



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

August 28, 1997

In Re: **R-00973953,**
R-00973953C0001-C0007

(See letter dated 08/14/97)

PECO ENERGY COMPANY

Application for approval of a Restructuring Plan and Consumer Education Program.

KJR

NOTICE

This is to inform you that a **prehearing conference** on the above-captioned case will be held as follows:

Type: **Further**

Date: **Wednesday, September 10, 1997**

Time: **10:00 a.m.**

Location: **Hearing Room 1
Ground Floor
North Office Building
North Street and Commonwealth Avenue
Harrisburg, Pennsylvania**

Presiding Officer: **Administrative Law Judge Marlane R. Chestnut
Administrative Law Judge Charles E. Rainey, Jr.
1302 Philadelphia State Office Building
Broad and Spring Garden Streets
Philadelphia, Pennsylvania 19130
Telephone: (215) 560-2105**

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FOLDER**

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Please mark your records accordingly.

If you are a person with a disability, and you wish to attend the hearing, we may be able to make arrangements for your special needs. Please call Norma Lewis at the Public Utility Commission:

- Scheduling Office 17-787-1399
- AT&T Relay Service number for persons who are deaf or hearing impaired:
1-800-654-5988.

pc: Judge Chestnut
Judge Rainey
Rosemary Chiavetta - BPL 111
John Frazier - BPL 101
Office of Trial Staff (2)
Consumer Advocate
Small Business Advocate
Bill Barrett - FUS
Norma Lewis
Steve L. Springer, Scheduling Officer
Beth Plantz
Docket Section
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DUANE, MORRIS & HECKSCHER LLP

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September 3, 1997

VIA HAND DELIVERY

ORIGINAL

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97 SEP -4 PM 1:39
PA.P.U.C.'S OFFICE
PROTHONOTARY'S OFFICE

Mr. Jim McNulty
Acting Prothonotary
Pennsylvania Public Utility Commission
North Office Building - Room B20
Harrisburg, PA 17105-3265

Re: Petition of PECO Energy Company, Docket No. R-00973953

Dear Prothonotary McNulty:

Enclosed for filing are an original and 15 copies of the Petition to Intervene of QST Energy Inc. in the above-referenced proceeding. Please have the remaining 2 copies date stamped and returned to the messenger for delivery to us.

Thank you for your attention to this matter.

Very truly yours,

Stephanie A. Sugrue
for DUANE, MORRIS & HECKSCHER LLP

SAS:bj

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48

BEFORE THE
COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PECO Energy Company

) Docket No. R-00973953

ORIGINAL

**PETITION TO INTERVENE
OF QST ENERGY INC.**

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PROTHONOTARY'S OFFICE

Pursuant to the rules and procedures of the Pennsylvania Public Utility Commission ("Commission"), QST Energy Inc. ("QST") hereby petitions for leave to intervene in the above-referenced proceeding. In support of its request, QST states as follows:

I. COMMUNICATIONS AND SERVICE

Service and correspondence in these proceedings should be directed to the following:

Vickiren S. Aeshleman
Director - Regulatory Policy
QST Energy Inc.
300 Hamilton Blvd., Suite 300
Peoria, IL 61602
Telephone: (309) 655-1356

Sheila S. Hollis, Esquire
Mary Ann Ralls, Esquire
Stephanie A. Sugrue, Esquire
Duane, Morris & Heckscher LLP
1667 K Street, N.W., Suite 700
Washington, DC 20006-1608
Telephone: (202) 776-7800

II. NATURE OF THE PROCEEDINGS

PECO Energy Company ("PECO") filed a proposed Restructuring Plan with the Commission on or about April 1, 1997 in the docket listed above. PECO submitted its filing pursuant to the provisions of the Electricity Generation Customer Choice and Competition Act ("Act").^{1/} The filing's purported goal is to further and achieve the policies set forth by the

^{1/} 66 Pa. C.S. § 2801 *et seq.* Section 2806(D) of the Act requires all electric utilities in
(continued...)

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Pennsylvania General Assembly in the Act, as well as the Commission's own Guidelines for Electric Utility Restructuring Filings issued in Docket No. M-0096890, F.0003 ("Guidelines").

III. INTEREST OF QST

QST is an Illinois Corporation with its principal place of business in Peoria, Illinois. QST is a wholly-owned indirect subsidiary of CILCORP Inc. QST is in the business of providing retail electricity and electric services in Illinois and other Midwest states. To effectuate this business, QST is participating in restructuring programs, similar to the instant proceeding, in Illinois.^{2/}

As an active participant in the deregulated electric industry, QST is committed to providing electric energy at competitive prices to the emerging retail market in Pennsylvania. In this regard, QST's efforts are entirely consistent with a central tenet of the Act and the Commission's subsequent Guidelines: to provide a competitive market direct access to reliable, competitively-priced electric energy.^{3/} Thus, QST submits that it has a substantial and direct interest in the Commission's restructuring program, as proposed by PECO in the above-referenced proceeding.

^{1/}(...continued)

Pennsylvania to file restructuring plans with the Commission on a schedule to be developed by the Commission.

^{2/} On April 23, 1997, QST filed an Application with the Commission for approval to furnish electricity and electric generation services as a marketer within Pennsylvania.

^{3/} See Commission Opinion and Order in Docket No. M-00960890, F.0003 Re: Electric Utility Restructuring Filings (February 13, 1997).

Furthermore, QST's participation in this proceeding will be in the public interest because QST is uniquely qualified to comment in the proceeding from the perspective of a power marketer who has participated in electric restructuring in another state. QST's participation in electric restructuring in Illinois gives QST an experienced perspective that will serve to protect the public's interest in developing a truly competitive market for electricity in Pennsylvania.

In addition, existing parties to this proceeding likely will take various positions regarding the restructuring issues relevant to this proceeding. Other parties' positions, however, may be inconsistent with QST's individual interests, and accordingly, no existing party in this proceeding will adequately represent QST's substantial and individual interests.

QST, at this time, raises no issues regarding the record in this proceeding to date, intending only to participate fully in subsequent actions therein. QST reserves the right to participate as a party in any future actions that relate to QST's interest in this proceeding.

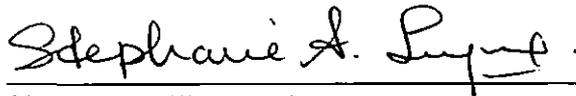
For these reasons, QST avers that its Petition satisfies the requirements set forth in the Sections 5.72, 5.73 and 5.74 of the Commission's rules and procedures.

IV. CONCLUSION

WHEREFORE, QST submits that it has a direct and substantial interest in the outcome of this proceeding, and its interest cannot be adequately represented by any other party.

Furthermore, QST's participation in this matter will be in the public interest. Accordingly, QST respectfully requests leave to intervene in this proceeding, with full rights of a party.

Respectfully submitted,



Sheila S. Hollis, Esquire

Mary Ann Ralls, Esquire

Stephanie A. Sugrue, Esquire

(Pa. Supreme Court ID No. 76303)

Duane, Morris & Heckscher, LLP

1667 K Street, N.W., Suite 700

Washington, DC 20006-1608

Attorneys for QST Energy Inc.

September 4, 1997

WSH\6280.1

CERTIFICATE OF SERVICE

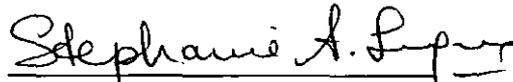
I hereby certify that I have this day served a true copy of the foregoing document upon the participants listed below:

Mr. Irwin Popowsky
Office of Consumer Advocate
14th Floor Strawberry Square
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Mr. Bernard Ryan, Jr.
Office of Small Business Advocate
Suite 1102, Commerce Building
300 North 2nd Street
Harrisburg, PA 17101

Mr. Charles Hoffman
Pitnick Building
Pennsylvania Public Utility Commission
P. O. Box 3265
Harrisburg, PA 17105-3265

and to those listed on the attached service lists in accordance with the requirements of Section 1.57.


Stephanie A. Sugrue

Date: September 4, 1997

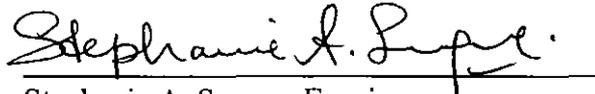
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P.A.P.U.C.
PROTHONOTARY'S OFFICE

AFFIDAVIT

District of Columbia

) ss:

Stephanie A. Sugrue, being duly sworn according to law, deposes and says that she is counsel to QST Energy Inc. and, in this capacity, she is authorized to and does make this affidavit for them, and that the facts set forth in the foregoing Petition to Intervene are true and correct to the best of her knowledge, information and belief.

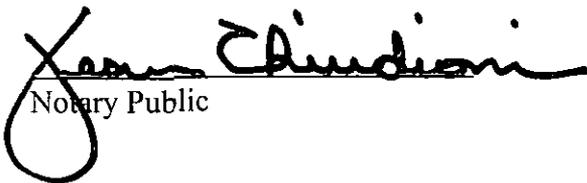


Stephanie A. Sugrue, Esquire
Pa. Supreme Court I.D. No. 76303

SWORN TO and subscribed

before me this 4th day

of September, 1997



Notary Public

Jean Chaudioni
Notary Public District of Columbia
My Commission Expires September 14, 1998

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Service List for:

PECO Energy Company -- Docket No. P-00973953

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DEPT OF NAVY

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DIVISION OF EQUITABLE RESOURCES, INC.

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ROLAND, FOGEL, KOBLENZ & CAMPBELL
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PA ASSN PLUMB, HEAT, COOL CONTRACTORS, POR

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SELF (POR)

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SEA CLIFF NY 11579
SKIPPING STONE

LAW OFFICES

WOLF, BLOCK, SCHORR AND SOLIS-COHEN LLP

305 N. FRONT STREET
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DANIEL CLEARFIELD
DIRECT DIAL: (717) 237-7173
E-MAIL: DCLEARFIELD@WOLFBLOCK.COM

KJR

September 4, 1997

VIA FAX AND FEDERAL EXPRESS

Paul Bonney, Esq.
PECO Energy Company
2301 Market Street
P.O. Box 8699
Philadelphia, PA 19101-8699

RE: Application of PECO Energy Company for Approval
of its Restructuring Plan Under Section 2806 of the
Public Utility Code, Docket No. R-00973953

Dear Paul:

Enclosed please find Enron Capital and Trade Resources' Interrogatories addressed to PECO Energy Company - Eighth Set. While these interrogatories are submitted by Enron, they represent an attempt by several "non-settling" parties to obtain the information and data they need in order to evaluate the Partial Settlement and to present testimony in support of their position in a manner that avoids duplication and is minimally burdensome to PECO.

Because of the limited time that likely will be available to prepare our evidentiary submission I request that PECO submit the information requested by these interrogatories as soon as possible and if at all possible prior to the pre-hearing conference scheduled for September 10, 1997.

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Paul Bonney, Esq.
September 4, 1997
Page 2

Please contact me immediately if you have any questions or are in need of clarification of any of these requests.

Very truly yours,


Daniel Clearfield

For WOLF, BLOCK, SCHORR and SOLIS-COHEN

DC/lww

Enclosure

cc: All Parties of Record w/enc.

James McNulty, Acting Secretary

Hon. Charles Rainey w/o enc.

Hon. Marlane Chestnut w/o enc.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing documents upon the participants, listed below, in accordance with the requirements of § 1.54 (relating to service by a participant):

VIA FAX AND FEDERAL EXPRESS

Paul R. Bonney
Assistant General Counsel
PECO Energy Company
2301 Market Street, S23-1
Philadelphia, PA 19103

VIA FIRST CLASS MAIL

Kenneth L. Mickens, Esquire
Pennsylvania Public Utility Comm.
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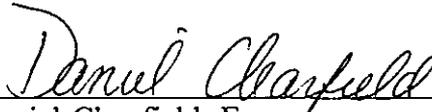
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Daniel Clearfield, Esq.

Dated: September 4, 1997

DJH

ORIGINAL



Bruce A. Connell 07512
General Counsel

97 SEP 12 5:19:23
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Houston, TX 77210
(281) 293-1736
Fax: (281) 293-3826

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FOLDER

September 15, 1997

DOCKETED
SEP. 15 1997

Mr. John G. Alford, Sec.
Pennsylvania Public Utility Commission
Room B20 North Office Bldg.
Commonwealth and North Street
Harrisburg, PA 17109

Re: Service List Changes
Docket No.: P-00971173 - Pennsylvania Power Company
R-00973953 - PECO Energy Company
R-00973954 - Pennsylvania Power & Light Company
R-00974008 - Metropolitan Edison Company
R-00974009 - Pennsylvania Electric Company

Dear Mr. Alford:

With regard to the subject proceedings, please make the following change in the service list

Replace: Gordon E. Goodman, President
DuPont Power Marketing Inc.

With: H. Allan Knopp
Director, Regulatory Affairs
P.O. Box 2197, CH-1038
Houston, Texas 77252
(281) 293-3753

Please call me if I can answer any questions.

Yours truly,

cc: All Parties on the Official Service Lists

G:\BUNNES\FERC2B.LTR

62



Pennsylvania Retailers' Association

224 PINE STREET • HARRISBURG, PA • 17101-1325
(717) 233-7976 • 800-727-3824 • FAX (717) 236-1234

September 8, 1997

1262

Honorable Marlane R. Chestnut
Honorable Charles E. Rainey, Jr.
Pennsylvania Public Utility Commission
1302 Philadelphia State Office Building
1400 West Spring Garden Street
Philadelphia, PA 19130

KJR

Re: PECO Energy Company's Application for Approval of Its Restructuring Plan
Docket No. R-00973953

RECEIVED
PROthonotary's Office

97 OCT - 7 AM 10: 37

Dear Judges Chestnut and Rainey:

On August 27, 1997, PECO Energy Company submitted to you a Joint Petition for Partial Settlement of PECO Energy's restructuring proceeding. The Pennsylvania Retailers' Association was a signatory to the Joint Petition.

Further study of the proposed settlement has caused us to change our position. While Association members still support the 10 percent rate reduction and commend PECO for escalating its phase-in, we now question the level and extent of stranded costs the utility would recover and the impact that would have on others entering and competing in the Pennsylvania electrical energy market.

Consequently, Association members have instructed me to withdraw the Pennsylvania Retailers' Association as a signatory to the agreement. This letter is to advise you that we are today withdrawing our consent to the agreement and to urge you to conduct a full hearing on stranded costs. For your information, I also have attached a letter we delivered today to Governor Ridge, explaining our decision to withdraw from the settlement and urging his support for a hearing on the stranded costs issue.

Sincerely,

Brian A. Rider
President

BAR:klg
Enclosure

DOCKETED
OCT 14 1997

DOCUMENT
FOLDER

Honorable Marlane R. Chestnut
Honorable Charles E. Rainey, Jr.
September 5, 1997
Page 2

cc: Tanya J. McCloskey, Esq.
Steven K. Steinmetz, Esq.
Daniel Clearfield
Kenneth L. Mickens, Esq.
Alan J. Barak, Esq.
Christopher B. Craig, Esq.
Linda C. Smith, Esq.
Craig A. Doll, Esq.
Walter W. Cohen, Esq.
Steven P. Hershey, Esq.
Janet Miller, Esq.
Paul E. Russell, Esq.
Lance S. Haver
Donald A. Kaplan, Esq.
John L. Munsch, Esq.
Michael L. Kessler
Bruce A. Connell, Esq.
Joel D. Newton, Esq.
David Boonin
Terrance J. Fitzpatrick, Esq.
Roger Clark, Esq.
Sam DeFrawi
Audrey Van Dyke, Esq.
Gary A. Jeffries, Esq.
Joseph A. Dworetzky, Esq.
Usher Fogel, Esq.
Paul L. Ziegler, Esq.
Joseph J. Malatesta, Jr., Esq.
Susan Shanaman, Esq.
Gordon Smith, Esq.
Jerry Mendl
Brian Kambic
Richard LaCapra
Thomas Catlin
Richard Silkman
Peter Bradford
Ethan Giddings

Robert A. Mills, Esq.
David Cleppinger, Esq.
John Haucke
Derrick Williamson, Esq.

Pennsylvania Public Utility Commission Prothonotary's Office



Pennsylvania Retailers' Association

224 PINE STREET • HARRISBURG, PA • 17101-1325
(717) 233-7976 • 800-727-3824 • FAX (717) 236-1234

September 8, 1997

The Honorable Thomas J. Ridge
Governor
Commonwealth of Pennsylvania
225 Main Capitol
Harrisburg, PA 17120

Dear Governor Ridge:

Last week, the Pennsylvania Retailers' Association signed a settlement agreement in PECO Energy Company's rate restructuring case. Our support for the agreement was based largely on the 10 percent rate cut for PECO customers and the escalated phase-in of those reduced rates. We commend you for the role you have played in bringing electrical energy deregulation to Pennsylvania and in persuading PECO to agree to those important settlement terms.

However, Pennsylvania retailers are concerned about the level and extent of stranded costs that PECO would recover under the proposed settlement and the impact this would have on the decisions of other alternative energy companies to enter and compete in the Pennsylvania electrical energy market. Consequently, despite our support for some important features of the settlement, we are today withdrawing our consent to it out of concern that the agreement will produce temporary, short-term rate reductions rather than long-term electrical competition.

When it filed its rate restructuring plan on April 1, 1997, PECO claimed \$6.8 billion in stranded assets and costs; two months ago, it increased the number to \$7.461 billion. The settlement agreement would entitle PECO to recover \$5.461 billion. None of these numbers have been subjected to public scrutiny, but some alternative providers claim that the settlement creates a competitive advantage in PECO's favor through an overly generous recovery of stranded costs.

We do not know if the claims are valid or not. However, we believe they raise an issue too important to be ignored. At a minimum, the issue of stranded costs should be the subject of a full evidentiary proceeding at which PECO should explain and justify the stranded cost recovery it seeks.

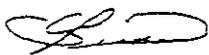
The Honorable Thomas J. Ridge

September 8, 1997

Page Two

You have publicly urged the PUC to move quickly in reviewing this settlement. We share your desire to see rate reductions delivered to electricity users in Southeastern Pennsylvania as expeditiously as possible. However, we must respectfully suggest that a more deliberate approach is warranted and ask your support for a full Public Utilities Commission review of the stranded cost issue.

Sincerely,



Brian A. Rider
President

BAR/tim

KJR

DATE: September 9, 1997

SUBJECT: R-00973953

TO: Office of Administrative Law Judge

FROM: *WJZ* James J. McNulty, Acting Secretary

PECO ENERGY COMPANY
RESTRUCTURING PLAN

Attached is copy of a Petition to Intervene of QST Energy Inc. filed in connection with the above docketed proceeding.

This matter is assigned to your Office for appropriate action.

Attachment

cc: OTS

wjz

DOCKETED
SEP 11 1997

DOCUMENT
FOLDER

VERNER · LIFFERT
BERNHARD · McPHERSON & HAND
CHARTERED

ORIGINAL

901 - 15TH STREET, N.W.
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Paul E. Nordstrom
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DOCKETED
SEP 11 1997

September 9, 1997

KJR

RECEIVED
97 SEP 10 PM 12:40
PA.P.U.C.
PROTHONOTARY'S OFFICE

VIA HAND DELIVERY

James J. McNulty
Acting Prothonotary
Pennsylvania Public Utility Commission
North Office Building
North Street and Commonwealth Avenue
Harrisburg, PA 17105-3265

Re: Application of PECO Energy Company for Approval of
its Restructuring Plan Under Section 2806 of the
Public Utility Code, Docket No. R-00973953

Dear Mr. McNulty:

Enclosed please find the original and three copies of the "Prehearing Statement of Issues of Allegheny Power." Also enclosed are two additional copies, which we ask that you stamp and give to the messenger for return to our office.

Copies of this filing are being served on all persons on the Official Service List of the captioned proceeding.

Thank you for your cooperation.

Sincerely,


Paul E. Nordstrom

**DOCUMENT
FOLDER**

Enclosure

cc: All Parties

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HONOLULU, HAWAII 96817
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MCLEAN, VIRGINIA
8280 GREENSBORO DRIVE
SUITE 601
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(703) 749-6000
FAX: (703) 749-6027

15

ORIGINAL

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application Of PECO Energy Company)
For Approval Of Its Restructuring)
Plan Under Section 2806 Of The)
Public Utility Code)

Docket No. R-00973953

RECEIVED
97 SEP 10 PM 12:40
A.P.U.C.
PROTODIARY'S OFFICE

PREHEARING STATEMENT OF ISSUES
OF ALLEGHENY POWER

To: The Honorable Marlane R. Chestnut and Charles E. Rainey, Jr.
Presiding Administrative Law Judges

Pursuant to Prehearing Order #3 issued by the Presiding Judges on August 28, 1997, Allegheny Power hereby submits its prehearing statement of the issues which Allegheny Power may address in subsequent stages of this proceeding.

Allegheny Power reserves its right to cross examine or brief the following issues:

Competitive Metering and Billing: Allegheny Power may examine whether the proposals to prohibit PECO Energy Company ("PECO") from being the sole source of metering and billing is appropriate, and whether the proposed "open architecture" standards for metering and other distribution services are advisable.

Interaction With Suppliers: Allegheny Power may examine whether proposals to permit alternate suppliers to bill for distribution services and be the sole contact for customer service are in the public interest.

Standards of Conduct: Allegheny Power may examine whether the proposal to prohibit the use of a trade name by a utility (e.g., "PECO") when operating as an alternate supplier is unduly discriminatory; whether joint marketing between an affiliate and utility should be prohibited; and whether PECO should be required to offer surplus power to alternate suppliers.

DOCUMENT
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DOCKETED
SEP 11 1997

Environmental Issues: Allegheny Power may examine whether it is appropriate to mandate the disclosure of fuel mix and discharge information.

These issues are tentative in nature and subject to change. Allegheny Power reserves the right to raise additional issues and to respond to the issues raised by other parties in this proceeding.

Respectfully submitted,



Paul E. Nordstrom
Deborah A. Swanstrom
Joel D. Newton
Verner, Lipfert, Bernhard,
McPherson and Hand, Chartered
901 15th Street, NW
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Washington, DC 20005

Attorneys for Allegheny Power

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application Of PECO Energy Company)
For Approval Of Its Restructuring) Docket No. R-00973953
Plan Under Section 2806 Of The)
Public Utility Code)

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the enclosed document upon the participants, listed below, in accordance with the requirements of the Rules of the Commission (relating to service by a participant). A copy also will be given to parties who are present at the prehearing conference on September 10, 1997.

RECEIVED
97 SEP 10 PM 12:40
ALFRED J. C. 54
PROTHORP TOMAS'S OFFICE

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PECO Energy Company
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American Energy Solutions, Inc.
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Alexandria, VA 22304

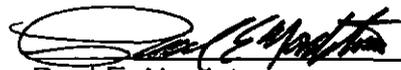
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Roger E. Clark, Esq.
905 Denston Drive
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Dated this 9th day of September, 1997.



Paul E. Nordstrom
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Attorney for Allegheny Power

ORIGINAL DJH

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DAVID B. DISNEY
MICHAEL A. DOCTROW
ELIZABETH A. DOUGHERTY
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JAMES P. DEANGELO
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CHAD F. PHIPPS
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Writer's Direct Dial:
(717) 237-5446
E-Mail: dwilliam@mwn.com

September 9, 1997

James J. McNulty, Acting Secretary
Pennsylvania Public Utility Commission
Room B-20, North Office Building
Harrisburg, PA 17120

VIA HAND DELIVERY
RECEIVED
97 SEP -9 PM 1:44
PA.P.U.C.
PHILADELPHIA
PHOTOGRAPHY'S OFFICE

Re: Pennsylvania Public Utility Commission v. PECO Energy Company Application of PECO Energy Company for Approval of its Restructuring Plan under Section 2806 of the Public Utility Code; Docket No. R-00973953

Dear Mr. McNulty:

Enclosed for filing with the Commission are the original and three (3) copies of the Prehearing Memorandum of the Philadelphia Area Industrial Energy Users Group in the above-referenced proceeding.

As evidenced by the attached Certificate of Service, all known parties to this proceeding have been duly served. Please date stamp the extra copy of this transmittal letter and kindly return for our filing purposes.

Very truly yours,

McNEES, WALLACE & NURICK

By 
Derrick P. Williamson

DOCUMENT FOLDER

DPW/aeH
Enclosures

- c: Certificate of Service
Honorable Charles E. Rainey, Jr. (via fax & first class mail)
Honorable Marlane R. Chestnut (via fax & first class mail)

47

ORIGINAL

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC UTILITY
COMMISSION** :

v. :

Docket No. R-00973953

PECO ENERGY COMPANY :

**PREHEARING MEMORANDUM OF THE
PHILADELPHIA AREA INDUSTRIAL ENERGY USERS GROUP**

- 3M Company
- Air Liquide America Corporation
- AlliedSignal, Inc. - Fibers Division
- ARCO Chemical Company
- Boeing Defense & Space Group - Helicopters Division
- Budd Company (The)
- Ford Motor Company
- Lukens Inc.
- Merck & Co. Inc.
- Nabisco Inc.
- Occidental Chemical Corporation
- Rohm and Haas Company
- SmithKline Beecham Pharmaceuticals
- Sun Company, Inc. (R&M)
- Temple University
- Thomas Jefferson University
- U.S. Steel - A Unit of USX Corporation

RECEIVED
 97 SEP - 9 PM 3:44
 P.A.P.U.C.
 PROTHONOTARY'S OFFICE

DOCKETED

SEP 12 1997

**DOCUMENT
FOLDER**

David M. Kleppinger
 Derrick P. Williamson
 Robert A. Weishaar, Jr.
 McNEES, WALLACE & NURICK
 100 Pine Street, P.O. Box 1166
 Harrisburg, PA 17108-1166
 (717) 237-5446

Counsel to the Philadelphia Area
 Industrial Energy Users Group

Dated: September 9, 1997

Pursuant to 66 Pa.C.S. § 333 and 52 Pa. Code § 5.224, and in accordance with Prehearing Order No. 3, issued August 28, 1997, the Philadelphia Area Industrial Energy Users Group ("PAIEUG") submits this Prehearing Memorandum.

I. Introduction

PAIEUG is an ad hoc association of large industrial and institutional customers of PECO Energy Company ("PECO" or "the Company"). PAIEUG's members are listed on the cover page of this Prehearing Memorandum. On August 27, 1997, PAIEUG and a number of the other parties in this proceeding filed a Joint Petition For Partial Settlement of PECO Energy's restructuring proceeding ("Settlement"), which resolves key issues in this proceeding. The Prehearing Order directed that a prehearing conference will be held on September 10, 1997 to consider procedures for addressing objections to the Settlement and issues not resolved by the Settlement. The Prehearing Order further directed parties to prepare and distribute Prehearing Memoranda that contain a statement of issues and a proposed procedural schedule.

II. Issues

For PAIEUG, the only remaining issue in this proceeding is demonstrating that the Settlement is in the public interest. All issues addressed in PAIEUG's prefiled Direct and Rebuttal Testimony will be effectively resolved by Commission approval of the Settlement. PAIEUG reserves the right, however, to respond to parties that oppose the Settlement. PAIEUG further reserves the right to address any other issues that may be raised by other parties.

III. Schedule

PAIEUG proposes the procedural schedule devised by the Joint Petitioners for Partial Settlement. The proposed procedural schedule is attached as Appendix A. This schedule contemplates, if acceptable to the presiding ALJs and the Commission, expedited consideration of the Settlement.

Respectfully submitted,

McNEES, WALLACE & NURICK

By



David M. Kleppinger
Derrick P. Williamson
Robert A. Weishaar, Jr.
100 Pine Street
P.O. Box 1166
Harrisburg, PA 17108-1166
(717) 237-5446

Counsel to the Philadelphia Area Industrial
Energy Users Group

Dated: September 9, 1997

K:\183\08115\RES-PRE.MEM

APPENDIX A

Proposed Schedule for Commission Review of Settlement

Wednesday, August 27 (Day 1)	Joint Petition filed.
Wednesday, September 10 (Day 14)	Prehearing conference
Week of September 15	Newspaper notice and postcard notice of settlement and dates of public input hearings on settlement.
Wednesday, September 17 (Day 21)	Objection to settlement and any related testimony.
Thursday, September 25 (Day 29)	Responses to objections and responsive testimony of signatory parties to September 17 testimony.
Monday, September 29 - Tuesday, September 30 (Days 33-34)	Evidentiary hearings on settlement.
Wednesday, October 6 (Day 40)	11:00 a.m. Philadelphia public input hearing on settlement.
Wednesday, October 6 (Day 40)	4:00 p.m. Media public input hearing on settlement.
Tuesday, October 14 (Day 52)	Briefs on settlement due. (Page limits to be determined - suggestion 30 pages.)
Tuesday, October 21 (Day 59)	Reply briefs on settlement due. (Page limits to be determined - suggestion 15 pages.)
Thursday, November 6 (Day 71)	PUC vote on settlement.

Discovery on an accelerated basis through this period.

ORIGINAL

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the participants listed below in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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97 SEP -9 PM 3:44

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Derriek P. Williamson

Dated this 9th day of September, 1997, in Harrisburg, Pennsylvania.

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97 SEP 10 PM 12:39
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September 9, 1997

Honorable Marlane R. Chestnut
Honorable Charles E. Rainey, Jr.
Administrative Law Judges
Pennsylvania Public Utility Commission
1302 Philadelphia State Office Building
1400 Spring Garden Street
Philadelphia, PA 19130

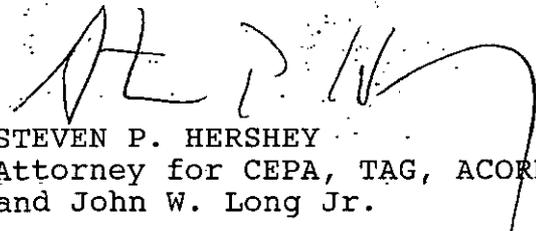
KJR

RE: Application of PECO Energy Company for Approval
of Its Restructuring Plan
Docket No. R - 00973953.

Dear Judges Chestnut and Rainey:

I enclose a copy of the Statement of CEPA, Tenant Action
Group, ACORN, and John W. Long, Jr. in Support of the Joint
Petition for Partial Settlement.

Yours truly,


STEVEN P. HERSHEY
Attorney for CEPA, TAG, ACORN,
and John W. Long Jr.

cc Service List

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76

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

IN RE APPLICATION OF PECO ENERGY COMPANY FOR APPROVAL OF ITS RESTRUCTURING PLAN UNDER SECTION 2806 OF THE PUBLIC UTILITY CODE :
DOCKET NO. R - 00973953

STATEMENT OF CEPA, TENANT ACTION GROUP ACORN, AND JOHN W. LONG, JR. IN SUPPORT OF THE JOINT PETITION FOR PARTIAL SETTLEMENT

CEPA, Tenant Action Group, ACORN, and John W. Long, Jr. (CEPA et al.) submit the following statement in support of the Joint Petition for Partial Settlement and urge approval of the settlement proposal as being just and reasonable and in the best interests of the ratepayers.

1. CEPA et al. believe that the settlement is in their best interests and offers benefits that could not or were not likely to have been achieved in litigation.

2. CEPA et al. believe that the proposed rate reductions, both those that are guaranteed and those that may be partially or wholly offset by certain cost increases are significant and in the public interest.

3. CEPA et al. believe that the settlement's provision of rate reductions on an expedited schedule is of great significance. All customers, even those who, under the statute, might not have been authorized to choose a generation supplier until 2001, will

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enjoy rate reductions in September, 1998.

4. CEPA et al. further believe that the settlement greatly reduces the likelihood that continuing litigation before this Commission and in the courts will delay benefits that should be made available to them and to all consumers as soon as possible.

5. Several provisions of the settlement, including extension of the statutory rate cap, transfer of PECO's generating capacity to a separate entity, dramatic expansion of the universal service program, and stay-out provisions on transmission and distribution would have been difficult or even virtually impossible to obtain under the Electric Competition and Customer Choice Act in litigation without PECO agreement.

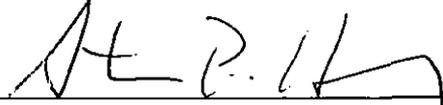
6. Effective open enrollment for the PECO CAP Rate program, in particular, is of great importance to CEPA et al. because the membership of these organizations is predominantly low income individuals who would have great difficulty or be unable to pay their bills even at 10 - 15% reductions from current rates.

7. The settlement further defines "payment troubled" in a manner which removes artificial barriers to participation in the CAP Rate program and will allow customers to move into CAP Rate before their problems and PECO receivables become needlessly large.

8. The settlement allows the joint petitioners to participate in the design and control of the consumer education program, providing greater assurance that the low-income community will be well served by that program.

WHEREFORE, CEPA et al. urge prompt approval of the Joint
Petition for Partial Settlement.

