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November 25, 1997

**DOCUMENT  
FOLDER**

James McNulty, Prothonotary  
Pennsylvania Public Utility Commission  
North Office Building  
P.O. Box 3265  
Harrisburg, PA 17105-3265

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

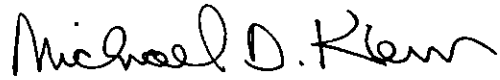
Petition of Enron Energy Services Power, Inc.  
Docket No. P-00971265

Dear Mr. McNulty:

Enclosed please find for filing an original and three (3) copies of the Supplemental Exhibit No. 1 to the Rebuttal Testimony of Andrew Fastow (Statement No. 8-R). A Certificate of Service is also enclosed.

If you have any questions concerning this matter, please contact me at your convenience.

Sincerely,



Michael D. Klein

MDK/mas  
enclosure

cc: The Honorable Marlane Chestnut  
The Honorable Charles Rainey  
All Parties on Certificate of Service

10

**ORIGINAL**  
BEFORE THE

**PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-00973953
	:	
PECO Energy Company	:	
	:	
Petition of Enron Energy Services Power, Inc.	:	Docket No. P-00971265
	:	

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**CERTIFICATE OF SERVICE**

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I hereby certify that I have on this 25th day of November, 1997, served a true copy of the foregoing Supplemental Exhibit No.1 to the Rebuttal Testimony of Andrew Pastow (Statement No. 8-R) on behalf of Enron Energy Services Power, Inc. upon the participants, listed below, in accordance with the requirements of 52 Pa.Code § 1.54:

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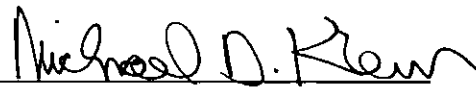
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Attorney for Enron Energy  
Services Power, Inc.

**ORIGINAL**

Statement No. 8-R

Petition of Enron Energy Services Power, Inc. for  
Approval of an Electric Competition and Customer Choice Plan  
and for Authority Pursuant to Section 2807(e)(3) of the  
Public Utility Code to Serve as the Provider of Last Resort  
in the Service Territory of PECO Energy Company

---

**Supplemental Exhibit No. 1  
to Rebuttal Testimony**

of

**Andrew S. Fastow**

on behalf of

**Enron Energy Services Power, Inc.**

Concerning

**Various Aspects of Securitization**

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**FORM OF  
ITC SHORTFALL INSURANCE  
AND REIMBURSEMENT AGREEMENT**

**by and among**

**[ITC SHORTFALL PROVIDER]  
(the "Guarantor"),**

**PECO ENERGY COMPANY  
(the "Utility")**

**and**

**ENRON ENERGY SERVICES POWER, INC.  
(the "Company")**

**Dated as of [\_\_\_\_\_]**

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## ITC SHORTFALL INSURANCE AND REIMBURSEMENT AGREEMENT

THIS ITC SHORTFALL INSURANCE AND REIMBURSEMENT AGREEMENT (this "Insurance Agreement") is made as of \_\_\_\_\_, 199[ ], by and among [ITC SHORTFALL PROVIDER], a [ ] corporation (the "Guarantor"), PECO ENERGY COMPANY, a [ ] corporation (the "Utility") and ENRON ENERGY SERVICES POWER, INC., a [ ] corporation (the "Company").

### PRELIMINARY STATEMENTS

PECO Funding LLC, a special purpose, limited liability company organized under the laws of the state of [ ] (the "Issuer") has simultaneously with the execution and delivery of this Agreement issued and sold transition bonds (the "Transition Bonds") pursuant to an order of the Pennsylvania Public Utility Commission (the "PUC") dated [ ].

Payments of principal and interest on the Transition Bonds will be serviced by the proceeds from the collection by the Servicer of certain payments made by Customers pursuant to a rate charge (the "ITC Rate") approved by the PUC.

The Servicer is required, pursuant to the terms of the Servicing Agreement, to periodically apply to the PUC for increases and decreases in the ITC Rate in order to assure that the aggregate amount of ITC Collections is no more or less than is needed to fund payments on the Transition Bonds and certain other amounts.

The PUC has determined that it is in the best interest of the Customers that any increase in the ITC Rate not have a net effect on amounts payable by Customers.

The Guarantor, pursuant to a Fee Letter between the Company and the Guarantor, has agreed to enter this Agreement and to pay the amounts provided for hereunder to the Utility, as beneficiary of the Shortfall Insurance Bond.

NOW, THEREFORE, in consideration of the premises and other agreements herein contained, the parties hereto hereby agree as follows:

### ARTICLE I DEFINITIONS

Section 1.1 General Definitions. The terms defined in this Article I shall have the meanings provided herein for all purposes of this Insurance Agreement and the Shortfall Insurance Bond, unless the context clearly requires otherwise, in both singular and plural form, as appropriate.

"Affiliate" means with respect to any Person, any Person that directly or indirectly through one or more intermediaries, controls such Person, is controlled by such Person or is under direct or indirect common control with such Person. As used herein, the

term "control" means possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Bankruptcy Event" means, with respect to any Person, the occurrence of any of the following: (i) such Person shall commence any case, proceeding or other action (A) under any existing or future Insolvency Law seeking to have an order for relief entered with respect to it, or seeking to adjudicate it bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or such Person shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against such Person any case, proceeding or other action of a nature referred to in clause (i) above which shall not have been dismissed, stayed or bonded pending appeal within 90 days from the entry thereof (provided, that such 90 day period shall not be applicable if such Person is not actively contesting the merits of such action).

"Business Day" means any day other than a Saturday or Sunday or a day on which banks are not required or authorized by law or executive order to close in The City of New York.

"Certificates" means the [ \_\_\_\_\_ ] Certificates issued by the [Grantor Trust].

"Closing Date" means the closing date for the purchase of the Certificates.

"Company" has the meaning given to such term in the preamble hereof.

"Default" has the meaning given to such term in Section 6.1 hereof.

"Dollars" means lawful currency of the United States of America.

"Event of Default" has the meaning given to such term in Section [ ] of the Indenture.

"Excess Collections" means the amounts distributed pursuant to Section [ ] of the Indenture.

"Fee Letter" means the letter agreement dated the date hereof between the Guarantor and the Company.

"Guarantor" has the meaning given to such term in the preamble hereof.

"Governmental Body" means any Federal, state, municipal or other governmental department, commission, board, bureau, agency, ministry, authority or other

instrumentality of any jurisdiction, domestic or foreign, including but not limited to the United States.

"Indemnified Liabilities" has the meaning given to such term in Section 2.5(a) hereof.

"Indenture" means the Indenture dated as of [ ] by and between [ ] for the issuance of the Transition Bonds.

"Insolvency Law" means, collectively, with respect to any Person, any liquidation, insolvency, bankruptcy, suspension of payments, moratorium, reorganization or similar law applicable to such Person, now or hereafter in effect.

"Insurance Agreement" has the meaning given to such term in the preamble hereof.

"Issuer" has the meaning given to such term in the Preliminary Statements hereof.

"Notice For Payment" has the meaning given to such term in the Shortfall Insurance Bond.

"Past Due Rate" means [ ]%.

"Person" means an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Premium" has the meaning given to such term in the Fee Letter.

"Premium Amount" has the meaning given to such term in the Fee Letter.

"PUC" has the meaning given to such term in the Preliminary Statements hereof.

"Rating Agency" means each of [the credit rating agencies rating the Certificates], its successors and assigns.

"Repayment Amount" has the meaning given to such term in Section 2.4(a) hereof.

"Requirements of Law" means any law, treaty, rule or regulation, or final determination of an arbitrator or Governmental Authority, and, when used with respect to any Person, the certificate of incorporation and by-laws or other organizational or governing documents of such Person.

"Servicer" means PECO Energy Company, as Servicer under the Servicing Agreement or any successor thereunder.

"Shortfall Insurance Bond" means the Shortfall Insurance Bond to be issued by the Guarantor on the Closing Date.

"Transaction Documents" means, collectively,  
[\_\_\_\_\_].

"Transaction Party" means any of the parties to this Insurance Agreement other than the Guarantor.

"Transition Bonds" has the meaning given to such term in the Preliminary Statements hereof.

"Utility" has the meaning given to such term in the preamble hereof.

Section 1.2 Generic Terms. All words used herein shall be construed to be of such gender or number as the circumstances require. The words "herein", "hereby", "hereof", "hereto", "hereinbefore", and "hereinafter", and words of similar import, refer to this Insurance Agreement in its entirety and not to any particular paragraph, clause or other subdivision, unless otherwise specified.

## ARTICLE II THE SHORTFALL INSURANCE BOND AND REIMBURSEMENT

Section 2.1 Shortfall Insurance Bond. The Guarantor agrees subject to the satisfaction of the conditions listed in Section 2.2 (in each case, in the reasonable judgment of the Guarantor) to issue the Shortfall Insurance Bond in the form of Exhibit I hereto on the Closing Date and to make payments to the Utility in accordance with the terms thereof.

Section 2.2 Conditions Precedent to the Issuance of the Shortfall Insurance Bond. The issuance by the Guarantor of the Shortfall Insurance Bond under this Insurance Agreement is subject to the satisfaction of the following conditions:

(a) Payment of Fees and Expenses. The Guarantor shall have been reimbursed, by or on behalf of the Company, for expenses identified in Section 2.5(a)(i) below as payable on the Closing Date; provided, that the Guarantor shall have presented statements of such estimated expenses to the Company by the third Business Day prior to the Closing Date.

(b) Closing Documents. The Guarantor shall have received a copy of each of the Transaction Documents, each duly authorized, executed and delivered by each party

thereto, all in form and substance satisfactory to the Guarantor and the Guarantor's special counsel.

(c) Certified Documents and Resolutions. The Guarantor shall have received a copy of the resolutions or similar authorizations, of each Transaction Party in form and substance satisfactory to the Guarantor, authorizing the execution, delivery and performance by such party of the Transaction Documents and this Insurance Agreement, as applicable, certified by an authorized representative of such party as of the Closing Date (which certificates shall state that such resolutions are in full force and effect without modification on the Closing Date and that shareholder consent to the execution, delivery and performance of such documents is not necessary).

