the U.S. Environmental Protection Agency
6 and the U.S. Department of Energy. Since the program launched, PECO has
7 facilitated the sale of over 2.2 million CFLs at discounted rates. PECO was an
8 industry leader in Pennsylvania with respect to the launch of its program and the
9 number of CFLs sales it has facilitated to date. Moreover, as further discussed by Mr.
10 Jiruska (PECO Statement No. 7), additional programs have been and will be launched
11 in 2010. For our residential customers, these programs include online audits,
12 appliance recycling, a low-income usage energy efficiency program (in addition to
13 PECO’s Low-Income Usage Reduction Program), and rebate programs for energy-
14 efficiency equipment and appliances. For our small business, and medium and large
15 commercial and industrial customers, these programs include the load control,
16 demand response, and load reduction programs.

17 **23. Q. Please explain how PECO has responded to Act 129’s Smart Meter**
18 **requirements.**

19 A. PECO is currently developing and deploying a smart-metering, smart-grid, network
20 and related support systems to deliver the benefits of smart grid technologies to its
21 service territory on an accelerated schedule, and to provide consumers with dynamic-
22 rate programs that empower them with real-time data to help them make the most
23 efficient and cost-effective energy decisions for their households. As noted by Mr.

1 Barnett (PECO Statement No. 2), PECO was one of only six utilities in the United
2 States designated to receive major funding of \$200 million under the American
3 Recovery and Reinvestment Act (“Stimulus Act”) to invest in smart-grid technology.

4 In February 2010, PECO filed a request for a Private Letter Ruling with the Internal
5 Revenue Service (“IRS”), seeking clarification of the tax treatment for grantees
6 receiving Stimulus Act funds under the Smart Grid Investment Grant (“SGIG”)
7 program. To PECO’s knowledge, it was the first Company to do so. In addition,
8 PECO held several pre-submission conferences with the IRS to educate it about the
9 nature of the SGIG program. On March 10, 2010, the Department of Treasury and
10 the Department of Energy (“DOE”) released new guidance, which was consistent
11 with the tax treatment PECO had sought for SGIG funds. The favorable tax
12 guidance has the net effect of increasing the value of the \$200 million grant award by
13 up to \$80 million that will flow directly to our customers.

14 PECO has worked directly with the DOE and collaboratively with other industry
15 award recipients, to address and resolve this issue, and various other complex
16 Stimulus Grant issues. In sum, PECO has aggressively worked to ensure that its
17 Stimulus Act grant provides the maximum benefits to its customers.

18 **24. Q. Has PECO done anything to promote alternative energy?**

19 A. Yes. PECO was the first utility to procure and bank renewable energy credits in
20 compliance with the Alternative Energy Portfolio Standards Act (“AEPS”). Since
21 2008, PECO has, through two competitive procurements, contracted to purchase more
22 than 450,000 megawatt-hours of wind and other alternative energy credits in partial

1 fulfillment of its Tier I AEPS obligations. In addition, on March 3, 2010, PECO
2 announced the results of its first solar procurement. Through that competitive
3 process, PECO has entered into agreements to purchase 6 megawatts, or 80,000 solar
4 alternative energy credits over 10 years, in support of its AEPS solar obligation.
5 PECO will procure additional alternative energy credits through its contracts with
6 default-service providers.

7 **25. Q. Are PECO's energy-efficiency and environmental efforts solely directed to its**
8 **customers?**

9 A. No, PECO's commitment to energy-efficiency and environmental stewardship applies
10 to, and is illustrated by, the Company's daily operations. In 2009, PECO opened its
11 first "green" building in West Chester, Pennsylvania, which is expected to use about
12 20% less energy and 40% less water than other buildings. We have made a 50%
13 increase in the wind energy we purchase to power our headquarters in Philadelphia –
14 15% of the energy we use is now provided by wind power. Moreover, since 2001,
15 PECO has reduced its annual greenhouse gas emissions by 54% through the
16 implementation of various reduction and offset programs, and we have set a goal to
17 reduce our own building energy consumption by 25% by 2012. We intend to do this,
18 in part, through the implementation of a program to pursue Leadership in Energy and
19 Environmental Design ("LEED") certifications for 10 of PECO's largest buildings
20 across the region.

21 We have converted the 45,000 square foot lower roof of PECO's headquarters to a
22 green roof. This is the largest urban vegetated roof in Pennsylvania, and it is

1 expected to reduce storm-water runoff by more than 60% and reduce peak-roof
2 temperatures by more than 60 degrees for improved energy-efficiency. We have
3 installed a new energy-efficient Crown Lights message system using the latest in
4 LED lighting technology, which is expected to use 20% less energy and provide
5 several thousand dollars of additional savings in bulb-replacement costs. PECO has
6 also worked proactively to ensure that its fleet of trucks is environmentally friendly
7 with 43 hybrid trucks, and 580 diesel trucks using bio-diesel fuel. In addition, PECO
8 is deploying 20 Plug-In Hybrid Electric Trouble Trucks. PECO's environmental
9 stewardship programs and outreach efforts have earned it numerous awards.

10 **26. Q. What is PECO's position regarding retail competition for the energy supplied to**
11 **its consumers?**

12 A. PECO has long supported retail competition for generation supply and, in fact, was
13 one of the first utilities in Pennsylvania to endorse the deregulation of the generation
14 function in the mid-1990s. In addition, the Company has offered a purchase-of-
15 receivables program to electric generation suppliers ("EGSs") since the inception of
16 retail competition and, in November 2009, proposed certain enhancements to that
17 program which, if approved, would make it even easier for EGSs to compete to
18 supply generation to consumers.