Respectfully submitted,



STEVEN P. HERSHEY
PHILIP A. BERTOCCHI

September 9, 1997

Attorneys for CEPA, TAG, ACORN
and John W. Long, Jr.

original

DJH

ORIGINAL

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of PECO Energy Company :
 for Approval of its Restructuring Plan : Docket No. R-00973953
 under §2806 of the Public Utility Code :

Prehearing Memorandum of The Environmentalists

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 PROTHONOTARY

The Environmentalists hereby submit this prehearing memorandum in response to Prehearing Order #3 issued by the Administrative Law Judges on August 28, 1997.

Statement of Issues

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The fundamental issue in this proceeding is whether PECO Energy's restructuring plan contained in the Joint Petition for Partial Settlement complies with the requirements of the Electricity Generation Customer Choice and Competition Act and is in the public interest and whether the resulting rates and charges are just and reasonable. For the Environmentalists, there are three major aspects to this analysis of the public interest:

1. Is the Partial Settlement good for the environment?

Will the environmental damage of electricity generation, including air pollution, water pollution, solid waste and radioactive waste, be reduced under this

settlement? Will the settlement encourage our transition to a sustainable energy future or will it impede it? Does the settlement encourage energy conservation, efficiency and clean energy technologies? Is conservation a meaningful component of the universal service program?

2. Is the Partial Settlement good for consumers?

Is the settlement good for our regional economy and will it promote sound economic development? What is the impact of the settlement on the number of jobs in the region? Under the settlement, are stranded costs properly quantified, mitigated, shared and recovered? Is the settlement good for the region's consumers, especially those most at risk for losing electric service because of an inability to pay? Does the settlement provide for an effective universal service program? Does the settlement provide for an effective educational program?

3. Is the Partial Settlement good for competition?

Will the settlement promote and produce the open, robust, competitive market that is necessary to fulfill the promises of the Pennsylvania statute? Will all classes and subsets of customers have equal access to a competitive market? Will customers have access to information in an understandable format that enables them to compare prices and services on a uniform basis? Will the rules of the market allow energy conservation, energy efficiency and load management to become viable and competitive alternatives to supply-side

actions? Will the rules of the market allow small, clean, renewable, distributed generation to compete fairly? Does the settlement adequately prevent ant-competitive or discriminatory conduct and the unlawful exercise of market power?

Proposed Schedule

Before deciding on the steps and dates of the schedule for the remainder of these proceedings, the Environmentalists suggest we need to address the following issues:

1. The Commission's Willingness to Give up its Discretion to Modify the Terms of the Partial Settlement.

According to its terms:

... this Partial Settlement is expressly conditioned upon the Commission's approval of all of the specific terms and conditions contained herein without modifications. If the Commission should fail to grant such approval, or should modify any of the terms and conditions herein, this Partial Settlement will terminate and be of no force and effect.¹

In the recent pilot program proceedings, the Commission was faced with similar language in a partial settlement agreement and it decided to "exercise its discretion" to modify major sections of the agreement.²

¹Partial Settlement, ¶ 43, p. 30.

²This language is contained in the first paragraph of the Conclusion section (Section V) of the Opinion and Order adopted on August 21 for the various utilities. Docket Nos. P-00971168 *et seq.*

The Environmentalists certainly understand the signing parties' desire to preserve their due process rights in the event that the Commission decides not to feel bound by this provision of the agreement, but the double hearing process contained in the Company's proposed schedule is time consuming and unnecessarily taxing to the parties. It is a waste of resources to litigate the Partial Settlement, only to find that the Commission refuses to yield on its ability to tinker with the terms of the agreement. Given that a major player in the new competitive market, ie. the alternate suppliers, actively oppose many elements of the Partial Settlement, the Environmentalists believe that it is highly likely that the Commission would want to preserve its discretionary ability to insert its judgement into the terms of the final order.

Rather than learn this after the parties have absorbed the time and expense of litigation, the Environmentalists suggest that the question be certified to the Commission whether it would be willing to be bound by the "all or nothing" language in the Partial Settlement Agreement. If the Commission says no, then the parties would know that they need to fully litigate the case.

2. The Burden of Proof

The burden of proof is on the proponents of the Partial Settlement. The Commission cannot lawfully approve a partial settlement unless there is sufficient evidence in the record that the agreement serves the public interest.³ The Commission's approval of a partial settlement will withstand judicial scrutiny only if the

³*Joint Petition of Carnegie and Apollo Gas Companies*, 1996 Pa. PUC LEXIS 24, R-00953378, etc. (Pa. PUC, Jan. 31, 1996), pp. 11-12, 23-28.

showing of public interest is fully developed in the record for each component. The "substantial evidence" cannot be asserted generally in the agreement itself.⁴

The Company asserts that such evidence is contained in the agreement, the supporting statements of the signing parties and in the Company's prefiled testimony. However, none of these are record evidence and many aspects of the Partial Settlement vary greatly from the Company's prefiled testimony.

The Environmentalists believe that the Company and the signing parties have the obligation to put on the affirmative case that the Partial Settlement is in the public interest.

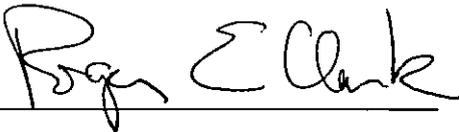
3. The Importance of Careful Review

This is probably the most important case that the Commission and this Company's customers will see for maybe the next 50 years. It will determine who the energy players will be, what goods and services customers may choose, and at what prices. The schedule should give enough time for discovery, the preparation of

⁴See *Business & Professional People in the Public Interest v Illinois Commerce Commission*, 136 Ill2d 192; 144 Ill Dec 334; 555 NE2d 693 (1989) (Reversing Commission approval of Staff-Company-Industrial settlement over objections of other parties when not explicitly based upon record evidence), citing *Mobil Oil Corp v Federal Power Comm'n*, 417 US 283 (1974). See also *Consumers Power Co.*, 131 P.U.R.4th 133 (Mich. PSC 1992) (No. U-9346) (rejecting proposed global settlement of fewer than all parties as not "reasonable and in the public interest"), and *Midland Cogeneration Venture Ltd. Partnership*, 141 P.U.R.4th 127 (Mich. PSC 1993) (No. U-8871, U-10127), aff'd *Association of Businesses Advocating Tariff Equity v. PSC*, 216 Mich.App. 8, 548 N.W.2d 649 (1996) (No. 163930, 165005, 165713), at fnn. 1-3, accepting subsequent revised partial settlement upon 22 days of evidentiary hearings.

testimony and the writing of briefs without a rush to judgement. The Environmentalists also believe that a Recommended Decision by the Administrative Law Judges is a useful step to help the Commission focus on the important issues.

Respectfully submitted,



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September 10, 1997

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KJR

RECEIVED
97 SEP 10 PM 12:30
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PROTHONOTARY'S OFFICE

RE: R-00973953 - - Application of PECO Energy Company for Approval of its
Restructuring Plan under Section 2806 of the Public Utility Code

Dear Mr. McNulty:

Enclosed, for filing with the Commission, are the original and three (3) copies of
the Prehearing Memorandum of the Municipal Intervenors Group.

As noted below, and on the Certificate of Service that is attached to this
prehearing Memorandum, the Municipal Group has served a copy of its Memorandum
upon the presiding Administrative Law Judges, the Honorable Marlane R. Chestnut and
Charles E. Rainey, Jr., and on all active parties of record of this proceeding.

Thank you for your attention to this matter.

Very truly yours,

**DOCUMENT
FOLDER**

Lillian S. Harris
Lillian S. Harris

LSH/klb
Enclosure

cc: Honorable Marlane R. Chestnut (hand delivery)
Honorable Charles E. Rainey, Jr. (hand delivery)
All persons named on Certificate of Service
Stephen B. Harris, Esquire

11

ORIGINAL

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Administrative Law Judges
Marlane R. Chestnut and Charles E. Rainey, Jr.

RE: PECO Energy Company's Application : Docket No. R-00973953
for Approval of its Restructuring Plan Under :
Section 2806 of the Public Utility Code :

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**PREHEARING MEMORANDUM
OF MUNICIPAL INTERVENORS GROUP**

The Municipal Intervenors Group ("Municipal Group"), by its counsel in this matter, Malatesta Hawke & McKeon LLP, hereby submits this Prehearing Memorandum in accordance with Prehearing Order #3 dated August 28, 1997.

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INTRODUCTION

On August 27, 1997, PECO Energy Company ("PECO") filed with the Pennsylvania Public Utility Commission ("Commission") a Joint Petition for Partial Settlement of Proposed Restructuring Plan and Application for a Qualified Rate Order ("Joint Petition"). Although the Joint Petition presents some minor phased rate relief for Rate SL-E customers, including

members of the Municipal Group, it is insufficient to allow meaningful participation by those customers in the competitive marketplace for electricity generation. Thus, the Municipal Group is unable to support the Joint Petition.

ISSUES

1. Whether PECO's Joint Petition proposal to slightly reduce Rate SL-E over a ten year period is insufficient to provide Rate SL-E customers, including members of the Municipal Group, with a meaningful opportunity to participate in and benefit from the competitive marketplace for electricity generation?
2. Whether the fixed monthly location charge that currently exists under Rate SL-E and that PECO has proposed to continue (albeit at a slightly reduced level) after PECO's rates are restructured is, in and of itself, an unjust and unreasonable deterrent to meaningful participation by Rate SL-E customers, including members of the Municipal Group, in the competitive marketplace for electricity generation?

WITNESSES

The Municipal Group intends to present the testimony of James L. Crist, President, Lumen Group and Cornell Hopkins, Township Manager, Newtown Township, Bucks County. The Municipal Group respectfully reserves the right to call additional witnesses or revise its witness list, as may be necessary, based upon initial testimony presented by PECO and that filed by other parties to this proceeding.

PROPOSED SCHEDULE

The Municipal Group will work with the Administrative Law Judges and the other parties to establish an acceptable and workable procedural schedule.

Respectfully submitted,



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Lillian S. Harris

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(717) 236-4841 (facsimile)

Counsel for Municipal Intervenors Group

DATED: September 10, 1997

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true and correct copy of the foregoing document upon the person(s) named and in the manner indicated below.

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DATED: September 10, 1997



Lillian S. Harris

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97 SEP 10 PM 12:38

Before the
Pennsylvania Public Utility Commission

F.A.P.U.C.
PROTHONOTARY'S OFFICE

IN RE APPLICATION OF PECO :
ENERGY COMPANY FOR THE APPROVAL :
OF ITS RESTRUCTURING PLAN UNDER : DOCKET #
SECTION 2806 OF THE : R-00973953
PUBLIC UTILITY CODE

KJR

STATEMENT OF LANCE HAVER

I, Lance Haver submit the following statement to strongly and without reservation support the Joint Petition for Partial Settlement. I urge the Commission to approve the settlement with alacrity and dispatch as it is in the best interests of PECO consumers and far better than what the Public could win from proceedings in front of this Commission.

1) I believe that this settlement is in the best interests of consumers. It offers a minimum 10% guaranteed reduction in PECO's rates for three years, the largest system wide rate reduction of any utility anywhere in the nation.

2) Under the Settlement, PECO Energy agrees to write off \$2 billion dollars in "stranded costs" the largest amount any utility has agreed to write off in the nation. Under the terms of the settlement, PECO will collect less in stranded costs than what the Mid-Atlantic Power Supply Association proposed the company be granted, a group that is opposing the settlement because it believes PECO's rates will be too low.

3) If there are to be any real and tangible savings to be generated from competition, this settlement will bring those savings to consumers a full year earlier than the current law mandates. It protects consumers who do not choose through PECO's agreement that they will charge "default" consumers and the same price that they offer to consumers to entice them to become PECO consumers. Unlike with Telephone deregulation, consumers who are confused by the dramatic changes will not be taken advantage of. These two provisions of the settlement offer consumers far more than what the law mandates and would be impossible to win through litigation.

4) Under the terms of the settlement the rate reductions will be guaranteed for three years, even if energy prices escalate dramatically, again offering greater protection for consumers than what the law requires.

5) Under the agreement, the proposed collection of the CTC/ITC decreases as energy prices are projected to escalate, thereby giving consumers protection against rate shock. The MAPS proposal would have the CTC/ITC increase with the energy price creating a net price increase over time.

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6) The Agreement protects consumer's savings through PECO's agreement not to file for a rate increase in Transmission & Distribution charges for an additional three years beyond what the law provides. Under the law, PECO would be able to ask for a T&D rate increase in 2001, the year that consumers would get full choice. Any rate decrease through choice would be eroded through increases in T&D. This agreement protects consumers' savings against such increases until 2004. Again greater protection than what the law gives consumers.

7) Under the agreement, the "rate cap" is extended protecting consumers against spikes in energy costs that would otherwise cause electric bills to skyrocket, protection that does not exist under the existing law.

8) The energy price set in the agreement is reasonable and drastically higher than what ENRON and other marketers who oppose the settlement have offered to sell energy to consumers in other locations. Gary Foster, ENRON's director of Public relations has been quoted as saying: "We can provide the State with electricity at a price of 1 to 2 cents per kilowatt hour". Therefore the energy price will enable competition if companies like ENRON will agree to offer power in the PECO territory at the same price as they charge in other states.

9) The price of energy set in the agreement makes it impossible for a marketer to resort to the old trick of first marking up prices by 30% and then offering a 20 % discount. It is not in the Public interest to allow marketeers to price gouge or manipulate the market by having the price of energy set artificially high. If ENRON can sell electricity in other states for 1 cent a kilowatt hour as Mr. Foster bragged, than certainly they can sell it in Pennsylvania for 2.5 cents per kilowatt hour.

10) The agreement provides for shared control of the monies spent to educate consumers about this new era. Consumers have already seen and heard that the PUC cannot be trusted to educate consumers about choice. As of today, Sept 7th, the Commission has been unable or unwilling to publicly disseminate information about how the pilot program will work. This has led to confusion. Far worse, Consumers can still remember the blatant disregard the Public Utility Commission has for the Public in the words of Chief Administrative Law Judge Christianson who said in public proceedings, the Public doesn't understand it (de-regulation) and never will-- so lets not take a lot of time trying to explain it.

11) Under the agreement the number of families and senior citizens allowed to benefit from the low income plan more than doubles. No matter how much of a discount consumers can bargain for, there will still be some seniors and low income families that cannot afford the rates. This agreement protects them by expanding the program that allows them to pay an affordable rate and keep their electricity on. The settlement also includes continuing studies to ensure that the low income plan is run as efficiently as possible.

12) The settlement is in the Public interest, because the alternative would lead to lengthy litigation delaying any rate relief for consumers and allowing PECO to continue to over collect. In New Hampshire, a state that passed a deregulation bill almost four years prior to Pennsylvania's, consumers are still waiting for rate relief. Public Service of New Hampshire has challenged the rate reduction in court, and while the challenge is being heard, Public Service is collecting 100% of its stranded costs. Likewise, if this settlement is thrown out, PECO will have the opportunity to challenge any decision the PUC makes, as they stand to benefit from any delay. Consumers on the other hand stand to lose if they appeal a Commission order, thus granting the utility an unparalleled advantage. Because the PUC has allowed PECO to accelerate its depreciation of Limerick, not approving the settlement will have the effect of allowing PECO to avoid writing off 2 billion dollars in stranded costs, forcing consumers to pay 100% of stranded costs and denying consumers the benefit which they have a right to demand.

13) The parties objecting to the settlement do not represent the public interest and have no interest in keeping rates as low as possible or employing people from the Delaware Valley. In fact just the opposite is true. The marketeers opposing this settlement have the stated goal of driving up the price of energy, thus forcing consumers to pay more. Like the old trick outlined above, they are demanding that this commission raise the price of energy so that they can offer a small discount and look good. Their primary concern is not consumers, or even how to keep bills low. Instead their interest is how to charge as much as they can for energy so that they can make as much as possible. Certainly they are acting in the interest of their stockholders, but not in the public interest.

14) Specifically the head of one of the companies attempting to deprive consumers of the benefits of this settlement and one entire company have been accused of immoral activities and acting against the Public interest. Unbelievably, David Boonin the President of New Energy Venture had a job as executive director of the Philadelphia Gas Commission created for him in a back room deal and while a sitting commissioner applied for the CEO position of the company he was regulating. Is his opinion of what is in the public interest to be trusted? The Daily Astorian, a newspaper in Oregon that covered the merger of ENRON and Portland General Electric (PGE) has said in an editorial posted on the internet dated February 6th 1997 that ENRON's advertisements were misleading and the paper wrote: "In its relatively brief involvement as a player in Oregon utility politics, ENRON has thrown around money in a manner that we are unaccustomed to seeing. Of course, we must remember that ENRON also plays in the big leagues of national politics. In fact, the New York Times recently reported that Enron was the ninth largest contributor of soft money to the Republican National Committee . . . In the crudest sense, bribery is what has most typified the PGE-Enron merger to this point. Through Bribes, Enron was able to ingratiate itself into the community . . ." Is Enron which puts the bottom line first and brags about it, supposed to be taken seriously when they say they are acting in the Public interest?

15) There is no community group, no state official representing the public interest opposing the settlement, it is only those out for their own selfish interests that are attempting to deny consumers the relief we need.

16) For the reasons stated above, I urge the commission to accept the settlement.

A handwritten signature in black ink, consisting of a large, stylized initial 'J' followed by a vertical line and a horizontal stroke.

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September 10, 1997

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RECEIVED
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RE: Application of PECO Energy Company
for Approval of its Restructuring Plan
Under Section 2806 of the Public Utility Code;
Docket No. R-00973953

Dear Mr. McNulty:

Enclosed for filing please find an original and three copies of the Prehearing Memorandum of The Pennsylvania Electric Competition Coalition in the above captioned matter. As evidenced by the attached Certificate of Service, all parties in this matter have been served.

Very truly yours,

Daniel Clearfield *cr*

For WOLF, BLOCK, SCHORR and SOLIS-COHEN LLP

DC/cln
Enclosure
cc: All Parties of Record

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

007376

Application of PECO Energy Company for :
Approval of its Restructuring Plan Under : Docket No. R-00973953
Section 2806 of the Public Utility Code :

PREHEARING MEMORANDUM OF
THE PENNSYLVANIA ELECTRIC COMPETITION COALITION

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I. INTRODUCTION

In response to the Order of Administrative Law Judges ("ALJs") dated August 28, 1997, the noted parties (the "Pennsylvania Electric Competition Coalition"),¹ all of whom are parties to this matter, submit, through their counsel, this Prehearing Memorandum, identifying the issues arising from the pending *Partial Settlement Agreement* filed with the Commission on August 27, 1997, which, from their perspective, will need to be litigated on the record, in addition to the issues remaining to be decided from PECO's Restructuring Plan that are not covered by the *Partial Settlement Agreement*. The Pennsylvania Electric Competition Coalition also recommends a procedural schedule for the litigation pertaining both to the *Partial Settlement Agreement* and the Restructuring Plan. The members of this Coalition intend to participate fully in this matter to assure that the final order issued by the Commission fulfills the provisions of the

¹ Members of the Coalition are: New Energy Ventures, Enron Power Marketing, Inc. and Conectiv, all of whom are parties to the above proceeding. While these parties are submitting this joint pre-hearing memo and intend to coordinate their presentations with respect to the *Partial Settlement*, each party reserves the right to submit its own witnesses and to otherwise participate independently in the hearing and subsequent phases of the proceeding.

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Electricity Generation Customer Choice and Competition Act ("Customer Choice Act" or "Electric Competition Act").²

On April 1, 1997, PECO Energy Company ("PECO") filed the above captioned Restructuring Plan with the Commission. PECO's direct testimony was submitted with its proposed Restructuring Plan. Intervenors' direct testimony was submitted on June 20, 1997 and PECO's rebuttal testimony was submitted on July 18, 1997. A litigation schedule was established by the presiding ALJs, under which the hearings were to commence on August 4, 1997, and PECO agreed to extend the date on which the Commission's decision on the restructuring plan was due until January 22, 1998. On the eve of the hearings, the litigation schedule was placed in abeyance at the request of PECO and other parties to conduct settlement discussions. As a result, no surrebuttal was submitted by intervenors, no hearings have been held and no witnesses have been subject to cross-examination by any participant.

On August 27, 1997, the Joint Petition for Partial Settlement of PECO Energy Company's Proposed Restructuring Plan and Application for a Qualified Rate Order ("Partial Settlement Agreement") was filed with the Commission. In addition to PECO's restructuring plan, the Partial Settlement Agreement addresses matters pertaining to PECO's securitization proceeding at Docket No. R-00973877. Since it was not agreed to by all the parties, the Partial Settlement Agreement³ is, in effect, a new proposed restructuring plan -- unaccompanied by the testimony and written support that normally accompany such a plan.

² 66 Pa. C.S. § 2801 et seq.

³ It is actually a stipulation under 52 Pa. Code § 69.401, because it does not resolve all issues and is not joined in by all parties.

II. NATURE OF REVIEW OF PARTIAL SETTLEMENTS

As the presiding ALJs are aware, in light of the many opposing parties, the Commission must develop a complete evidentiary record and provide litigants with their due process rights prior to determining whether the Partial Settlement is compliant with the Customer Choice Act, and is otherwise in the public interest. Moreover, the burden of proof to demonstrate that the restructuring plan, as proposed by the Partial Settlement, is in the public interest and consistent with the essential purposes of the Act clearly resides with PECO.⁴

Accordingly, PECO has the initial burden of going forward to produce evidence in support of all elements of the restructuring plan proposed in the Partial Settlement Agreement. In order to assure legally adequate procedures, intervenors opposing portions of the settlement, including the Pennsylvania Electric Competition Coalition, must be provided with a meaningful opportunity to introduce evidence in opposition to the Partial Settlement and to cross-examine all witnesses providing evidence in support of the Partial Settlement Agreement. Such an opportunity must be more than a facade designed to give the appearance that due process rights have been protected and must provide intervenors with ample time to prepare a case. Anything else falls short of a **meaningful** opportunity to be heard.

⁴ The Commission has found that a restructuring plan is "in effect, and of necessity a plan to restructure the rates, rules, regulations and practices of all jurisdictional utilities in accordance with the purposes of the Customer Choice Act..." Electric Utility Restructuring Filing Order, M-00960890, F.0003 (Feb. 13, 1997) at 2; and that a utility must make, in its restructuring filing, "a showing ... that its restructured form will be in compliance with the essential purposes of the Act." Id. Accordingly, the Commission established that "jurisdictional utilities filing [restructuring] plans have the burden of proof with regard to such compliance."

While partial settlements may be considered by an administrative agency, the terms of the settlement must be supported by substantial evidence of record.⁵ Under Pennsylvania law, this Commission cannot rely on disputed facts as substantial evidence unless a fair hearing is provided which complies with due process requirements and the Administrative Agency Law.⁶

To comply with the Administrative Agency Law, a hearing must provide each party with the opportunity to know of the claims of the opponent, to hear the evidence introduced against it, to cross-examine witnesses, to introduce evidence on its behalf and to make argument.⁷ Clearly these requirements include the ability to conduct discovery and to make other inquiries about the proposed restructuring plan to PECO as well as other parties as necessary.⁸

In view of the delay in the schedule that accompanied the settlement negotiations, to which the members of the Pennsylvania Electric Competition Coalition were not invited, due process requires adequate time for these parties even if this requires the Commission to decide the case beyond the existing target date. While 66 Pa. C.S. § 2806(f) provides that the Commission shall issue an order no later than nine months from the filing of the restructuring plan, it does not include any sanction, nor does it provide that the plan goes into effect if an order

⁵ Mobil Oil Corp. v. Federal Power Commission, 417 U.S. 283 (1974); La Farge Corp. v. Pennsylvania Insurance Department, 690 A.2d 826 (Pa. Cmwlth. 1997).

⁶ 2 Pa. C.S. §§ 504-505. Turner v. Pennsylvania Public Utility Commission, 683 A.2d 942 (Pa. Cmwlth. 1996).

⁷ Callahan v. Pennsylvania State Police, 431 A.2d 946 (Pa. 1981).

⁸ The Coalition has already issued a set of interrogatories to obtain data regarding the Partial Settlement. Answers to these requests have not so far been provided.

is not issued in that time. The time frame should thus be subject to reasonable extensions, as, in fact, has already occurred. Moreover, that same provision also requires "open evidentiary hearings with proper notice and opportunity for all parties to cross-examine witnesses. . . ." (Emphasis added.) Where PECO has, in effect, filed a new plan, fairness and due process require additional time for parties opposing that plan to conduct discovery and provide testimony. Since the Commission could actually start a new nine-month decision period, it is not unreasonable to extend the time by two months. We note that PECO's own originally proposed schedule envisions a possible decision as late as February, 1998.

III. ISSUES ARISING FROM THE PARTIAL SETTLEMENT

It should first be stressed that the Pennsylvania Electric Competition Coalition does not oppose the temporary 10% rate reductions proposed by the Partial Settlement Agreement; but those reductions must come as part of a restructuring that truly allows electric competition in the PECO service territory.

In identifying questions and issues, it must also be noted that since the Pennsylvania Electric Competition Coalition was not made a party to the negotiations, many of the terms and implications of the Partial Settlement Agreement are not immediately clear, nor, in so far as we are aware, are they supported by testimony that has been heretofore submitted in the proceeding. One of the members of the Coalition (Enron) has issued a set of interrogatories regarding the Partial Settlement on September 4, 1997, the answers to which will further aid in identifying and clarifying issues. The ALJs should require that these interrogatories be answered by September 14, 1997, at the latest. The issues presently identified by the Pennsylvania Electric Competition Coalition, subject to the results of discovery, are as follows:

A. General.

The Partial Settlement produces a financial windfall to PECO and restructures PECO's rates and operations in a manner that threatens to leave PECO an unregulated monopoly, dashing the development of a real competitive market in the Philadelphia area and denying customers the benefits of vigorous competition -- even lower rates, better service and innovative products -- that was promised by the Electric Competition Act.

The crucial aspects of the Partial Settlement that produce these anti-competitive effects are:

- a proposed "generation credit" which, on average and for most rate classes, is **below** even the delivered wholesale price for power that is projected for 1999 and well under the level of generation credit that the PUC just established last month in its Electric Competition Pilot Order to be necessary to permit real competition. This means that competitors would have to offer to sell power at rates that are below the likely cost of delivering service to customers just to meet the price that PECO will be permitted to charge to those customers. The obvious result: no competitive alternative will exist for PECO customers for years to come.
- a proposed financial package to PECO which, preliminary analysis indicates, would permit PECO to recover several billion dollars not otherwise available under the Act or the PUC's generic policy determinations, including: an additional three years of stranded cost recovery (after the year 2005); additional CTC recovery as a result of increased electric sales over those used for the 10 year CTC calculation; a failure to flow through fully to customers cost savings from planned securitization of up to \$4 billion in stranded costs (resulting

in "guaranteed" rate reductions that start in October, 1998 at 10% but which then dissipate with PECO's overall rates returning to their present level in 2003); and a provision that allows a rate increase claim for accrued decommissioning costs over and above the amounts already permitted in the total CTC recovery levels. The Partial Settlement Agreement could be revised to produce generation credits that are consistent with the PUC's determinations in the Pilot Order while still permitting PECO to recover its agreed upon \$5.5 billion in stranded cost and still allowing the guaranteed rate decreases proposed in the settlement, with the result that PECO's customers will enjoy the benefits of real competition and the likelihood of even greater savings.

- a provision that permits PECO to sell power to "choose not to choose" customers, default customers and/or customers not able to shop at rates that reflect PECO's view of the "prevailing market" price, without any PUC regulatory review or oversight and without requiring that these "competitive market" sales take place through a licensed supplier subject to adequate cost separation and conduct rules.

- a proposal that would allow PECO to transfer all of its generation assets to an unregulated affiliate at a set price -- \$2.303 billion -- without determining whether an auction or other real-world approach to valuing these assets would produce a greater value and, thus, a lower amount of stranded costs.

- a proposed "transmission and distribution" charge for the next ten years which includes costs clearly related to the sale of electric generation by PECO or its supplier affiliates and which should be included in the generation credit rather than in a non-bypassable rate that must be paid by all customers, even when the customers take advantage of a competitive supplier.

- a failure to resolve issues critical to the development of a fully competitive market in Pennsylvania such as full unbundling of non-wire services (e.g., metering and billing) and the establishment of an effective Code of Conduct, including cost separation rules, to govern the relationship between PECO and its distribution arm and its various supplier affiliates.

Unless these terms are modified in ways that enhance competition, these aspects of the Partial Settlement Agreement can not be said to be consistent with the Electric Competition Act or the public interest. The specific contested factual issues created by the Partial Settlement that the Coalition believes remain and which require on-the-record investigation and hearing are as follows:

1. Is the generation credit proposed by the Partial Settlement supportable and legal, especially in light of its divergence from the pilot generation rate in the earlier years?

2. Is PECO's proposed securitization of \$4 billion proper? Are all the benefits properly flowed through to ratepayers? Are the proposed terms of the securitization consistent with the PUC's determinations in PECO's "QRO" decision?

3. Can the Commission determine the amount of stranded cost recovery and that such amount is adequately supported? Does the Partial Settlement provide adequately for the mitigation of stranded costs during the CTC recovery period? Does the structure of the proposed Competitive Transition Charge recovery in the Partial Settlement result in excessive collection, over the \$5.406 billion agreed-upon level, by:

- (a) being received for 10 rather than 7 years, and is the extension to 10 years supportable?

(b) not being based on projected sales during the years in question, but rather on projected 1999 sales?

(c) being proposed to be recovered without a true-up of actual recovery as apparently required in the *Electric Competition Act*?

4. Is the provision in the Partial Settlement Agreement permitting PECO to seek a rate increase for accrued nuclear decommissioning costs contrary to the rate cap provisions in the *Electric Competition Act*?

5. Is the transfer of all PECO's generating facilities to an affiliate of PECO for \$2.303 billion justified and in the public interest? Should not any such transfer be competitive and not merely based on a percentage of book value of the assets?

6. Are the tax consequences of PECO's agreement to not seek recovery of and to write off at least \$2.0 billion of its assets properly flowed through to benefit ratepayers?

7. Are PECO's proposed transmission and distribution rates excessive? Are they improperly shielded from challenge for an extended period?

8. Does the Partial Settlement contain impermissible cost shifting between classes? Does the Partial Settlement unnecessarily restrict the special provisions relating to CTC responsibility for self-generators? Is the proposed level of CTC responsibility for such self-suppliers too high?

9. Should PECO Energy, as a regulated utility, have the ability to discount its generation sale rates and to establish for "choose not to choose" customers, default customers and/or customers not able to shop, a rate for those sales outside the rate review process of Chapter 13 of the Public Utility Code?

10. Is the provider of last resort provision in the Partial Settlement Agreement fair and just to customers and competitors?

11. Are the terms of the proposed Consumer Education program, and particularly provisions that would permit PECO to establish its own company-specific program controlled by the signatories to the Partial Settlement, consistent with PUC determinations to date, the Electric Competition Act and the public interest?

12. Is the proposed Universal Service Fund "portable" so that low income customers will have the same opportunity to shop for competitive supply as all other customers?

13. Does the proposed Partial Settlement restructure PECO's rates and operations in a manner that provides for enhanced energy conservation and encourages the use of "green" energy alternatives and initiatives such as small, clean, distributed energy?

IV. ISSUES REMAINING FROM ORIGINAL CASE

1. The establishment of a proper Code of Conduct.
2. The unbundling of non-wire services (metering, billing, customer complaints).
3. The form, terms and conditions of a proper electric distribution services tariff and electric generation supplier tariff, including provisions allowing suppliers to function as the agent for customers in the process of establishing or discontinuing electric service and for billing purposes.

V. PROPOSED SCHEDULE

As demonstrated above, in addition to providing the parties procedural opportunities as required by the Administrative Agency Law, those procedural opportunities

provided must be meaningful. If a litigant is not provided the time necessary to prepare its case, any procedural opportunity provided to introduce evidence is meaningless and does not cure legal deficiencies.