(d) Incumbency Certificate. The Guarantor shall have received a certificate of an officer of each Transaction Party certifying the name and signatures of the authorized representatives of such party authorized to execute and deliver this Insurance Agreement.

(e) Representations and Warranties; Certificate. The representations and warranties of such Transaction Party in this Insurance Agreement and the other Transaction Documents to which it is a party shall be true and correct as of the Closing Date; no Default shall have occurred and be continuing; and the Guarantor shall have received a certificate of an authorized representative of each Transaction Party to that effect.

(f) Opinions of Counsel. The Guarantor shall have received opinions substantially in the form of those attached hereto as Exhibits [ \_\_\_\_\_ ] addressed to the Guarantor.

(g) No Litigation, etc. Except as set forth in Schedule [ ] hereof, no suit, action or other proceeding, investigation, or injunction or final judgment relating thereto shall be pending or threatened before any court or governmental agency in which it is sought to restrain or prohibit or to obtain damages or other relief in connection with any of the Transaction Documents or this Insurance Agreement.

(h) Legality. No statute, rule, regulation or order shall have been enacted, entered or deemed applicable by any government or governmental or administrative agency or court which would make the Transaction Documents or this Insurance Agreement illegal or otherwise prevent the consummation thereof.

(i) No Default. No Default hereunder shall have occurred.

(j) Fee Letter. The Company and the Guarantor shall have executed the Fee Letter in connection with the execution and delivery of this Insurance Agreement.

[Other conditions, as necessary, to be determined by the Transaction Parties]

Section 2.3 Premium. In consideration of the issuance by the Guarantor of the Shortfall Insurance Bond, the Company shall pay to the Guarantor a premium in the amount of the Premium Amount established in the Fee Letter (the "Premium").

Section 2.4 Reimbursement Obligations. (a) The Guarantor shall be reimbursed by the Company, subject to Section 2.4(d) hereof, for any payment made under the Shortfall Insurance Bond in respect of any of the obligations insured thereunder, together in each case with interest on any and all such amounts remaining unpaid (to the extent permitted by law, if in respect of any unpaid amounts representing interest) from the date such amounts were funded by the Guarantor under the Shortfall Insurance Bond until paid in full to the Guarantor (after as well as before judgment), at a rate per annum equal to the Past Due Rate in effect on each such day (collectively, the "Repayment Amount"). Any such Repayment Amount shall be due and payable immediately upon funding by the Guarantor under the Shortfall Insurance Bond.

(b) All amounts of interest payable to the Guarantor under this Insurance Agreement shall be calculated on the basis of a 360-day year for the actual number of days elapsed.

(c) The Guarantor hereby agrees that it shall have no recourse to the Utility for any amounts owed to it hereunder or under the Shortfall Insurance Bond.

(d) The Guarantor hereby agrees that in the event that the Guarantor is paid any amounts owing to the Guarantor under this Section 2.4 from Excess Collections pursuant to the terms of Section [ ] of the Indenture, the Company's obligation to make payment of such amounts owing to the Guarantor under this Section 2.4 shall be discharged to the extent of the payments made under the Indenture; provided that if the Company has previously paid any amounts to the Guarantor under Section 2.4(a) hereof and (i) the Guarantor receives any amounts from Excess Collections pursuant to Section [ ] of the Indenture and (ii) at such time the Company either does not owe any amounts to the Guarantor pursuant to Section 2.4(a) hereof or owes amounts that are less than the amounts received by the Guarantor pursuant to the Indenture, then the Guarantor will reimburse such amounts, or the excess of such amounts, as applicable, to the Company.

Section 2.5 Agreement to Pay Fees, Costs, Expenses, etc.; Indemnification; Contribution. (a) In addition to any and all rights of reimbursement, subrogation or any other rights pursuant to this Insurance Agreement or the Shortfall Insurance Bond, or under law or equity, the Company, whether or not the Guarantor issues the Shortfall Insurance Bond, agrees:

(i) to pay or reimburse the Guarantor for all of its reasonable out-of-pocket costs, expenses and disbursements (including, without limitation, travel fees, attorneys' fees and accountants' fees) incurred in connection with the negotiation, preparation, execution and delivery of (A) this Insurance Agreement, the Shortfall Insurance Bond and any other documents prepared or entered into in connection

herewith or therewith and (B) for all Rating Agency fees and expenses incurred at any time by the Guarantor in connection with the documents, instruments and agreements described in clauses (A) and (B) above, and the transactions contemplated thereby,

(ii) to pay, indemnify, and hold the Guarantor harmless from, any and all recording and filing fees and any and all liabilities with respect to, or resulting from any delay in paying, any tax, assessment or other governmental charge that may be payable or determined to be payable in connection with the execution and delivery of, the consummation or administration of, any amendment, supplement or modification of, any waiver or consent under or in respect of, any payment made or to be made under or respect of or any transaction contemplated by any Transaction Document or any other documents, prepared or entered into in connection herewith or therewith, and

(iii) to pay, indemnify, and hold the Guarantor and its respective Affiliates and the officers, directors, employees of any of them or any of their respective Affiliates (each an "Indemnitee") harmless from and against any and all out-of-pocket liabilities (including penalties), obligations, losses, damages, actions, suits, demands, claims, judgments, costs, expenses or disbursements of any kind or nature whatsoever that arise out of or in any way relate to or result from or out of (A) the transactions contemplated by any Transaction Document, this Insurance Agreement or any other documents prepared or entered into in connection herewith or therewith, or (B) any investigation or defense of, or participation in, any legal proceeding relating to the execution, delivery, enforcement, performance or administration of any Transaction Document or any such other documents (whether or not such Indemnitee is a party hereto or thereto) or (C) the negligence, bad faith, wilful misconduct, misfeasance or theft committed by a director, officer, employee or agent of the Company in connection with or relating to the Transaction Documents or the transactions contemplated therein, or (D) any breaches of agreements, representations and warranties with respect to the Transaction Documents by any Transaction Party.

(All of the foregoing, collectively, being the "Indemnified Liabilities"); provided that the Company shall have no obligation hereunder to any Indemnitee with respect to Indemnified Liabilities arising from the gross negligence or wilful misconduct of any Indemnitee. Any payments required to be made by the Company under this Section 2.5 shall be due [ ] Business Days after demand therefor.

(b) The indemnity provisions of this Section 2.5, as well as the reimbursement provisions set forth in Section 2.4, shall survive the termination of this Insurance Agreement.

(c) If the indemnification provided for in this Section 2.5 is unavailable to or insufficient to hold harmless an Indemnitee under subsection (ii) or (iii) above in respect of any Indemnified Liabilities (or actions in respect thereof) referred to therein, then the Company, in lieu of indemnifying such Indemnitee, shall contribute to the amount paid or payable by such Indemnitee as a result of such Indemnified Liabilities (or actions in respect

thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company, on the one hand, and the Guarantor on the other, from the transactions contemplated by the Transaction Documents. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law, then the Company shall contribute to such amount paid or payable by such Indemnitee in such proportion as is appropriate to reflect not only relative benefits but also the relative fault of the Company, on the one hand, and the Guarantor, on the other, in connection with the transactions which resulted in such Indemnified Liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The Company and the Guarantor agree that it would not be just and equitable if contributions pursuant to this subsection (c) were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to above in this subsection (c). Notwithstanding the foregoing, the Guarantor shall not be obligated to contribute, in the aggregate, any amount hereunder in excess of the amount of Premium paid to the Guarantor pursuant to the terms of this Insurance Agreement. The amount paid or payable by an Indemnitee as a result of the Indemnified Liabilities (or actions in respect thereof) referred to above in this subsection (c) shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such Indemnitee in connection with investigating or defending any such action or claim.

### **ARTICLE III REPRESENTATIONS AND WARRANTIES OF THE TRANSACTION PARTIES**

Section 3.1 Representations and Warranties of the Transaction Parties. Each of the Transaction Parties represents and warrants to the Guarantor as of the date hereof that:

- (a) Such party is a company duly organized and validly existing under the laws of the state of its incorporation, has full corporate power, authority and legal right to execute, deliver and perform its obligations under this Insurance Agreement and has obtained all licenses and approvals, in each jurisdiction necessary for it to perform its obligations hereunder.
- (b) The execution, delivery and performance of the Transaction Documents and the consummation of the transactions provided for in the Transaction Documents have been duly authorized by all necessary corporate action on the part of such party.
- (c) This Insurance Agreement constitutes the legal, valid and binding obligation of such party, enforceable against it in accordance with its terms, except as the enforceability thereof may be subject to bankruptcy, suspension of payments, insolvency, fraudulent transfer, reorganization, moratorium or other similar laws now or hereinafter in effect relating to creditors' rights generally, and except as such enforceability may be limited by general principles of equity (whether considered in a suit at law or in equity).

(d) Each of the Transaction Documents to which it is a party constitutes the legal, valid and binding obligations of such party enforceable against it in accordance with their respective terms, except as the enforceability thereof may be subject to bankruptcy, suspension of payments, insolvency, fraudulent transfer, reorganization, moratorium or other similar laws now or hereinafter in effect relating to creditors' rights generally, and except as such enforceability may be limited by general principles of equity (whether considered in a suit at law or in equity).

(e) The execution, delivery and performance of this Insurance Agreement and the performance of the transactions contemplated hereby and the fulfillment of the terms hereof applicable to it, do not (i) conflict with or violate any Requirements of Law applicable to such party, (ii) conflict with or violate its bylaws, (iii) violate any provision of, or require any authorization, consent, license, order or approval of or registration or declaration with, any Governmental Authority, (iv) conflict with, result in a breach of the terms and provisions of, or constitute (with or without notice or lapse of time or both) a default or require any consent under, any indenture, contract, agreement, mortgage, deed of trust or any other instrument to which such party is a party or by which it or its properties may be bound, or (v) result in, or require, the creation or imposition of any adverse claim upon or with respect to any of the properties now owned or hereafter acquired by such party.