19 **27. Q. What is PECO's record with respect to safety for its employees?**

20 A. As to workplace safety, PECO consistently has been a first-quartile performer with
21 respect to the Occupational Safety and Health Administration's ("OSHA")
22 Recordable Incidence Rate. This statistic measures the number of work-related

1 injuries per 100 employees that require more than first-aid treatment. In fact, in 2009,
2 PECO received the American Gas Association's Safety Achievement Award for
3 having the lowest incident rate of disabling injuries of all large combination
4 (electric/gas) utilities in the United States. Indeed, as recognized in the August 2007
5 management audit report prepared by Schumaker and Company at the request of the
6 PUC, PECO's safety program is "very comprehensive and places the proper emphasis
7 on the safety of its workers and the public in general" (Volume 1, p. 254).

8 **28. Q. Finally, Mr. Adams, please describe PECO's efforts to support economic**
9 **development and the communities in which the Company provides energy.**

10 A. PECO has a dedicated Economic Development Team that works cooperatively with
11 local, regional and state economic development officials as well as commercial and
12 industrial real estate professionals to assist businesses that are considering locating or
13 expanding in southeastern Pennsylvania. For example, the Company identifies office
14 and industrial space available for sale or lease, as well as land available for
15 development. PECO's Economic Development Team also provides information on
16 electric and gas availability and prices to companies, developers and consultants as
17 key inputs to location decisions.

18 In addition, and as part of its Default Service Plan approved by the Commission at
19 Docket No. P-2008-2062739, PECO will be implementing a new Economic
20 Development Rider ("EDR") on January 1, 2011 that will offer discounts to eligible
21 customers taking distribution service under Rates HT, PD and GS. In order to
22 qualify, a customer must demonstrate either (1) specified increases in load,

1 employment and/or environmentally sustainable growth (*e.g.*, through brown field
2 redevelopment) or (2) a viable currently available competitive alternative to service
3 from PECO. The EDR will be available to customers regardless of whether they
4 purchase their energy from PECO.

5 Moreover, as I discussed earlier, PECO makes significant capital and infrastructure
6 investments in its service territory every year. This helps to maintain and create
7 thousands of jobs in the region.

8 PECO has a strong commitment to diversity, both among its workforce and in the
9 communities it serves. For example, PECO has employed minority and women-
10 owned businesses, contractors and vendors in its communities and has business
11 relationships with local minority-owned banks. PECO also has a strong and
12 continuing tradition of community involvement. The Company's corporate
13 citizenship efforts are designed to improve the quality of life for the people who live
14 and work in PECO's service territory, and include support for education and the
15 environment, sponsorships, employee volunteer activities, and executive involvement
16 on outside nonprofit boards.

17 **29. Q. Are there any specific economic development projects that you would like to**
18 **highlight?**

19 A. Yes. PECO has been working with the Philadelphia Authority for Industrial
20 Development ("PAID")³ on a program to assist in the future development of the
21 1,000-acre Navy Yard site in South Philadelphia. The Philadelphia Navy Yard was

³ PAID is managed by the Philadelphia Industrial Development Corporation.

1 decommissioned in 1995 and responsibility for its redevelopment was subsequently
2 transferred by the U.S. Navy to PAID. Since that time, PAID has been providing
3 private utility service to its tenants, pursuant to a Declaratory Order issued by the
4 Commission.

5 PECO and PAID are pursuing an arrangement whereby PECO would take
6 responsibility for providing public utility distribution service to the 60 or so
7 businesses that are currently located in the Navy Yard, and stand as the provider of
8 public utility service for any new businesses that relocate to the Navy Yard. As part
9 of this arrangement, PECO would rebuild most of the existing legacy electric-
10 distribution system, which is many decades old and in many cases does not meet
11 utility, National Electrical Safety Code, or National Electrical Code requirements.
12 PECO will need to use the existing legacy electric distribution system to provide
13 service until such time as it can construct its own system in the Navy Yard. PAID
14 utilizes an external vendor to operate the existing legacy system, and PECO intends to
15 follow that same practice during the transition period until it constructs its own
16 system. In addition, PECO will purchase certain recently constructed portions of the
17 legacy distribution system and integrate those assets into its system.

18 **30. Q. Are any of the costs associated with this project included in the current rate**
19 **filing?**

20 **A.** Yes. As indicated on Schedule D-17 of Mr. O'Brien's Exhibit RLO-1, three
21 adjustments to the 2010 budgeted data have been made. First, PAID's existing load is
22 all served as a single Rate HT customer, and PECO intends to have 60 or so

1 individual customers after it takes over service on January 1, 2011, some at Rate HT
2 and some at Rate GS. PECO has increased pro forma present rate operating revenues
3 by \$400,000 to reflect the incremental dollars that PECO will bill the 60 or so tenants
4 of PAID. Second, we have increased our annual operating and maintenance expenses
5 by \$2.5 million to capture expected additional operating costs – primarily in the form
6 of payments for the operation of the legacy system – that PECO will incur when it
7 takes over the operation of the Navy Yard’s electric distribution system on January 1,
8 2011. Finally, we have included in our claimed rate base a capital expenditure of
9 \$15.0 million.

10 VI. CONCLUSION

11 31. Q. Mr. Adams, would you describe PECO as a leader in the energy industry?

12 A. Yes, I would. But more importantly, I believe we are *recognized* as a leader in the
13 energy industry for our safety and reliability performance, our commitment to our
14 customers and customer service, our efforts to be at the forefront of energy-
15 efficiency, smart-meter, and smart-grid programs and deployment, our environmental
16 stewardship, and our investment in our communities. Nonetheless, one of our
17 fundamental core values is continuous improvement, and we are always seeking ways
18 to better serve our customers and communities.

19 32. Q. Does that complete your direct testimony?

20 A. Yes, it does.