The Pennsylvania Electric Competition Coalition has developed the following schedule which it believes provides it an adequate time to prepare its case and cross-examine the witnesses of its opponents, assuming the decision date is extended by 60 days. Moreover, we submit there should be only one set of hearings, after all written testimony is pre-filed, first by PECO (the party with the burden of proof) and the parties supporting the settlement, and thereafter by parties opposing it. The proposed procedural schedule is as follows:

PECO RESTRUCTURING PROPOSED SCHEDULE (Two Month Extension)

September 22, 1997	Testimony in Support of Settlement
October 20, 1997	Testimony in Response/Opposition of Settlement
October 27, 1997	Surrebuttal Testimony on all Issues
Nov. 3-7, 1997	Hearings
December 5, 1997	Main Briefs
December 16, 1997	Reply Briefs
January 16, 1998	Recommended Decision
January 26, 1998	Exceptions
February 2, 1998	Reply Exceptions
February 19, 1998	Polling
March 5, 1998	PUC Order Issued

The above proposed schedule results in a Commission polling and an order on the Partial Settlement and Restructuring Plan within a reasonable time period, and assures full compliance with the due process rights of all parties and with the Electric Competition Act. It also takes account of the fact that many of the same parties are participating in several other major proceedings associated with the Electric Competition Act, including the PP&L, GPU and APS/Duquesne restructuring cases. The ALJs should deem the partial settlement as a new filing under the Act whether or not PECO agrees to such a characterization. PECO decided to request a delay in evidentiary hearings and to submit the Partial Settlement as its proposed restructuring plan under the Electric Competition Act despite its full awareness that non-settling parties, including the Pennsylvania Electric Competition Coalition would be opposed to major aspects of the Partial Settlement. Now it and the Commission have an obligation to accommodate these dissenting parties, and PECO continues to have the obligation to prove fully the reasonableness of every disputed aspect of the Partial Settlement. It is essential that an adequate procedural schedule be established for that purpose.

In the alternative, if the present due date for a Commission decision is maintained, the following schedule is proposed:

PECO RESTRUCTURING PROPOSED SCHEDULE

September 17, 1997	Testimony in Support of Settlement
September 29, 1997	Testimony in Response/Opposition of Settlement
October 8, 1997	Surrebuttal Testimony on all Issues
October 13 - 17, 1997	Hearings

October 29, 1997	Main Briefs
November 5, 1997	Reply Briefs
December 5, 1997	Recommended Decision
December 15, 1997	Exceptions
December 22, 1997	Reply Exceptions
January 8, 1998	Polling
January 22, 1998	PUC Order Issued

VI. WITNESSES

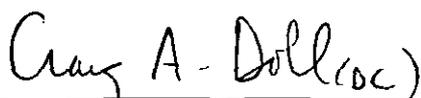
The Coalition intends to present witnesses to submit testimony on the contested issues of fact as set forth above and to support its position on the Partial Settlement consistent

with its right to do. The specific witnesses and/or the subject matter of their testimony cannot be delineated until discovery and the Coalition's investigation is completed.

Respectfully submitted,



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Dated: September 9, 1997

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing documents upon the participants, listed below, in accordance with the requirements of § 1.54 (relating to service by a participant):

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Dated: September 10, 1997

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Assistant General Counsel

September 10, 1997

VIA HAND DELIVERY

James McNulty, Prothonotary
Pennsylvania Public Utility Commission
Room B-20, North Office Building
Harrisburg, PA 17120.

ORIGINAL

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97 SEP 10 PM 3:53
PA.P.U.C.
PROTHONOTARY'S OFFICE

Re: Pa. PUC v. PECO Energy Company, Docket No. R-00973953

Dear Prothonotary McNulty:

Enclosed for filing please find an original and three copies of a Petition of The Joint Signatories to Suspend Consideration of Certain Issues Pending A Commission Determination Of Proper Forum. The Joint Signatories request expedited consideration of this Petition by the Pennsylvania Public Utility Commission, because the request contained in this Petition, if granted, will affect the procedural schedule in PECO Energy Company's restructuring proceeding at the above-referenced docket.

Copies of the Petition are being served, in hand or by first class mail, on all parties of record.

Respectfully submitted,

Ward L. Smith

Ward L. Smith
Counsel for PECO Energy Company

**DOCUMENT
FOLDER**

cc encl: John M. Quain, Chairman
Robert K. Bloom, Vice Chairman
John Hanger, Commissioner
David W. Rolka, Commissioner
Nora Mead Brownell, Commissioner

9/11/97
13

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY
COMMISSION

v.

PECO ENERGY COMPANY

ORIGINAL

DOCKET NO. R-00973953

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PROHIBITORY'S OFFICE

**Petition Of The Joint Signatories
To Suspend Consideration Of Certain Issues
Pending A Commission Determination Of Proper Forum**

Certain parties in PECO Energy Company's restructuring proceeding, hereinafter referred to as the "Joint Signatories¹," recently filed a Joint Petition for Partial Settlement in that proceeding. The purpose of this Petition is to request Commission approval for a procedure for evaluating the issues in the PECO Energy restructuring that are not addressed in the settlement.

1. The Joint Petition for Partial Settlement that has been filed in the PECO Energy restructuring proceeding does not comprehensively address all of the issues that have been raised in that proceeding. The issues that are not addressed in the settlement are designated in Appendix H to that document (a copy of Appendix H is attached to this Petition.)

¹ The Joint Signatories include: Senator Vincent J. Fumo, CEPA, et al., Lance S. Haver, the Office of Trial Staff, the Office of Small Business Advocate, the Philadelphia Area Industrial Energy Users Group, the American Association of Retired Persons, the Department of the Navy, and PECO Energy Company.

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2. The Joint Signatories believe that all of the issues not addressed in the settlement are, in addition to being addressed in the PECO Energy restructuring proceeding, being dealt with in at least one *other forum* before the Commission. These other fora include: (a) litigation in other utilities' restructuring dockets; (b) Commission-sponsored working groups; and (c) rulemakings and proposed rulemakings. Moreover, these issues appear to be generic and of statewide significance, including the question of what code of conduct will apply to local distribution utilities, whether billing and metering will be unbundled as separate competitive services, and what rules will govern alternative generation supplier compliance with bill formats and customer service, as well as other issues related to interactions with suppliers.

3. The Joint Signatories strongly believe this multi-forum approach is not the best use of the resources of either the parties or the Commission. Indeed, some of the Joint Signatories face the possibility of litigating generic issues such as billing and metering in up to eight different utility restructuring proceedings, while at the same time dealing with the issues in several working groups and rulemakings. The Commission's resources would be similarly diffused.

4. The Joint Signatories also believe that, by addressing these generic issues in numerous cases, the Commission is risking a patchwork of different outcomes that would cause confusion and delay the effective implementation of competition in the

Commonwealth. While litigation in individual utility restructuring plans continues to be the appropriate approach for some aspects of the transition to competition, the Commission now has the opportunity to apply the knowledge gained over the months since passage of the Electric Competition Act to identify the generic, statewide issues and address them in the most effective forum.

5. The Joint Signatories recognize, however, that other stakeholders in the transition to competition may hold different views as to whether the issues identified in Appendix H should properly be dealt with in generic, statewide proceedings. If any stakeholders hold such views, they should have the opportunity to present those views to the Commission before the Commission decides whether to treat these issues on a generic, statewide basis. The Joint Signatories are therefore not asking the Commission to declare, at this time, that the issues listed in Appendix H will be resolved through generic statewide proceedings. Rather, the Joint Signatories request that the Commission open a docket (or designate one of the existing dockets) to take comments from all interested parties on whether these issues should be addressed in generic, statewide proceedings, and to suspend consideration of those issues in the PECO Energy restructuring case pending the outcome of that determination.

6. The Joint Signatories' proposal will not prejudice any party. In the PECO Energy restructuring case, the Joint Signatories are submitting a proposed schedule to the Administrative Law Judges that will allow the case on the settlement to progress over

the next weeks, pending Commission resolution of this Petition.² If the Commission then grants this Petition, evaluation of the Joint Petition for Partial Settlement will have progressed during the interim and the stakeholders and the Commission can then deal with the generic issues in the manner and forum prescribed by the Commission. If, however, the Commission denies this Petition and ultimately determines that the issues should be litigated in PECO Energy's restructuring docket, there will still be opportunity to litigate those issues during the remainder of 1997 and early 1998.

Conclusion

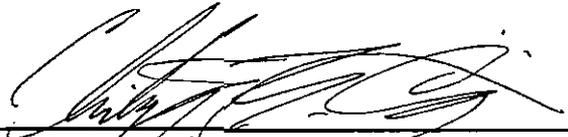
The Joint Signatories therefore respectfully request that this Commission issue an order:

(1) Designating a docket for comments on the question of whether certain issues now being litigated in the restructuring cases of PECO Energy and other utilities should be decided via generic, statewide proceedings.

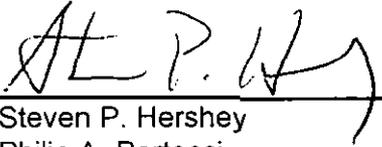
(2) Suspending consideration of those issues designated in Appendix H to the Joint Petition for Partial Settlement as "Issues Not Resolved By Settlement," pending a Commission order in the docket designated in paragraph one.

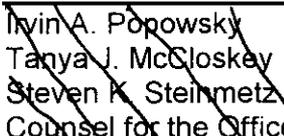
Respectfully submitted,

² The Commission's next scheduled public meetings are on September 12 and October 2, 1997.

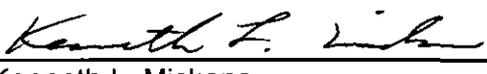

Christopher B. Craig
Counsel for The Honorable Vincent J. Fumo

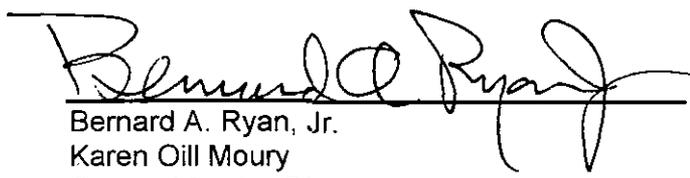

James W. Durham
Paul R. Bonney
Counsel for PECO Energy Company

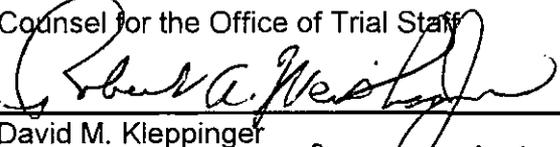

Steven P. Hershey
Philip A. Bertocci
Counsel for CEPA, et al.

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Counsel for the Office of Consumer Advocate~~


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Counsel for the Philadelphia Area Industrial Energy Users Group


Linda C. Smith
Counsel for the American Association of Retired People


Audrey Van Dyke
Counsel for Department of the Navy

<u>Issues Resolved By Settlement</u>	<u>Applicable PECO Testimony</u>	<u>Applicable Intervenor Testimony*</u>
1. Stranded Investment Recovery and Securitization	<ol style="list-style-type: none"> 1. Thomas P. Hill, Jr. Direct and Rebuttal (PECO St. Nos. 1 and 1-R) 2. Alan B. Cohn Direct and Rebuttal (PECO St. Nos. 3 and 3-R) 3. John F. Bustard (PECO St. Nos. 4 and 4-R) 4. Bangalore S. Venkateshwara (PECO St. No. 5) 5. William H. Hieronymous (PECO St. Nos. 6 and 6-R) 6. John Doering, Jr. (PECO St. No. 7) 7. Thomas S. Laugardia (PECO St. Nos. 8 and 8-R) 8. James I. Warren (PECO St. Nos. 9 and 9-R) 9. J. Gregory Sidak (PECO St. No. 10; PECO St. No. 10-R, p. 39 line 17 through p. 64, and all exhibits of PECO St. No. 10-R except pp. 495-534 of Exhibit JGS-1) 10. Joseph F. Brennan (PECO St. Nos. 11 and 11-R) 11. J. Barry Mitchell (PECO St. No. 20-R) 12. Benjamin A. McKnight III (PECO St. No. 19-R) 13. Judah L. Rose (PECO St. No. 22-R) 14. James W. Sharpe (PECO St. No. 23-R) 15. William M. Stout, P.E. (PECO St. No. 24-R) 	<ol style="list-style-type: none"> 1. Kevan L. Deardorff (OTS) 2. Darren D. Gill (OTS) 3. Paul D. Metro (OTS) 4. Charles T. Weakley, III (OTS) 5. Richard La Capra (OCA) 6. Douglas C. Smith (OCA) 7. Thomas S. Catlin (OCA) 8. Brian Kalcic (OSBA) 9. Stephen J. Baron (PAIEUG) 10. Randall J. Falkenberg (PAIEUG) 11. Lane Kollen (PAIEUG) 12. John W. Mayo (Enron - hostage arg. - everything else remains) 13. David Schoengold (Environmentalists) 14. Bruce Biewald (Environmentalists) 15. Peter A. Bradford (Fumo/CEPA) 16. Richard H. Silkman (Fumo/CEPA) 17. Ralph C. Smith (Navy) 18. John B. Legler (Navy) 19. John R. Brehm (IPL) 20. Wilbur G. Lewellen (IPL) 21. Mark N. Cooper (AARP)

<u>Issues Resolved By Settlement</u>	<u>Applicable PECO Testimony</u>	<u>Applicable Intervenor Testimony*</u>
2. CTC/ITC Recovery Method/Recovery from Self-Generators/Reconciliation	1. Stephen R. Xander (PECO St. No. 14, pp. 1-3; 8-14; PECO St. No. 14-R, pp. 13-17)	1. Lee Smith (OCA) 2. Stephen J. Baron (PAIEUG) 3. Nicholas Phillips, Jr. (Navy)
3. Rate Unbundling/Cost of Service/Treatment of Special Contracts	1. Robert A. Clemmer (PECO St. No. 12; PECO St. No. 12-R, pp. 1-16 and all exhibits) 2. William F. Sundermeir (PECO St. No. 13; PECO St. No. 13-R, pp. 1-13) 3. Alfred A. Miller (PECO St. No. 2, pp. 3-6, 13-15; PECO St. No. 2-R, pp. 1-7, 13-16)	1. Lee Smith (OCA) 2. Brian Kalcic (OSBA) 3. Stephen J. Baron (PAIEUG) 4. Michael D. Dirmeier (Enron) 5. Paul D. Reising (Enron) 6. Nicholas Phillips, Jr. (Navy) 7. David M. Boonin (NEV) 8. James L. Crist (Municipal Intervenor Group) 9. Donald E. Johnstone (MAPSA) 10. Mark N. Cooper (AARP)
4. Universal Service/Cost Recovery for Universal Service/Supplier of Last Resort Obligation	1. Stephen R. Xander (PECO St. No. 14, pp. 3-8; PECO St. No. 14-R, pp. 1-13) 2. Marilyn C. Kray (PECO St. Nos. 16 and 16-R) 3. Gregory A. Cucchi (PECO St. No. 15, pp. 54-56)	1. Lee Smith (OCA) 2. Nancy Brockway (OCA) 3. Barbara Alexander (OCA) 4. Raymond W. Bowen, Jr. (Enron) 5. Roger Colton (Environmentalists) 6. Mark N. Cooper (AARP) 7. Stephen J. Baron (PAIEUG)
5. Impact on Community/Economic Development	1. Robert A. Leone (PECO St. No. 18-R)	1. Richard H. Silkman (Senator Fumo, CEPA, etc.)
6. Consumer Education	1. Gwendolyn S. King (PECO St. Nos. 17 and 17-R)	1. Barbara Alexander (OCA) 2. Raymond W. Bowen, Jr. (Enron) 3. Roger Colton (Environmentalists) 4. Mark N. Cooper (AARP)

<u>Issues Not Resolved By Settlement</u>	<u>Applicable PECO Testimony</u>	<u>Applicable Intervenor Testimony</u>
1. Competitive Metering and Billing	<ol style="list-style-type: none"> 1. Gregory A. Cucchi (PECO St. No. 15, pp. 15-26; PECO St. No. 15-R, pp. 2-15) 2. Robert A. Clemmer (PECO St. No. 12-R, pp. 17-18) 3. William F. Sundermeir (PECO St. No. 13-R, pp. 14-15) 	<ol style="list-style-type: none"> 1. Paul Metro (OTS St. No. 1, pp. 23-26) 2. Steven J. Kean (Enron St. 1, pp. 6-7) 3. Malcolm W. Jacobson (Enron St. 4) 4. Raymond J. Bowen, Jr. (Enron St. 5, pp. 1-16) 5. John W. Mayo (Enron St. No. 2, pp. 26-27) 6. Paul D. Reising (Enron St. No. 3, misc. pages re unbundling of metering and billing) 7. Donald E. Johnstone (MAPSA, pp. 25-26) 8. David Boonin (NEV St. No. 1, p. 24) 9. Nancy Day (NEV St. No. 2) 10. Nicholas Phillips, Jr. (Navy, pp. 18-21) 11. Barbara Alexander (OCA)
2. Standards and Code of Conduct	<ol style="list-style-type: none"> 1. Gregory A. Cucchi (PECO St. No. 15, p. 13; PECO St. No. 15-R, pp. 15-23) 	<ol style="list-style-type: none"> 1. Michael D. Dirmeier (Enron St. No. 6) 2. Donald E. Johnstone (MAPSA) 3. Richard H. Silkman (Senator Fumo, CEPA, etc., pp. 16-20) 4. Barbara Alexander (OCA St. No. 5, pp. 42-44) 5. Bruce Edward Biewald (Environmentalists' St. No. 3, pp. 18-23) 6. Mark N. Cooper (AARP, pp. 76-77)

<u>Issues Not Resolved By Settlement</u>	<u>Applicable PECO Testimony</u>	<u>Applicable Intervenor Testimony</u>
3. FERC Jurisdictional Issues and their Impact on PUC Jurisdictional Matters	<ol style="list-style-type: none"> 1. David J. Pratzon (PECO St. 21-R - supplants Alfred A. Miller, PECO St. 2, pp. 6-12 and Gregory A. Cucchi, PECO St. No. 15, pp. 26-31, 33-34) 	<ol style="list-style-type: none"> 1. Lynn Coles (Enron St. No. 7) 2. Paul Reising (Enron St. No. 3.0, pp. 16-20; 26-27) 3. Donald Johnstone (MAPSA) 4. Richard D. Tabors (Enron)
4. Generation and T&D Reliability	<ol style="list-style-type: none"> 1. Gregory A. Cucchi (PECO St. No. 15, pp. 34-50) 2. David J. Pratzon (PECO St. No. 21-R, pp. 21-25) 	<ol style="list-style-type: none"> 1. Lynn Coles (Enron St. No. 7, pp. 14-20) 2. David Schoengold, Environmentalists' St. No. 2, pp. 36-38) 3. Mark N. Cooper (AARP)
5. Environmental Issues	<ol style="list-style-type: none"> 1. David J. Pratzon (PECO St. No. 21-R) 	<ol style="list-style-type: none"> 1. David Schoengold (Environmentalists - ban sales into Pa. if not meet current standards) 2. Bruce Biewald (Environmentalists - comprehensive environmental disclosure statement for suppliers)
6. Compliance with Bill Formats, Customer Service, and Interaction with Supplier Issues	<ol style="list-style-type: none"> 1. Gregory A. Cucchi (PECO St. No. 15) 2. David J. Pratzon (PECO St. No. 21-R) 	<ol style="list-style-type: none"> 1. Barbara Alexander (OCA) 2. Malcolm W. Jacobson (Enron) 3. Raymond W. Bowen, Jr. (Enron) 4. Lynn R. Coles (Enron) 5. Mark N. Cooper (AARP)

Certificate of Service

I hereby certify that I have this day served the foregoing document on the following in the matter of Pennsylvania Public Utility Commission v. PECO Energy Company Pa. PUC Docket No. R-00973953.

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1400 West Spring Garden Street
Philadelphia, PA 19130

Honorable Charles E. Rainey, Jr.
Administrative Law Judge
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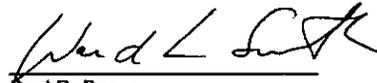
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Pennsylvania Association of Plumbing, Heating, Cooling
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Paul R. Bonney
Assistant General Counsel
PECO Energy Company
2301 Market Street, S23-1
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(215) 841-4252
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Dated: September 10, 1997

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PROTHONOTARY'S OFFICE



PECO ENERGY

Legal Department

DJH

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Assistant General Counsel

September 10, 1997

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VIA HAND DELIVERY

James McNulty, Prothonotary
Pennsylvania Public Utility Commission
Room B-20, North Office Building
Harrisburg, PA 17120

Re: Pa. PUC v. PECO Energy Company, Docket No. R-00973953

Dear Prothonotary McNulty:

Enclosed for filing please find an original and three copies of a Petition of The Joint Signatories to Forego The Use of a Recommended Decision in Evaluating the Joint Petition for Partial Settlement Recently Filed in This Docket. All active parties to these proceedings have been advised of this Petition, and have no objection. The Joint Signatories request expedited consideration of this Petition by the Pennsylvania Public Utility Commission, because the request contained in this Petition, if granted, will affect the procedural schedule in PECO Energy Company's restructuring proceeding at the above-referenced docket.

Copies of the Petition are being served, in hand or by first class mail, on all parties of record.

Respectfully submitted,

Ward L. Smith

Ward L. Smith
Counsel for PECO Energy Company

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PROTHONOTARY'S OFFICE

cc encl: John M. Quain, Chairman
Robert K. Bloom, Vice Chairman
John Hanger, Commissioner
David W. Rolka, Commissioner
Nora Mead Brownell, Commissioner

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

ORIGINAL

PENNSYLVANIA PUBLIC UTILITY
COMMISSION

v.

DOCKET NO. R-00973953

PECO ENERGY COMPANY

**Petition Of The Joint Signatories
To Forego The Use Of A Recommended Decision In Evaluating The Joint
Petition For Partial Settlement Recently Filed In This Docket**

Certain parties in PECO Energy Company's restructuring proceeding, hereinafter referred to as the "Joint Signatories¹," recently filed a Joint Petition for Partial Settlement in that proceeding. The purpose of this Petition is to request Commission approval for a procedure for evaluating the Joint Petition for Partial Settlement.

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NOTARY'S OFFICE

1. Through this Petition, the Joint Signatories request that the Commission forego the use of a Recommended Decision in evaluating the Joint Petition for Partial Settlement. The Joint Signatories propose that the Commission order evidentiary hearings on the settlement – several parties to the PECO Energy restructuring proceeding have already indicated that they desire such hearings – but then have the

¹ The Joint Signatories include: Senator Vincent J. Fumo, CEPA, et al., Lance S. Haver, the Office of Trial Staff, the Office of Consumer Advocate, the Office of Small Business Advocate, the Philadelphia Area Industrial Energy Users Group, the American Association of Retired Persons, the Department of the Navy and PECO Energy Company.

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evidentiary record certified directly to the Commission and have briefs and reply briefs submitted to the Commission, rather than to the Administrative Law Judges. This suggestion would allow full development of an evidentiary record, while at the same time allowing expeditious review of the Joint Petition for Partial Settlement.

2. The Commission has utilized this procedure on several recent occasions, most notably in the pilot program litigation at docket number P-00971170.

3. This procedure for expedited evaluation is both appropriate and needed for this settlement. These extra-statutory concessions could not result from litigation, but can only result from voluntary concessions by PECO Energy as part of the balanced and comprehensive settlement package negotiated by the Joint Signatories. It is therefore necessary for the Joint Signatories to know as soon as possible whether the Commission accepts or rejects this settlement. If the Commission rejects or modifies this settlement, then the extra-statutory concessions in the Partial Settlement will no longer be available, and the Joint Signatories and other parties will need to litigate the outcome of this proceeding. That litigation, which would include full evidentiary hearings on stranded investment issues, unbundling, universal service, customer education and the other issues involved in the Settlement, would also require briefing, a Recommended Decision, exceptions and a Commission decision. That portion of the litigation thus would be expected to last a minimum of 5-6 months. If such litigation is going to occur, that determination must be made as quickly as possible, consistent with due process. Simply, it is essential that the Commission reach a decision as quickly as

possible of whether to accept or reject the settlement. Eliminating use of the Recommended Decision would allow the necessary expeditious evaluation to occur.

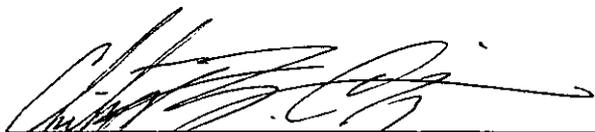
Conclusion

The Joint Signatories therefore respectfully request that this Commission issue an order:

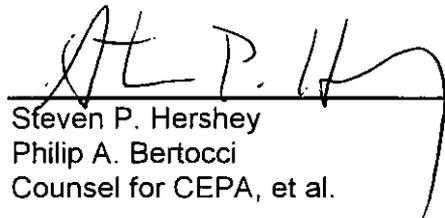
(1) Declaring that evidentiary hearings will be held to determine whether the Joint Petition for Partial Settlement recently submitted in the PECO Energy restructuring proceeding is in the public interest.

(2) That upon conclusion of those evidentiary hearings, the Administrative Law Judges shall certify the record in the proceeding to the Commission, and the parties shall submit briefs and reply briefs on the settlement directly to the Commission, on a schedule to be ordered by the Commission upon certification of the record.

Respectfully submitted,



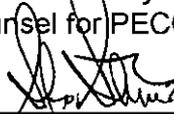
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Certificate of Service

I hereby certify that I have this day served the foregoing document on the following in the matter of Pennsylvania Public Utility Commission v. PECO Energy Company Pa. PUC Docket No. R-00973953.

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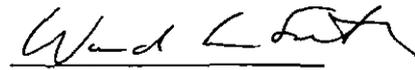
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September 10, 1997

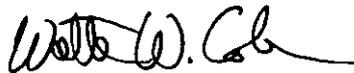
Honorable Marlane R. Chestnut
Honorable Charles E. Rainey, Jr.
Administrative Law Judges
1302 Philadelphia State Office Building
1400 West Spring Garden Street
Philadelphia, PA 19130

Re: **Application of PECO Energy Company for Approval of its Restructuring
Plan under Section 2806 of the Public Utility Code**
Docket No. R-00973953

Dear Judge Chestnut and Judge Rainey:

Attached is Indianapolis Power and Light Company's Prehearing Memorandum and Motion For Admission Pro Hac Vice in the above-captioned matter.

Respectfully,



Walter W. Cohen

WWC/dhs
Enclosure

cc: Certificate of Service

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission

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Docket No.

v.

R-00973953

PECO Energy Company

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**PREHEARING MEMORANDUM OF
INDIANAPOLIS POWER & LIGHT COMPANY**

Pursuant to Prehearing Order #3 dated August 28, 1997, Intervenor Indianapolis Power & Light Company ("IPL") submits this Prehearing Memorandum regarding issues which it intends to address and its position on the procedural schedule for this proceeding.

IPL intends to address three constitutional issues: (a) whether the provisions of the Electricity Generation Customer Choice and Competition Act, 66 Pa. C.S. §§ 2801 *et seq.* (the "Act") providing for stranded cost recovery and securitization are invalid and unconstitutional because they conflict with the Commerce Clause of the Constitution of the United States, *i.e.* U.S. Const., Art. I, § 8, cl. 3; (b) whether granting the application of PECO Energy Company ("PECO"), in whole or in part, to the extent it would allow PECO to recover and securitize so-called "stranded costs" would likewise be invalid and unconstitutional; and (c) whether the stranded cost recovery and securitization provisions of the Act are severable from the remaining provisions of the Act. These constitutional issues include all aspects of PECO's quantification of its stranded costs and PECO's request to recover and securitize those costs. Additionally, IPL

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intends to address the issue of whether PECO's stranded cost recovery and securitization proposals are reasonable and just and in conformity with the Act.

It is impossible for IPL to propose a procedural schedule at this time because neither PECO nor the other parties to the "Joint Petition For Partial Settlement of PECO Energy Company's Proposed Restructuring Plan and Application For A Qualified Rate Order" served on or about August 27, 1997 (the "Contested Partial Settlement") have disclosed to IPL what specific evidence they intend to submit in support of PECO's application and the Contested Partial Settlement. However, IPL will provide what comments on the procedural schedule are possible without this information.

The procedural schedule needs to accommodate (a) incorporation in this proceeding of substantial portions of the evidence of record in Docket No. R-00973877, R-00973877C0001 and R-00973877C0002 (the "securitization proceeding"), including without limitation prepared testimony, exhibits and cross-examination of witnesses and/or (b) cross-examination (which in some cases will be extensive) of virtually all of the witnesses listed in the table contained in Appendix H to the Contested Partial Settlement under "Applicable PECO Testimony" and "Applicable Intervenor Testimony" in the boxes labeled "Issues Resolved By Settlement," Items 1, 2 and 3. In some cases, incorporation of the cross-examination of witnesses who testified in the securitization proceeding may be possible in lieu of substantial new cross-examination of these witnesses. Therefore, the extent to which the record of the securitization

proceeding is incorporated into the record of this proceeding will have a significant effect on the required procedural schedule.

If PECO proposes to offer the testimony of PECO witness Sidak, the procedural schedule should provide for IPL's previously noticed deposition of Mr. Sidak which was postponed pursuant to an agreement with PECO's counsel to accommodate PECO's settlement discussions. If PECO withdraws Mr. Sidak's previously filed testimony, there will be no need for this deposition.

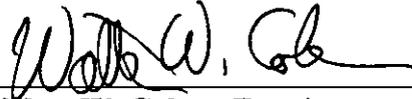
If PECO and the other parties joining in the Contested Partial Settlement do not intend to present the testimony and exhibits of witnesses previously filed by them, the procedural schedule should also allow for the issuance of subpoenas to such witnesses so relevant testimony concerning inconsistent prior testimony submitted on behalf of certain settling parties may be made a part of the record in this proceeding and so these witnesses may be cross-examined on such inconsistencies.

Respectfully submitted,

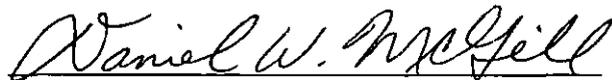
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Date: September 10, 1997

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I hereby certify that I have this 10th day of September, 1997, served a copy of the foregoing documents by U.S. Mail or hand delivery, upon the persons addressed below:

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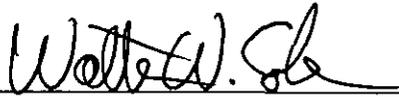
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PENNSYLVANIA PUBLIC UTILITY COMMISSION

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Docket No. SEP 10 1997 RECEIVED

v.

R-00973958 PUBLIC UTILITY COMMISSION
PROTHONOTARY'S OFFICE SEP 10 1997

PECO Energy Company

PA PUBLIC UTILITY COMMISSION
PROTHONOTARY'S OFFICE

**MOTION FOR ADMISSION PRO HAC VICE
OF INTERVENOR INDIANAPOLIS POWER AND LIGHT COMPANY**

Indianapolis Power and Light Company ("IPL"), through its undersigned attorney of record, moves the Pennsylvania Public Utility Commission ("PUC") to allow the admission pro hac vice of attorneys Michael G. Banta and Daniel W. McGill as co-counsel in the above-captioned proceeding and in support thereof states as follows:

1. IPL filed a timely Petition to Intervene in this proceeding, which Petition was granted by the presiding Administrative Law Judges at the first prehearing conference on April 15, 1997 (Tr.12), as noted in Prehearing Order #1 (p. 2).

2. IPL has as its attorney of record in this proceeding the undersigned counsel, Walter W. Cohen, who is a partner in the law firm of Obermayer Rebmann Maxwell and Hippel, LLP and is duly admitted to and in good standing with the bar of the Commonwealth of Pennsylvania (PA Attorney No. 12097).

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3. Michael G. Banta is Vice President and Assistant General Counsel of IPL and is duly admitted to and in good standing with the bar of the State of Indiana (Indiana Attorney No. 4078-49).

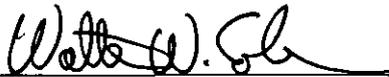
4. Daniel W. McGill is a partner in the law firm of Barnes and Thornburg and is duly admitted to and in good standing with the bar of the State of Indiana (Indiana Attorney No. 9489-49).

5. IPL desires that Mr. Banta and Mr. McGill represent it in this proceeding as co-counsel with Mr. Cohen, who remains as attorney of record.

WHEREFORE, IPL requests an order admitting Mr. Banta and Mr. McGill pro hac vice, pursuant to the requirements of 52 Pa. Code § 1.22 and Pa. B.A.R. 301.

Respectfully submitted,

**OBERMAYER REBMANN MAXWELL &
HIPPEL, LLP**



**Walter W. Cohen, Esquire
Attorney I.D. No. 12097
204 State Street
Harrisburg, PA 17102
(717) 234-9730**

Date: September 10, 1997

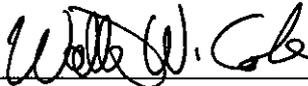
**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	Docket No.
v.	:	
	:	R-00973953
PECO Energy Company	:	

VERIFICATION

I, Walter W. Cohen, hereby state that the facts set forth in the foregoing motion are true and correct to the best of my knowledge, information and belief and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Date: September 10, 1997



Walter W. Cohen



PECO ENERGY

PECO Energy Company
2301 Market Street
PO Box 8699
Philadelphia, PA 19101-8699
215 841 4000

**DOCUMENT
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Direct Dial: 215 841 4252

KJR

September 10, 1997

Via E-Mail and Federal Express

Daniel Clearfield, Esquire
Wolf, Block, Schorr and Solis-Cohen
305 North Front Street, Suite 401
Harrisburg, PA 17101

Re: Application of PECO Energy Company for Approval of its Restructuring
Plan under Section 2806 of the Public Utility Code
Docket No. R-00973953

Dear Daniel:

Enclosed are PECO Energy Company's Answers to Enron's Interrogatories.:

Set VIII: 1 through 44.