(f) Except as set forth in Schedule [ ] hereto, there are no proceedings or, to the best knowledge of such party, investigations pending or threatened against such party, before any Governmental Authority (i) asserting the illegality, invalidity or unenforceability, or seeking any determination or ruling that would affect the legality, binding effect, validity or enforceability, of this Insurance Agreement or any of the Transaction Documents, (ii) seeking to prevent the consummation of any of the transactions contemplated by this Insurance Agreement or any of the Transaction Documents or (iii) seeking any determination or ruling that is reasonably likely to materially and adversely affect the performance by such party of its obligations under this Insurance Agreement.

(g) Each of the representations and warranties of such party set forth in the Transaction Documents is hereby incorporated by reference, is made to the Guarantor as if such representation and warranty was set forth herein and is true and correct as of the date hereof.

(h) To the best of such party's, knowledge, there exists no Default and no condition, event or act which with the giving of notice and/or the lapse of time and/or any determination or certification would constitute an Event of Default.

(i) All consents, approvals (including shareholder approval, if necessary), authorizations or other orders of all regulatory authorities required (excluding any required by the other parties to the Transaction Documents) for or in connection with the execution, delivery and performance of the Transaction Documents by such party

have been obtained and are in full force and effect and not contingent upon fulfillment of any condition.

Section 3.2 Survival of Representations and Warranties. The representations and warranties made pursuant to Section 3.1 hereof shall survive the date hereof. Upon discovery by any Transaction Party of a material breach of any of the foregoing representations and warranties, such Transaction Party shall give prompt written notice to the Guarantor.

#### **ARTICLE IV COVENANTS**

Section 4.1 Covenants.

[Covenants, if necessary, to be determined by the Transaction Parties]

#### **ARTICLE V FURTHER AGREEMENTS**

Section 5.1 Reinsurance and Assignments. (a) The Guarantor shall have the right to sell participations in its rights under this Insurance Agreement and to enter into contracts of reinsurance with respect to any Guarantee, provided that the Guarantor agrees that any such disposition will not alter or affect in any way whatsoever the Guarantor's direct obligations hereunder and under the Shortfall Insurance Bond, and will not alter or affect in any way whatsoever the rights and obligations of any Transaction Party hereunder.

(b) No Transaction Party may assign its obligations under this Insurance Agreement without the prior written consent of the Guarantor.

Section 5.2 Liability of the Guarantor. Each Transaction Party agrees that none of the Guarantor, any of its Affiliates, or any of their respective officers, directors, agents or employees, shall be liable or responsible for (except to the extent of its own gross negligence, wilful misconduct or bad faith): (a) the use which may be made of the Shortfall Insurance Bond by or for any acts or omissions of another Person in connection therewith or (b) the validity, sufficiency, accuracy or genuineness of any documents delivered to the Guarantor in connection with a drawing on the Shortfall Insurance Bond, or of any endorsement(s) thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged. In furtherance and not in limitation of the foregoing, the Guarantor may accept documents that appear on their face to be in order, without responsibility for further investigation.

Section 5.3 No Institution of Bankruptcy. The Guarantor shall not take any action or institute any proceeding against the Issuer under any Insolvency Law applicable to the Issuer or which would be reasonably likely to cause the Issuer to be subject to, or seek the

protection of, any such Insolvency Law; provided that the Guarantor may become party to and participate in any proceeding or action under any such Insolvency Law that is initiated by any Person other than one of its Affiliates.

Section 5.4 Obligations Absolute. The obligations of each Transaction Party pursuant to this Insurance Agreement are absolute and unconditional and will be paid or performed strictly in accordance with the respective terms hereof, irrespective of:

(a) any lack of validity or enforceability of, or any amendment or other modifications of, or waiver with respect to, the Transaction Documents (other than this Insurance Agreement);

(b) any amendment or waiver of, or consent to departure from, the Shortfall Insurance Bond or the Transaction Documents to the extent such do not result in a default with respect to payment under the Shortfall Insurance Bond;

(c) the existence of any claim, set off, defense or other rights they may have at any time against any other Transaction Party, any beneficiary or any transferee of the Shortfall Insurance Bond (or any person or entities for whom any Transaction Party, any beneficiary or any such transferee may be acting), the Guarantor or any other person or entity whether in connection with the Shortfall Insurance Bond, the Transaction Documents or any unrelated transactions;

(d) any statement or any other document presented under the Shortfall Insurance Bond (including any Notice for Payment) proving to be forged, fraudulent, invalid or insufficient in any respect or a statement therein being untrue or inaccurate in any respect whatsoever, subject to any gross negligence, misconduct or bad faith on the part of the Guarantor;

(e) the inaccuracy or alleged inaccuracy of any Notice for Payment upon which any drawing under the Shortfall Insurance Bond is based, subject to any gross negligence, misconduct or bad faith on the part of the Guarantor;

(f) the bankruptcy or insolvency of the Guarantor or any other party;

(g) any default or alleged default of the Guarantor under the Shortfall Insurance Bond other than a default with respect to payment thereunder;

(h) any defense based upon any nonapplication or misapplication of the proceeds of any drawing upon the Shortfall Insurance Bond;

(i) as to the Guarantor's obligations to the Utility under the Shortfall Insurance Bond, any default or breach by the Company in any of its obligations hereunder; or

(j) any other circumstance or happening whatsoever, provided that the same shall not have constituted negligence, bad faith, willful misconduct or misfeasance of the Guarantor or to the extent that such do not result in a default with respect to payment under the Shortfall Insurance Bond.

## ARTICLE VI EVENTS OF DEFAULT

Section 6.1 Defaults. The occurrence of any of the following events shall constitute a "Default" hereunder:

(a) the Guarantor shall fail to receive any amount owed to the Guarantor hereunder, which failure shall continue beyond the date upon which the Transition Bonds are no longer outstanding; or

(b) any of the representations or warranties made by the Transaction Parties under this Insurance Agreement or any of the Transaction Documents to which it is a party shall have been materially false or misleading when made or deemed made; or

(c) any Transaction Party shall fail to perform or to comply with any of its obligations hereunder or any other material obligations, covenants or agreements under any of the Transaction Documents to which it is a party; or

(d) a finding or a ruling by any Governmental Body or agency thereof that this Insurance Agreement is not binding on any Transaction Party.

Section 6.2 Remedies. In addition to any other rights and remedies which the Guarantor may have hereunder (including, without limitation, its rights under Section 5.4 hereof), upon the occurrence of a Default, the Guarantor may declare any amounts owed to it by the Company hereunder to be immediately due and payable.

## ARTICLE VII MISCELLANEOUS

Section 7.1 Amendments, Etc. No amendment, modification or waiver of any provision of this Insurance Agreement, nor consent to any departure therefrom, shall in any event be effective unless in writing and signed by each of the parties hereto, and no amendment, modification or waiver of any provision of the Shortfall Insurance Bond, or any consent to any departure therefrom, shall in any event be effective unless in writing and signed by each of the parties hereto; provided that in each case any waiver so granted shall extend only to the specific event or occurrence so waived and not to any other similar event or occurrence which occurs subsequent to the date of such waiver.

Section 7.2 Communications. All notices and other communications provided for in this Insurance Agreement shall be sent, if practicable, by confirmed telecopy (with hard copy sent on the same day by overnight courier) and, otherwise, by overnight courier service prepaid to a Person at its address specified below. A communication shall be addressed, until such time as a Person shall have notified the other parties of a change of address:

If to the Guarantor:

If to the Utility:

If to the Company:

Section 7.3 No Waiver, Remedies and Severability. No failure on the part of the Guarantor to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law. The parties further agree that the holding by any court of competent jurisdiction that any remedy pursued by the Guarantor hereunder is unavailable or unenforceable shall not affect in any way the ability of the Guarantor to pursue any other remedy available to it. In case any one or more of the provisions contained in this Insurance Agreement or in any instrument contemplated hereby, or any application thereof, shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein, and any other application thereof, shall not in any way be affected or impaired thereby.

Section 7.4 Payments. All payments to the Guarantor hereunder shall be made in U.S. dollars, in immediately available funds and shall be made prior to [ ] (New York City time) on the date such payment is due by wire transfer to [ ], or to such other office or account as the Guarantor may direct. Payments received by the Guarantor after [ ] (New York City time) shall be deemed to have been received on the next succeeding Business Day, and such extension of time shall be included in the computation of interest, if any, in connection with such payment.

Whenever any payment under this Insurance Agreement shall be stated to be due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such cases be included in computing interest or fees, if any, in connection with such payment.

Section 7.5 Termination. This Insurance Agreement shall create and constitute continuing obligations of each Transaction Party and the Guarantor in accordance with its terms, and such obligations will terminate on the date on which the Shortfall Insurance Bond has terminated in accordance with the provisions thereof. Any termination of this Insurance Agreement will be effective only upon the delivery to the Guarantor of the Shortfall Insurance Bond, whereupon such Shortfall Insurance Bond will be canceled and the Guarantor's

liabilities thereunder will cease. The provisions of Section 5.4 hereof, and similar provisions contained in this Insurance Agreement, shall survive the termination of this Insurance Agreement and the termination of the Shortfall Insurance Bond.

SECTION 7.6 JURISDICTION AND PROCESS. EACH TRANSACTION PARTY AGREES THAT ANY LEGAL ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS INSURANCE AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION HEREWITH OR THEREWITH, OR ANY LEGAL ACTION OR PROCEEDING TO EXECUTE OR OTHERWISE ENFORCE ANY JUDGMENT OBTAINED AGAINST ANY TRANSACTION PARTY, FOR BREACH HEREOF OR THEREOF, OR AGAINST ANY OF ITS PROPERTIES, MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK BY THE GUARANTOR OR ON BEHALF OF THE GUARANTOR AS THE GUARANTOR MAY ELECT, AND EACH TRANSACTION PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF SUCH COURTS FOR PURPOSES OF ANY SUCH LEGAL ACTION OR PROCEEDING. IN ADDITION, EACH TRANSACTION PARTY HEREBY (A) IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS INSURANCE AGREEMENT, ANY OTHER TRANSACTION DOCUMENT OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION HEREWITH OR THEREWITH BROUGHT IN THE BOROUGH OF MANHATTAN, THE COURTS OF THE STATE OF NEW YORK OR THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, AND ANY CLAIM THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM AND (B) TO THE FULLEST EXTENT PERMITTED BY LAW, HEREBY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS INSURANCE AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 7.7 GOVERNING LAW. This Insurance Agreement shall be governed by and construed in accordance with the laws of the State of New York.

Section 7.8 Counterparts. This Insurance Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

Section 7.9 Headings. The headings in this Insurance Agreement are for convenience of reference only and shall not limit or otherwise affect any of the terms hereof.

Section 7.10 Successors and Assigns. This Insurance Agreement shall bind and inure to the benefit of and be enforceable by each Transaction Party and its permitted successors and assigns hereunder and the Guarantor and its successors and assigns.

IN WITNESS WHEREOF, the parties hereto have executed this Insurance Agreement, all as of the day and year first above mentioned.

[ITC SHORTFALL PROVIDER]

By: \_\_\_\_\_  
Name:  
Title:

PECO ENERGY COMPANY

By: \_\_\_\_\_  
Name:  
Title:

ENRON ENERGY SERVICES POWER, INC.

By: \_\_\_\_\_  
Name:  
Title:

FORM OF  
[ITC SHORTFALL PROVIDER]

Shortfall Insurance Bond

Date of Issuance [ \_\_\_\_\_ ], 199[ ]

Shortfall Insurance Bond Number \_\_\_\_\_

Re: [PECO Special Purpose Entity] (the "Issuer")

Insured Amounts: The amount, on any Payment Date, by which the aggregate ITC Collections payable following an ITC Rate increase exceeds the aggregate amount of ITC Collections that would have been payable absent such ITC Rate increase; provided that such amount shall not exceed \$[ ]<sup>1</sup> in the aggregate over the life of the Transition Bonds (the "ITC Shortfall Cap").

Beneficiary: PECO Energy Company, a [ ] corporation (the "Utility").

[ITC SHORTFALL PROVIDER] (the "Guarantor"), for good and valuable consideration, receipt of which is hereby acknowledged, hereby unconditionally and irrevocably guarantees to the Utility, subject only to the terms of this shortfall insurance bond and any endorsement hereto (the "Shortfall Insurance Bond"), the full and complete payment by the Guarantor of the Insured Amounts.

For all purposes of this Shortfall Insurance Bond, unless otherwise defined herein, capitalized terms used herein shall have the meanings provided in the ITC Shortfall Insurance and Reimbursement Agreement, dated as of [ \_\_\_\_\_ ], by and among the Guarantor, the Utility and Enron Energy Services Power, Inc. unless the context shall otherwise require.

The Guarantor will pay any amount payable hereunder in respect of Insured Amounts out of funds of the Guarantor by [ ], New York City time, on the second Business Day following Receipt (as defined below) on a Business Day by the Guarantor at its designated

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<sup>1</sup> Amount to be determined by the Rating Agencies as set forth in Statement No. 8, Testimony of Andrew S. Fastow, page 8.

offices in [ ] of a notice of payment in the form of Exhibit A hereto (a "Notice for Payment"), appropriately completed and executed by the Beneficiary.

For purposes of this Shortfall Insurance Bond, the term "Business Day" shall mean any day other than a Saturday or Sunday or a day on which banks are not required or authorized by law or executive order to close in the City of New York.

The terms "Receipt" and "Received" with respect to this Shortfall Insurance Bond shall mean actual delivery to the Guarantor prior to [ ], New York City time, on a Business Day. Delivery either on a day that is not a Business Day, or after [ ], New York City time, on a Business Day, shall be deemed to be Received on the next succeeding Business Day. In all cases, "actual delivery" to the Guarantor shall require (i) the delivery of the original Notice for Payment, notice or other applicable documentation to the Guarantor at its address set forth below, or (ii) facsimile transmission of the original Notice for Payment, notice or other applicable documentation to the Guarantor at its facsimile number set forth below. In the case of either (i) or (ii) above, the Beneficiary shall (i) simultaneously confirm delivery or transmission by telephone with the Guarantor at its telephone number set forth below, and (ii) in the case of facsimile transmission, as soon as reasonably practicable, deliver the original Notice for Payment, notice or other applicable documentation to the Guarantor at its address set forth below. If any Notice for Payment, notice or other applicable documentation actually delivered (or attempted to be delivered) under this Shortfall Insurance Bond by the Beneficiary is not in proper form or is not properly completed, executed or delivered, or is otherwise insufficient for the purpose of making a claim hereunder, Receipt of the Guarantor shall be deemed not to have occurred, and the Guarantor shall promptly so advise the Beneficiary, which may submit an amended Notice for Payment, notice or other applicable documentation, as the case may be, to the Guarantor.

Payments due hereunder in respect of Insured Amounts will be disbursed to the Beneficiary by wire transfer in immediately available funds to the following account at: [ ]; or to such other account as the Beneficiary shall specify in writing to the Guarantor at the time of or prior to the delivery of the Notice for Payment in respect of such Insured Amounts.

The Guarantor's obligations hereunder in respect of Insured Amounts shall be discharged to the extent funds are transferred to the Beneficiary as provided herein, whether or not such funds are properly applied by the Beneficiary.

At any time during the Term of the Shortfall Insurance Bond, the Guarantor may appoint a fiscal agent (the "Fiscal Agent") for purposes of this Shortfall Insurance Bond by written notice to the Beneficiary, specifying the name and notice address of such Fiscal Agent. The Guarantor may replace such Fiscal Agent with a new Fiscal Agent by written notice to the Beneficiary, specifying the name and notice address of such new Fiscal Agent. From and after the date of receipt of either such notice by the Beneficiary, copies of all notices and documents required to be delivered to the Guarantor pursuant to this Shortfall Insurance Bond shall be simultaneously delivered to the Fiscal Agent or new Fiscal Agent, as the case

may be, and to the Guarantor. All payments required to be made by the Guarantor under this Shortfall Insurance Bond may be made directly by the Guarantor or by the Fiscal Agent on behalf of the Guarantor. The Fiscal Agent is the agent of the Guarantor only and the Fiscal Agent shall in no event be liable to the Beneficiary for any failure of the Guarantor to deposit, or cause to be deposited, sufficient funds to make payments due under this Shortfall Insurance Bond.

This Shortfall Insurance Bond is neither transferable nor assignable.

All notices, presentations, transmissions, deliveries and communications made by the Beneficiary to the Guarantor with respect to this Shortfall Insurance Bond shall specifically refer to the number of this Shortfall Insurance Bond, shall be in writing (except as otherwise specifically provided herein) and shall be mailed by registered mail, personally delivered or telecopied to the Guarantor as follows:

[Guarantor information]

or such other address, officer, telephone number or facsimile number as may be designated by the Guarantor in writing from time to time. Each such notice, presentation, transmission, delivery and communication shall be effective only upon Receipt by the Guarantor.

The obligations of the Guarantor under this Shortfall Insurance Bond are irrevocable, primary, absolute and unconditional (except as expressly provided herein).

The Premium (as defined in Section 2.3 of the Insurance Agreement) paid in respect of this Shortfall Insurance Bond is not refundable for any reason whatsoever.

To the fullest extent permitted by applicable law, the Guarantor hereby waives and agrees not to assert any and all defenses, set-offs and counterclaims including, without limitation, any such rights acquired by subrogation, assignment or otherwise, only in the event any such defenses, set-offs and counterclaims may be available to the Guarantor so as to deny payment of any amount due in respect of this Shortfall Insurance Bond.

This Shortfall Insurance Bond and the obligations of the Guarantor hereunder shall terminate upon the expiration of the Term of the Shortfall Insurance Bond. The "Term of the Shortfall Insurance Bond" means the period from and including the Date of Issuance to and including the earliest of the date on which the Transition Bonds are no longer outstanding.

This Shortfall Insurance Bond shall be returned to the Guarantor by the Beneficiary upon its termination together with a notice substantially in the form of Exhibit B hereto.

**THIS SHORTFALL INSURANCE BOND IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE SEVENTY-SIX OF THE NEW YORK STATE INSURANCE LAW.**

This Shortfall Insurance Bond sets forth in full the undertaking of the Guarantor, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto, or by the merger, consolidation or dissolution of the Beneficiary or any other Person and may not be canceled or revoked prior to the time it is terminated in accordance with the express terms hereof.

**THIS SHORTFALL INSURANCE BOND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.**

IN WITNESS WHEREOF, the Guarantor has caused this Shortfall Insurance  
Bond No. [ ] to be executed on the date first written above.

[ITC SHORTFALL PROVIDER]

By: \_\_\_\_\_  
Name:  
Title:

EXHIBIT A TO SHORTFALL INSURANCE BOND NO. \_\_\_\_\_

NOTICE FOR PAYMENT  
UNDER THE  
SHORTFALL INSURANCE BOND NO. \_\_\_\_\_

The undersigned individual, a duly authorized officer of PECO Energy Company, (the "Beneficiary"), hereby certifies to [ITC Shortfall Provider] (the "Guarantor"), with reference to the Shortfall Insurance Bond No. \_\_\_\_\_ dated [\_\_\_\_\_] (the "Shortfall Insurance Bond"; terms defined in the Shortfall Insurance Bond being used herein as used or defined therein unless otherwise defined herein), as follows:

1. The Beneficiary is entitled to make a demand under the Shortfall Insurance Bond pursuant to the Insurance Agreement in respect of a payment guaranteed by the Shortfall Insurance Bond.
2. This notice relates to the [insert date] Payment Date.
3. The Beneficiary demands payment of \$ \_\_\_\_\_ (the "Shortfall"), being the amount of Insured Amounts owing under the Shortfall Insurance Bond.
4. The aggregate amount of payments made on this Shortfall Insurance Bond has been \$[ ] and such amount, including the Shortfall requested pursuant to this Notice of Payment, will not exceed the ITC Shortfall Cap.
5. The amount demanded hereunder is to be paid by wire transfer to [\_\_\_\_\_].

IN WITNESS WHEREOF, this notice has been executed this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

PECO ENERGY COMPANY, as Beneficiary

By: \_\_\_\_\_  
Name:  
Title:

EXHIBIT B TO SHORTFALL INSURANCE BOND NO. \_\_\_\_\_

Dear Sirs:

Reference is made to that certain Shortfall Insurance Bond No. \_\_\_\_\_ dated [\_\_\_\_\_] (the "Shortfall Insurance Bond"; terms defined in the Shortfall Insurance Bond being used herein as used or defined therein unless otherwise defined herein), which has been issued by [ITC Shortfall Provider] (the "Guarantor") in favor of PECO Energy Company (the "Beneficiary").