Please note that PECO is only one of 11 signatories to the Partial Settlement,
and it is answering these interrogatories only on its own behalf.

Sincerely,

Paul R. Bonney /KFK
Paul Bonney

PRB/mbo

Enclosures

cc: w/enclosures

James McNulty, Acting Prothonotary (Certificate of Service Only)
Craig Doll, Esquire (Counsel for Delmarva)
Joseph A. Dworetzky, Esquire (Counsel for New Energy Ventures)
William T. Hawke, Esquire (Counsel for Mid-Atlantic Power Supply
Association)

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Interrogatory Enron VIII-1

Enron VIII-1 Question:

Provide the following with respect to "Table A" of the Joint Petition for Partial Settlement:

- DOCUMENT FOLDER**
- (a) An explanation of the basis for asserting that each column is in the public interest and consistent with the requirements of the Electricity Competition Act.
 - (b) A calculation showing total revenues to be recovered by PECO on an annual basis from the CTC/ITC, on a nominal and on a present worth basis, using:
 - (1) the level of sales assumed in the "Proof of Revenues" shown in Appendix "C" to the Joint Petition; and
 - (2) PECO's most recent sales forecast covering this period previously produced in this proceeding. Provide the data for both KWH assumptions using the following table:
 - (3) See Attachment "1" for the table.
 - (c) A justification, in replicable detail, of any differences between the total present value stranded cost recovery produced in response to ¶ (b) above and \$5.461 billion. An explanation of the "Energy & Capacity Cap" figures and how they were derived for each year. Specifically, identify any retail market price projections or any other data or evidence that justify these levels of generation/energy credits.
 - (d) An explanation of the "Transmission" and "Distribution" figures and how they were derived for each year. Specifically, identify any data or evidence that justify these levels of transmission and/or distribution charges.
 - (e) For each year of the CTC recovery, please provide the assumed value of generation (to the extent different than the energy and capacity cap), as well as the annual value of generation assumed in the market value study on which your litigation position.
 - (f) Provide the workpapers and other supporting documentation in your possession or control for Table A.

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Enron VIII-1 Answer:

- (a) Refer to Section IV of the settlement and also to the parties statements in support of the settlement.
- (b) The requested data on a nominal basis for part b(1) is provided in Appendix C of the Settlement. As no discount rate has been provided no present value analysis has been performed. In regards to part (2) the Company has not performed such analysis in support of the settlement nor does it have the sales by tariff rate projected out for the period of the settlement that are required to make such calculation. Finally it should be noted that the Company, on a weather corrected basis, has experienced no retail sales growth for the past several years.
- (c) The \$5.461 billion is the Company's \$7.461 billion total stranded cost less the \$2 billion write-off. The CTC rates are the result of negotiations as are the energy and capacity caps. Each party to the Settlement has its own price projections and analysis of the Settlement.
- (d) The transmission and distribution rates are based upon PECO's rebuttal testimony as well as other testimony and negotiations.

Interrogatory Enron VIII-1 (cont.)

- (e) There is no assumed value of generation in the settlement. The value of generation assumed in the Company's litigation position is provided in the rebuttal testimony of Dr. William Hieronymous.
- (f) The data in Table A is based upon negotiations that considered all the signing parties litigation positions.

Responsible Witness: T.P. Hill, Jr.

Interrogatory Enron VIII-2

Enron VIII-2 Question

Provide a comparison of the Transmission, Distribution and CTC/ITC charges and Generation Cap applicable to a "typical" LILR, EER and Rule 4.6 customer pursuant to ¶ 12 of the Joint Petition similar to "Table A of the Joint Petition," compared to PECO's original proposal and the T&D, CTC and Generation Cap charges that will apply to a "typical" Rate HT customer generally. Provide the evidentiary or other justification on which PECO intends to rely to support these provisions of the Partial Settlement.

Enron VIII-2 Answer:

Because of the unique nature of the LILR, EER and Rule 4.6 customer contracts and characteristics there is no "typical" customer. PECO's original and Rebuttal testimony and exhibits provide the charges that would apply to "typical" and all other HT customers.

Responsible Witness: T. P. Hill, Jr.

Interrogatory Enron VIII-3

Enron VIII-3 Question:

With respect to the special provisions applicable to "self generators" or those planning to self-generate:

- (a) provide any projection or estimate of the reduction in CTC/ITC that will result (if any) below the amount otherwise applicable because of :
 - 1) the procedure set forth in Appendix "E"; and
 - 2) the procedure set forth in ¶ 13.
- (b) With respect to any reduction in the level of CTC/ITC recovered from customers covered by ¶ 13 or Appendix "E", are those projected reductions included in the proposed CTC/ITC levels on Table "A" or in any other charge to remaining customers? If so, explain fully.

Enron VIII-3 Answer:

- (a) No such projection or estimate exists since the Company does not know the number of customers or loads that would be affected by the settlement provision.
- (b) No potential reductions in CTC/ITC recovery from affected customers were explicitly incorporated in the CTC/ITC levels on "Table A".

Responsible Witnesses: T. P. Hill, Jr.

Interrogatory Enron VIII-4

Enron VIII-4 Question:

With respect to the market value transfer price of \$2.303 billion proposed in ¶ 16:

- (a) Provide an explanation of, and state the basis for, the market value transfer price proposed.
- (b) Provide any independent valuations available to PECO or otherwise state the basis on which PECO intends to rely in justifying this transfer price to the PUC in support of the Partial Settlement.
- (c) Provide all workpapers and other supporting documents.
- (d) Provide each independent valuation available to PECO.
- (e) Please explain the anticipated terms and conditions of the sale of PECO's generating assets. Provide the documents supporting the basis for the terms and conditions, including, but not limited to, all inquiries, offers of, and documents relating to communications regarding purchase.
- (f) Please state the current book value of the assets associated with the transfer, and provide the supporting accounting entries.

Enron VIII-4 Answer:

- (a) The \$2.303 billion market value is based upon the study supported by Messrs. Thomas P. Hill, Jr. and William H. Hieronymous in their rebuttal testimony.
- (b) Refer to the response to part (a).
- (c) This information was previously provided in interrogatories.
- (d) This information has been provided through the various parties testimony in the case.
- (e) There is no sale of generation assets.
- (f) The book value of the plant assets is provided in Exhibit ABC-1, revised Schedule 1.

Responsible Witness: T. P. Hill, Jr.

Interrogatory Enron VIII-5

Enron VIII-5 Question:

With respect to ¶17 of the Joint Petition:

- (a) Provide an explanation of the basis for the proposed \$5.461 billion of stranded cost recovery.
- (b) What portions of PECO's claim were reduced (if any) in order to produce the proposed \$5.461 billion level?
- (c) Does the language require PECO actually to write off for accounting purposes "at least \$2 billion?"
 - (i) If so, how does it do so?
 - (ii) Please explain in detail the steps PECO will take under the paragraph, including the proposed accounting transactions AND the timing of each.
- (d) Whether or not it is required by the settlement, if PECO is intending to write off an amount for disallowed regulatory assets:
 - (i) How much does PECO intend to write off?
 - (ii) When does PECO intend to make the entry or entries?
 - (iii) Describe the complete accounting transaction, including the accounts that will be affected, the tax effect of the write-off and the effect upon net after-tax income and income per share.
 - (iv) If the tax effect will be recognized in more than one year please provide an analysis for each year affected.
 - (v) If any portion of the transaction has not been finally determined provide PECO's current estimate of each of these elements.
- (e) Please identify the terms and circumstances under which PECO's write-off would differ from \$2.0 billion, and quantify the write-off pursuant to such terms and circumstances.
- (f) Why does PECO allocate all of its \$2 billion write off to regulatory assets?
- (g) How much of the write down will be used to reduce stranded costs?
- (h) Would the tax effect be different if the write off were allocated to all classes of stranded costs pro-rata? To generation assets only? If "yes", how would it differ? Please provide a complete explanation.
 - (i) Please identify, and then provide, each accounting study, memo and/or other writing that addresses the treatment of the items which Paragraph 17 covers.

Enron VIII-5 Answer:

- (a) The \$5.461 billion stranded cost is a negotiated settlement.
- (b) There were no specific disallowances in arriving at the \$2 billion reduction in stranded cost recovery.
- (c) Yes, by the language of the Settlement. Regarding part (ii) of this question, it is still under review.
- (d) The Company intends to write-off \$2 billion at the time the Commission approves the Settlement. The Company is still in the process of determining the appropriate accounting. The after tax write-off is expected to be approximately \$1.2 billion or \$5.40 per share. The tax effect will all be in one year. The Company has no other estimates.
- (e) The Company is unaware of any such circumstances at this time.
- (f) Paragraph 17 of the settlement specifies regulatory assets.

Interrogatory Enron VIII-5(cont.)

- (g) All of the write-off reduces recoverable stranded costs.
- (h) The tax effect is the same regardless of the asset being written-off.
- (i) The referenced work is currently in process but has not been completed.

Responsible Witness: T. P. Hill, Jr.

Interrogatory Enron VIII-6

Enron VIII-6 Question:

With respect to the section 1307(a) sliding-scale rate proposed in ¶20:

- (a) Does the provision concerning financial inability to pay by PECO's generation entity apply, in PECO's opinion, to PECO's ability to recover the amounts described in clauses "i" and "ii" of that paragraph?
- (b) Provide PECO's current estimate of the amount of decommissioning costs covered by this paragraph that will be claimed for inclusion in the section 1307(a) sliding-scale rate (assuming that the requirement that the generation entity cannot pay these amounts is satisfied).
- (c) Does the separate tracking mechanism referenced in ¶20 refer to the section 1307(a) rate mechanism referenced therein?
- (d) Does the tracking mechanism allow PECO to recover past under recoveries of annual decommissioning expense when (or if) it files to establish such a mechanism in 2004? If so, please explain the accounting treatment PECO anticipates for the to-be-claimed amounts.
- (e) Please explain PECO's view of the allocations of burden of proof and the evidence that should be required to support an increase or decrease in PECO's rates under the paragraph.
- (f) What expenses does PECO believe the language of the paragraph covers, and what amounts are presently funded:
 - (i) Disassembly and storage, entombment and/or other activities to address the structures?
 - (ii) Spent fuel storage, transport and/or disposal?
 - (iii) Low level radioactive waste storage, transport and/or disposal?
 - (iv) Other? Please explain.
- (g) To what extent, if at all, does PECO believe that the anticipated section 1307(a) proceedings would properly address the reasonableness of the costs of operating and/or owning the nuclear generation company? Please explain your answer.

Enron VIII-6 Answer:

- (a) The provision only refers to part (ii).
- (b) PECO does not have an estimate.
- (c) Yes.
- (d) Yes. The accounting will remain the same, such that the amount expensed equals the amount approved by the Commission for recovery from customers.
- (e) PECO has the burden of proof. Any request for an increase should be accompanied by any relevant evidence supporting such need including a new decommissioning cost study.
- (f) Refer to the testimony of Thomas LaGuardia (PECO Statement No. 8-R).
- (g) Such issues would only be addressed to the extent they related to the just and reasonableness of the decommissioning cost estimate.

Responsible Witness: T. P. Hill, Jr.

Interrogatory Enron VIII-7

Enron VIII-7 Question:

With respect to ¶¶ 23 and 24 of the Joint Petition, what is PECO's understanding and/or intention regarding the allocation of CAP Rate discounts to the generation charge of an alternative generation supplier, if a CAP Rate customer were to become the customer of an alternative supplier?

Enron VIII-7 Answer:

CAP Rate customers will be given the applicable credit for the generation component directly by PECO, regardless of their energy supplier.

Responsible Witness: T. P. Hill, Jr.

Interrogatory Enron VIII-8

Enron VIII-8 Question:

Provide PECO's present projection of the level of increase to distribution rates that will be necessary annually to recover the total annual CAP Rate costs in excess of \$50 million as set forth in ¶¶ 25 and 26 of the Joint Petition. Provide the sales forecast figures, including compound annual growth rate, upon which your response is based.

Enron XIII-8 Answer:

Paragraphs 25 and 26 will not necessarily result in any increases to distribution rates, and therefore, no such projections have been made.

Responsible Witness: T. P. Hill, Jr.

Interrogatory Enron VIII-9

Enron VIII-9 Question:

With respect to ¶33 of the Joint Petition:

- (a) Please provide PECO's estimate of the "standard market rate" that will apply to "do not choose or cannot choose" customers in each year from 1999 to 2008 on a basis comparable to the "Energy and Capacity" cap figures shown on Table "A". Provide the rates projected on an average basis and for Residential and Rate GS customers.
- (b) Provide PECO's projection or calculation of the total retail cost of delivering power to PECO customers in 1999, 2000 and 2001 (and for any other period available) for PECO on a per kWh basis on average and for Residential and GS customers. Please state the basis for the figure(s) and provide supporting workpapers.
- (c) What division or affiliate of PECO will provide service to "do not choose or cannot choose" customers on the terms set forth in ¶33?

Enron VIII-9 Answer:

- (a) The "standard market rate" that will apply to "do not choose or cannot choose" customers will be at or below the "Energy and Capacity" cap figures shown on Table "A".
- (b) The total retail cost to customers will be the sum of the transmission, distribution and CTC rates provided in Table A plus an Energy and Capacity rate at or below the Energy and Capacity cap figures in Table A.
- (c) This service will be provided by the electric distribution company.

Responsible Witness: T. P. Hill, Jr.

Interrogatory Enron VIII-10

Enron VIII-10 Question:

Provide the same information requested in question 9 (a)-(c), just preceding, for "default" customers returning to PECO after taking service from an alternative supplier.

Enron VIII-10 Answer:

- (a) The "standard market rate" that will apply to "default" customers will be at or below the "Energy and Capacity" cap figures shown on Table "A".
- (b) The total retail cost to "default" customers will be the sum of the transmission, distribution and CTC rates provided in Table A plus an Energy and Capacity rate at or below the Energy and Capacity cap figures in Table A.
- (c) This service will be provided by the electric distribution company.

Responsible Witness: T. P. Hill, Jr.

Interrogatory Enron VIII-11

Enron VIII-11 Question:

Please provide:

- (a) PECO's "total charges" as of the effective date of the Electricity Competition Act as that term is used in §2804(4)(i)(A) of the Act.
- (b) By year, the allowable "total charges" to customers purchasing generation from PECO, as allowed by the Partial Settlement.
- (c) The non-generation charges as of the effective date of the Electricity Competition Act, as that term is used in §2804(4)(i)(B) of the Act.
- (d) By year, the allowable non-generation charges to customers purchasing generation from a supplier other than PECO, exclusive of competitive transition charge and intangible transition charge.
- (e) The Commission-approved "generation component" charged to the customers as of the effective date of Act, pursuant to §2804(4)(ii).
- (f) By year, the allowable generation component to customers who purchase generation from PECO, including the CTC and ITC.

If any of the figures requested in this question are shown on Table A of the Joint Petition please designate the specific line and column at which the figure appears.

Enron VIII-11 Answer:

- (a) Please refer to Exhibit AAM-2.
- (b) Please refer to Table A and Appendices B and C of the Partial Settlement.
- (c) While not unbundled as of the effective date of the Act, the non-generation charges contained in the bundled rates would be identical to those contained in the Settlement as effective 1/1/99.
- (d) Please refer to Appendix C of the Partial Settlement.
- (e) While not unbundled as of the effective date of the Act, the generation component charges contained in the bundled rates would be identical to those contained in the settlement as effective 1/1/99 plus an additional 10% of total revenue.
- (f) Please refer to Appendix C of the Partial Settlement.

Responsible Witness: T. P. Hill, Jr.

Interrogatory Enron VIII-12

Enron VIII-12 Question:

Note (c) to Table A on page 8 of the Partial Settlement indicates that the cap on PECO's T&D rates will be extended until January 1, 2004. Please provide responses to the following:

- (a) Confirmation that the CTC/ITC will be in effect through 12/31/2008. If you cannot confirm this, then what is the last date on which a CTC/ITC will be charged?
- (b) If the CTC/ITC is charged through 12/31/2008, then why doesn't the rate cap on T&D rates extend to that date pursuant to §2804(4)(i)? Please explain.
- (c) A detailed explanation of when the cap on T&D rates would expire, in the Company's view, pursuant to the Electricity Competition Act:
 - (i) in the absence of this Partial Settlement;
 - (ii) subject to or consistent with this Partial Settlement.

Enron VIII-12 Answer:

- (a) PECO confirms that the CTC/ITC will be in effect through 12/31/2008.
- (b) Because of the language of the referenced statutory provision, which provides that the maximum amount of time the T&D rate cap must apply is 54 months from the effective date of the Electricity Competition Act.
- (c)(i and ii) The T&D rate would expire on June 30, 2001 in the absence of the Partial Settlement, and will expire on December 31, 2008 if the Partial Settlement is approved, as per the Electricity Competition Act and the Partial Settlement.

Responsible Witness: T. P. Hill, Jr.

Enron VIII-12 Question:

Note (c) to Table A on page 8 of the Partial Settlement indicates that the cap on PECO's T&D rates will be extended until January 1, 2004. Please provide responses to the following:

- (a) Confirmation that the CTC/ITC will be in effect through 12/31/2008. If you cannot confirm this, then what is the last date on which a CTC/ITC will be charged?
- (b) If the CTC/ITC is charged through 12/31/2008, then why doesn't the rate cap on T&D rates extend to that date pursuant to §2804(4)(i)? Please explain.
- (c) A detailed explanation of when the cap on T&D rates would expire, in the Company's view, pursuant to the Electricity Competition Act:
 - (i) in the absence of this Partial Settlement;
 - (ii) subject to or consistent with this Partial Settlement.

Enron VIII-12 Answer:

- (a) PECO confirms that the CTC/ITC will be in effect through 12/31/2008.
- (b) Because of the language of the referenced statutory provision, which provides that the maximum amount of time the T&D rate cap must apply is 54 months from the effective date of the Electricity Competition Act.
- (c)(i and ii) The T&D rate would expire on June 30, 2001 in the absence of the Partial Settlement, and will expire on December 31, 2008 if the Partial Settlement is approved, as per the Electricity Competition Act and the Partial Settlement.

Responsible Witness: T. P. Hill, Jr.

Interrogatory Enron VIII-13

Enron VIII-13 Question:

Please provide and explain the computations that relate to the CTC or ITC for the indicated items in (a) through (b). For each year please also identify the amount of the change in the present "total bill rate cap" associated with reductions in PECO's revenue requirement resulting from securitization. Provide all workpapers and supporting calculations. The items are:

- (a) in column (3) of Table A on page 8 of the Partial Settlement, PECO's total bundled rates for service on December 31, 1996, and
- (b) the CTC/ITC % decrease column on Table A on page 8 of the Partial Settlement.

Enron VIII-13 Answer:

PECO is unable to respond to this interrogatory, as it is vague and ambiguous, and, therefore, objects to it on those grounds. PECO will respond when and if Enron provides necessary clarification.

Responsible Witness: T. P. Hill, Jr.

Enron VIII-14 Question:

Paragraph 9, page 9 of the Partial Settlement indicates that the Joint Petitioners agree that the rate cap exceptions of §2804(4) of the Electricity Competition Act shall apply to the rates set forth in the Partial Settlement. Please provide:

- (a) A specific identification of which of the rates set forth in the Partial Settlement require application of the rate cap exception(s).
- (b) For each such exception, which of the seven bases for exception, as listed in §2804(4)(iii) of the Electricity Competition Act, applies.
- (c) All bases for concluding that the applicable exception(s), identified in sub-part (b) of this request, applies.
- (d) The "Findings" that the Joint Petitioners believe that the Commission can issue, and the basis therefor, in approving the exceptions to the rate cap as contained in the Partial Settlement.

Enron VIII-14 Answer:

- (a) The rate cap exceptions apply to all of the rates set forth in the Settlement, except that the CTC/ITC values (Column 3 of Rate A) are fixed, on average, at the levels set forth in Table A.
- (b) All bases apply.
- (c) See Competition Act.
- (d) See Competition Act.

Responsible Witness: T. P. Hill, Jr.

Interrogatory Enron VIII-15

Enron VIII-15 Question:

Please provide a version of Table A of the Partial Settlement reflecting:

- (a) all contingencies identified in paragraph 10 of the Partial Settlement;
- (b) each other contingency that PECO believes possible under paragraph 10.

Enron VIII-15 Answer:

Paragraph 10 of the Settlement states what happens to Table A in the event that the Company is legally precluded from securitizing assets.

Responsible Witness: T. P. Hill, Jr.

Interrogatory Enron VIII-16

Enron VIII-16 Question:

Please separate each line item of the "CTC or ITC" column of Table A of page 8 of the Partial Settlement into respective CTC and ITC components.

Enron VIII-16 Answer:

The requested information is not available since the Company has not securitized any assets.

Responsible Witness: T. P. Hill, Jr.

Interrogatory Enron VIII-17

Enron VIII-17 Question:

Page 6 of PECO's statement in support of the Joint Petition states that the Partial Settlement "is intended to preserve PECO's long-term financial integrity. . . ."

- (a) Please provide each document containing:
- (i) financial projections of revenue, expense and cash flow that reflect the effects of the Partial Settlement; and/or
 - (ii) any other data from which PECO concludes that its financial integrity is preserved as a result of the Partial Settlement; and/or
 - (iii) conclusions, recommendations and/or judgments regarding the effects of the Partial Settlement, or of the Commission's refusal to approve it.
- (b) Provide a copy of each document, including memos, reports, minutes, videos, brochures, booklets, and/or transcripts, which reflects communications -- including phone calls, meetings, emails, letters, memos, speeches and/or presentations or other submissions -- to each of the following concerning, in whole or in part, the Partial Settlement in general and/or its effect on PECO's financial position in particular:
- (i) rating agencies, including but not limited to Moody's, S&P, Duff & Phelps, Fitch;
 - (ii) investment analysts, bankers and/or financial consultants;
 - (iii) members or staff of regulatory bodies;
 - (iv) members or staff of the General Assembly or the Pennsylvania Executive or Judicial branches of government;
 - (v) members or staff of local government, including city, borough, and/or county government;
 - (vi) the press, including the financial and/or utility trade press;
 - (vii) contractors, agents, or representatives;
 - (viii) allied or supporting organizations;
 - (ix) PECO employees;
 - (x) the public generally, as through the media or by mail.

Enron VIII-17 Answer:

- (a) PECO objects to this sub-part of this interrogatory on the ground that it calls for confidential documents, prepared in conjunction with settlement, that are protected from disclosure by the attorney-client privilege or the attorney work product rule, and on the ground that they are proprietary and otherwise confidential in nature.
- (b) Attachment Enron VIII-17 provides the requested data.

Responsible Witness: T. P. Hill, Jr.



August 27, 1997: PECO ENERGY, INTERVENORS PROPOSE SETTLEMENT OF MAJOR ISSUES IN RATE RESTRUCTURING CASE - Electric Rates To Be Cut By 10%, or \$330 Million, In 1998; Overall Rate Reductions Believed To Be Largest in Nation

Contact:

Neil McDermott, 215-841-4122

PECO Energy Company and intervenors in its rate restructuring filing with the Pennsylvania Public Utility Commission (PUC) today jointly petitioned the PUC to approve a settlement of major financial issues in the case.

The settlement, if approved by the PUC, would result in an across the board 10 percent retail electric rate reduction in September, 1998, totaling \$330 million annually. The 10 percent reduction would be guaranteed through December 31, 2000. The initial reduction would be followed by additional competitive transition charge (CTC) reductions from January 1, 1999, through December 31, 2008.

The reductions are believed to be the largest to which any electric utility in the country has publicly committed in order to advance the transition to competition.

PECO Energy would also accelerate the transition of all its customers to competition by the year 2000, a year earlier than mandated by the state's Electric Competition Act. Under the agreement, one-third of the Company's customers would choose their electric supplier on January 1, 1999, another third on January 2, 1999, and the final third on January 2, 2000.

The Company would also extend rate cap protections of the Electric Competition Act for several years—until January 1, 2004 for transmission and distribution rates, and until January 1, 2009, for generation rates. In addition, it would also write off at least \$2 billion of stranded assets and costs, transfer generating assets and operations to a separate entity and expand universal service programs.

In return, the intervenors agreed to resolve objections to the Company's restructuring plan and to withdraw challenges to the constitutionality of the Electric Competition Act and to the PUC's order concerning the Company's securitization plan.

In announcing the settlement, Corbin A. McNeill, Jr., PECO Energy chairman, president and CEO, said, "This agreement will result in the largest rate reduction in the Company's history and, we believe, in the nation.

"It will remove major uncertainties for both the company and its shareholders, promote economic development in the Philadelphia region, and allow us to focus on the future rather than on the past. In

short, we believe this is a satisfactory resolution that is fair to the Company's customers and shareholders alike.

I would like to commend all the parties in this agreement for their cooperative effort that helped bring a very complex issue to a satisfactory conclusion," he said.

McNeill cited Senator Vincent Fumo, Lance Haver, of the Consumers Education and Protective Association, Community Legal Services, Office of Consumer Advocate, Office of Small Business Advocate, Philadelphia Area Industrial Energy Users Group, Office of Trial Staff, American Association of Retired Persons, the Department of the Navy, and other intervenors. "I also want to congratulate Governor Ridge, for his foresight," McNeill said, "as well as the coalition-building efforts of John Quain, PUC chairman, and the bi-partisan support of the General Assembly in constructing the Electric Competition Act that set the stage for this precedent-setting settlement and put Pennsylvania and PECO Energy in the forefront of the nation's move to electric competition."

Under the settlement, the Company would be granted \$5.461 billion of its request for recovery of \$7.461 billion in stranded assets and costs, and it would take a one-time writeoff of \$2 billion.

Other key provisions of the settlement agreement include:

--The Company's transmission-distribution utility will serve as the provider of last resort for all retail electric customers in its service territory that do not choose to purchase power from alternative suppliers. The Local Distribution Company will purchase required amounts of energy from the wholesale energy market.

--Transmission and distribution rates will be capped until January 1, 2004, two and a half years longer than provided for in the Electric Competition Act.

--Generation rates will be capped for an additional three years, until January 1, 2009.

--The Company will increase its current Customer Assistance Program (CAP) for eligible, low-income customers from its present level of 40,000 customers to 100,000 customers, keeping program costs at or below \$50 million.

--Effective January 1, 1999, the Company will unbundle its electric rates into distribution charges, transmission charges, intangible transition charges (ITC) and/or competitive transition charges (CTC).

--The Company would be permitted to refinance at lower interest rates (securitize) up to \$4 billion its stranded generation and regulatory assets.

While the proposed settlement addresses all the major financial issues of the restructuring case, some remaining issues raised by intervenors will require further discussions to reach settlement.

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INFOLINE

Wednesday, August 27, 1997

Company, intervenors propose settlement of major rate restructuring issues; electric rates to be cut by 10% in 1998; reductions believed to be largest in nation

PECO Energy and intervenors in its rate restructuring filing with the Pennsylvania Public Utility Commission (PUC) today jointly petitioned the PUC to approve a settlement of major financial issues in the case.

The settlement, if approved by the PUC, would result in an across the board 10 percent retail electric rate reduction in September, 1998, totaling \$330 million annually. The 10 percent reduction would be guaranteed through December 31, 2000. The initial reduction would be followed by additional competitive transition charge (CTC) reductions from January 1, 1999, through December 31, 2008.

The reductions are believed to be the largest to which any electric utility in the country has publicly committed in order to advance the transition to competition.

PECO Energy would also accelerate the transition of all its customers to competition by the year 2000, a year earlier than mandated by the state's Electric Competition Act. Under the agreement, one-third of the Company's customers would choose their electric supplier on January 1, 1999, another third on January 2, 1999, and the final third on January 2, 2000.

The Company would also extend rate cap protections of the Electric Competition Act for several years—until January 1, 2004 for transmission and distribution rates, and until January 1, 2009, for generation rates. In addition, it would also write off at least \$2 billion of stranded assets and costs, transfer generating assets and operations to a separate entity and expand universal service programs.

In return, the intervenors agreed to resolve objections to the Company's restructuring plan and to withdraw challenges to the constitutionality of the Electric Competition Act and to the PUC's order concerning the Company's securitization plan.

In announcing the settlement, Corbin A. McNeill, Jr., PECO Energy chairman, president and CEO, said, "This agreement will result in the largest rate reduction in the Company's history and, we believe, in the nation.

"It will remove major uncertainties for both the company and its shareholders, promote economic development in the Philadelphia region, and allow us to focus on the future rather than on the past. In short, we believe this is a satisfactory resolution that is fair to the Company's customers and shareholders alike.

"I would like to commend all the parties in this agreement for their cooperative effort that helped bring a very complex issue to a satisfactory conclusion," he said.

McNeill cited Senator Vincent Fumo, Lance Haver, of the Consumers Education and Protective Association, Community Legal Services, Office of Consumer Advocate, Office of Small Business Advocate, Philadelphia Area Industrial Energy Users Group, Office of Trial Staff, American Association of Retired Persons, the Department of the Navy, and other intervenors.

"I also want to congratulate Governor Ridge, for his foresight," McNeill said, "as well as the coalition-building efforts of John Quain, PUC chairman, and the bi-partisan support of the General Assembly in constructing the Electric Competition Act that set the stage for this precedent-setting settlement and put Pennsylvania and PECO Energy in the forefront of the nation's move to electric competition."

Under the settlement, the Company would be granted \$5.461 billion of its request for recovery of \$7.461 billion in stranded assets and costs, and it would take a one-time writeoff of \$2 billion.

Other key provisions of the settlement agreement include:

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- The Company would be permitted to refinance at lower interest rates (securitize) up to \$4 billion its stranded generation and regulatory assets.

While the proposed settlement addresses all the major financial issues of the restructuring case, some remaining issues raised by intervenors will require further discussions to reach settlement.

(continued on next page)

INFOLINE

Thursday, August 28, 1997

A chorus of support for Company's consumer settlement

The Company yesterday announced an agreement with intervenors in its restructuring case before the Public Utility Commission, which positions the Company for the competitive electric market. At the news conference, state Sen. Vince Fumo, who had tried to block the Electric Competition Act, called the pact "a landmark settlement." The following are comments made by others in reaction to the settlement:

From Pennsylvania Governor Tom Ridge:

"The PECO-Consumer settlement is another significant step on the road to full retail competition in the Commonwealth...All those who sat around the table, rolled up the sleeves, and produced this agreement should be commended...The PUC should give prompt and expeditious review to this proposed settlement."

From State Sen. Vincent Fumo:

"This is a landmark settlement. The outcome of this case will now be the standard against which other state utility cases will be judged.

We were always mindful that PECO is a Philadelphia employer who has a large number of workers...There's definitely been a change at PECO and we're happy to see that...They've got to go forward. They can't be bogged down in a fight in the gutter in their own territory. We hope they expand because they are a Philadelphia company"

From Consumer Advocate Lance Haver:

"It's the best of all worlds...PECO could have followed in the footsteps of the electric utility in New Hampshire, Public Service, and challenged any PUC decision through the courts for years to come.

It is important for consumers to understand that PECO would have been allowed to collect higher rates while commission orders were challenged in the courts...(This settlement) gives us immediate rate relief, gives us quicker access to competition, and gives us protection if rates are forced up...This is the largest amount any utility in the nation has agreed to write off."

"Marketers will not be happy with this settlement. They will hide behind all types of double talk and misstatements to try and tell the public that this isn't in the public interest.

The truth is, marketers want us to pay more for energy. The more they pay, the more they can make. This settlement says that they can't get away with price gouging and overcharging.

If they want to sell electricity in this market, they have to offer real discounts or no one will buy. That is why they are complaining."

Company Highlights

Much of the news media coverage of yesterday's announcement of a settlement with consumer groups on the Company's restructuring plan focused most attention on the proposed 10% rate cut.

The settlement also includes accelerates the schedule for customer choice, extends the rate cap and other price protections for customers, and provides stranded cost recovery. In addition, the settlement set forth the relationship between the Local Distribution company (LDC) and power generation in the future.

Rather than being "business units," PECO Nuclear and Power Generation Group would become part of a wholly-owned PECO Energy subsidiary, similar to Exelon and Horizon Energy.

The LDC then would be legally and functionally separate in the organizational structure. As such, the LDC will purchase required amounts of energy from the wholesale energy market. In the future, electric output from PECO Nuclear and PGG's fossil and hydro plants must compete on price with the open market.

The specific details and timing of such change are still unknown, pending final PA-PUC approval of the settlement. Mr. McNeill addressed no other organizational or workforce impact from the settlement.

The settlement allows the Company to recover roughly \$5.46 billion of its estimated stranded costs and re-finance up to \$4 billion. As a result, the Company will write off \$2 billion in long-term debt.