The undersigned hereby certifies and confirms that the Term of the Shortfall Insurance Bond has expired.

The original of the Shortfall Insurance Bond is enclosed herewith.

PECO ENERGY COMPANY, as Beneficiary

By: \_\_\_\_\_

Name:

Title:



ORIGINAL

OFFICE OF CONSUMER ADVOCATE  
1425 Strawberry Square  
Harrisburg, Pennsylvania 17120

IRWIN A. POPOWSKY  
Consumer Advocate

(717) 783-5048

DOCUMENT FOLDER  
November 25, 1997

KJR

James J. McNulty, Secretary  
PA Public Utility Commission  
Room 206, North Office Bldg.  
P.O. Box 3265  
Harrisburg, PA 17105-3265

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

Dear Secretary McNulty:

Enclosed please find the Office of Consumer Advocate's Response to Commission  
Data Request of November 14, 1997.

Sincerely yours,

Tanya J. McCloskey  
Assistant Consumer Advocate

- cc: Veronica A. Smith, Deputy Executive Director
- John M. Quain, Chairman
- Nora Mead Brownell, Commissioner
- Robert K. Bloom, Commissioner
- John R. Hanger, Commissioner
- David W. Rolka, Commissioner
- Hon. Marlane Chestnut
- Hon. Charles Rainey
- All parties of record

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

14

# ORIGINAL

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

APPLICATION OF PECO ENERGY FOR :  
APPROVAL OF ITS RESTRUCTURING :  
PLAN UNDER SECTION 2806 OF THE : Docket No. R-00973953  
PUBLIC UTILITY CODE :

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RESPONSE OF THE  
OFFICE OF CONSUMER ADVOCATE  
TO COMMISSION DATA REQUEST  
OF NOVEMBER 14, 1997

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DOCUMENT  
FOLDER

**DOCKETED**  
DEC 01 1997

Tanya J. McCloskey  
Steven K. Steinmetz  
Assistant Consumer Advocates

Irwin A. Popowsky  
Consumer Advocate

Office of Consumer Advocate  
1425 Strawberry Square  
Harrisburg, PA 17120  
(717) 783-5048

DATED: November 25, 1997

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The Office of Consumer Advocate (OCA) is in receipt of the Commission's data requests of November 14, 1997, requesting PECO, Enron, and any other parties who so desire to perform a series of calculations based on assumptions contained in the data requests. The Commission also requests the parties to "comment" on a sample analysis that is attached to the data requests.

The OCA is currently involved in all 11 electric restructuring proceedings before the Commission as well as a host of generic and rulemaking proceedings. The OCA is not in a position to prepare an analysis of the various restructuring plans in this case on the basis of the assumptions set forth in these data requests. There is a more than ample record for the Commission to determine the relative merits of the various proposals that have been submitted by the parties in this case without resort to this additional set of data that has not been adequately reviewed on the record in this case.

The OCA feels compelled to comment, however, on the sample analysis that purports to show that the original PECO filing produces greater savings to consumers than either the Partial Settlement or (in three of four cases) the Enron Choice Plan. The fundamental problem with this analysis is that it makes assumptions about the various scenarios that are internally inconsistent and that produce meaningless comparisons.

For example, the Commission may recall that in the initial PECO Securitization case filed in January 1997, the OCA and PAIEUG proposed that, if the Commission were to allow a 10-year securitization of PECO stranded assets, the Commission should also require PECO to agree to a 10-year generation rate cap. The Commission rejected the OCA and PAIEUG request. In the Partial Settlement in the present case, however, PECO has agreed to a 10-year generation rate cap, but with the cap increasing in the last three years at the same rate (five percent and ten percent) as

the rate cap is reduced in the first three years of the Partial Settlement. In Column 1 of the Commission data request analysis, however, this additional rate cap protection -- which the Commission had denied consumers in the securitization case -- is treated as nearly a billion dollars of rate increases over the last three years of the Partial Settlement. This analysis mistakenly equates the rate caps with rate increases, even though the Partial Settlement clearly permits customers to avoid those rates by purchasing power elsewhere and indeed requires PECO to lower those default generation rates if its own competitive generation offerings are lower. Obviously, if PECO customers pay lower generation prices in the alternative scenarios than the PECO generation rate cap in Column 1, then the "savings" would be greater. But the question then is why would all of PECO's customers pay the higher generation price in Column 1 when generation is available at lower market prices, particularly when the Partial Settlement requires PECO to base its default generation rate on those lower market prices. Moreover, in the absence of the rate cap in the Partial Settlement, how can the Commission state with any assurance that PECO customers would not pay more in the years 2006-2008 if the PECO original plan had been stamped "approved." The consumer parties sought and obtained this additional rate cap protection that had been rejected by the Commission in the securitization case, yet in the Commission's data request analysis, this concession is perversely treated as a nearly \$1 billion penalty against the Partial Settlement.

The Commission analysis also simply assumes that the T&D rate cap until the year 2004 that was negotiated in the partial Settlement would apply equally under the Company's original filing, when in fact the Company's original filing had a higher T&D rate to begin with and there is absolutely no assurance that the Company would not seek to increase those rates between 2001 and 2004.

In addition, by assuming a 1% annual load growth, the Commission analysis inherently favors a reconcilable CTC as contained in the original filing, as compared to the non-reconcilable CTC contained in the Partial Settlement. If the new competitive energy services market creates opportunities for energy savings, particularly by large sophisticated commercial and industrial customers, a reconcilable CTC will simply pass those lost CTC revenues onto other customers until they are fully collected by the Company.

Most importantly, however, what the Commission analysis fails to recognize is that the original PECO filing treated the generation market price simply as the residual of the generation rate cap minus the competitive transition charges that were necessary to recover PECO's full stranded cost claim over seven years. This meant that the residual market price started at a low number in 1999 and stayed at that low number through the end of 2005. For residential customers, for example, the initial residual generation credit was set at 2.68 cents per kilowatt hour. While this credit is only slightly below the initial credits included in the Partial Settlement, the original PECO filing would have essentially retained this low generation credit until the year 2006. Particularly with a reconcilable CTC, this meant that PECO was absolutely assured that it would recover 100% of its stranded costs, but as virtually every other party in the case pointed out, the original PECO filing also assured that there would likely be no competition in the PECO service territory until the year 2006. Only in its rebuttal case did PECO acknowledge that if higher market prices were utilized, it would seek approval to extend its CTC beyond the year 2005. The Commission's data request analysis, however, treats this fundamental flaw in PECO's original filing as a positive benefit to consumers, because it assumes that PECO will charge below-market generation rates throughout the transition

period without seeking any T&D rate increase and without seeking any exception to its generation rate cap or extension of its CTC.

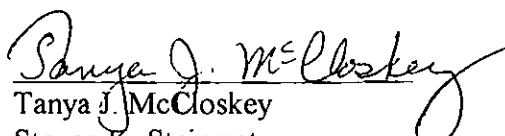
Under the Commission's data request analysis on page 1, Column 3, for example, if PECO's original request were stamped "approved", it is simply assumed that PECO would charge its existing level of rates through the year 2005 and that a fully competitive market would spring full-grown on January 1, 2006, and cause PECO's now-uncapped generation rates to plummet by a total of more than \$2.6 billion in the years 2006-2008. In the "Shopping/Securitization" scenario in Column 4, the "savings" to consumers under the original PECO plan in the years 2006-2008 are approximately \$4.4 billion. Indeed, as noted above, under the Data Request methodology, the original PECO filing is not only "better" than the Partial Settlement; in three of four cases, it is "better" than the Enron Choice Plan.

If the Commission's analysis is accepted, therefore, what it really shows is that PECO ratepayers are better off if PECO is allowed to charge below-market generation rates and be guaranteed recovery of 100% of its stranded costs for the next eight years, and that competition be prevented until at least the year 2006. If the Commission believes that this was the intent of the General Assembly, then it can go ahead and stamp the Company's filing "approved."

If the Commission, however, believes that the intent of the General Assembly was to produce immediate savings to consumers and to provide a reasonable transition to a competitive generation market that will produce greater savings in the long run, then the Commission should look to the Partial Settlement and the other proposals submitted on the record of this proceeding. The Company's original filing was opposed by virtually every consumer and competitive party in this case and has been effectively withdrawn by PECO as a result of its agreement to the Partial Settlement.

The Commission's and the Parties' time would be better spent by comparing the various alternatives that have been placed on the record of this case and determining whether the Partial Settlement or some alternative supported on the record of the case is in the public interest. Further efforts to make arithmetic comparisons between the current proposals and the original filing are meaningless and will detract from the Commission's already massive task of deciding this landmark proceeding.

Respectfully submitted,

  
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Dated: November 25, 1997  
44817

CERTIFICATE OF SERVICE

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

I hereby certify that I have this day served a true copy of the foregoing document,  
Response of the Office of Consumer Advocate To Commission Data Request of November 14, 1997,  
upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54  
(relating to service by a participant), in the manner and upon the persons listed below:

Dated this 25th day of November, 1997.

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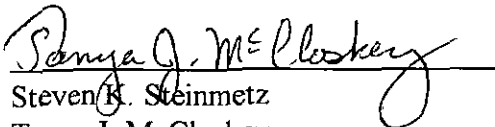
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VINCENT J. FUMO  
Chairman  
  
PAUL S. DLUGOLECKI  
Executive Director

**DEMOCRATIC COMMITTEE ON APPROPRIATIONS**

November 25, 1997

KJR

Via First Class Mail or Hand Delivery

The Honorable Marlane R. Chestnut  
The Honorable Charles E. Rainey, Jr.  
Administrative Law Judges  
Pennsylvania Public Utility Commission  
1302 Philadelphia State Office Building  
Broad & Spring Garden Streets  
Philadelphia, Pennsylvania 19130

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**Re: In re the Application of PECO Energy Company for Approval of its Restructuring Plan Under Section 2806 of the Public Utility Commission - Docket No. R-00973953.** (Response to the Commission Data Request of November 14, 1997).

Dear Judges Chestnut and Rainey:

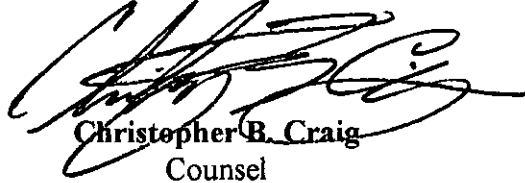
Attached for your consideration is the response of Senator Fumo, CEPA, *et al.* to the Commission Data Request of November 14, 1997. Please note that the response is submitted in the form of an analysis of the two spreadsheet tables composed by the Commission comparing PECO Energy Company's original restructuring proposal, the Joint Settlement and the Enron Corporation Petition. The analysis includes estimates of total ratepayers savings that are projected to result from each of the three options.

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**Response to the Commission Data Request**  
**Page 2**

As evidenced by the attached Certification of Service, a copy of the forgoing has been served on all parties of record as well as to each individual Commissioner. Please do not hesitate to contact me if I may provide any additional clarification.

Sincerely,



Christopher B. Craig  
Counsel

cc: All counsel of record.  
James McNulty, Prothonotary (3 Copies)  
The Honorable John M. Quain, Chairman  
The Honorable Robert K. Bloom, Vice-Chairman  
The Honorable John Hanger  
The Honorable David Rolka  
The Honorable Nora Mead Brownell

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

**ORIGINAL**

In re the Application of PECO Energy Company +  
for Approval of its Restructuring Plan Under +  
Section 2806 of the Pennsylvania Public Utility +  
Code +

Docket No. R-00973953

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RESPONSE OF SENATOR VINCENT J. FUMO  
AND CEPA ET AL. TO THE INTERROGATORIES, SET III  
OF THE PUBLIC UTILITY COMMISSION

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Senator Vincent J. Fumo and CEPA, *et al.* jointly file the following response to the Interrogatories, Set III propounded by the Public Utility Commission. A unified response is submitted rather than separate responses to each question because of the common assumptions and methodology applied. We believe that this method is both responsive to the Commission's questions and more convenient for the reader.<sup>1</sup> The witness responsible for these answers is Richard H. Silkman, Ph.D.

**DOCKETED**  
DEC 01 1997

The interrogatories ask the parties to accept a number of assumptions and factual bases that we believe to be untrue. If these are incorporated into analyses of the comparative stranded cost recoveries or ratepayer savings resulting from various restructuring proposals as has been requested in the interrogatories, we believe that the analyses will produce inaccurate, incomplete and misleading results. Accordingly, we are

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<sup>1</sup> To the extent that this single, unified response to multiple questions may be inconsistent with the Commission rules, Senator Fumo and CEPA et al. request that any such rule be waived.

providing alternative estimates of total ratepayer savings that we believe are most likely to result from the three options identified in the data request – the Partial Settlement Agreement, PECO’s April Filing and the Enron Choice Plan – assuming that each could be implemented as proposed.

*We want to emphasize that we are assuming for the sake of responding to this data request that the Enron Choice Plan can be implemented as it was originally proposed and as it has subsequently been modified by Enron. Accordingly, our response should not be interpreted as indication that we believe any of the results that could be obtained through the Enron Choice Plan will or are even likely to occur. To the contrary, Senator Fumo and CEPA, et al. firmly believe that the results suggested by Enron are not achievable.*

Because we have deviated from the prescribed methodology, we have taken great pains to identify and discuss each of the assumptions that underlie our analyses and to describe in great detail the calculations and computations we have performed.

We would welcome the opportunity to respond to any questions or concerns the Commission may have regarding our response to this data request. It is clear that the Commission believes that the issues raised in this data request are very important. We share this belief, and remain convinced that a complete and accurate comparison of the

various plans before the Commission will reaffirm the superior value offered by the Partial Settlement Agreement.

**A. Initial Comments:**

We believe that many of the assumptions and “factual” bases contained in the two spreadsheets presented to the Commission and incorporated in the data request are not supported by the record in this case, are not supported by evidence outside the scope of the record or are inconsistent with the Competition Act, regulatory practices or the energy marketplace. Specifically:

**1. Sales Growth**

We do not believe that retail sales will grow by 1% per year over the next 10 years. Based upon the experiences over the last ten years, such a growth rate would be extreme. As we have shown in our testimony, retail sales growth over the past 10 years has averaged only 0.23% per year, and we have found no basis for believing that the underlying economy, changes in electricity prices or technology will stimulate electricity demand over the next decade. In fact, as we have argued in this case, the more likely scenario is that load will actually decrease over the next ten years as a *result of stability in prices achieved through the adoption of any restructuring plan and increasing activity by energy service companies – to wit, the recent announcement by Enron that it intends to lower energy usage by 20% at Philadelphia area hospitals.*

We have reflected our belief that there will be no retail load growth over the next 10 years in the analyses provided in response to this data request.

## **2. T&D Costs**

We do not believe that transmission and distribution costs will remain flat over the 10 year transition period at December 31, 1996 levels. There is no evidence in the record in this case to support such an assumption. In addition, (1) PECO's April Filing does not incorporate extended stay-out provisions comparable to those contained in the Partial Settlement Agreement, and (2) the Enron Choice Plan contains such a stay-out provision, but PECO has indicated that it would not agree to such a provision in the context of that plan. This is important, because such extended stay-out provisions are not provided for in the Competition Act and could be achieved only with the consent of PECO.

## **3. Energy Costs**

We do not believe that consumers will purchase or that suppliers will offer energy on a bundled basis at rates different from what would otherwise be available on an unbundled basis. Accordingly, we believe that energy will be purchased under each of the various plans at the market rate, except in those instances where the market rate exceeds the generation rate caps contained in one or more of the plans. In these cases, the generation rate caps will constrain the market and will represent the effective market price.

While we believe that the energy price escalation assumption of 3% per year contained in the data request is too low and results in market prices well below any on the record in this case (with the exception of Mr. Slater's projections offered by Enron), we have nevertheless adopted this assumption in our analyses. It should be noted that this eliminates any potential value for ratepayers that may otherwise be derived from the generation rate caps that PECO voluntarily agreed to as a part of the Partial Settlement Agreement. The effect of this is to bias the analyses against the Partial Settlement Agreement, since it devalues an important component of that Agreement designed to protect ratepayers from unforeseen increases in energy prices.

*It should be noted also that the energy prices established by the Commission in this data request are actually lower than those used by PECO in its initial and subsequent estimates of stranded costs. If these new estimates are to be adopted in any way by the Commission, they would likely support a request by PECO to increase its stranded cost estimates above the current level of \$7.461 billion.*

#### **4. Discount Rate**

The data request specifies a discount rate of 8.41% and a starting date of September 1, 1998. We have adopted the 8.41%, even though we believe that it is on the low side and probably below PECO's cost of capital. The effect of this low discount rate is to increase the value of savings associated with the April filing that

occur after the alleged termination of CTC charges in 2005. In addition, the lower discount rate also biases the analysis against the Enron Choice Plan vis a vis the Partial Settlement Agreement; however, this difference is small.

Our analysis uses January 1, 1999 as the starting date for the net present value computations, since this is the date that retail access is scheduled to begin under the Competition Act. Accordingly, any savings that occur before January 1, 1999 under any of the various plans are not discounted, but are rather added directly into the total savings computation. The effect that choosing January 1, 1999 instead of September 1, 1998 to begin the discounting of both costs and benefits will bias the analyses very slightly in favor of the Enron Choice Plan, since this plan provides higher levels of initial savings. As above, however, the difference is small.

## **5. Securitization**

We have not performed a separate analysis to evaluate the consequences of the various plans under the assumption that securitization is not possible or it is delayed for one reason or another. Were we to do this analysis, the results would be very straightforward. Stranded cost recovery would not change under any of the plans. Ratepayer savings, on the other hand, would be reduced by \$100 million per year under the April filing and by 3% under the Partial Settlement agreement. In contrast, under the original Enron Choice Plan ratepayer savings would disappear (unless the Partial Settlement Agreement was implemented somehow following an inability to

securitize and Enron's walking away from the plan). Under the revised Enron Choice Plan ratepayer savings would be reduced by approximately 16% or \$500 million in net present value.

**B. The April Filing of PECO:**

The most important errors in the Commission analysis are in regard to its treatment of PECO's April 1997 restructuring plan filing. As that plan was originally filed, the energy rates were computed as a residual of the difference between the overall rate cap and the T&D and stranded cost recovery charges. Based upon full recovery of stranded costs and the T&D costs identified by PECO in that filing, energy costs would be approximately \$.025 per kWh through the year 2005. In addition, if PECO were to seek to recover increased T&D costs after the expiration of the distribution cost rate cap on June 30, 2001, the energy costs would actually fall. Clearly, PECO's original filing would not permit any competition until after the year 2005, and thus we believe it would be unacceptable.

What the Commission data request does is to modify the April filing by imposing higher levels of energy costs than those proposed by PECO, yet continued to assume that the overall rate cap of \$.0995 per kWh is preserved. This treatment is incomplete, and if followed, would result in a substantial under-recovery by PECO of its asserted stranded costs. While we may wish to believe that this is what would result from PECO's April

filing, it is most certainly not what PECO had in mind and, given the Competition Act, is a most unlikely result of any litigated outcome of this case.

To see clearly why the Commission's assumptions about PECO's April filing are incorrect, consider Table 1. Unlike PECO's April filing, this table creates an implicit CTC charge for PECO as the difference between the current rate of \$.0995 per kWh and the estimated levels of T&D and energy costs, based on the assumptions discussed above and detailed in the table; that is, rather than have energy be the residual component of the overall rate as PECO proposed in its April filing, we will accept the Commission's assumptions about energy prices and treat the stranded cost recovery charge instead as the residual component. In addition, note that the table incorporates an increase in T&D costs beginning on July 1, 2001, when the T&D rate cap provision in the Competition Act expires. Thus, beginning on July 1, 2001, T&D costs increase, initially to reflect the pent-up inflation during the stay-out and subsequently to include an estimated 2% annual escalation rate. As described in the notes to this and the other tables, the 2% is computed as a 3% annual inflation rate less a 1% productivity factor adjustment. (We believe that this is a reasonable assumption about how such costs are likely to be treated under regulation after a restructuring plan is implemented.)