Bary Mitchell, vice president, Finance and Treasurer, said the Company is poised to act quickly on securitization once there is a "clean order" – final in all respects without appeals or court challenges.

Attention Diversified Records Users

Effective Tuesday, September 2, Graphics and Document Services will no longer be the contact group for Diversified Record Services. All transactions and billings will be handled directly through Diversified Record Services, the Company's off-site records storage vendor. Diversified Record Services can be contacted at 1-800-458-4710.

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934

Date of Report: August 27, 1997

PECO ENERGY COMPANY
(Exact name of registrant as specified in its charter)

PENNSYLVANIA (State or other jurisdiction of incorporation)	1-1401 (SEC file number)	23-0970240 (IRS Employer Identification Number)
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2301 Market Street, Philadelphia, Pennsylvania (Address of principal executive offices)	19101 (Zip Code)
--	---------------------

Registrant's telephone number, including area code:
(215) 841-4000

Item 5. Other Events

As previously reported in the Company's Current Report on Form 8-K dated August 13, 1997, on that date, the Company and various other parties filed with the Pennsylvania Public Utility Commission (PUC) a Motion for Suspension of the Administrative Schedule in the Company's Restructuring Proceeding. On August 14, 1997, the PUC granted the Motion.

On August 27, 1997, the Company and a group of other parties filed a Joint Petition for Partial Settlement in the Pennsylvania Public Utility Commission (PUC) industry restructuring proceeding. The proceeding, which began April 1, 1997, with the Company's filing of its comprehensive restructuring plan, is pursuant to the Electricity Generation Competition and Customer Choice Act (Competition Act). The settlement, which must be approved by the PUC, includes the following parties: PECO Energy; Senator Vincent J. Fumo; Lance S. Haver; the Consumers Education and Protective Association et al. (CEPA); the Office of Trial Staff (OTS); the Office of Consumer Advocate (OCA); the Office of Small Business Advocate (OSBA); the Philadelphia Area Industrial Energy Users Group (PAIEUG); the American Association of Retired Persons (AARP) and the Department of the Navy.

Key Features of the Joint Petition for Partial Settlement

- Recovery of \$5.46 billion in stranded assets and costs through a Competitive Transition Charge (CTC) or an Intangible Transition Charge (ITC) over a period of 10 years beginning January 1, 1999. The Company will begin to amortize these costs (11-year amortization period) upon approval of the settlement.
- A write-off of at least \$2 billion of stranded costs (approximately \$5.40 per share) in 1997.
- Rate reduction of 10 percent on September 1, 1998.
- Approval to securitize up to \$4 billion of authorized stranded costs.
- Separation of generation by establishment of a separate corporate entity or entities.

- Customer choice phased in for all customers in three steps: one-third of the peak load of each customer class on January 1, 1999, one-third on January 2, 1999 and the remainder on January 2, 2000.

Stranded Cost Recovery

Below is a summary of stranded cost recovery, as requested by the Company in its April 1, 1997 filing; as updated in its July 18, 1997 Rebuttal filing; and as delineated in the settlement agreement.

	April 1, 1997 Restructuring Filing (000)	July 18, 1997 Rebuttal Filing (000)	Settlement (000)
Generation Plant	\$ 6,688,384	\$ 6,787,296 (1)	\$ 6,787,296
Market Value	(2,862,913)	(2,303,000)	(2,303,000)
Stranded Generation Assets	3,825,471	4,484,296	4,484,296
Regulatory Assets (3)	2,589,057	2,589,057	2,589,057
Regulatory Liabilities	(5,319)	(5,319)	(5,319)
Nuclear Decommissioning	236,929	233,827	233,827
Fossil Decommissioning	126,605	126,605	126,605
Other Transition Costs	32,661	32,661	32,661
Disallowance	0	0	(2,000,000) (2)
Total	\$ 6,805,404	\$ 7,461,127	\$ 5,461,127

(1) Adjusted for additional common plant.

(2) Represents \$2 billion of stranded regulatory assets.

(3) Regulatory Assets

Description	(000)
Carrying charges on 50 percent of Limerick common plant not included in ratebase	\$ 175,812
Carrying charges on 50 percent of common plant of Peach Bottom, Salem and Eddystone	17,400
Unamortized loss on reacquired debt	158,311
Nuclear design basis documentation	28,852
Limerick "early window" deferred costs	86,286
Deferred fuel costs	311,468
Deferred SFAS 106 costs	100,580
Deferred SFAS 109 tax expense	1,687,069
Other	23,279
Total Regulatory Assets	\$ 2,589,057

Rate Reductions

The Company commits to guaranteed across-the-board reductions in the retail rates that were effective December 31, 1996. The CTC is not subject to reconciliation or true-up.

Schedule of Average Rates ¢/kWh

Effective Date	Transmission	Distribution	CTC/ITC	Cumulative Rate Decrease(a)	Energy & Capacity Cap	Total Bill Rate Cap(b)	Generation Rate Cap(c)
	(1)	(2)	(3)	(3')	(4)	(5)	(6)
September 1, 1998	N/A	N/A	N/A	N/A	N/A	8.95	N/A
January 1, 1999	0.47	2.64	3.04	10%	2.80	8.95	5.84
January 1, 2000	0.47	2.64	3.04	10%	2.80	8.95	5.84
January 1, 2001	0.47	2.64	3.14	9%	3.20	9.45	6.34
January 1, 2002	0.47	2.64	3.14	9%	3.50	9.75	6.64
January 1, 2003	0.47	2.64	3.14	9%	3.70	9.95	6.84
January 1, 2004	(d)	(d)	2.87	12%	3.97	N/A	6.84
January 1, 2005	(d)	(d)	2.77	13%	4.07	N/A	6.84
January 1, 2006	(d)	(d)	2.57	15%	4.77	N/A	7.34
January 1, 2007	(d)	(d)	2.47	16%	5.37	N/A	7.84
January 1, 2008	(d)	(d)	2.27	18%	5.57	N/A	7.84
(end 12-31-08)	--	--	--	40%	--	--	--

(a) The figures listed in this column present, on average for each year, the percentage decreases relative to the Company's total bundled rates for service on December 31, 1996, reflected in the CTC or ITC.

(b) Total Bill Rate Cap (column 5) = sum of columns (1)+(2)+(3)+(4)

(c) Generation Rate Cap (column 6) = sum of columns (3)+(4). The cap on generation rates will be extended, at higher levels than under the Competition Act, until December 31, 2008.

(d) The cap on the Company's transmission and distribution rates under the Competition Act will be extended until January 1, 2004.

Notes:

- Average figures for CTC/ITC from 1999-2008 in column 3 are fixed.

- Transmission and Distribution average rates will not exceed the sum of the figures in columns 1 and 2.

- Prices for energy and capacity for the Company's generation customers will not, on average, exceed the figures in column 4.
- Total rates for the Company's generation customers will not, on average, exceed the figures in column 5.
- The generation portion of bills for the Company's generation customers will not, on average, exceed the figures in column 6.
- If any legal impediment precludes the Company from securitizing its stranded costs, the average rate caps will be increased by 0.3 cents/kWh and the September 1, 1998 rate reduction will be 7.0 percent. Such legal impediments do not include approvals, if any, required by the Securities and Exchange Commission or the Internal Revenue Service.

Securitization

As part of the settlement, the PUC will issue an irrevocable Qualified Rate Order (QRO) approving the securitization - at the Company's discretion - of up to \$4 billion of recoverable stranded costs. No timing of issuance has yet been determined.

Other Features

- Effective January 1, 1999, the Company will unbundle its rates into distribution charges, transmission charges, ITC and/or CTC, and the market price for energy and capacity.
- Subject to receipt of necessary regulatory approvals, the Company will transfer ownership and operation of its generating facilities to a separate corporate entity. The generating facilities will be valued for transfer purposes at a market value of \$2.303 billion. If such authorizations are not obtained, the Company will separate its generating functions into a separate business unit.
- The generation rate cap provisions of the Competition Act and the settlement apply to those customers who remain generation customers of the distribution utility.

Customers who choose to purchase power from alternative suppliers and later return to purchase power from the Company (the local distribution company) will have the option to receive the Company's generation on a monthly market rate basis (without benefit of the generation rate cap) or on a minimum 12-month contract basis (with benefit of the generation rate cap).

- Until December 31, 2008, the Company will purchase energy and capacity from the Company's generation subsidiary or from other sources for those retail customers who do not choose other suppliers. These customers will be charged market energy prices determined by the Company. These rates and the Company's purchases will not be subject to prudence review, but will be subject to the rate cap.

- To ensure adequate funding levels for nuclear decommissioning, the Company will establish an adjustment clause to capture future increases and decreases in the costs of decommissioning its share of the Limerick, Peach Bottom and Salem plants. The Company's generation entity will contribute \$36.7 million annually to external trust funds. These amounts are in addition to the \$234 million to be collected through the CTC/ITC.

PUC Approval Required

Subject to PUC approval, this is a comprehensive settlement of all stranded investment, asset securitization, customer education, universal service, ratemaking and rate unbundling issues in the Company's restructuring proceeding.

Issues not addressed in the settlement, such as metering, billing, etc., will be considered in the various working groups already formed, litigation among the parties, further settlement discussions, or other forums as determined by the PUC.

The petitioners have asked the PUC to suspend the restructuring proceeding. The administrative law judges must issue a recommendation to the PUC, which must then issue an order approving or not approving the settlement. There is not yet an official timetable for consideration of the settlement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PECO ENERGY COMPANY

s\ J. B. Mitchell
Vice President - Finance
and Treasurer

August 27, 1997

Colarelli, K.A., (Kelly)

From: McArthur, P.A., (Phyllis)
Sent: Tuesday, September 09, 1997 10:13 AM
To: Colarelli, K.A., (Kelly)
Subject: FW: Revision to SBS 97-43
Importance: High

From: Sharkoski, E.M., (Betsy)
Sent: Thursday, August 28, 1997 11:17 AM
To: Cohn, A.B., (Alan); DiDonato, J.R., (Joseph); Frankowski, F., (Frank); Henry, D., (Dorothy); Marinelli, R.J., (Ronald); Miller, A.A., (Al); Pagano, Y.F., (Yolanda); Parker, A.C., (Alfred); Price, J.L., (Jackie); Tuohey, M.J., (Michael); Wade, S.A., (Susan); Walton, M.S., (Mark); Webster, R.G., (Dick); Xander, S.A., (Stephen)
Cc: Dauber, S.L., (Sue); McArthur, P.A., (Phyllis); Rupp, M.F., (Marge); Strickland, C.G., (Christine)
Subject: FW: Revision to SBS 97-43
Importance: High

From: Andrews, L.A., (Lisa)
Sent: Thursday, August 28, 1997 10:29 AM
To: Bunch, R.B., (Ray); Combs, K.K. (Katherine); Cotton, J.B., (John); Cucchi, G.A., (Greg); Doering, J., (John); Dudkin, G.N. (Gregory); Durham, J.W. (Jim); Fetters, D.B., (Drew); Hill, T.P., (Tom); Holland, K.C., (Katherine); Kaschub, W.J., (Bill); King, G.S., (Gwen); Lawrence, K.G., (Ken); Lewis, C.P., (Charlie); MacFarland, W.G. (Walter); Madara, J.M., (John); Matthews, C.A. (Cassandra); McDermott, C.J., (Neil); McElwain, J.P. (John); McNeil, C.A., (Corbin); Mitchell, J.B., (Barry); Mitchell, T.N. (Thomas); Powell, W.E., (Bill); Rainey, G.R., (Jerry); Smith, D.M., (Dick); Smith, W.H. (Bill); Thomas, D.A., (Damian); Weigand, A.J., (Al); Zausner, N.J., (Nancy); Bakey, D.M., (Diana); Bruning, J.L., (Joan); Burke, C.A., (Cheryl); Carpani, E.M., (Eileen); Carter, C.A., (Collette); Clarke, M.C., (Marie); 'Flamer, K.W., (Karen)'; Gant, K.R., (Kathleen); Gleason, D.L. (Dana); Hackenbruch, S.M. (Susan); Jones, K.D. (Karen); Kunigonis, J.M., (Joann); Lafferty, C.A., (Cheryl); Lamb, C.M., (Claire); Lennon, P.A., (Phyllis); Marcus, K.L., (Karen); McNulty, J.M., (Jane); Moran, C.W., (Carlyne); Nendza, E.M., (Elizabeth); Popovic, A., (Alice); Raytik, J.K., (Judy); Sava, R.V. (Rosemarie); Sharkoski, E.M., (Betsy); Wiley, J.L. (Janet); Wilkerson, S.A., (Steven); Wright, M.A., (Margaret); Zagiel, S.J., (Sharon)
Cc: Aruffo-Thomas, Mary L.; Asselta, C.A., (Carol); Blakely, R.L., (Raymond); Chandler, P.E., (Priscilla); Coy, N.R. (Neal); Dellavalle, M.A. (Marie); Evangelist, M.D., (Margaret); Federici, B. (Barbara); Foran, A.M. (Amy); Giles, P., (Pat); Grehl, K.A., (Kimberly); Gust, Geraldine M.; Johnson, N.M., (Nadine); Lobb, J.L., (Jill); Neff, D.M. (Diane); Pope, M.J. (Manley); Razler, L.A., (Linda); Reinhold, R.W., (Robert); Sawicki, C.A., (Carol); Schneider, P.P., (Pete); Suchsiand, B. A. (Beth); Taylor, J.T. (Janet); Walker, M.B., (Mary); Wallin, M.G., (Martha); Wargo, L.A., (Linda); Weltman, S.K. (Steven); Yakonick, J.N., (Janice); Fulmer, C.M. (Caroline); Schweizer, K.R., (Kathleen)
Subject: Revision to SBS 97-43
Importance: High

This SBS was sent out yesterday with the wrong number, 97-43 below is the revised copy.

**Supervisory Briefing Sheet
No. 97-44
"High Priority"
Proposed Rate Restructuring Settlement**

Location: Corporate and Public Affairs
Date: August 27, 1997
To: All Employing Officers, Managers and Supervisory Personnel
From: Gwendolyn S. King, Senior Vice President
Corporate and Public Affairs

Communications Importance

High Priority - Please share this information with all of your direct reports as soon as possible.

Company Schedules News Conference

- The Company, along with intervenors in the rate restructuring case and the PUC, has scheduled a news conference today at 11 a.m. to announce a proposed settlement to its rate restructuring filing.
- The following information is a news release on the proposed settlement, which will be issued today.

News Update

PECO Energy Company and intervenors in its rate restructuring filing with the Pennsylvania Public Utility Commission (PUC) today jointly petitioned the PUC to approve a settlement of major financial issues in the case.

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The reductions are believed to be the largest to which any electric utility in the country has publicly committed in order to advance the transition to competition.

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"It will remove major uncertainties for both the company and its shareholders, promote economic development in the Philadelphia region, and allow us to focus on the future rather than on the past. In short, we believe this is a satisfactory resolution that is fair to the Company's customers and shareholders alike.

I would like to commend all the parties in this agreement for their cooperative effort that helped bring a very complex issue to a satisfactory conclusion," he said.

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- The Company would be permitted to refinance at lower interest rates (securitize) up to \$4 billion its stranded generation and regulatory assets.

Background

- On April 1, 1997 the Company filed a comprehensive restructuring plan with the Pennsylvania Public Utility Commission (PUC) to implement full customer choice of electric generation suppliers.
- The filing, required under the Pennsylvania's customer choice law, includes:
 - procedures for ensuring direct customer access, beginning in 1999, to all licensed electric generation suppliers.
 - separate rates for electric generation, transmission, distribution and transition charges.
 - an initial plan to meet universal service and energy conservation obligations to assist low-income customers.
 - the proposed recovery of \$6.8 billion in stranded costs from customers through transition charges. (These charges will not increase customer bills because they are already being recovered through customer bills in the regulated environment.)
 - a consumer education program to inform customers about competition and the transition to full customer choice.

Questions & Answers

1. *How much would rates be reduced?*

The settlement, if approved by the PUC, would result in an across the board 10 percent retail electric rate reduction in September, 1998, totaling \$330 million, guaranteed through December 31, 2000. It would be the largest rate reduction in the Company's history and possibly in the nation. The initial reduction would be followed by additional competitive transition charge (CTC) reductions from January 1, 1999, through December 31, 2008.

2. *What's a competitive transition charge (CTC)?*

The state's Electric Competition Act provides for the recovery by utilities of some generation related costs that had been approved in the past by the Public Utility Commission, but now may become "stranded," or unrecoverable, in an unregulated utility market. The utilities recover these costs through a competitive transition charge (CTC), which was approved by the PUC, on monthly customer bills.

3. *How does this rate cut compare with rate reductions by other utilities facing competition?*

The reductions contained in the settlement are believed to be the largest to which any electric utility in the country has publicly agreed to in the transition to competition.

4. *Will the settlement affect the transition to electric competition?*

Under the agreement, PECO Energy would accelerate the transition of all its customers to competition by the year 2000, a year earlier than mandated by the state's Electric Competition Act. Under the agreement, one-third of the Company's customers would choose their electric supplier on January 1, 1999,

another third on January 2, 1999, and the final third on January 2, 2000.

5. *What about rate increases for the poles and wires part of the business?*

The settlement extends rate cap protections of the Commonwealth's Electric Competition Act for several years—until January 1, 2004 for transmission and distribution rates.

6. *What else did the Company agree to?*

The Company also agreed to write off at least \$2 billion of stranded assets and costs, to transfer its generating operations and assets to a separate entity and to expand universal service programs.

7. *What is an intervenor? What have they agreed to do under the proposed settlement?*

Intervenors are the individuals and organizations, such as State Senator Vince Fumo, the Consumers Education and Protection Association's Lance Haver and the Office of the Consumer Advocate, who have challenged the Company's restructuring plan. Under the proposed settlement, the intervenors would agree to withdraw objections to the Company's restructuring plan, and to withdraw challenges to the constitutionality of the Electric Competition Act and the PUC's order concerning the Company's securitization plan.

8. *Have all the issues been settled?*

The proposed settlement addresses all the major financial issues involved in the case. However, there are still issues remaining which will require further discussions to reach settlement.

9. *What is the Company's position on the settlement?*

We believe it is a satisfactory resolution for the Company's customers and shareholders alike. It would remove major uncertainties for both the company and its shareholders, promote economic development in the Philadelphia region, and allow us to focus on the future rather than on the past.

10. *What about the dividend?*

The settlement will give PECO Energy the ability to earn at least the current dividend through the transition period. The Company's board of directors will examine the dividend level in October.

11. *What about stranded asset recovery?*

The Company would be granted \$5.461 billion of its request for recovery of \$7.461 billion in stranded generation and regulatory assets, and take a \$2 billion write-off.

12. *Suppose a customer wants to continue to buy electricity from PECO Energy?*

The Company's Local Distribution Company (LDC) will continue to serve retail electric customers in its service territory who choose not to purchase power from alternative suppliers. The LDC will purchase required amounts of energy from the wholesale market.

13. *How about asset securitization?*

The Company would be permitted to refinance at lower interest rates (securitize) up to \$4 billion of its stranded generation and regulatory assets. The savings have already been included in the 10 percent rate decrease. It's like generating additional money by re-mortgaging a home at lower interest rates.

14. *What about low income customers?*

The Company will increase its current Customer Assistance Program (CAP) for eligible, low

income customers from its present level of 40,000 customers to 100,000 customers.

15. What's an "unbundled" bill?

Effective January 1, 1999, the Company will unbundle its electric rates into distribution charges, transmission charges, intangible transition charges (ITC) and/or competitive transition charges (CTC). This means that instead of one major charge appearing on a bill for kilowatt-hours consumed, the bill will contain and explain several different charges, somewhat like a telephone bill.

16. Who can customers contact for more information regarding the proposed settlement and competition?

PECO Energy has established a Customer Choice Education Center (CCEC) to answer customer questions regarding electric competition. The phone number is 1-800-980-9655. Customers can also call the PUC's Bureau of Consumer Services on weekdays between 8 a.m. and 4:30 p.m. at 1-888-782-3228.

What to Do

- Share this information with your employees.
- If your employees have direct contact with PECO Energy customers, please ensure they have a copy of the questions and answers above so they can adequately address customers' concerns.
- Check today's issue of Infoline for a copy of this story.

SEPTEMBER 2, 1997

Published
biweekly for
PECO Energy
Company
employees and
their families

Perspectives

Company, intervenors propose settlement of major issues in rate restructuring case



Yolanda Pagano, Manager of Federal Income Tax, Taxes Division



Sheri Martin, Disability Program Coordinator, Occupational Health & Safety

Electric rates to be cut by 10%, or \$330 Million, in 1998; Overall rate reductions believed to be largest in nation

PECO Energy Company and intervenors in its rate restructuring filing with the Pennsyl-

vania Public Utility Commission (PUC) have jointly petitioned the PUC to approve a settlement of major financial issues in the case.

The settlement, if approved by the PUC, would result in an across the board 10 percent

retail electric rate reduction in September 1998, totaling \$330 million annually. The 10 percent reduction would be guaranteed through December 31, 2000. The initial reduction would be followed by additional competitive transition charge

(CTC) reductions from January 1, 1999, through December 31, 2008.

The reductions are believed to be the largest to which any electric utility in the country has

See **PROPOSE** on page 4

Multicultural Festivals rely on support of Company Volunteers

Girls dancing in traditional native dresses.

German American Festival, held on August

being held on the waterfront from



Company, Intervenor Propose Settlement

Continued from page 1

publicly committed in order to advance the transition to competition. PECO Energy would also accelerate the transition of all its customers to competition by the year 2000, a year earlier than mandated by the state's Electric Competition Act. Under the agreement, one-third of the Company's customers would choose their electric supplier on January 1, 1999, another third on January 2, 1999, and the final third on January 2, 2000. The Company would also extend rate cap protections of the Electric Competition Act for several years—until January 1, 2004 for transmission and distribution rates, and until January 1, 2009, for generation rates. In addition, it would also write off at least \$2 billion of stranded assets and costs, transfer generating assets and operations to a separate entity and expand universal service programs.

In return, the intervenors agreed to resolve objections to the Company's restructuring plan and to withdraw challenges to the constitutionality of the Electric Competition Act and to the PUC's order concerning the Company's securitization plan.

In announcing the settlement, Corbin A. McNeill, Jr., PECO Energy chairman, president and CEO, said, "This agreement will result in the largest rate reduction in the Company's history and, we believe, in the nation. "It will remove major uncertainties for both the company and its shareholders, promote economic development in the Philadelphia region, and allow us to focus on the future rather than on the past. In short, we believe this is a satisfactory resolution that is fair to the Company's customers and shareholders alike. I would like to commend all the parties in this agreement for their cooperative effort that

helped bring a very complex issue to a satisfactory conclusion," he said. McNeill cited Senator Vincent Fumo, Lance Haver of the Consumers Education and Protective Association, Community Legal Services, Office of Consumer Advocate, Office of Small Business Advocate, Philadelphia Area Industrial Energy Users Group, Office of Trial Staff, American Association of Retired Persons, the Department of the Navy, and other intervenors. "I also want to congratulate Governor Ridge for his foresight," McNeill said, "as well as the coalition-building efforts of John Quain, PUC chairman, and the bi-partisan support of the General Assembly in constructing the Electric Competition Act that set the stage for this precedent-setting settlement and put Pennsylvania and PECO Energy in the forefront of the nation's move to electric competition." Under the settlement, the Company would be

granted \$5.461 billion of its request for recovery of \$7.461 billion in stranded assets and costs, and it would take a one-time write off of \$2 billion. Other key provisions of the settlement agreement include:

- The Company's transmission-distribution utility will serve as the provider of last resort for all retail electric customers in its service territory that do not choose to purchase power from alternative suppliers. The Local Distribution Company will purchase required amounts of energy from the wholesale energy market.
 - Transmission and distribution rates will be capped until January 1, 2004, two and a half years longer than provided for in the Electric Competition Act.
 - Generation rates will be capped for an additional three years, until January 1, 2009.
 - The Company will increase its current Customer Assistance Program (CAP) for eligible, low-income customers from its present level of 40,000 customers to 100,000 customers, keeping program costs at or below \$50 million.
 - Effective January 1, 1999, the Company will unbundle its electric rates into distribution charges, transmission charges, intangible transition charges (ITC) and/or competitive transition charges (CTC).
 - The Company would be permitted to refinance at lower interest rates (securitize) up to \$4 billion of its stranded generation and regulatory assets.
- While the proposed settlement addresses all the major financial issues of the restructuring case, some remaining issues raised by intervenors will require further discussions to reach settlement.



Corbin McNeill

What's being said about the restructuring settlement?

After last week's settlement...

Com...



PECO ENERGY

PECO Energy Company
Media & Public Relations
301 Market Street
P.O. Box 8699
Philadelphia, PA 19101-8699
215 841 5555

News Release

FOR IMMEDIATE RELEASE

August 27, 1997

CONTACT

Neil McDermott, 215-841-4122

**PECO ENERGY, INTERVENORS PROPOSE SETTLEMENT
OF MAJOR ISSUES IN RATE RESTRUCTURING CASE**

**Electric Rates To Be Cut By 10%, or \$330 Million, In 1998;
Overall Rate Reductions Believed To Be Largest in Nation**

PECO Energy Company and intervenors in its rate restructuring filing with the Pennsylvania Public Utility Commission (PUC) today jointly petitioned the PUC to approve a settlement of major financial issues in the case.

The settlement, if approved by the PUC, would result in an across the board 10 percent retail electric rate reduction in September, 1998, totaling \$330 million annually. The 10 percent reduction would be guaranteed through December 31, 2000. The initial reduction would be followed by additional competitive transition charge (CTC) reductions from January 1, 1999, through December 31, 2008.

The reductions are believed to be the largest to which any electric utility in the country has publicly committed in order to advance the transition to competition.

PECO Energy would also accelerate the transition of all its customers to competition by the year 2000, a year earlier than mandated by the state's Electric Competition Act. Under the agreement, one-third of the Company's customers would choose their electric supplier on January 1, 1999, another third on January 2, 1999, and the final third on January 2, 2000.

The Company would also extend rate cap protections of the Electric Competition Act for several years—until January 1, 2004 for transmission and distribution rates, and until January 1, 2009, for generation rates. In addition, it would also write off at least \$2 billion of stranded assets and costs, transfer generating assets and operations to a separate entity and expand universal service programs.

(more)

PECO ENERGY COMPANY
Highlights as of June 30, 1997

PECO Energy Company and its predecessor companies have been meeting the energy needs of the community since 1881. The Company is an operating utility providing electric and gas service in southeastern Pennsylvania.

Area Served 2,107 square miles
 Population 3,638,000
 Employees 7,327

Stock Information

Owners of Common Stock 170,343
 Shares of Common Stock (Thousands)
 Average During Quarter 222,542
 At End of Quarter 222,542
 Earnings per Share of Common Stock (Quarter) \$0.53
 Earnings per Share of Common Stock (12 months ended June 30, 1997) \$2.18
 Annual Dividend Rate per Share \$1.80
 Owners of Preferred Stock 4,112

Gross Plant Investment \$16.2 billion

Electric Operations (12 months ended June 30, 1997)

Total Generating Capacity (Summer Rating) 9,201 megawatts
 Sales 56.3 million megawatthours
 Operating Revenue \$3,879,673,000
 All Time Peak (July 16, 1997) 7,390 megawatts
 Residential Customers (including House Heating) 1,328,508
 Commercial & Industrial Customers 147,538
 Total Electric Customers 1,476,046
 Average Annual Electricity Use by:
 Residential Customers 6,614 kilowatthours
 House Heating Customers 16,420 kilowatthours

Gas Operations (12 months ended June 30, 1997)

Sales 55.0 billion cubic feet
 Transported For Others 30.7 billion cubic feet
 Operating Revenue \$439,881,000
 All Time Peak (January 19, 1994) 618.0 million cubic feet
 Residential Customers (including House Heating) 363,484
 Commercial & Industrial Customers 34,409
 Total Gas Customers 397,893

Construction Program

Estimated capital expenditures for 1997 \$560 million
 Estimated capital expenditures for 1998 through 2000 \$1.2 billion

Chairman of the Board, President and Chief Executive Officer: Corbin A. McNeill, Jr.

ADD ONE: PECO ENERGY, INTERVENORS PROPOSE SETTLEMENT

In return, the intervenors agreed to resolve objections to the Company's restructuring plan and to withdraw challenges to the constitutionality of the Electric Competition Act and to the PUC's order concerning the Company's securitization plan.

In announcing the settlement, Corbin A. McNeill, Jr., PECO Energy chairman, president and CEO, said, "This agreement will result in the largest rate reduction in the Company's history and, we believe, in the nation.

"It will remove major uncertainties for both the company and its shareholders, promote economic development in the Philadelphia region, and allow us to focus on the future rather than on the past. In short, we believe this is a satisfactory resolution that is fair to the Company's customers and shareholders alike.

I would like to commend all the parties in this agreement for their cooperative effort that helped bring a very complex issue to a satisfactory conclusion," he said.

McNeill cited Senator Vincent Fumo, Lance Haver, of the Consumers Education and Protective Association, Community Legal Services, Office of Consumer Advocate, Office of Small Business Advocate, Philadelphia Area Industrial Energy Users Group, Office of Trial Staff, American Association of Retired Persons, the Department of the Navy, and other intervenors.

"I also want to congratulate Governor Ridge, for his foresight," McNeill said, "as well as the coalition-building efforts of John Quain, PUC chairman, and the bipartisan support of the General Assembly in constructing the Electric Competition Act that set the stage for this precedent-setting settlement and put Pennsylvania and PECO Energy in the forefront of the nation's move to electric competition."

Under the settlement, the Company would be granted \$5.461 billion of its *request for recovery of \$7.461 billion in stranded assets and costs, and it would take a one-time writeoff of \$2 billion.*

Other key provisions of the settlement agreement include:

--The Company's transmission-distribution utility will serve as the provider of last resort for all retail electric customers in its service territory that do not choose to purchase power from alternative suppliers. The Local Distribution Company will purchase required amounts of energy from the wholesale energy market.

(more)

ADD TWO: PECO ENERGY, INTERVENORS PROPOSE SETTLEMENT

--Transmission and distribution rates will be capped until January 1, 2004, two and a half years longer than provided for in the Electric Competition Act.

--Generation rates will be capped for an additional three years, until January 1, 2009.

--The Company will increase its current Customer Assistance Program (CAP) for eligible, low-income customers from its present level of 40,000 customers to 100,000 customers, keeping program costs at or below \$50 million.

--Effective January 1, 1999, the Company will unbundle its electric rates into distribution charges, transmission charges, intangible transition charges (ITC) and/or competitive transition charges (CTC).

--The Company would be permitted to refinance at lower interest rates (securitize) up to \$4 billion its stranded generation and regulatory assets.

While the proposed settlement addresses all the major financial issues of the restructuring case, some remaining issues raised by intervenors will require further discussions to reach settlement.

###

Interrogatory Enron VIII-18

Enron VIII-18 Question:

With respect to PECO's support for the Joint Petition:

- (a) Please provide all underlying assumptions and workpapers which will be relied upon by PECO in supporting the Joint Petition for Partial Settlement.
- (b) List the witnesses that PECO intends to present in support of the settlement and the *subject matter of each testimony.*

Enron VIII-18-Answer:

- (a) PECO will rely on the Settlement Agreement, the statements in support of the settlement, and any other evidence provided in response to parties opposing the settlement.
- (b) The witness(es) that will be presented depend upon the testimony of parties opposing the settlement.

Responsible Witness: T. P. Hill, Jr.

Enron VIII-18 Question:

With respect to PECO's support for the Joint Petition:

- (a) Please provide all underlying assumptions and workpapers which will be relied upon by PECO in supporting the Joint Petition for Partial Settlement.
- (b) List the witnesses that PECO intends to present in support of the settlement and the subject matter of each testimony.

Enron VIII-18-Answer:

- (a) PECO will rely on the Settlement Agreement, the statements in support of the settlement, portions of its direct and rebuttal testimony to be designated on September 17, 1997 and such other evidence as it will provide in its response to parties opposing the settlement.
- (b) The witness(es) that will be presented depend upon the testimony of parties opposing the settlement.

Responsible Witness: T. P. Hill, Jr.

Interrogatory Enron VIII-19

Enron VIII-19 Question:

Please provide each document -- including memos, reports, minutes, videos, brochures, booklets, and/or transcripts -- concerning the Partial Settlement in general, and/or its effect on PECO's financial position in particular, which reflects presentations and/or other communications by PECO employees, PECO agents and/or contractors to:

- (a) all of the PECO Board of Directors;
- (b) a portion, or any member, of the PECO Board of Directors;
- (c) any committee or other group authorized by the PECO Board of Directors.

Enron VIII-19 Answer:

(a,b and c) PECO objects to this sub-part of this interrogatory on the ground that it calls for confidential documents, prepared in conjunction with settlement, that are protected from disclosure by the attorney-client privilege or the attorney work product rule, and on the ground that they are proprietary and otherwise confidential in nature. In addition, information provided to the Board of Directors is highly confidential and business proprietary and is not being provided.

Responsible Witness: T. P. Hill, Jr.

Interrogatory Enron VIII-20

Enron VIII-20 Question:

Regarding the discount rate(s) used in your litigation position:

- (a) Please state the discount rate(s).
- (b) Explain how it is calculated. Provide the workpapers and/or supporting documents.
- (c) Explain the source(s) for the rate's components.
- (d) State where in the litigation position's calculations PECO uses the rates.
- (e) Identify the witness or witnesses who can explain and justify the rate.

Enron VIII-20 Answer:

- (a) Cost of capital is 10.35% and the cost of capital (after tax) is 8.71%.
- (b) Refer to PECO Statement No. 11-R and the supporting schedules.
- (c) See response to part (b).
- (d) The discount rate is primarily used in the market value calculation provided in the direct and rebuttal testimony of Mr. Thomas P. Hill, Jr. (PECO Statement Nos. 1, 1-R.)
- (e) Refer to the response to part (b).

Responsible Witness: T. P. Hill, Jr.

Interrogatory Enron VIII-21

Enron VIII-21 Question:

Under the proposed settlement, the difference in the generation cap between classes HT and R grows from 0.44 cents/kWh in 1999 to 1.79 cents/kWh in 2008. What market forces justify these spreads? Please provide the documents which support your answer.

Enron VIII-21 Answer:

The generation cap was negotiated and is based on a compromise of the positions of the signatories.

Responsible Witness: T. P. Hill, Jr.

Interrogatory Enron VIII-22

Enron VIII-22 Question:

Please provide your litigation position regarding the mitigation of stranded costs.

Enron VIII-22 Answer:

Refer to the direct and rebuttal testimony of Thomas P. Hill, Jr. (PECO Statements No. 1, 1-R).

Responsible Witness: T. P. Hill, Jr.

Interrogatory Enron VIII-23

Enron VIII-23 Question:

At paragraph 11 of the Partial Settlement, reconciliation of the CTC is eliminated.

- (a) Please explain how this is permitted under section 2808(F) of the Act.
- (b) What is the quantitative effect on potential stranded cost recovery, given PECO's sales projections for the relevant period? Provide the documents in PECO's possession and/or control which address this question.

Enron VIII-23 Answer:

- (a) The reconciliation is not eliminated. Any value or risk associated with reconciliation has been reflected in the settlement rate structures.
- (b) Refer to the response to Enron 3-1(b).

Responsible Witness: T. P. Hill, Jr.

Enron VIII-24 Question:

Please provide a comparison for each rate class for each year between the present rates and rate modifications (both guaranteed savings and energy credits) offered in the:

- (a) pilot as PECO most recently proposed it;
- (b) pilot as approved in the Commission's August 29 order (per PUC meeting of August 21);
- (c) in the Partial Settlement.

Enron VIII-24 Answer:

(a, b and c) The rate structures proposed and the years covered in present rates, in the pilot program and during the settlement period are different. However, the energy and capacity prices used in the settlement are fully consistent with the levels contained in the Commission's pilot order.

Responsible Witness: T. P. Hill, Jr.

Enron VIII-25 Question:

Please estimate the regulatory asset that may be created through the pilot. Provide all calculations.

Enron VIII-25 Answer:

If the settlement is approved as filed, the Company would not seek recovery of a regulatory asset for the pilot.

Responsible Witness: T. P. Hill, Jr.

Interrogatory Enron VIII-26

Enron VIII-26 Question:

Please provide a calculation supporting the 3 percentage point decrease in rate reductions if securitization is barred per paragraph 10. Please include the assumptions used for the calculation. Provide each document in PECO's possession or control addressing, in whole or in part, the 3% decrease factor.

Enron VIII-26 Question:

The 3% decrease is a negotiated figure. The Company testimony in the securitization case (R-973877) generally supports a 3% savings from asset securitization.

Responsible Witness: T. P. Hill, Jr.

Interrogatory Enron VIII-27

Enron VIII-27 Question:

Please provide a replacement for Table A assuming that securitization is barred according to the provisions of paragraph 10.

Enron VIII-27 Answer:

Please refer to Enron VIII-15.

Responsible Witness: T. P. Hill, Jr.

Interrogatory Enron VIII-28

Enron VIII-28 Question:

Please explain what happens to the rates set forth in Table A if the FERC approves transmission rates:

- (a) higher than those set forth; or
- (b) lower than those set forth in Table A.

Enron VIII-28 Answer:

(a and b) The settlement does not specifically address what happens in such circumstances.

Responsible Witness: T. P. Hill, Jr.

Interrogatory Enron VIII-29

Enron VIII-29 Question:

Assuming approval and implementation of the Partial Settlement, under what circumstances does PECO believe it can request rate increases to produce rates and/or charges in excess of:

- (a) the rate caps set forth in Table A, column 5; and/or
- (b) the rate caps discussed in section 2804 of the Act?

Enron VIII-29 Answer:

- (a) Under the circumstances set forth in the Act regarding rate cap exceptions and also as set forth in paragraph 26 of the Settlement.
- (b) Under the language provided in the Act.

Responsible Witness: T. P. Hill, Jr.

Interrogatory Enron VIII-30

Enron VIII-30 Question:

Why does the Partial Settlement's prohibition of PECO charging customers a higher rate through its monopoly than its competitive operations only apply to residential customers? Please explain the entire rationale for such a restriction.

Enron VIII-30 Answer:

This provision was the result of negotiations with the parties to the Settlement that PECO accepted at the request of consumer advocates.

Responsible Witness: T. P. Hill, Jr.

Interrogatory Enron VIII-31

Enron VIII-31 Question:

What limitations if any apply to how PECO will establish the "standard offer" rate for each year? Does PECO have a prescribed methodology for setting the generation rate?

Enron VIII-31 Answer:

The limitations are the rate cap and any other limitations set forth in the Settlement. There is not a prescribed methodology other than prices which will be determined on a market basis.

Responsible Witness: T. P. Hill, Jr.

Interrogatory Enron VIII-32

Enron VIII-32 Question:

As long as PECO is within the cap established for each tariff, is there anything in the settlement which prohibits PECO from setting one class of customers' rates at the cap and another's below the cap? Please explain your answer.

Enron VIII-32 Answer:

No. According to the Settlement, it is a market rate. The market rates for each class may vary.

Responsible Witness: T. P. Hill, Jr.

Interrogatory Enron VIII-33

Enron VIII-33 Question:

At paragraph 33:

- (a) PECO is freed from prudence review or cost regulation on the generation rates it charges to its retail customers, correct?
- (b) Please explain in detail how PECO intends to set this rate.
- (c) To what extent does PECO intend to simply set a rate at or below the cap, irrespective of the wholesale market price of the generation it buys?

Enron VIII-33 Answer:

- (a) See Paragraph 33 of the Partial Settlement itself, which completely answers this question.
- (b) PECO's business units will price energy and capacity in accordance with the terms and conditions of the Partial Settlement and in a manner that reflects market conditions, as will any other competitive supplier.
- (c) See response to 33(b).

Responsible Witness: T. P. Hill, Jr.

Interrogatory Enron VIII-34

Enron VIII-34 Question:

PECO has volunteered to cut certain rates under this Partial Settlement.

- (a) Please list the rates it intends to cut.
- (b) Please list the base rate cuts which PECO's voluntarily has undertaken since 1976. Please include the implementing orders by docket number and date.
- (c) Please [list?]each of PECO's proposed rate increases for the same period. Please include the filing dates, and the dates of the related orders.

Enron VIII-34 Answer:

- (a) All rates as specified in Appendix B and Appendix C to the Settlement have been reduced.
- (b) There were none.
- (c) PECO's rate increases are a matter of public record.

Responsible Witness: T. P. Hill, Jr.

Interrogatory Enron VIII-35

Enron VIII-35 Question:

Please identify and explain the other \$8 million in Transition Costs listed in the Settlement Agreement?

Enron VIII-35 Answer:

The \$8 million is the estimated cost to litigate and/or resolve the securitization and restructuring cases.

Responsible Witness: T. P. Hill, Jr.

Interrogatory Enron VIII-36

Enron VIII-36 Question:

Appendix E and paragraph 13 on self-generation for commercial and industrial customers, with the 4 MW proviso:

- (a) How did PECO develop Appendix E?
- (b) How were the standards set?
- (c) Who will it be applicable to? Please specify by tariff and by description of class and subclass.
- (d) Why is the proviso to the general rule of paragraph 13 limited to 4 megawatts?
- (e) Does PECO know of any entity that already does, or expects to, self generate under this provision? Please identify each such entity and whether PECO classifies it industrial or commercial.

Enron VIII-36 Answer:

- (a) Appendix E was developed in the Company's original restructuring filing to be responsive to the CTC/ITC recovery provisions contained in the Competition Act.
- (b) The standards embodied in Appendix E and paragraph 13 of the Partial Settlement agreement were the result of negotiations.
- (c) The provisions are applicable to industrial (HT and PD) and commercial (GS) classes.
- (d) The four megawatt proviso was determined by negotiation.
- (e) No.

Responsible Witness: T. P. Hill, Jr.

Interrogatory Enron VIII-37

Enron VIII-37 Question:

Regarding the Large Interruptible Load Rider ("LILR") (paragraph 12) and Appendix E:

- (a) Will the LILR be open to new customers? If not, why not?
- (b) To what extent will new customers be limited by, or otherwise subject to, Appendix E?
- (c) Please describe the procedures that will be used for load interruptions for customers subject to the Rider. Please provide the documents supporting your answer.

Enron VIII-37 Answer:

- (a) No, the Commission froze the availability of the LILR as a result of the Commission's proceeding at Docket No. R-00943281.
- (b) N/A.
- (c) PECO will follow the same procedures it has followed since the inception of the LILR's predecessor in 1984. Written procedures are attached.

Responsible Witness: T. P. Hill, Jr.

**PECO ENERGY COMPANY
BULK POWER ENTERPRISES - SYSTEM OPERATION**

EMERGENCY PROCEDURE No. 2-31

July 1, 1996

**PROCEDURES FOR LOAD CONTROL DURING EMERGENCIES
(SUPERSEDES PROCEDURES DATED Aug. 25, 1995)**

REFERENCE: Pennsylvania Public Utility Commission Emergency Electric Regulation Docket No. 2 Order Dated April 3, 1973

INTRODUCTION:

PECO Energy Company, as a member of the Pennsylvania - New Jersey - Maryland Interconnection Association (PJM IA), follows practices, as agreed upon by 11 systems, during emergencies. PJM IA operates as one system with coordinated dispatching of generation and coordinated monitoring of transmission. Emergency procedures are instituted on a PJM IA basis and each member system provides its allocated share of the load relief required.

Power system disturbances are most likely to occur as the result of loss of generating equipment or transmission facilities or as a result of unexpected load changes. These disturbances may affect the operation of PJM IA and result in critically loaded transmission facilities, critically low frequency, or both. Since the exact conditions surrounding any system disturbance are impossible to predict, the following Emergency Procedure sets forth the general order of system alert and emergency procedures to be followed in case of reserve shortage or system disturbance. Adjustments may have to be made to this order and to these emergency procedures based on the judgment of the Power System Director and the known conditions.

Under certain operating conditions, it may be necessary to curtail or to interrupt customer load. In view of the coordinated planning and coordinated operating policies and practices of PJM IA, the Interconnection Association Dispatcher will request the systems to curtail or interrupt customer load to meet their obligation to the total requirement of the PJM IA area.

It is the policy of PJM IA to operate so that there will be no cascading loss of transmission facilities. Whenever line loadings exceed emergency ratings because of capacity shortage or equipment breakdowns and cannot be relieved by other means, or when a further contingency will result in line loadings that are in excess of known transient stability limits or could otherwise cause a major interruption to customer load, emergency action will be taken to reduce load in the affected area.

In the case of PJM IA's inter-area transmission lines, maximum reasonable assistance will be given to adjacent systems in case of a system disturbance external to PJM IA. However, when such disturbance is endangering PJM IA equipment, or unduly impairing or jeopardizing the reliable operation of PJM IA, steps will be taken to obtain immediate relief.

It is the policy of PJM IA to operate so as to avoid contributing, to the extent possible, to atmospheric pollution episodes. Whenever such conditions occur, generation on fossil fuel burning equipment will be reduced as much as possible, to the extent of taking an interconnection-wide voltage reduction, if necessary.

Procedures for load control for generating capacity shortages, equipment breakdowns or atmospheric pollution conditions.

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ALERTING PROCEDURES FOR RESERVE SHORTAGE PERIODS

The intent of "Alerting Procedures for Reserve Shortage Periods" is to keep all affected system personnel aware of the forecast status of the PJM Interconnection Association.

I. MAXIMUM EMERGENCY GENERATION ALERT (Note: Readiness Level 1)

A. Issued by PJM IA to the member companies when Maximum Emergency Generation is called into the operating capacity.

B. Action

1. Notify Director of System Operation
2. Review maintenance and testing on generating or transmission facilities affecting load-carrying ability to determine if it should be postponed or canceled to safeguard operation.
3. Report to the PJM IA any and all fuel limited facilities as they occur and update the PJM IA as appropriate.
4. Suspend any high risk testing of generating or transmission equipment.

II. PRIMARY RESERVE ALERT (Note: Readiness Level 1)

A. Issued by PJM IA to the companies when estimated operating reserve capacity is less than the forecast primary reserve requirement.

B. Action

1. Notify: Director of System Operation
2. Review maintenance and testing on generating or transmission facilities affecting load-carrying ability to determine if it should be postponed or canceled to safeguard operation.

III. VOLTAGE REDUCTION ALERT (Note: Readiness Level 1)

A. Issued by PJM IA to the companies when estimated operating reserve capacity is less than the forecast spinning reserve requirement and a voltage reduction is probable. PJM IA will give the approximate time that a voltage warning may be expected.

B. Action

1. Notify:

- Suburban PSD
- City PSD
- Generating Station Operators
- Operating Region DSDs
- Work Week Manager
- Director of System Operations
- Sr. Vice President of Bulk Power Enterprises
- Vice President of Power Delivery
- Sr. Vice President of Power Generation Group
- Manager of Operation, Limerick
- Manager of Operations at Peach Bottom
- Manager of Marketing and Sales Department
- Public Relations Person-On-Call
- Customer Services Supervisor on shift
- Gas System Operator

NOTE: If direct contact with above list has been made the Emergency Load Control Procedure Call Out Mailbox via the PECO aspen system (as outlined in Appendix E) may be used.

2. Proceed on the basis that a voltage reduction warning will be issued and take any steps that could expedite implementation of a voltage reduction should one be necessary.
3. Generation PSD is to notify all the Generating Station Operators and the DSDs in Operating Regions via the direct All-Call line.
4. A SUPPLEMENTAL STATUS REPORT (Appendix I) is to be completed by 0900 hours of the day the alert is in effect, and as necessary throughout the day.

IV. VOLUNTARY CUSTOMER LOAD CURTAILMENT ALERT (VCLC ALERT)

(Note: Readiness Level 1)

A. Issued by PJM IA to the companies when estimated operating reserve capacity is less than the predicted load and indicates a probable future need for voluntary customer load curtailment.

B. Action

1. Notify:

Suburban PSD
City PSD
Generating Station Operators
Operating Region DSDs
Director of System Operations
Sr. Vice President of Bulk Power Enterprises
Vice President of Power Delivery
Sr. Vice President of Power Generation Group
Manager of Operations at Limerick
Manager of Operations at Peach Bottom
Manager of Marketing and Sales Department
Public Relations Person-On-Call
Customer Services Supervisor on shift
Gas System Operator

NOTE: If direct contact with above list has been made the Emergency Load Control Procedure Call Out Mailbox via the PECO aspen system (as outlined in Appendix E) may be used.

2. Proceed on the basis that a voluntary load curtailment will be issued during this period and take steps that could expedite implementation, should one become necessary. Customers are **NOT** to be contacted at this point.

3. Generation PSD to notify all the Generating Station Operators and DSDs in Operating Regions via the direct All-Call line.

V. PRIMARY RESERVE WARNING (Note: Readiness Level 2)

A. Issued by PJM IA to the companies when available primary reserve capacity is less than the primary reserve requirement, but greater than the spinning reserve requirement, after all available secondary reserve capacity (except restricted maximum emergency capacity) has been brought to a primary reserve status, and emergency operating capacity has been scheduled from adjacent systems.

B. Action

1. Notify:

Suburban PSD
City PSD
Generating Station Operators
Operating Region DSDs
Director of System Operations
Sr. Vice President of Bulk Power Enterprises
Vice President of Power Delivery
Sr. Vice President of Power Generation Group
Manager of Operations at Limerick
Manager of Operations at Peach Bottom
Manager of Marketing and Sales Department
Public Relations Person-On-Call
Customer Services Supervisor on shift
Gas System Operator

NOTE: If direct contact with above list has been made the Emergency Load Control Procedure Call Out Mailbox via the PECO aspen system (as outlined in Appendix E) may be used.

2. Prepare to load all Primary Reserve if requested.
3. Verify that all stations are carrying their assigned generation.
4. Verify that all possible maintenance and testing on all critical generating or transmission facilities has been deferred or canceled.

VI. VOLTAGE REDUCTION WARNING (Note: Readiness Level 2)

A. Issued by PJM IA to the companies when available spinning reserve is less than the spinning reserve requirement, after all available secondary and primary reserve capacity (except restricted maximum emergency capacity) has been brought to a spinning reserve status and emergency operating capacity has been scheduled from adjacent systems.

B. Action

1. Notify:

Suburban PSD
City PSD
Generating Station Operators
Operating Region DSDs
Work Week Manager
Director of System Operations
Sr. Vice President of Bulk Power Enterprises
Vice President of Power Delivery
Sr. Vice President of Power Generation Group
Manager of Operations at Limerick
Manager of Operations at Peach Bottom
Manager of Marketing and Sales Department
Public Relations Person-On-Call
Customer Services Supervisor on shift
Gas System Operator
Public Relations Person-On-Call
Vice President of Rates/Controller or alternate,
Director of Rates

2. Notify generating stations to prepare for voltage reduction.

3. Contact PPL Dispatcher to ensure that PA PUC - Bureau of Safety & Compliance: Dave Newcomer, Office 1-717-787-6381 or Page 1-717-257-6463, has been informed of system conditions.

4. Curtail non-essential light, power, and air conditioning loads at all generating stations. Coal handling and maintenance should not be curtailed.

5. Verify that all possible maintenance and testing on generating or transmission facilities has been deferred or canceled.

6. Generation PSD to notify DSDs in Operating Regions via the direct All-Call line.

VII. MANUAL LOAD DUMP WARNING (Note: Readiness Level 4)

- A. Issued by PJM IA to the companies when available primary reserve capacity is less than the largest operating generator, or the loss of a transmission facility would jeopardize reliable operations after all other practical measures have been taken to increase reserve.
- B. Action

- 1. Notify:

- Suburban PSD
- City PSD
- Generating Station Operators
- Operating Region DSDs
- Work Week Managers
- Director of System Operations
- Sr. Vice President of Bulk Power Enterprises
- Vice President of Power Delivery
- Sr. Vice President of Power Generation Group
- Manager of Operations at Limerick
- Manager of Operations at Peach Bottom
- Manager of Marketing and Sales Department
- Public Relations Person-On-Call
- Customer Services Supervisor on shift
- Gas System Operator
- Vice President of Rates/Controller or alternate,
- Director of Rates

NOTE: If direct contact with above list has been made the Emergency Load Control Procedure Call Out Mailbox via the PECO aspen system (as outlined in Appendix E) may be used.

- 2. Prepare for "**LOAD SHEDDING - Part I - Selective Load Shedding**" using 75 MW blocks. This is to be used whenever time is available. All circuits and lines have been checked in an effort to avoid shedding critical loads, i.e., hospitals, water, and sewage pumping stations, transportation, and life supporting machines.
 - a) Determine the amount of PECO ENERGY load and number of blocks to be shed from the Allocation Table #1 on page 21.

- b) Select which blocks will be shed in the first rotation from Table #2 on pages 22 to 37.
 - c) Staff necessary unattended substations and alert personnel of the load that may be requested from them to dump.
 - d) Alert City/Suburban PSDs and/or Operating Regions DSDs of the blocks that may be requested from them to dump.
 - e.) Notify the Operating Region's DSDs that they are responsible for casing (in TMS) the circuits that will be dumped in TMS. The Regions should also enter the appropriate 'PF14' information indicating the reason for the outage and expected restoration time.
3. Prepare for "**LOAD SHEDDING - Part II - Non-Selective Load Shedding**" using 200 MW blocks. This will be used only in the event a Manual Load Dump is issued before preparation of Selective 75 MW blocks is completed.
- a) Determine the amount of PECO ENERGY load and number of blocks to be shed from allocation Tables #3,#4, and #5 on pages 38, 39 and 40 respectively.
 - b) Select which blocks will be shed. Blocks are contained in Table #6 on pages 41 thru 44.
 - c) Alert City/Suburban PSDs of the blocks that may be requested from them to shed.
4. Contact PPL Dispatcher to ensure that PA PUC - Bureau of Safety & Compliance: Dave Newcomer, Office 1-717-787-6381 or Page 1-717-257-6463, has been informed of system conditions.

GENERATION LOADING AND LOAD RELIEF PROCEDURES
DURING RESERVE SHORTAGE PERIODS

I. MAXIMUM SCHEDULED GENERATION (Note: Readiness Level 3)

A. Issued by PJM IA to the companies when generation greater than the value at the highest incremental cost on the daily operating schedule is needed.

B. Action

1. Notify:

Director of System Operation
Sr. Vice President of Bulk Power Enterprises
Sr. Vice President of Power Generation Group
Vice President of Power Delivery
Manager of Operations at Limerick
Manager of Operations at Peach Bottom

NOTE: If direct contact with above list has been made the Emergency Load Control Procedure Call Out Mailbox via the PECO aspen system (as outlined in Appendix E) may be used.

2. Load all operating units to their maximum scheduled generation level.
3. Maintain obligated value of automatic regulation.
4. Contact PPL Dispatcher to ensure that PA PUC - Bureau of Safety & Compliance: Dave Newcomer, Office 1-717-787-6381 or Page 1-717-257-6463, has been informed of system conditions.

II. **MAXIMUM EMERGENCY GENERATION** (Note: Readiness Level 3)

A. Issued by PJM IA to the companies when Maximum Scheduled Generation has been issued and additional generation is needed.

B. Action

1. Notify:

Director of System Operation
Sr. Vice President of Bulk Power Enterprises
Sr. Vice President of Power Generation Group
Vice President of Power Delivery
Manager of Operations at Limerick
Manager of Operations at Peach Bottom

2. Recall Company Off-System Capacity Sales that are recallable.

3. As requested, suspend regulation that has been requested and load all units to the Maximum Emergency Generation level.

4. Contact PPL Dispatcher to ensure that PA PUC - Bureau of Safety & Compliance: Dave Newcomer, Office 1-717-787-6381 or Page 1-717-257-6463, has been informed of system conditions.

III. LOAD MANAGEMENT CURTAILMENTS - STEPS 1-4

(Note: Readiness Level 3)

A. Issued by PJM IA after Maximum Emergency Generation has been issued and additional relief is required.

B. Action

1. Notify:

Director of System Operation
Sr. Vice President of Bulk Power Enterprises
Vice President of Power Delivery
Sr. Vice President of Power Generation Group
Manager of Operations at Limerick
Manager of Operations at Peach Bottom
Manager of Marketing

NOTE: If direct contact with above list has been made the Emergency Load Control Procedure Call Out Mailbox via the PECO aspen system (as outlined in Appendix E) may be used.

Note: Consider the use of public appeals to conserve electricity usage.

2. Contact PPL Dispatcher to ensure that PA PUC - Bureau of Safety & Compliance: Dave Newcomer, Office 1-717-787-6381 or Page 1-717-257-6463, has been informed of system conditions.

C. All of the curtailable customers on the PECO ENERGY System are in the PJM IA Step #1 (*Short time frame to implement - 1 hour or less*); definition of PJM IA Steps are found in PJM IA O.I. 8 (section 2.3.4), and report it as required on supplementary status report letter "L". As of July 19, 1996 there are 29 customers with a total load of 204 MW.

*****Note: Refer to Capacity Reservation Rider for any changes to MW total.**

D. Contact Manager of Marketing and Sales Department or their respective alternates to initiate curtailment of interruptible customers per Emergency Procedure E.P. 10-20.

IV. RADIO AND TELEVISION LOAD CURTAILMENT APPEAL

(Note: Readiness Level 3)

- A. Implemented based on the outcome of a PJM IA Operating Committee conference call to review system projections. **Timing will depend on prevailing or projected system conditions.**
- B. Action
 - 1. If required, notify Operating Committee representative that a conference call has been set for (Time) hours.
 - 2. Notify:
 - Suburban PSD
 - City PSD
 - Generating Station Operators
 - Operating Region DSDs
 - Director of System Operations
 - Sr. Vice President of Bulk Power Enterprises
 - Vice President of Power Delivery
 - Sr. Vice President of Power Generation Group
 - Manager of Operations at Limerick
 - Manager of Operations at Peach Bottom
 - Manager of Marketing and Sales Department
 - Public Relations Person-On-Call
 - Customer Services Supervisor on shift
 - Gas System Operator

NOTE: If direct contact with above list has been made the Emergency Load Control Procedure Call Out Mailbox via the PECO aspen system (as outlined in Appendix E) may be used.

- 3. This appeal will be channeled through Community and Public Affairs Department.
- 4. Generation PSD to notify all the Generating Station Operators and DSDs in Operating Regions via the direct All-Call line.
- 5. Contact PPL Dispatcher to ensure that PA PUC - Bureau of Safety & Compliance: Dave Newcomer, Office 1-717-787-6381 or Page 1-717-257-6463, has been informed of system conditions.

V. VOLTAGE REDUCTION AND CURTAILMENT OF NON-ESSENTIAL BUILDING LOAD (Note: Readiness Level 3)

- A. Issued by PJM IA to the companies when it is necessary to reduce load to provide a sufficient amount of reserve to maintain tie flow schedules and preserve limited energy sources.
- B. Action

1. Notify:

Suburban PSD
 City PSD
 Generating Station Operators
 Operating Region DSDs
 Director of System Operations
 Sr. Vice President of Bulk Power Enterprises
 Vice President of Power Delivery
 Sr. Vice President of Power Generation Group
 Manager of Operations at Limerick
 Manager of Operations at Peach Bottom
 Manager of Marketing and Sales Department
 Public Relations Person-On-Call
 Customer Services Supervisor on shift
 Gas System Operator
 Facilities Mgmt. 27th flr. (for Non-Essential Bldg. load)

NOTE: If direct contact with above list has been made the Emergency Load Control Procedure Call Out Mailbox via the PECO aspen system (as outlined in Appendix E) may be used.

Note: Consider the use of public appeals to conserve electricity usage.

- 2. Reduce voltage only on buses supplying distribution load in accordance with the following table:
 Do not lower Delaware, Schuylkill, Conowingo or Westmoreland more than 3%.

Normal	13,600	13,800	14,000	34,500	35,000	35,500
3%	13,200	13,400	13,600	33,500	34,000	34,500
5%	13,000	13,100	13,300	32,800	33,300	33,800

3. Substation and City/Suburban PSDs will lower automatic voltage band control two (2) bands for 5%.

4. Maintain transmission voltage as near normal as possible.

a) Strengthen fields on Eddystone, Cromby, Conowingo, Muddy Run, Limerick, Peach Bottom, and Schuylkill #1 units.

b) Change taps as directed by PSD on the following transformers:

Bradford Nos. 1 & 6
Byberry Nos. 3, 4, & 6
Chester Nos. 49, 50, 51, & 52
Chichester Nos. 7, 8, & 9
Cromby Nos. 3, 4, 5, & 6
Delaware Nos. 1 & 2
Emilie No. 8
Heaton No. 9
Holmesburg Nos. 8 & 9
Island Road No. 6
Limerick Nos. 4A & 4B
Llanerch No. 7
Master Nos. 1, 2, 4A, 4B, & 8
Newlinville No. 4
North Philadelphia Nos. 7 & 8
Passyunk No. 9
Peach Bottom No. 1
Plymouth Meeting No. 6
Roxborough No. 3
Schuylkill Nos. 3, 4, 5, 6, 7, & 8
Waneeta No. 8
Whitemarsh No. 7
Whitpain Nos. 1, 2, & 3
Woodlyn Nos. 3 & 4

c) Change taps as required on 13kV/69kV transformers to adjust reactive output on operating units to prevent them from operating at unity or leading power factor.

5. Notify SEPTA of the Voltage Reduction and request that the DC voltage not be raised.

6. Contact PPL Dispatcher to ensure that PA PUC - Bureau of Safety & Compliance: Dave Newcomer, Office 1-717-787-6381 or Page 1-717-257-6463, has been informed of system conditions.

VI. VOLUNTARY CUSTOMER LOAD CURTAILMENT (VCLC)(Note: Readiness Level 3)

- A. Issued by PJM IA when the estimated peak load minus the relief expected from curtailment of non-essential building load and a 5% voltage reduction is greater than operating capacity.

Note: When requesting VCLC, PJM IA will provide an estimate of the duration of the need for the VCLC.

- B. Action
 - 1. Notify:

- Suburban PSD
- City PSD
- Generating Station Operators
- Operating Region DSDs
- Director of System Operations
- Sr. Vice President of Bulk Power Enterprises
- Vice President of Power Delivery
- Sr. Vice President of Power Generation Group
- Manager of Operations at Limerick
- Manager of Operations at Peach Bottom
- Manager of Marketing and Sales Department
- Public Relations Person-On-Call
- Customer Services Supervisor on shift
- Gas System Operator

NOTE: If direct contact with above list has been made the Emergency Load Control Procedure Call Out Mailbox via the PECO aspen system (as outlined in Appendix E) may be used.

Note: Consider the use of public appeals to conserve electricity usage.

- 2. The following schedule will be utilized for load curtailment whenever sufficient time (1 to 4 hour advance notice required) is available for its application.

<u>PJM Load (MW)</u>	<u>PECO Load (MW)</u>
<u>Curtailment Required</u>	<u>Curtailment Required</u>
500	75.0
1000	* 150.0

* **40.0 MW** is the estimated maximum amount of load reduction available under the Voluntary Load Curtailment Program.

3. Contact PPL Dispatcher to ensure that PA PUC - Bureau of Safety & Compliance: Dave Newcomer, Office 1-717-787-6381 or Page 1-717-257-6463, has been informed of system conditions.

VII. MANUAL LOAD DUMP (Note: Readiness Level 5)

- A. Issued by PJM IA to the companies when all other possible means of supplying internal PJM IA load have been used, to prevent a catastrophe within PJM IA, or to maintain tie schedules so as not to jeopardize the reliability of other interconnected regions. Also, critically overloaded transmission lines or equipment cannot be relieved in any other way and/or low frequency operation occurs in PJM IA, parts of PJM IA, or PJM IA and adjacent pools that may be separated as an island.
- B. Action
1. Suspend regulation.
 2. Notify:
 - Suburban PSD
 - City PSD
 - Operating Region DSDs
 - Work Week Manager
 - Director of System Operations
 - Sr. Vice President of Bulk Power Enterprises
 - Vice President of Power Delivery
 - Sr. Vice President of Power Generation Group
 - Manager of Operations at Limerick
 - Manager of Operations at Peach Bottom
 - Manager of Marketing and Sales Department
 - Public Relations Person-On-Call
 - Customer Services Supervisor on shift
 - Gas System Operator

NOTE: If direct contact with above list has been made the Emergency Load Control Procedure Call Out Mailbox via the PECO aspen system (as outlined in Appendix E) may be used.

Note: Consider the use of (or continued use) public appeals to conserve electricity usage.

- 2A. PSD Generation Control to notify all the Generating Station Operators and DSDs in Operating Regions via the direct All-Call line.
3. Part I - Selective Load Shedding (75 MW Blocks)

DOES NOT INTERRUPT CRITICAL CUSTOMERS

PART I COVERS APPROXIMATELY **1402 MW** IN BLOCKS OF APPROXIMATELY 75 MW WHICH MAY BE USED WHEN TIME FOR SELECTIVE LOAD SHEDDING IS AVAILABLE.

Appendix A summarizes by Regions, the area shed, number of customers, and amount of load shed, cross-referenced to the block which each line/circuit is located in. All circuits and lines have been checked in an effort to avoid shedding critical loads, i.e., hospitals, water and sewage pumping stations and transportation.

Sufficient blocks are provided to permit rotating the load shed after approximately one hour. To the extent possible, load shedding will be performed so as to avoid interrupting the same areas in successive load shedding incidents. The blocks are indicated by alphabetical designations for identification purposes, not to indicate any priority. The dispatching authority responsible for implementing each step is also indicated for each block.