As also noted in Table 1, energy costs begin in 1998 at \$.0288 per kWh and increase at 3% per year, as proposed by the Commission in its data request. By subtracting the sum of T&D and energy costs from the rate cap of \$.0995 per kWh each

year, the implied CTC charge can be determined. This is the amount in rates that is available to cover stranded costs, and begins in 1999 at \$.03764 per kWh and falls over time to \$.02448 per kWh in 2005.

The annual amounts of stranded cost recovered by PECO is obtained by multiplying the total kWh sales by the implied CTC charge. When this is summed over the entire period, the total amount of stranded costs recovered is about \$7.368 billion, or only \$5.533 billion in net present value. This is approximately \$2 billion less than the amount PECO indicated in its modification to its April filing that it needed to recover. Clearly, something is wrong; PECO certainly would not have filed a plan in April that did not permit it to collect the full amount of stranded costs that it believed it is entitled to, especially having fought so hard during the formation of the Competition Act to secure its right to recover its verifiable and unmitigatable stranded costs.

The problem is that PECO cannot recover its total stranded costs prior to January 1, 2006, pay for T&D costs and cost increases, pay for energy costs at the rates proposed by the Commission in this data request and remain under the \$.0995 per kWh rate cap all at the same time. One or more of these constraints must bend in order to satisfy the condition that PECO recover its total stranded costs. Either PECO would seek permission to increase the rate cap by passing on the additional costs of T&D and energy or it would seek permission to extend the time during which it can recover its stranded costs, or some combination of both.

Table 2 examines the first of these options – that PECO passes on the annual 2% increases in T&D costs and the annual 3% increases in energy costs to ratepayers. The effect of this is to increase the \$.0995 per kWh rate cap. This is explicitly provided for in the *Competition Act* – see Section 2804 (4)(III). As shown in Table 2, this would result in maintaining a level implied CTC charge as the recovery of the increases in T&D and energy costs increases the rate cap level. This level would be equal to that implied in 1999 as the residual between the overall rate cap and T&D costs plus the \$.0288 per kWh Commission proposed energy cost.

The effect of this pass through is to increase the total amount of stranded costs recovered by PECO by a little less than \$1 billion. As shown, the net present value of stranded cost recovery under the pass through assumption is \$6.084 billion, still well below the total amount identified by PECO in its April filing and the subsequent modification to that filing. Recall from the Partial Settlement Agreement and other documents that this is a net present value of \$7.461 billion.

Under the Commission's energy cost assumptions and with T&D cost increases, the \$7.461 billion can only be recovered by extending the time period allowed for recovery in combination with the pass through of cost increases. This is shown in Table 3. As in Table 2, PECO recovers the cost increases in T&D and energy costs from ratepayers, plus extends the CTC charge through July 2007. When it does this, the total net present value

of stranded costs recovered is \$7.454 billion, or approximately the total amount of stranded costs PECO has identified that it should be able to recover.

When the modifications in Table 3 are included in the computation of total savings for ratepayers, the result is very different from what is contained in the tables accompanying the Commission data request. As shown in Table 4, the new estimated retail rates increase over the time period and are in excess of the \$.0995 per kWh cap as a result of the pass through of cost increases and the extension of the CTC charge. The effect of this is to create negative savings in each of the years 1999 through 2007. These are offset somewhat by savings from securitization. The net effect, however, is that the April filing will likely cost ratepayers approximately \$236 million more than current rates.

### **C. The Partial Settlement Agreement**

Total stranded cost recovery under the Partial Settlement Agreement is computed as the sum of the specified CTC/ITC charges in each year multiplied by annual sales. As indicated in Table 5, total stranded cost recovery is estimated to be \$9.398 billion or about \$6.351 billion in net present value.

The computation of each of the rate components under the Partial Settlement Agreement is shown in Table 5 as well. T&D costs are held constant pursuant to the Agreement at \$.0311 per kWh through the end of 2003. Beginning in 2004, the analysis assumes that T&D costs reflect the full accumulated inflation and increase at 2% per year

thereafter. Energy costs are constrained in the early years – through 2001 – by the generation rate caps in the Partial Settlement Agreement. After 2001, however, energy costs track the assumptions in the data request.

The annual and total amount of ratepayer savings under the Partial Settlement Agreement are shown in Table 6. It is interesting to note that the assumptions about T&D and energy costs result in annual retail rates that are below the rate cap level of \$.0995 in each year of the transition period. The total amount of ratepayer savings is \$1.331 billion, which is \$1.688 billion more than under PECO's April filing. This is close to what would be expected, since PECO is writing off \$2 billion as part of the Partial Settlement Agreement. In net present value terms, the total ratepayer savings are approximately \$1.09 billion.

#### **D. The Enron Choice Plan**

Enron has provided two versions of its Choice Plan. Each version is analyzed separately in the attached tables – the original version is shown in Tables 9 and 10, while the modified version is shown in Tables 7 and 8. I will focus first on the original Choice Plan filed by Enron.

Under Enron's originally filed Choice Plan, T&D costs parallel the Partial Settlement Agreement through June 2001, under the distribution rate cap contained in the Competition Act. Unlike the Partial Settlement Agreement, however, PECO has not

agreed to a voluntary stay-out, and thus such a provision is not included in our analyses of the Enron plans. T&D rates increase in July 2001 by the accumulated amount of inflation (at 2% per year) and continue to increase at 2% per year for each year of the transition period – see Table 9. (Note – in the latter years of the transition period, the T&D rates under the Partial Settlement Agreement and the Choice Plan will be identical.)

Also, unlike the Partial Settlement Agreement, the generation rate caps or credits in the Choice Plan are above the assumed market prices for energy in each year of the transition period.

Total stranded costs recovered are \$9.068 billion, or \$5.635 billion in net present value. This recovery is substantially less than what is recovered by PECO under the Partial Settlement Agreement and accounts for all of the additional ratepayer savings shown on Table 10. As shown in Table 10, the total amount of ratepayer savings is \$1.326 billion, actually \$6 million less than the total amount of savings under the Partial Settlement Agreement. However, because the Enron Choice Plan front-end loads these savings, the net present value is \$1.603 billion, or about \$600 million more than under the Partial Settlement Agreement. It is interesting to note, however, that under the Enron Choice Plan, retail rates will actually exceed the \$.0995 rate cap level beginning in 2004, and will be \$.015 per kWh higher by 2008.

The revised Enron Choice Plan provides for slightly more stranded cost recovery - \$5.886 billion, as shown on Table 7 – and substantially more ratepayer savings. In fact, the revised Choice Plan doubles the amount of ratepayer savings compared to the original Choice Plan. This is a remarkable conclusion, and it alone ought to raise questions about Enron’s revised Choice Plan and whether or not it is feasible to implement as structured.

The source of the additional ratepayer savings under the revised Choice Plan is obvious. Enron has reduced T&D rates in order to increase the level of generation rate caps or credits in its revised plan. However, because energy rates remain less than the credits contained in Enron’s original plan under the assumptions established by the Commission in this data request, 100% of the T&D cost reductions flow to ratepayers in the form of higher savings, yet PECO is unable to recover any of the increases in the generation rate caps.

Something is amiss – either (1) PECO is currently earning far in excess of any definition of a reasonable return on its investments; (2) Enron’s proposed reductions in T&D rates are unsupported given PECO’s current cost structure for T&D services; or (3) the energy cost estimates required by the Commission in this data request are far too low. We believe that the problem lies in the second reason, and that Enron’s proposed T&D rates will not withstand careful scrutiny under a just and reasonable test. Accordingly, we do not believe that the additional savings provided by the revised Enron Choice Plan are real.

In fact, as we have discussed earlier in this response and as we have argued in our testimony in this case, we do not believe that any of the savings proposed under either the original or revised Enron Choice Plans are real. In both instances, these savings are fully contingent on PECO's entering into a Purchase Power Agreement (PPA) to provide electricity to Enron under terms and conditions specified in the plans. Without PECO's willingness to enter into such a PPA, Enron will not implement either plan, and ratepayers will not receive a penny of savings.

Further, the original plan was contingent on securitization, which even Enron acknowledged is problematic by revising its proposal somewhat in this regard. Unfortunately, the revision only created additional uncertainty as it lowered T&D costs by 25%, thereby reducing PECO's annual revenues by approximately \$250 million a year. Should the Commission find that this reduction is unreasonable and that the T&D rates contained in the *Partial Settlement Agreement* are appropriate, the *Enron Choice Plan* would not result in any ratepayer savings but would actually increase rates for ratepayers. Of course, none of this increase would be paid by Enron. Under either version of its Choice Plan, these increased costs would be treated as pass through costs and collected directly from ratepayers.

#### **E. Summary**

Our analysis has demonstrated the following:

The interpretation of PECO's April filing that has been reflected in the tables provided to the Commission that accompany this data request is seriously flawed. When the errors are corrected, the April filing (including securitization) provides no ratepayer savings, since the savings from securitization are more than offset by cost increases associated with T&D and energy costs.

Any comparison of the Partial Settlement Agreement and the originally filed Enron Choice Plan is sensitive to underlying assumptions about the cost of energy in a competitive market. For most energy costs, however, the original Enron Choice Plan will provide greater net present value savings to ratepayers than the Partial Settlement Agreement. Under the assumptions contained in our analysis, the additional ratepayer savings will total approximately \$600 million through 2008, assuming for discussion purposes that the Enron Choice Plan could be implemented.

The primary reason why the Enron Choice Plan provides greater net present value savings is that it front-end loads the greater savings. As a result, if anything occurs to delay the potential savings under the Enron Choice Plan, ratepayers will be much more significantly impacted than under the Partial Settlement Agreement.

The revisions that Enron has made to its Choice Plan by reducing T&D costs could result in a doubling of ratepayer savings. However, these revisions appear to be so arbitrary and unsupportable, that we do not believe the revised Choice Plan could be

legally accepted by the Commission. If the Commission were to accept the Choice Plan at the more reasonable T&D rates contained in the *Partial Settlement Agreement*, the result would be higher rates for ratepayers, not ratepayer savings.