- a) Determine the amount of PECO ENERGY load and number of blocks to be shed from the Allocation Table #1 on page 21.
- b) Select which blocks will be shed in the first rotation from Table #2 on pages 22 to 37.
- c) Promptly dump an amount of load equal to or in excess of the amount requested by PJM and maintain the amount of load relief until the Load Dump order is canceled.

Note: If partial restoration of the load dumped is requested by PJM IA, confirmation of the load restored by each company must be made prior to further restoration requests by PJM IA.

4. Part II - Non-Selective Load Shedding (200 MW Blocks)

INTERRUPTS CRITICAL CUSTOMERS

Note: A program has been incorporated into the SCADA terminals at the City and Suburban PSD positions to provide more rapid execution of manual load shedding from this center. The blocks of non-selective load shedding, is "automated" and under the control of the computer. It is arranged to allow dumping of individual blocks or any combination thereof, including the entire amount of load controlled.

PART II COVERS APPROXIMATELY 1983 MW IN BLOCKS OF APPROXIMATELY 200 MW WHICH MAY BE USED WHEN TIME FOR SELECTIVE LOAD SHEDDING IS NOT AVAILABLE.

PSD GENERATION CONTROL:

- a) Determine the amount of PECO ENERGY load and number of blocks to be shed from the allocation Tables #3, #4, and #5 on pages 38, 39 and 40, respectively.
- b) Select which blocks will be shed. Blocks are contained in Table #6 on pages 41 thru 44.
- c) Notify City and Suburban PSD of stations under their control at which load shedding is ordered.

CITY AND SUBURBAN PSD:

- a) Initiate the required load drop via the SCADA consoles at each position. The City/Suburban PSD SCADA consoles have a listing of the Load Shedding Blocks under their control indicating the equipment in each block.

NOTE: All Load Shedding can be initiate at either SCADA console, but to restore the area of responsibility are defined as City or Suburban

5. Contact PPL Dispatcher to ensure that PA PUC - Bureau of Safety & Compliance: Dave Newcomer, Office 1-717-787-6381 or Page 1-717-257-6463, has been informed of system conditions.

VIII. UNDER-FREQUENCY
RELAYS:

- A. Each PJM IA company is required to have installed sufficient under-frequency relays to be able to shed automatically 30% of its load in 3 steps if the emergency condition is such as to cause the frequency to drop to 59.3 Hz or below.
- B. PECO ENERGY Company's installations are made to spread such interruptions as evenly as possible throughout the system. A total of 38.3% of PECO ENERGY's load can be shed with the present under - frequency relays.

Present installations are as follows:

<u>Step</u>	<u>Frequency at which Relays Operate</u>	<u>Accumulated MW Load Shed</u>	<u>% of System Load Shed at this Frequency</u>
I	59.3 Hertz	1021	15.1%
II	58.9 Hertz	874	11.9%
III	<u>58.5 Hertz</u>	<u>796</u>	<u>11.3%</u>
	Total	2691	38.3%

**PJM INTERCONNECTION ASSOCIATION
OPERATING INSTRUCTION**

OI - 8.17

ALERT AND EMERGENCY PROCEDURES

November 1994

PJM EMERGENCY OPERATIONS GUIDELINES
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PJM INTERCONNECTION ASSOCIATION OPERATING INSTRUCTION

Subject: PJM Emergency Operating Guidelines

1 INTRODUCTION AND POLICY STATEMENTS

Power system disturbances are most likely to occur as the result of loss of generating equipment, transmission facilities, or as the result of unexpected load changes. These disturbances may be of, or develop into, a magnitude sufficient to affect the reliable operation of the Interconnection. The associated conditions under severe system disturbances generally result in critically loaded transmission facilities, critical frequency deviations, or high or low voltage conditions. The general order of system alert and emergency procedures are set forth in this Operating Instruction. Since the exact nature of, or conditions surrounding, system disturbances are impossible to predict, adjustments can be made to this order and to these emergency procedures on the judgement of the ID, based on the actual conditions in the interest of preventing, or mitigating a system disturbance, or to restore service in the shortest possible time.

The policy of the Interconnection Association is to maintain, at all times, the integrity of the PJM transmission system and to prevent any planned separation of the PJM systems. Opening of certain PJM transmission facilities may be desirable if system economy can be improved by removal of the facility from service without degrading the reliability of the system beyond established limits, or if removal of the facility from service will improve reliability.

In the case of PJM's inter-area transmission lines, the policy of the Interconnection Association is to give maximum reasonable assistance to adjacent systems should a disturbance remote from PJM occur. However, when such a disturbance is endangering PJM equipment, or unduly impairing or jeopardizing the reliable operation of PJM, immediate relief will be requested by the Interconnection Dispatcher (ID).

Under certain operating conditions it may be necessary to curtail, interrupt, or dump customer load. In view of the coordinated planning and operating policies and practices of the Interconnection, the ID will request the member company systems to curtail or interrupt customer load to meet their obligation to the total requirement of PJM.

The policy of the Interconnection Association is to operate so that there will be no cascading loss of transmission facilities. Every effort will be made to avoid dumping system load; but, whenever line loadings exceed emergency ratings and cannot be relieved by other means, or when a further contingency results in line loadings that are in excess of known transient stability limits, or could otherwise cause a major interruption, customer load will be manually dumped.

All ALERTS, WARNINGS, implementation of EMERGENCY PROCEDURES, and OFF-COST GENERATION ASSIGNMENTS shall be broadcast via the PJM "ALL CALL" system in order to keep ALL COMPANIES aware of the status of the Interconnection.

The PJM Interconnection Association dispatcher has the absolute authority to order load dumping within the PJM system in order to preserve system reliability.

Each member company dispatcher has an obligation to protect their own system's equipment and reliability. However, steps taken to do so should be coordinated, if at all possible, with the Interconnection Association dispatchers so as to solve the problem in the best manner, realizing that actions taken could have a far reaching effect.

Exiting Emergency Procedures shall be achieved in a controlled, deliberate manner so as to not adversely affect system reliability while minimizing the impact of these emergency actions on the utility customers. The ID has the flexibility of implementing the Emergency Procedures in whatever order is required to ensure overall system reliability. The ID also has the flexibility to exit the Emergency Procedures in a different ordering than they were implemented when conditions necessitate.

The policy of the Interconnection Association is to strive to meet customer energy demands either through the use of available generating resources, power purchases from outside the pool, or through the use of planned load management programs. If customer demand can not be met, emergency actions such as voltage reductions and as a last resort, manual load dumping, will be used.

Governmental Notifications and Public Appeals Procedures

When the potential exists for a serious PJM bulk power system emergency, the IA will advise member companies as far in advance as possible. This will permit the member companies and the IA the maximum lead time in determining the appropriate steps to take, including governmental and public notification. The member companies are responsible for notification of appropriate state and local agencies. The IA is responsible to notify DOE.

Due to the wide variety of conditions and the potential for the conditions to change rapidly, it is difficult to provide precise criteria that fits all situations to trigger the issuance of an early alert to the governmental agencies and the public. Each situation will have to be evaluated to determine if an early alert to governmental agencies is required, and if an early alert to the public is appropriate. It is the ultimate responsibility of each member company to adjust their guidelines to respond to any escalated concerns from governmental agencies. It is also essential that all companies and the IA are informed of any company's unilateral actions.

When Max Emergency Generation is added to the schedule, a severe weather condition alert has been issued, or a transmission system limitation affecting area supply is anticipated, the IA will perform a situation analysis and prepare a capacity/load/reserve projection for the appropriate area and future time periods

including the effect of possible imports due to the supply situation of various neighbors. The analysis will indicate emergency conditions expected (if any).

A PJM System Operations Subcommittee (SOS) conference call will be conducted to review the situation and determine future action if in the opinion of the IA a serious chance of using voltage reductions exists. If, after SOS review, worst case projections show that the reserve with load management implementation is less than the largest unit after possible increased imports are considered, the IA will issue an all-call notice of an anticipated Voltage Reduction and the IA will notify DOE.

If the evaluation by the SOS indicates a risk of significant deterioration in supply adequacy is possible, an Operating Committee conference call will be conducted to determine the timing and content of the Public/Media Communications Committee messages for public appeals for energy reductions. The PJM Operating Committee (OC) will notify the Management Committee that public appeals may be/are required.

2 CAPACITY CONDITIONS (SHORTAGES/EXCESS)

2.1 ALERTS

To maximize the system's preparedness for various degrees of possible system emergencies, procedures are necessary to address periods of reserve shortage. The intent of these alerts is to keep all affected system personnel aware of the forecast and/or actual status of the Interconnection. All alerts and cancellation thereof will be broadcast on the "ALL CALL" system to assure that all companies receive the same information.

ALERTS are issued in advance of a scheduled load period to allow sufficient time for the companies to prepare for anticipated initial capacity shortages.

2.1.1 MAXIMUM EMERGENCY GENERATION ALERT

PURPOSE: To provide an early alert that system conditions may require the use of the PJM Emergency Procedures.

CONDITION: When Maximum Emergency Generation is called into the operating capacity

IA ACTION:

- (1) Notify IA Management and member company dispatchers.
- (2) Perform a situation analysis and prepare capacity/load/interchange/reserve projection for that day and appropriate future operating periods. Schedule an SOS conference call to discuss the projections.
- (3) Issue alert to the companies, stating the amount of estimated operating reserve capacity and the requirement.
- (4) Report significant changes in the estimated operating reserve capacity.
- (5) Cancel the alert when appropriate.

COMPANY ACTION:

- (1) Notify company Management of the alert.
- (2) Advise all stations and key personnel.
- (3) Review plans to determine if any maintenance or testing, scheduled or being performed, on any monitoring, control, transmission, or generating equipment can be deferred or cancelled.
- (4) Report to the IA any and all fuel limited facilities as they occur and update the IA as appropriate.
- (5) Suspend any high risk testing of generating or transmission equipment.

2.1.2 PRIMARY RESERVE ALERT

PURPOSE: Alert companies of the anticipated shortage of operating reserve capacity for a future critical period.

CONDITION: Estimated operating reserve capacity is less than the forecast primary reserve requirement.

IA ACTION:

- (1) Notify IA Management and member company dispatchers.
- (2) Issue alert to the companies, stating the amount of estimated operating reserve capacity and the requirement.
- (3) Report significant changes in the estimated operating reserve capacity.
- (4) Cancel the alert when appropriate.

COMPANY ACTION:

- (1) Notify company Management of the alert.
- (2) Advise all stations and key personnel.
- (3) Review plans to determine if any maintenance or testing, scheduled or being performed, on any generating equipment or critical monitoring, control, or bulk power transmission facility can be deferred or cancelled.

2.1.3 VOLTAGE REDUCTION ALERT

PURPOSE: Alert companies that a voltage reduction may be required during a future critical period.

CONDITION: Estimated operating reserve capacity is less than the forecast spinning reserve requirement.

IA ACTION:

- (1) Notify IA Management, IA Public Information personnel, and company dispatchers.
- (2) Issue alert to the companies, stating the amount of estimated operating reserve capacity and the requirement.
- (3) Advise the companies that a possibility exists that a voltage reduction will be issued and the estimated hour of implementation.
- (4) Cancel the alert when appropriate.

COMPANY ACTION:

- (1) Notify company Management of the alert.
- (2) Advise all stations and key personnel.
- (3) Proceed on the basis that a voltage reduction warning will be issued during this future period, and take steps that could expedite implementation of a voltage reduction, should one become necessary.

Note: A SUPPLEMENTAL STATUS REPORT (Appendix E) is to be completed by 0900 hours of the day the Alert is in effect, and again as deemed necessary throughout the day. Based on this information, the level of expected emergency conditions can be better defined. The information obtained from this survey shall be given to the member companies. If the IA determines a Radio and Television Load Curtailment Appeal may be necessary, refer to 2.3.9 for details. This information will also be dictated onto the PJM status report tape accessible by dialing T-A-P-E.

2.1.4 VOLUNTARY CUSTOMER LOAD CURTAILMENT ALERT

PURPOSE: Alert companies of the probable future need to implement a voluntary customer load curtailment.

CONDITION: Whenever estimated operating reserve capacity indicates a probable future need for voluntary customer load curtailment.

IA ACTION:

- (1) Notify IA Management, IA Public Information personnel, and member company dispatchers.
- (2) Issue alert to the companies, stating the amount of estimated operating reserve capacity and the requirement.
- (3) Advise the companies of the estimated hour of implementation.
- (4) Cancel the alert when appropriate.

COMPANY ACTIONS:

- (1) Notify company Management of the alert.
- (2) Advise all stations and key personnel.
- (3) Proceed on the basis that a voluntary customer load curtailment will be issued during this critical period and take steps that could expedite implementation, should one become necessary.

2.2 WARNINGS

To maximize the system's preparedness for various degrees of possible system emergencies, procedures are necessary to address periods of reserve shortage. The intent of these warnings is to keep all affected system personnel aware of the forecast and/or actual status of the Interconnection. All warnings, and cancellation thereof will be broadcast on the "ALL CALL" system to assure that all companies receive the same information.

WARNINGS are issued during present operations to inform the companies of actual capacity shortages or contingencies that may jeopardize the reliable operation of the Interconnection.

2.2.1 PRIMARY RESERVE WARNING

PURPOSE: Warn companies that the available primary reserve is less than required, and present operations are becoming critical.

CONDITION: Available primary reserve capacity is less than the primary reserve requirement, but greater than the spinning reserve requirement, after all available secondary reserve capacity (except restricted max. emergency capacity) has been brought to a primary reserve status, and emergency operating capacity has been scheduled from adjacent systems.

IA ACTION:

- (1) Issue warning to the companies, and the PJM Interconnection Association Management, stating the amount of adjusted primary reserve capacity and the requirement.
- (2) Notify IA Public Information personnel.
- (3) Recheck the companies to assure that all available equipment has been scheduled, and that requested secondary reserve has been brought to primary reserve status.
- (4) Ensure that all deferrable maintenance or testing on the control and communications systems is halted at the PJM Interconnection Association.
- (5) Cancel the warning when appropriate.

COMPANY ACTIONS:

- (1) Notify company Management of the warning.
- (2) Advise all stations and key personnel.
- (3) Prepare to load all available primary reserve if requested.
- (4) Ensure that all deferrable maintenance or testing affecting capacity or critical transmission is halted. Any monitoring or control maintenance work that may impact operation of the system should be halted.

2.2.2 VOLTAGE REDUCTION WARNING AND REDUCTION OF NON-CRITICAL PLANT LOAD

PURPOSE: Warn companies that the available spinning reserve is less than required, and present operations have deteriorated such that a voltage reduction may be required.

CONDITION: Available spinning reserve capacity is less than the spinning reserve requirement, after all available secondary and primary reserve capacity (except restricted max. emergency capacity) has been brought to a spinning reserve status and emergency operating capacity has been scheduled from adjacent systems.

IA ACTION:

- (1) Issue warning to the companies, and the PJM Interconnection Association Management, stating the amount of adjusted spinning reserve capacity and the requirement.
- (2) Notify IA Public Information personnel.
- (3) Cancel the warning when appropriate.

COMPANY ACTION:

- (1) Notify company Management of the warning.
- (2) Notify Governmental Agencies, as applicable.
- (3) Advise all stations and key personnel.
- (4) Order all generating stations to curtail non-essential station light and power.
- (5) Prepare to reduce voltage, if requested.
- (6) In the manner prescribed by each Company's policy, notify appropriate personnel that there is a potential need to implement load management programs in addition to interrupting their interruptible/curtailable customers.

2.2.3 MANUAL LOAD DUMP WARNING

PURPOSE: Warn companies of the increasingly critical condition of present operations which may require manually dumping load.

CONDITION: Available primary reserve capacity is less than the largest operating generator, or the loss of a transmission facility would jeopardize reliable operations after all other possible measures have been taken to increase reserve.

IA ACTION:

- (1) Issue warning to the companies, and the PJM Interconnection Association Management, stating the reserve shortage and/or the most serious contingency affecting reliability, and the estimated amount of load relief required.
- (2) Notify IA Public Information personnel.
- (3) Establish a mutual awareness with the companies of the need to address the occurrence of a serious contingency with minimum delay.
- (4) Examine bulk power bus voltages and alert companies of the situation.
- (5) Cancel the warning when appropriate.

COMPANY ACTION:

- (1) Notify company Management of the warning.
- (2) Notify Governmental Agencies, as applicable.
- (3) Advise all station and key personnel.
- (4) Review Company procedures and be prepared to dump load in the amount requested.
- (5) Reinforce internal communications so that load dumping will occur with minimum delay.

2.3 ACTIONS

2.3.1 GENERATION LOADING AND LOAD RELIEF PROCEDURES

The PJM Interconnection Association is normally loaded according to incremental costs; however, during periods of reserve deficiencies, other measures must be taken to maintain system reliability. These measures involve: (1) loading generation which is restricted for reasons other than cost, and (2) load relief measures. The procedures to be used under these circumstances are described in the general order in which they will be applied. Due to system conditions and the time required to obtain results, the ID may find it necessary to vary the order of application to achieve the best overall system reliability. Member companies should be alerted immediately when a possible need for a Radio and Television Load Curtailment Appeal is realized. Issuance and cancellation of emergency procedures will be broadcast over the ALL CALL and transmitted over the computer data transmission system. Only affected systems are to take action. The IA will broadcast the current and projected system status periodically using the All-Call during the extent of the implementation of the emergency procedures.

GENERAL ORDER

- MAXIMUM SCHEDULED GENERATION
- MAXIMUM EMERGENCY GENERATION
- LOAD MANAGEMENT CURTAILMENTS
 - IA CONTROLLABLE (LOAD MANAGEMENT STEPS 1&2)
 - COMPANY PROGRAMS (LOAD MANAGEMENT STEPS 3&4)
 - * RADIO AND TELEVISION LOAD CURTAILMENT APPEAL *
 - VOLTAGE REDUCTION and
 - CURTAILMENT OF NON-ESSENTIAL BUILDING LOAD
 - VOLUNTARY CUSTOMER LOAD CURTAILMENT
- MANUAL LOAD DUMP

Note: Company load management programs whether under IA control, directed by the IA, or solely under a Company's direction have various names including but not limited to Interruptibles, Curtailables, or load management. To simplify operations during these emergency situations, all curtailments will be referred to as Load Management Curtailments, Step 1, ... 4. PJM LOAD MANAGEMENT CURTAILMENTS SHALL NOT BE USED TO PROVIDE ASSISTANCE TO ADJACENT SYSTEMS. Restoration of Load Management Curtailments should be undertaken in a stepped approach, as necessary.

NOTE: * Radio And Television Load Curtailment Appeal will be implemented based on the outcome of an Operating Committee conference call to review system projections. Timing of issuance will vary depending on prevailing or projected system conditions.

2.3.2 MAXIMUM SCHEDULED GENERATION

PURPOSE: Increase PJM generation above the maximum economic level.

CONDITION: Generation greater than the highest incremental cost level is needed.

IA ACTION:

- (1) Issue MAXIMUM SCHEDULED GENERATION.
- (2) Notify IA Management, IA Public Information personnel, and member company dispatchers.
- (3) If the entire amount of Maximum Scheduled Generation is not needed, proportion the required amount equitably among the companies.
- (4) Cancel when appropriate.

COMPANY ACTION:

- (1) Notify company Management of the emergency procedure.
- (2) Load all units as requested by the ID to the Maximum Scheduled Generation level.
- (3) Maintain regulation.

2.3.3 MAXIMUM EMERGENCY GENERATION

PURPOSE: Increase the PJM generation above the maximum scheduled generation level.

CONDITION: Whenever generation is needed after all systems have been ordered to Maximum Scheduled Generation.

Note: Maximum Emergency Generation can only be included in the daily operating capacity when requested by the IA.

IA ACTION:

- (1) Issue MAXIMUM EMERGENCY GENERATION.
- (2) Notify IA Management, IA Public Information personnel, and member company dispatchers. Notify outside systems through the ORNS computer system and the NERC regional Hotline.
- (3) Instruct companies to suspend regulation on all units except hydro generation.
- (4) Recall Off-System Capacity sales that are recallable.
- (5) If the entire amount of Maximum Emergency Generation is not needed, proportion the required amount equitably among the companies.
- (6) Cancel when appropriate.

COMPANY ACTION:

- (1) Notify company Management of the emergency procedure.
- (2) Recall Company Off-System Capacity sales that are recallable.
- (3) As requested suspend regulation that has been requested and load all units to the Maximum Emergency Generation level as required.

2.3.4 LOAD MANAGEMENT CURTAILMENTS (IA), STEPS 1 AND 2

PURPOSE: Provide additional load relief by using IA controllable Load Management Programs. Steps 1 and 2 are differentiated only by expected time to implement.

CONDITION: Load relief required after initiating Maximum Emergency Generation.

Note: When requesting Load Management Curtailments, the ID shall provide an estimate of the magnitude of the curtailment required and the approximate duration of curtailment.

(Step 1) SHORT TIME FRAME TO IMPLEMENT (1 hour or less):

IA ACTION

- (1) Notify IA Management, IA Public Information personnel, and member company dispatchers. Advise companies to consider the use of public appeals to conserve electricity usage. Notify outside systems through the ORNS computer system and the NERC regional Hotline.
- (2) Request companies to implement Load Management Curtailment Step 1.
- (3) Cancel when appropriate.

COMPANY ACTION

- (1) Notify company Management of the emergency procedure and that they should consider the use of public appeals to conserve electricity usage.
- (2) Notify Governmental Agencies, as applicable.
- (3) Implement Load Management program requested by ID.

(Step 2) LONG TIME FRAME TO IMPLEMENT (Greater than 1 hour):

IA ACTION

- (1) Notify IA Management, IA Public Information personnel, and member company dispatchers. Advise companies to consider the use of public appeals to conserve electricity usage. Notify outside systems through the ORNS computer system and the NERC regional Hotline.
- (2) Request companies to implement Load Management Curtailment, Step 2.
- (3) Cancel when appropriate.

COMPANY ACTION:

- (1) Notify company Management of the emergency procedure and that they should consider the use of public appeals to conserve electricity usage.
- (2) Notify Governmental Agencies, as applicable.
- (3) Implement Load Management Programs requested by ID.

2.3.5 COMPANY PROGRAMS OF LOAD MANAGEMENT CURTAILMENTS, STEPS 3 AND 4

PURPOSE: Provide additional load relief by requesting use of Company Load Management Programs.

CONDITION: Additional load relief is required beyond Load Management Curtailments, Steps 1 and 2.

(Step 3) SHORT TIME FRAME TO IMPLEMENT (1 hour or less)

IA ACTION:

- (1) Request companies to implement Load Management Curtailment, Step 3
- (2) Cancel when appropriate.

COMPANY ACTION:

Implement Load Management Programs requested by ID.

(Step 4) LONG TIME FRAME TO IMPLEMENT (Greater than 1 hour)

IA ACTION:

- (1) Request companies to implement Load Management Curtailment, Step 4.
- (2) Cancel when appropriate.

COMPANY ACTION:

Implement Load Management Programs requested by ID.

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2.3.6 VOLTAGE REDUCTION

PURPOSE: Reduce load to provide a sufficient amount of reserve to maintain tie flow schedules and preserve limited energy sources. A Curtailment of Non-essential Building Load should also be implemented prior to or at this same time.

CONDITION: Load relief is still needed to maintain tie schedules.

IA ACTION:

(1) Notify IA Management, IA Public Information personnel, and member company dispatchers. Advise companies to consider the use of public appeals to conserve electricity usage. Notify outside systems through the ORNS computer system and the NERC regional Hotline.

(2) Issue the order for a 5% voltage reduction.

(3) Cancel reduction when appropriate.

COMPANY ACTION:

(1) Notify company Management of the emergency procedure and that they should consider the use of public appeals to conserve electricity usage.

(2) Notify Governmental Agencies, as applicable.

(3) Take steps to implement the voltage reduction.

Note: Curtailment of Non-Essential Building Load may be implemented prior to but no later than the same time as a Voltage Reduction.

2.3.7 CURTAINMENT OF NON-ESSENTIAL BUILDING LOAD

PURPOSE: Provide additional load relief. To be implemented prior to but no later than the same time as a Voltage Reduction.

CONDITION: Load relief is still needed following the implementation of a 5% voltage reduction.

IA ACTION:

(1) Notify IA Management, IA Public Information personnel, and member company dispatchers. Advise companies to consider the use of public appeals to conserve electricity usage. Notify outside systems through the ORNS computer system and the NERC regional Hotline.

(2) Issue request to curtail non-essential building load.

(3) Cancel the request when appropriate.

COMPANY ACTION:

(1) Notify company Management of the emergency procedure and that they should consider the use of public appeals to conserve electricity usage.

(2) Notify Governmental Agencies, as applicable.

(3) Switch off all non-essential light and power in Company-owned commercial, operations and administration offices.

Note: Curtailment of Non-Essential Building Load may be implemented prior to but no later than the same time as a Voltage Reduction.

2.3.8 VOLUNTARY CUSTOMER LOAD CURTAILMENT (VCLC)

PURPOSE: Provide further load relief.

CONDITION: Estimated Peak Load minus the relief expected from curtailment of non-essential building load and a 5% voltage reduction is greater than Operating Capacity.

Note: When requesting VCLC, the ID shall provide an estimate of the duration of the need for the VCLC.

IA ACTION:

- (1) Notify IA Management, IA Public Information personnel, and member company dispatchers. Advise companies to consider the use of public appeals to conserve electricity usage. Notify outside systems through the ORNS computer system and the NERC regional Hotline.
- (2) Issue the VCLC. (To provide for the optimum relief this should be done at least 4 hours before the peak, but can be done up to 1 hour before the peak).
- (3) Request the companies to fulfill their curtailment as given in Appendix E, Item R.
- (4) Cancel the VCLC when appropriate.

COMPANY ACTION:

- (1) Notify company Management of the emergency procedure and that they should consider the use of public appeals to conserve electricity usage.
- (2) Notify Governmental Agencies, as applicable.
- (3) Proceed according to Company procedures to implement the VCLC requirement.

2.3.9 MANUAL LOAD DUMP

PURPOSE: Provide load relief when all other possible means of supplying internal PJM load have been used, to prevent a catastrophe within PJM, or to maintain tie schedules so as not to jeopardize the reliability of other interconnected regions.

CONDITION: Pool cannot provide adequate capacity to meet the PJM load or critically overloaded transmission lines or equipment cannot be relieved in any other way and/or low frequency operation occurs in PJM, parts of PJM, or PJM and adjacent pools that may be separated as an island.

IA ACTION:

- (1) Notify IA Management, IA Public Information personnel, and company dispatchers. Advise companies to consider the use of public appeals to conserve electricity usage and public announcements of the emergency. Notify outside systems through the ORNS computer system and the NERC regional Hotline and notify DOE and NERC offices, using established procedures.
- (2) Ascertain that separations have not occurred and that load dumping is desirable on the system being controlled. (i.e. make sure that a load dump will help, not aggravate the condition).
- (3) Estimate the total amount of load to be dumped.
- (4) Instruct companies to suspend all remaining regulation.
- (5) Order companies to DUMP ___ MW of load according to Appendix B of OI-8.
- (6) Cancel the Load Dump order and restore required regulation, when appropriate.

COMPANY ACTION:

- (1) Notify company Management of the emergency procedure.
- (2) Consider the use (or continued use) of public appeals to conserve electricity usage and consider the use of public announcements of the emergency.
- (3) Notify Governmental Agencies, as applicable.
- (4) Suspend regulation.
- (5) Promptly dump an amount of load equal to or in excess of the amount requested by the IA (Refer to Appendix B).
- (6) Maintain the requested amount of load relief until the Load Dump order is cancelled.

Note: If partial restoration of the load dumped is requested by the IA, confirmation of the load restored by each Company must be made prior to further restoration requests by the IA.

2.4 LIGHT LOAD: ALERTS, ACTIONS

GENERAL STATEMENTS

Each control area has a commitment to control its generation in a manner so as not to burden the interconnected systems. Failure to provide adequate control can result in deviations in frequency and inadvertent power flow. For PJM to meet its commitment during light load periods, it may be necessary to deviate appreciably from normal operating procedures. IA scheduling personnel are responsible for identifying light load conditions and projecting the extent of operating procedures.

2.4.1 DAY OR DAYS PRIOR TO LIGHT LOAD PERIOD

CONDITION: The expected generation level is within 1000 MW of normal minimum energy limits.

IA ACTION:

(1) Issue a Minimum Generation Alert for a specified light load period. (See Appendix "F" for details).

(2) Scheduling personnel will collect the following information:

- A. Nuclear unit operating constraints.
- B. Estimates of NUG energy which can be reduced or disconnected within two hours of a Minimum Generation Emergency declaration.
- C. Emergency Minimum limits.

Note: The sum of A, B, & C will be defined as Emergency Reducible Generation (ERG). Any reduction in this category will be done in proportion to the total amount of ERG reported.

(3) Based on Unit Commitment information, scheduling personnel will formulate a scheduling strategy for the light load period.

(4) Hydro plants shall be scheduled to maximize pumping at pumped storage plants and to minimize generation at run-of-river plants during the light load period(s).

(5) Scheduling personnel will advise external systems of conditions expected during a light load period. Arrangements will be made to minimize energy deliveries to PJM. Such arrangements may necessitate reduced energy deliveries during on-peak periods. Where possible, energy sales to external systems will be arranged.

(6) Review and finalize the light load scheduling strategy as appropriate with SOS members.

(7) Convey the agreed upon scheduling strategy to Company scheduling personnel.

(8) Written documentation of the scheduling strategy for the ID will be prepared by IA scheduling personnel. The documentation will include a list of Emergency Reducible Generation.

COMPANY ACTION:

(1) Unit data in the Unit Commitment Database should be reviewed and updated. Particular attention should be given to unit availabilities and energy limits (normal maximum, normal minimum, and emergency minimum).

(2) Additional unit maintenance should be scheduled, as appropriate, for the expected light load periods.

(3) Determine the amount of Emergency Reducible Generation.

Note: Only the Unit Commitment Database contains emergency minimum energy limit information which will be used by the IA for both scheduling and dispatching.

2.4.2 FOUR HOURS PRIOR TO LIGHT LOAD PERIOD

IA ACTION:

(1) Scheduling dispatcher will maintain a current list of Emergency Reducible Generation. (2) Report status of the system to the companies via the All-Call.

COMPANY ACTION: (1) Review with station operating personnel, unit normal maximum and minimum energy limits as well as emergency minimum energy limits. (2) Update normal maximum and minimum energy limits in Dispatch Lambda. Changes in emergency minimum energy limits and nuclear unit operating constraints must be reported to the IA scheduling dispatcher.

Note: Emergency minimum energy limits are not available to the PJM Dispatch Lambda program.

2.4.3 MINIMUM GENERATION EMERGENCY DECLARATION

CONDITION Two hours prior to the light load period, or after any subsequent system re-evaluation, and upon determination that the following steps will not achieve the generation reductions needed to meet the minimum load during the valley period:

- (1) Attempt economic sales to the outside
- (2) Reduce all units to normal minimum generation
- (3) Reduce all purchased power to minimum.

IA ACTION:

- (1) Declare a Minimum Generation Emergency via the All-Call system.
- (2) Survey each Company to update the amount of Emergency Reducible Generation available. Joint-owned generation will be reported by the Operating Company. Final strategy will be determined from the survey results including the anticipated amount of Reducible Generation to be reduced (by percentage), and a forecast time of the reduction.
- (3) Notify each Company of survey results and strategy.

COMPANY ACTION:

- (1) Determine what available Emergency Reducible Generation will be reduced and the sequence and timing of reduction.
- (2) The companies may elect to begin reducing units that require long lead times and will report to the IA the times and MW of these reductions.

2.4.4 MINIMUM GENERATION EVENT

CONDITION: The ID can no longer match the decreasing load by reducing the dispatch signal.

IA ACTION:

- (1) Load all pumps and reduce run-of-river plant energy where reservoir elevation and river flow will allow without spilling water or violating reservoir elevation limits.
- (2) Reduce the PJM dispatch signal to zero and attempt to sell excess generation to external systems. The excess generation will be quoted at a zero rate.
- (3) Request companies to reduce Emergency Reducible Generation, in proportion to the total amount of ERG reported.
- (4) In concert with the companies, the ID will recommend the shut down of specific units not required for area protection during the current load period or the subsequent on-peak period. The ID will recommend return times for these units.

Note: Having reviewed the conditions for the next on-peak period, the IA would recommend sequence of units being removed from service at this time and recommend the sequence of return for the units that would be needed for reliable operation for the next on-peak period.

COMPANY ACTION:

- (1) Follow the direction of the ID.

Note: If reduction of Emergency Reducible Generation is requested, no update of the PJM Dispatch Lambda program is required.

2.4.5 LAST RESORT

CONDITION: When all actions under 2.2.4 have been taken and further action is required.

IA ACTION:

- (1) Request companies to remove regulation from all units and to reduce to emergency minimum generation levels.
- (2) Request overgenerating companies to reduce their generation to be equal to or less than Company load.

COMPANY ACTION:

- (1) Remove regulation from all units and reduce to emergency minimum generation levels.
- (2) Update the PJM computer data to reflect the new generation limits.
- (3) The overgenerating Company will reduce its generation by any means to achieve the level requested by the ID.

- Note:**
- (1) An overgenerating Company is a Company with internal energy in excess of its internal load. Internal energy includes allocations of joint-owned energy plus energy purchases minus energy sales. A Company's share of pumping load will be considered internal load.
 - (2) The ID will schedule sufficient generation to supply system losses.

2.4.6 CANCELLATION

- (1) The above steps will be followed in reverse order as the PJM load begins to exceed the generation.
- (2) The ID will cancel a Minimum Generation Emergency when actions taken under these procedures are no longer necessary.
- (3) If not cancelled by the ID, the Minimum Generation Alert will expire at the end of the specified light load period.

2.5 EMERGENCY PROCEDURE DRILLS

PURPOSE: A drill of the PJM system emergency procedures will be conducted prior to the summer peak load season and again prior to the winter peak load season. These drills will exercise the emergency procedures contained in Section 2 of the Operating Instruction and ensure that all dispatchers, media, and dispatching support personnel are familiar with the current release of the operating instructions. To assure that all aspects of the Emergency Procedures are exercised, the companies should consider, to the extent possible, contacting, or even involving, their state/local governmental agencies.

CONDITION: Simulated scenario that will require the use of the PJM Emergency Procedures.

IA ACTION:

- (1) Notify IA Management, IA Public Information personnel, and member company dispatchers that the Emergency Procedure Drill has been initiated.
- (2) Issue appropriate Alerts, Warnings, and Actions to the companies according to the prepared scenario. Simulate contacting the outside systems via the ORNS network and the other reliability regions through the NERC Hotline. Keep the companies informed of the simulated estimated operating reserve capacity and the requirement throughout the drill.
- (3) Report significant changes in the estimated operating reserve capacity.
- (4) Cancel the Actions, Warnings, and Alerts when appropriate.
- (5) Cancel Drill

COMPANY ACTION:

- (1) Notify company Management. Simulate the use of public appeals to conserve electricity usage and simulate notifying Governmental Agencies.
- (2) Advise all stations and key personnel.
- (3) Simulate implementing each Emergency Procedure.
- (4) Simulating interfacing with the media via the Public/Media Communications Committee (P/MCC).

FOLLOW UP

- (1) Critique of drill will be performed by each dispatching organization.
- (2) SOS will critique overall drill.

3 TRANSMISSION FACILITY CONTROL

3.1 REACTIVE LIMITATION CONTROL

PURPOSE: Provide operating guidelines for normal and emergency control of transfer interfaces.

CONDITION: A reactive limit is reached or exceeded.

IA ACTION:

(1) When the reactive limit is approached or exceeded, off-cost generation assignments will be made in the most effective areas to control these limitations. The ID should also evaluate the impact of the existing inter-area transfers and modify those schedules which adversely affect the reactive transfer limit. If insufficient generation is available to control these limitations, the emergency procedures contained in Section 2 of this Operating Instruction shall be implemented. If it appears that these Emergency Procedures will be required, an Operations Planning Branch engineer shall be called upon to validate the transfer limits and develop a voltage drop curve via the Operator Power Flow OPLF Program for the transfer limit contingency.

(2) If the Emergency Procedure steps (from loading Maximum Scheduled Generation through VCLC) will be insufficient to control the transfers, a Manual Load Dump Warning will be issued to ALL companies stating the most serious limitation and the estimated amount of load relief required. The ID, using all available tools such as the voltage drop curves, actual voltage conditions, proximity to all the different reactive transfer limits, and the Company impacts, will determine the most effective area for load dumping and will discuss the locations and the amount of load dump required with the affected companies.

(3) If transfers exceed the reactive transfer limit but voltage conditions are solid, the IA Dispatcher will use as a guide the voltage drop curve and, with supervisory approval, may exceed the transfer limit if the contingency would not exceed the "knee" of the voltage drop curve.

(4) If transfers exceed the reactive transfer limit and voltage conditions are deteriorating and the ID determines the system cannot withstand the occurrence of the contingency, the ID, using all available tools such as the voltage drop curves, actual voltage conditions, proximity to all the different reactive transfer limits, and the Company impacts, shall order a manual load dump in the most effective area and in an amount sufficient to return the transfers to within the reactive transfer limit. If transfers exceed the transfer limit (or a revised transfer limit, if applicable) due to the occurrence of some contingency, but additional actions other than load dumping are available and will be effective, these actions should first be undertaken. If, however, transfers are not returned to within the limits within 30 minutes of the occurrence of the contingency, the PJM emergency procedures up to and including load dumping should be implemented.

COMPANY ACTION:

Follow Company actions as contained in Section 2 of this Operating Instruction.

3.2 VOLTAGE CONTROL

PJM Interconnection Association system will be operated so that normal voltage profiles are maintained at all load levels. Under normal system conditions, each member system should be able to supply its reactive load and losses locally at all load levels. The 500 kV system will be operated so that all 500 kV bus voltages are maintained between 500 and 550 kV on a precontingency basis. Maximum voltage capabilities on individual 500 kV buses are given in Appendix D. The 345 kV-and-below portion of the bulk power transmission system will be operated so that all bus voltages are maintained within 5% of the nominal voltage on a precontingency basis, unless use of a different bandwidth is required because of equipment design.

No single contingency outage shall exceed either of the following limits at a 500 kV bus: a post-contingency voltage drop of five percent, or a post-contingency angular difference greater than the setting of the synchro-check relay less ten degrees. PJM Operations Planning will regularly examine system conditions for potential voltage problems and advise the ID of measures that must be taken to maintain the system within the criteria.

Company dispatchers should establish system voltage control by using controllable reactive sources which include generators, synchronous condensers and switched capacitors. After the controllable reactive sources have been utilized, LTC transformers may be used to "trim" 500 kV and 230 kV voltages.

3.2.1 ACTION IN A LOW-VOLTAGE SITUATION

CONDITION: Voltages are, or are expected to be, below the criteria given in Section 3.2.

IA ACTION:

- (1) Request all systems to implement the heavy-load voltage schedule.
- (2) Request that synchronous condensers and switchable capacitors be placed in service unless studies indicate otherwise.
- (3) Assure all units in operation are supplying maximum MVAR capability.
- (4) Adjust 500/230 kV transformer taps to optimize system voltage. If system voltages are determined to be overly sensitive to slight increases in transfer levels, the ID will reduce power transfers into the reactive-deficient area to a value that will stabilize voltages. The ID will re-examine system conditions, and reduce the limit until acceptable voltage stability is achieved.

COMPANY ACTION:

Respond as required to specific requests and directions of the ID.

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3.2.2 500 KV SYSTEM VOLTAGE BELOW 500 KV

CONDITION: 500 kV system below 500 kV.

IA ACTION: Issue a Manual Load Dump Warning and take appropriate emergency procedures (Section 2), in the effective area.

(1) If the 500 kV system voltage has reached a level of, or is decaying toward 470 kV, or any other level as determined by the Operations Planning Branch, the ID will order sufficient load dumping in the deficient area, so as to stabilize the system voltage at 490 kV or better to protect the system from a loss of a large unit.

(2) The ID will direct member companies, via the PJM All-Call, to avoid taking any actions which would adversely affect the 500 kV system voltage without first obtaining approval from the ID. If the 345 kV system or below has reached a level of 90% of nominal and is continuing to decay, the ID will order load dumping in the deficient area, sufficient to return the system voltages to 95% or better.

COMPANY ACTION:

Promptly dump an amount of load equal to, or in excess of, the amount requested by the ID. Report action taken once implemented.

3.2.3 ACTION IN A HIGH-VOLTAGE SITUATION

CONDITION: Voltages exceed or are expected to exceed the criteria given in Section 3.2. The following items apply to voltage control of the overall PJM 500 kV system. It should be noted that high-voltage problems of localized nature may be more effectively controlled by selective measures in the particular area.

IA ACTION:

- (1) Disconnect all switchable capacitors.
- (2) Request all companies to operate units to absorb reactive power.
- (3) Request neighboring pools to assist in reducing voltage.
- (4) Adjust 500/230 kV transformer taps to optimize system voltage.
- (5) Reset desired voltage on SVC.
- (6) **LAST RESORT:** If the above is not sufficient, high-voltage problems may possibly be relieved by opening a 500 kV circuit. (Opening a circuit loaded below surge impedance loading, 850 MW, will result in a net decrease in line charging.) If, using the STOP program, the ID determines that opening the 500 kV circuit will cause no overloads, open this line at both terminals. Determine if this action has produced the desired effect; if not, reclose the line. Operations Planning personnel will routinely provide the ID with a list of 500 kV circuits which may be opened without degrading system reliability. The ID may not open more than one 500 kV circuit for voltage control in an area.

COMPANY ACTION:

Respond as required to specific requests and directions of the ID.

3.3 OVERLOADED TRANSMISSION

PURPOSE: Protection of high voltage transmission from failure and damage due to overloaded conditions and preservation of system reliability.

CONDITION: Overloading of transmission facility (line or transformer) at or above the Short Time Emergency (STE) rating.

IA ACTION:

(1) When a transmission facility is loaded above the STE rating, but does not exceed the load dump rating (generally 115% of the STE rating), the ID will adjust generation and PAR's within a maximum of 15 minutes, to bring the loading to equal or below the STE rating. If the facility is not reduced within 15 minutes, the ID will order a Load Dump to reduce the actual flow on the facility to be equal to or below the STE rating.

(2) When a transmission facility is loaded above the load dump rating, the ID, or Company on the receiving end of the overloaded facility has up to a maximum of 5 minutes to analyze and relieve the overload. If not reduced to or below the STE rating at the end of 5 minutes, the ID will order a load dump to relieve the facility.

COMPANY ACTION:

(1) The Company and IA dispatchers must, at all times, promptly inform each other of any overloads which have occurred and corrective actions being taken.

(2) Overloaded transmission, including interpool and intrapool circuits, should not be opened under disturbance conditions unless pre-studied or prearranged for specific contingencies.

(3) If an overloaded transformer or cable cannot be relieved by applying the previous criteria, a Company has the prerogative of opening up the facility, while taking into account the system conditions and the resulting consequences, versus the consequences of having the facility fail and incur damage.

4 **CONSERVATIVE OPERATION**

4.1 **GENERAL**

CONDITION: A need is judged to exist to operate the system more conservatively (i.e. operate some margin away from the reactive transfer limit or some margin away from the post-contingency flow value). Examples of conditions warranting possible conservative operations are as follows:

- (A) Critical facility outages, such as, double circuit transmission outages, open ring buses or split buses.
- (B) Forest fires/brush fires which threaten major transmission circuits.
- (C) IA EMS outages.
- (D) Evacuation of IA control center to the emergency dispatch center.
- (E) Communications (data/voice) outages.
- (F) Weather related events, such as ice/snow/wind storms, hurricanes, tomadoes, severe electrical storms, and potential floods.
- (G) Acts of war/terrorism (vandalism, sabotage, civil disorder).
- (I) Events on other systems (blackouts, sudden multiple outages, severe storms)
- (H) Environmental alerts.

IA ACTION:

The PJM Interconnection Association Dispatcher has the authority and will back-off transfers into, across, or through the PJM system or take other actions such as off-cost assignments to increase reserves, back-off power flows on selected facilities, if in the ID's analysis and judgement the reliability of the system is being, or will be jeopardized. If required, an Operations Planning Branch engineer shall be called upon to develop revised limitation curves. The system shall be operated to the conservative transfer limit values.

COMPANY ACTION:

Respond as required to specific requests and directions of the ID.

4.2 THUNDERSTORMS

When thunderstorms are in the vicinity, automatic reclosing capability should be in service for all 500 kV and critical 230 kV and above circuits.

CONDITION: Automatic reclosing scheme is not in service and a severe thunder and lightning storm(s) exist in the vicinity of the critical bulk power transmission facility.

IA ACTION:

(1) ID will request that automatic reclosing capability be put in service on those critical facilities. Also, the operating Company at either end of a tie line or the IA can request that the reclosers be restored.

(2) Where practical, the ID should request that any maintenance and testing being performed on any critical transmission generating, control, or monitoring equipment be deferred or cancelled.

(3) It is the responsibility of the IA to inform affected companies of any storms moving in their direction.

COMPANY ACTION:

(1) It is the responsibility of individual company dispatchers to inform the PJM Interconnection Association of any storms in their systems.

(2) It is the responsibility of the Company in the affected area to decide when reclosers are to be restored to service and to report this information to the ID.

(3) Put recloser in service.

4.3 SOLAR MAGNETIC DISTURBANCES

PURPOSE: Geomagnetically-induced currents (GIC) caused by a Solar Magnetic Disturbance (SMD) flow through the power system equipment and facilities and may result in major increases in system reactive requirements, equipment damage and disruption of interconnected system operation. Upon identification of a geomagnetic disturbance as described below, the ID will operate the system to geomagnetic disturbance transfer limits. The geomagnetic disturbance transfer limits will be determined from studies modelling various scenarios such as the partial or complete loss of Hydro Quebec, the reduction or complete loss of generation at Artificial Island, and the tripping of certain EHV capacitors. These studies will be performed by the Operations Planning Branch (OPB) on a seasonal basis and will be updated for current conditions as required when the ID implements this procedure.

CONDITION: To implement the procedure, a geomagnetic storm is detected that produces a DC measurement at Missouri Ave. at a magnitude greater than 10 Amperes and the ID must confirm that this measurement is a result of a severe geomagnetic storm by checking additional sources of information. The ID will contact PS to determine if excess transformer MVAR requirements exist at Salem or Hope Creek. The ID will also check with PECO to see if similar high DC measurements are being observed at Limerick and Peach Bottom. Implementation will occur only when the Missouri Ave. activity has been confirmed by at least one additional data source. A confirmation of a geomagnetic storm by NOAA is not required to initiate this procedure.

IA ACTION:

- (1) Notify all companies via the PJM All Call system and will then begin to operate the system to the geomagnetic disturbance transfer limits. An OPB engineer is also to be notified of the implementation of the procedure.
- (2) When the GIC limit is approached or exceeded, off-cost generation assignments will be made in the most effective areas to control this limit. The ID should also evaluate the impact of the existing inter-area transfers and modify those schedules which adversely affect the GIC transfer limit. If insufficient generation is available to control this limit, the emergency procedures contained in Section 2 of this Operating Instruction (through loading Maximum Scheduled Generation - steam and CT's as necessary) shall be implemented. If it appears that these emergency procedures will be required, an OPB engineer shall be requested to validate the GIC transfer limit and develop a voltage drop curve via the OPLF Program for the GIC transfer limit contingency. Pre-contingency load dumping will not be used to control transfers to the GIC transfer limit.
- (3) The ID will continue to operate the system to the geomagnetic disturbance transfer limits for a period of three hours after the measurement value at Missouri Ave. has fallen below the initial trigger point of 10 Amperes. The ID must again confirm this measurement by checking the other sources of information. If the measurement value remains below 10 Amperes for three hours, all companies will be notified via the PJM All Call system that the procedure is being canceled and the ID will restore the appropriate transfer limits for operation of the system.

COMPANY ACTION:

- (1) Provide confirmation of measurement values as requested by the ID.
- (2) Upon notification of the implementation of this procedure, companies with instrumentation installed to record DC neutral measurements at remote locations should dispatch personnel to ensure that strip chart recorders are working properly. Companies employing a MVAR summing algorithm method should also initiate data collection at this time. It is requested that any data collected during a geomagnetic storm be forwarded to the IA for further analysis.
- (3) Any Company action shall be reported to the IA.

5 **ASSISTANCE TO ADJACENT SYSTEMS**

PURPOSE: To assist adjacent systems that are deficient in generation and request PJM assistance.

CONDITION: Adjacent system requests PJM assistance, and the adjacent system has taken the action(s) being requested of PJM.

IA ACTION:

(1) Notify IA Management, IA Public Information personnel, and company dispatchers. Notify outside systems through the ORNS computer system and the NERC regional Hotline.

(2) Order as required, increased generation, including Maximum Schedule and Maximum Emergency Generation (with the exception of fuel limited and environmentally restricted capacity), and implement a 5% voltage reduction to provide the required assistance. Note, however, PJM Load Management Programs shall not be used to provide assistance to adjacent systems. The ID will preface these procedures by the words "Due to PJM providing emergency assistance to an adjacent system(s), PJM is issuing an (appropriate alert or action message)."

COMPANY ACTION:

(1) Notify company Management.

(2) Notify Governmental Agencies, as applicable.

(3) Implement all emergency procedure requests issued by the ID and notify appropriate Company personnel.

5.1 APS/PJM/VAPWR RELIABILITY COORDINATION PLAN (RCP)

PURPOSE: To avoid or remedy unreliable operation on the inter-regional bulk power transmission system.

Note: Levels I and II have been initiated, but have not relieved the situation.

CONDITION: Level III has been declared and PJM Emergency Procedures through loading of Maximum Economic Generation have been implemented and additional relief is required; or (Level IV-A) Actual conditions have reached a point where a critical single contingency would cause probable voltage collapse or cascading thermal overloads; or (Level IV-B) A critical contingency has occurred and conditions in the initiating control area have reached the minimum survivable operating point.

Note: If PJM is not importing energy (from the West or North), only the procedures as outlined in Section 5 "Assistance to Adjacent Systems " should be followed.

IA ACTION:

(Level IV-A) Reduce imports by pre-determined share within a reasonable time period (20 minutes) using all available emergency procedures. (Level IV-B) Initiate load dumping immediately to avoid a collapse.

COMPANY ACTION:

Implement all emergency procedure requests issued by the ID and notify appropriate Company personnel.

DISTURBANCE CONDITIONS

When a system disturbance occurs a prime consideration is to maintain parallel operation throughout PJM and the adjacent interconnected systems. This will permit rendering maximum assistance to the system in trouble, may prevent cascading of trouble to other parts of the interconnected system, and assist in restoration of normal operation. If sufficient assistance cannot be obtained, the deficient system may need to provide load relief measures or ultimately face the loss of assistance being provided by its neighbors when separation occurs. PJM will provide all possible assistance up to and including a 5% voltage reduction.

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6.2 INTERNAL DISTURBANCE WITH SYSTEM SEPARATION

CONDITION: Power shortage causes a separation of all or parts of the Interconnection Association with the probability of overloaded transmission lines and/or abnormal frequency.

IA ACTION: Order load to be dumped sufficient to:

- (1) return the frequency to 59.75 Hz or higher,
- (2) relieve actual transmission overloads, or
- (3) return inter-area ties to schedule. As a guide, dump 6% load to raise the frequency by 1 Hz.

NOTE: Under frequency relays will automatically dump load as the frequency decays by the following table.

<u>PJM Frequency</u>	<u>PJM Load Dump</u>
59.3 Hz	10%
58.9 Hz	10%
58.5 Hz	10%

COMPANY ACTION:

- (1) Manually dump load in the quantity requested by the Interconnection Association Dispatcher.
- (2) Individual generating station operators will act independently if the frequency descends to 59.75 Hz and is decaying, to increase generation until frequency returns to 59.90 Hz, or until Maximum Generation or transmission limitations are reached.
- (3) Individual generating station operators will act independently if the frequency rises to 60.25 Hz and is increasing, to decrease generation until the frequency returns to 60.10 Hz

Note: Each Company of PJM may take independent action to protect its plant equipment and preserve as much load as possible during separations with the following guidelines:

- (1) Frequency at or below *58.0 Hz for 30 seconds* - generation and load connected to the same bus may be islandized.
- (2) Frequency at or below *57.5 Hz for 5 seconds* - generation should be disconnected.

High-frequency operation may be as damaging as low frequency operation. If frequency is above 62.0 Hz and shows no sign of immediate recovery, frequency must be adjusted toward 60.25 Hz.

7 SEVERE WEATHER CONDITIONS (EXTREME COLD, HEAT/HUMIDITY)

7.1 SEVERE WEATHER CONDITIONS (COLD OR HOT)

To maximize the system's ability to operate reliably during periods of extreme and/or prolonged severe weather conditions, procedures are necessary to keep all affected system personnel aware of the forecast and/or actual status of the system and to insure that maximum levels of unit availability are attained.

PURPOSE: Alert companies of the anticipated severe weather conditions and the possible need to provide additional capacity and to man the necessary generating sites for a future critical period. Combustion turbine (CT) start up reliability may be adversely affected by extreme cold temperatures.

CONDITION: Expected weather conditions will necessitate the commitment of additional generation and when required the manning of unmanned generating sites.

PROJECTIONS: During periods of severe weather conditions, the IA should send out projections of conditions and expected use of CTs and oil-fired steam for future days (from today through up to 7 to 10 days) to all SOS members. If conditions warrant, conference calls will be held to discuss the anticipated conditions.

The IA's analysis of system conditions should consider higher levels of unit unavailability during severe weather conditions. The IA should use its best judgement as the magnitude of the projected unavailability of equipment considering the length of the forecasted and actual weather conditions. As a general guide, an additional unavailability of between 1500 MW to 2000 MW for the summer and an unavailability of between 3000 MW to 4000 MW for winter should be used in the projections.

FUEL LIMITED CAPACITY: Member companies shall monitor their fuel supplies and inventories and keep the IA updated about stations/units which are experiencing or projected to experience fuel limitations. As appropriate, SOS conference calls will be scheduled to review the operating situations.

Any fuel restricted unit should be classified as Maximum Emergency Generation, with the IA kept informed about the number of burn hours available for all fuel restricted equipment. In particular, gas-fired only units cannot be in the scheduled capacity, unless firm gas delivery is assured.

The general guidelines to be followed are: CTs should be removed from economic dispatch and placed in Maximum Emergency whenever their fuel inventory is less than 16 hours at rated output. The concept is that 16 hours is equal to four 4-hour peak load periods over a two-day period. For oil fired steam units, these units would be removed from economic dispatch to Maximum Emergency when their fuel inventory is less than 32 hours. The concept is that 32 hours at rated output equals two 16-hour periods over a two-day period. Two days should be sufficient time to alert governmental agencies of our situation and to receive assistance. Depending on the situation, units may be forced out of service (full or partial) prior to these guidelines in order to protect plant equipment or for future system needs.

7.2 COLD WEATHER ALERT

PURPOSE: To prepare personnel and facilities for expected extreme cold weather conditions.

CONDITION: When the forecasted minimum, or actual temperature for Philadelphia (per Weather Service Corporation or its successor) is at or below 5 degrees Fahrenheit.

IA ACTION:

(1) Notify IA Management, IA Public Information personnel, and member company dispatchers.

(2) Issue a COLD WEATHER ALERT, giving the predicted low temperature, duration of the condition, and the amount of estimated operating reserve and reserve requirement. As a general guide, an unavailability of 3000 MW to 4000 MW should be used for winter capacity projections.

(3) When scheduling for a period covered by a COLD WEATHER ALERT, the Scheduling Dispatcher shall assume an unavailability factor for Western Reserved Economy purchases dependent on the following table:

<u>MINIMUM TEMPERATURE</u>	<u>PURCHASE REDUCTION</u>
+5° to +1° (°F)	50%
0° (°F)	100%

This decrease may require the commitment of additional steam units and/or the purchase of emergency power from external systems.

(4) When in the ID's judgement, combustion turbines in excess of 2000 MW will be needed to operate, an estimated running rate of the highest priced CT required will be given to the companies. If the predicted minimum temperature is -5° F. or less, an additional 2500 MW shall be added to the amount of CTs expected to operate, and the running rate of the highest priced CT required will be given to the companies.

(5) Report significant changes in the estimated operating reserve capacity.

(6) Cancel the alert if the weather forecast is changed or when the alert period is over.

COMPANY ACTION:

(1) Notify company Management of the alert.

(2) Call-in or schedule personnel in sufficient time to ensure that all combustion turbines and diesel generators that are expected to operate will be started and be available for loading when needed for the morning pick up. This should include operations, maintenance and technical personnel necessary to gradually start all equipment during the midnight period. The units should be brought on at engine idle where possible and loaded as necessary to maintain reliability. Once units are started, they should remain on-line until the ID requests the units be shut down. Running of CTs to provide for Spinning Reserve should be monitored closely at units where fuel and delivery could be hampered. Each Company should attempt to start their most troublesome units first.

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(3) All member companies should review their combustion turbine capacities, specifically units burning No. 2 fuel oil which do not have sufficient additive to protect them from the predicted low temperature.

(4) Review fuel supply/delivery schedules in anticipation of greater than normal operation of units.

(5) Monitor and report projected fuel limitations to the IA.

(6) Review plans to determine if any maintenance or testing, scheduled or being performed, on any monitoring, control, transmission, or generating equipment can be deferred or cancelled.

7.3 HOT WEATHER ALERT

CONDITION: When forecasts for extreme hot and/or humid weather conditions are expected to persist for an extended period which may cause capacity requirements/unit unavailability to be substantially higher than forecast.

IA ACTION:

- (1) Notify IA Management and member company dispatchers.
- (2) Issue HOT WEATHER ALERT, stating the amount of estimated operating reserve capacity and the requirement. As a general guide, an unavailability of between 1500 MW to 2000 MW should be used for Summer capacity projections.
- (3) Report significant changes in the estimated operating reserve capacity.
- (4) Cancel the alert when appropriate.

COMPANY ACTION:

- (1) Notify company Management of the alert.
- (2) Advise all stations and key personnel.
- (3) Review plans to determine if any maintenance or testing, scheduled or being performed, on any monitoring, control, transmission, or generating equipment can be deferred or cancelled.
- (4) Report to the IA any and all fuel limited facilities as they occur and update the IA as appropriate.

Interrogatory Enron VIII-38

Enron VIII-38 Question:

Why are two classes on rate GS created? Will there be any difference between these two subclasses with respects to rates or tariffs?

Enron VIII-38 Answer:

Two GS classes were created through negotiations for phase-in purposes only. There will no be no difference between the two GS classes with respect to tariff rates.

Responsible Witness: T. P. Hill, Jr.

Interrogatory Enron VIII-39

Enron VIII-39 Question:

Securitization and legal impediments:

- (a) Is PECO aware of any legal or other impediment to its securitization of \$4 billion in stranded costs?
- (b) If so, at what level does PECO believe that it will be able to securitize its stranded costs and, if the level is less than \$4 billion, identify all factors leading to that conclusion.
- (c) Explain the calculation that supports the concept that failure to securitize will cost 3% of proposed rate reductions?
- (d) Assuming PUC adoption of the Partial Settlement, what restrictions, if any, does PECO believe will attach to the use of the proceeds of securitization?

Enron VIII-39 Answer:

- (a) Yes, one example would be the currently pending cases before the Commonwealth Court which challenges the constitutionality of the Act and the Commission's Order in PECO's Securitization case.
- (b) If there is a legal barrier in place the Company will be able to securitize \$0.
- (c) The adjustment associated with the failure to be able to securitize was a negotiated amount determined by the signatories.
- (d) PECO use of the proceeds of securitization will comply with the restrictions of the Qualified Rate Order from that case and the restrictions in the Act.

Responsible Witness: T. P. Hill, Jr.

Interrogatory Enron VIII-40

Enron VIII-40 Question:

For 1999, and for each major customer class (Rate "R," GS and HT) provide PECO's projection of the total delivered price of power, including all associated charges including but not limited to the projected wholesale cost of power, line losses, capacity charges, GRT load factor adjustments and ancillary charges. Also, provide a breakdown of each item included within the calculation of the total delivered price of power and identify the specific cost or price associated with that item.

Enron VIII-40 Answer:

The prices of retail power contained in the Settlement are negotiated figures based on the compromise agreed to by the signatories. PECO notes, also, that the "total delivered price of power" will be a function of the market.

Responsible Witness: T. P. Hill, Jr.

Enron VIII-41 Question:

Identify and then produce every document, or provide a narrative description of any agreements or understandings, including informal or tentative understandings, between or among PECO and any of the signatories to the Partial Settlement Agreement agreed to, arrived at or made in connection with the Partial Settlement Agreement or during negotiations thereof, but which agreements or understandings are not contained in the Partial Settlement Agreement.

Enron VIII-41 Answer:

The Company does have private agreements with some of the signatories but they are confidential and not contained in the Partial Settlement nor is the Company seeking Commission approval of them.

Responsible Witness: T. P. Hill, Jr.

Enron VIII-42 Question:

Identify and then produce every document, or provide a narrative description of any agreement or understanding, including any informal or tentative understanding, between or among PECO and any signatories to the Partial Settlement Agreement whereby PECO agrees to provide funds or other contributions for "community development," "economic development," "legal fees" or for any other purpose, to any person or entity, including any signatory to the Partial Settlement or any person or entity designated by such a signatory, which agreement or understanding was arrived at or made in connection with the Partial Settlement Agreement or during negotiations thereof, but which agreements or understandings are not contained in the Partial Settlement Agreement.

Enron VIII-42 Answer:

The Company does have private agreements with some of the signatories but they are confidential and not contained in the Partial Settlement nor is the Company seeking Commission approval of them.

Responsible Witness: T. P. Hill, Jr.

Interrogatory Enron VIII-43

Enron VIII-43 Question:

Identify and then produce every document, or provide a narrative description of any agreements or understandings, including informal or tentative understandings, between or among PECO and any of the signatories to the Partial Settlement Agreement agreed to, arrived at or made in connection with the Partial Settlement Agreement or during negotiations thereof, pursuant to which any signatory, in any proceeding before the PUC or any court or other agency, (a) will take a position on one or more issues; or (b) will refrain from taking a position in one or more issues; or (c) will suggest or advocate that some other person take a position on one or more issues.

Enron VIII-43 Answer:

None other than the Settlement.

Responsible Witness: T. P. Hill, Jr.

Interrogatory Enron VIII-44

Enron VIII-44 Question:

Provide all documents supporting the allegation that the proposed rate reductions will benefit economic development. (¶ 48)

Enron VIII-44 Answer:

PECO has prepared no specific studies that support this proposition.

Responsible Witness: T. P. Hill, Jr.



PECO ENERGY

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Assistant General Counsel

**DOCUMENT
FOLDER**

Direct Dial: 215 841 4252

September 10, 1997

Via E-Mail and Federal Express

Daniel Clearfield, Esquire
Wolf, Block, Schorr and Solis-Cohen
305 North Front Street, Suite 401
Harrisburg, PA 17101

KJR

Re: Application of PECO Energy Company for Approval of its Restructuring
Plan under Section 2806 of the Public Utility Code
Docket No. R-00973953

Dear Daniel:

Enclosed are PECO Energy Company's Answers to Enron's Interrogatories.:

Set VIII: 1 through 45.

Please note that PECO is only one of 11 signatories to the Partial Settlement,
and it is answering these interrogatories only on its own behalf.

Sincerely,

Paul Bonney

PRB/mbo

Enclosures

cc: w/enclosures
James McNulty, Acting Prothonotary (Certificate of Service Only)
Craig Doll, Esquire (Counsel for Delmarva)
Joseph A. Dworetzky, Esquire (Counsel for New Energy Ventures)
William T. Hawke, Esquire (Counsel for Mid-Atlantic Power Supply
Association
Certificate of Service

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RECEIVED
PROTHONOTARY'S OFFICE

Certificate of Service

I hereby certify that I have this date served the following Answers by facsimile, first class or overnight/express mail, upon the persons addressed below:

Enron's Interrogatories.: Set VIII: 1 through 45.

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Charles Shields, Prosecutor
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ALJ APPEARANCE SHEET

ALJ Hearing Report

Docket No. R-00973953, R-00973953C0001-C0007

CHECK THOSE BLOCKS WHICH APPLY:

Case Name Pennsylvania Public Utility Commission v. PECO Energy Company

Prehearing Held YES NO

Hearing Held YES NO

Testimony Taken *KJR* YES NO

Transcript Due YES NO

Hearing Concluded YES NO

Further Hearing Needed YES NO

Estimated Add'l Days

RECORD CLOSED YES NO

Briefs to be Filed YES NO

BENCH DECISION YES NO

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Location Harrisburg

Date wednesday, September 10, 1997

ALJ Mariane R. Chestnut & Charles E. Rainey, Jr.

Reporting Firm Holbert Associates

Evidentiary Hearings on Settlement

Oct. 14-17, 1997

Public Input Hearings

*Oct. 22, 1997 11:00 A.M. Media
7:00 P.M. Phila.*

Evidentiary Hearings on Outstanding Issues

Nov. 12-14, 1997

Names, Addresses and Telephone Numbers of Parties or Counsel of Record

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REMARKS: *See hearing schedule on the left. All evidentiary hearings will be held in Philadelphia. State Office Bldg*

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