Our analysis has demonstrated that the *Partial Settlement Agreement* may result in a total of upwards of \$1 billion of ratepayer savings through the year 2008 in comparison to the alternative of an absolute rate freeze at current levels. While additional ratepayer savings may be achievable through the Enron Choice Plan, these savings are contingent on many other factors – some of which are unknown as of this date – including PECO's willingness to voluntarily enter into a Purchase Power Agreement with Enron under the terms and conditions contained in the Choice Plan. Since PECO has indicated that it would not do so and since we believe PECO would litigate any order by the Commission requiring it to do so, we believe that any additional ratepayer savings offered by the Enron Choice Plan are illusory. Further, if we proceed with the Enron Choice Plan, we stand to lose the certain savings offered ratepayers under the *Partial Settlement Agreement*. This is simply too great a risk for us to accept.

**TABLE 1-- STRANDED COST RECOVERY UNDER PECO APRIL FILING - CASE 1**

<b>ASSUMES</b>	Less than full recovery of Stranded Costs No recovery of energy cost increases No recovery of T&D cost increases
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	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total Sales (1)	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358
Current Rates (2)	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950
T&D Costs (3)	\$ 0.03220	\$ 0.03220	\$ 0.03220	\$ 0.03319	\$ 0.03485	\$ 0.03555	\$ 0.03626	\$ 0.03696	\$ 0.03773	\$ 0.03848	\$ 0.03925
Energy Costs (4)	\$ 0.02880	\$ 0.02966	\$ 0.03055	\$ 0.03147	\$ 0.03241	\$ 0.03339	\$ 0.03439	\$ 0.03542	\$ 0.03648	\$ 0.03758	\$ 0.03870
Implicit CTC Charge (5)	NA	\$ 0.03764	\$ 0.03675	\$ 0.03484	\$ 0.03223	\$ 0.03056	\$ 0.02885	\$ 0.02709	\$ -	\$ -	\$ -
Annual Stranded Cost Recovery (6)	\$ -	\$ 1,263,416	\$ 1,233,542	\$ 1,169,691	\$ 1,081,975	\$ 1,025,930	\$ 968,438	\$ 909,460			
Total Stranded Cost Recovery			\$ 7,652,452								
NPV at 8.41% from 1/1/99			\$ 5,714,810								

- (1) Total Sales are fixed over the entire rate period per the Partial Settlement Agreement at 33,569,358 MWh
- (2) Current Rates are assumed to be the Avg. Retail Rate in effect as of December 31, 1996 - \$ 0.09950 per kWh
- (3) T&D Costs are assumed to be fixed at the PECO filing rate of \$.0322 per kWh through June 2001 per statute.  
T&D costs increase at a rate of 3% per year, beginning in 1998, 1% of which is offset by productivity increases.
- (4) Energy costs are assumed to be \$.0288 per kWh in 1998 and increase at 3% per year per PUC assumptions
- (5) Implicit CTC Charge is computed as the residual resulting from subtracting T&D and Energy costs from the retail rate.  
The CTC Charge disappears beginning in 2006
- (6) Total Stranded Cost Recovery is computed as the Implicit CTC Charge multiplied by Total Sales

**TABLE 2 – STRANDED COST RECOVERY UNDER PECO APRIL FILING - CASE 2**

ASSUMES	Less than full recovery of Stranded Costs 100% recovery of energy cost increases 100% recovery of T&D cost increases										
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total Sales (1)	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358
Current Rates (2)	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950
T&D Costs (3)	\$ 0.03220	\$ 0.03220	\$ 0.03220	\$ 0.03319	\$ 0.03485	\$ 0.03555	\$ 0.03626	\$ 0.03699	\$ 0.03773	\$ 0.03848	\$ 0.03925
Energy Costs (4)	\$ 0.02880	\$ 0.02966	\$ 0.03055	\$ 0.03147	\$ 0.03241	\$ 0.03339	\$ 0.03439	\$ 0.03542	\$ 0.03648	\$ 0.03758	\$ 0.03870
Implicit CTC Charge (5)	NA	\$ 0.03764	\$ 0.03764	\$ 0.03764	\$ 0.03764	\$ 0.03764	\$ 0.03764	\$ 0.03764	\$ -	\$ -	\$ -
Annual Stranded Cost Recovery (6)	\$ -	\$ 1,263,416	\$ 1,263,416	\$ 1,263,416	\$ 1,263,416	\$ 1,263,416	\$ 1,263,416	\$ 1,263,416	\$ 1,263,416		
Total Stranded Cost Recovery			\$ 8,843,915								
NPV at 8.41% from 1/1/99			\$ 6,486,577								

- (1) Total Sales are fixed over the entire rate period per the Partial Settlement Agreement at 33,569,358 MWh
- (2) Current Rates are assumed to be the Avg. Retail Rate in effect as of December 31, 1996 - \$ 0.09950 per kWh
- (3) T&D Costs are assumed to be fixed at the PECO filing rate of \$.0322 per kWh through June 2001 per statute.  
T&D costs increase at a rate of 3% per year, beginning in 1998, 1% of which is offset by productivity increases.  
PECO is able to recover all of the annual increase pursuant to Section 2804(4)(III)(C)
- (4) Energy costs are assumed to be \$.0288 per kWh in 1998 and increase at 3% per year per PUC assumptions  
PECO is able to recover all of the annual increase pursuant to Section 2804(4)(III)(D)
- (5) Implicit CTC Charge is computed as the residual resulting from subtracting T&D and Energy costs from the retail rate in 1999.  
Because PECO recovers T&D and energy cost increases, implied CTC charge remains constant at 1999 levels  
The CTC Charge disappears beginning in 2006
- (6) Total Stranded Cost Recovery is computed as the implicit CTC Charge multiplied by Total Sales

**TABLE 3-- STRANDED COST RECOVERY UNDER PECO APRIL FILING - CASE 3**

ASSUMES	Full recovery of Stranded Costs 100% recovery of energy cost increases 100% recovery of T&D cost increases											
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	
Total Sales (1)	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358
Current Rates (2)	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950
T&D Costs (3)	\$ 0.03220	\$ 0.03220	\$ 0.03220	\$ 0.03319	\$ 0.03485	\$ 0.03655	\$ 0.03826	\$ 0.03999	\$ 0.04173	\$ 0.04348	\$ 0.04525	\$ 0.04705
Energy Costs (4)	\$ 0.02860	\$ 0.02966	\$ 0.03055	\$ 0.03147	\$ 0.03241	\$ 0.03339	\$ 0.03439	\$ 0.03542	\$ 0.03648	\$ 0.03758	\$ 0.03870	\$ 0.03987
Implicit CTC Charge (5)	NA	\$ 0.03764	\$ 0.03764	\$ 0.03764	\$ 0.03764	\$ 0.03764	\$ 0.03764	\$ 0.03764	\$ 0.03764	\$ 0.03764	\$ 0.03764	\$ -
Annual Stranded Cost Recovery (6)	\$ -	\$ 1,263,416	\$ 1,263,416	\$ 1,263,416	\$ 1,263,416	\$ 1,263,416	\$ 1,263,416	\$ 1,263,416	\$ 1,263,416	\$ 1,263,416	\$ 631,708	\$ -
Total Stranded Cost Recovery			\$ 10,739,039									
NPV at 8.41% from 1/1/88			\$ 7,454,197									

- (1) Total Sales are fixed over the entire rate period per the Partial Settlement Agreement at 33,569,358 MWh
- (2) Current Rates are assumed to be the Avg. Retail Rate in effect as of December 31, 1996 - \$ 0.09950 per kWh
- (3) T&D Costs are assumed to be fixed at the PECO filing rate of \$0.0322 per kWh through June 2001 per statute.  
T&D costs increase at a rate of 3% per year, beginning in 1998, 1% of which is offset by productivity increases.  
PECO is able to recover all of the annual increase pursuant to Section 2804(4)(III)(C)
- (4) Energy costs are assumed to be \$0.0288 per kWh in 1998 and increase at 3% per year per PUC assumptions  
PECO is able to recover all of the annual increase pursuant to Section 2804(4)(III)(D)
- (5) Implicit CTC Charge is computed as the residual resulting from subtracting T&D and Energy costs from the retail rate in 1999.  
Because PECO recovers T&D and energy cost increases, implied CTC charge remains constant at 1999 levels  
The CTC Charge disappears beginning in July 2007 as \$7.461 npv of stranded cost is recovered.
- (6) Total Stranded Cost Recovery is computed as the Implicit CTC Charge multiplied by Total Sales

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**TABLE 4 – ESTIMATED SAVINGS UNDER REVISED PECO APRIL FILING**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total Sales (1)	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358
Current Rates (2)	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950
Estimated Retail Rate (3)	\$ 0.09950	\$ 0.09950	\$ 0.10039	\$ 0.10229	\$ 0.10490	\$ 0.10657	\$ 0.10829	\$ 0.11004	\$ 0.11185	\$ 0.11370	\$ 0.07796
Savings per kWh (4)	\$ -	\$ -	\$ (0.00089)	\$ (0.00279)	\$ (0.00540)	\$ (0.00707)	\$ (0.00879)	\$ (0.01054)	\$ (0.01235)	\$ (0.01420)	\$ 0.02154
Annual Savings from Rates (5)	\$ -	\$ -	\$ (29,874)	\$ (93,725)	\$ (181,441)	\$ (237,486)	\$ (294,979)	\$ (353,957)	\$ (414,461)	\$ (476,532)	\$ 723,204
Annual Savings from Securitization (6)		\$ 100,204	\$ 100,204	\$ 100,204	\$ 100,204	\$ 100,204	\$ 100,204	\$ 100,204	\$ 100,204	\$ 100,204	\$ 100,204
Total Annual Savings	\$ -	\$ 100,204	\$ 70,330	\$ 6,479	\$ (81,237)	\$ (137,282)	\$ (194,775)	\$ (253,753)	\$ (314,257)	\$ (376,328)	\$ 823,408
Total Savings			\$ (357,211)								
NPV at 8.41% from 1/1/99			\$ (236,748)								

- (1) Total Sales are fixed over the entire rate period per the Partial Settlement Agreement at 33,569,358 MWh
- (2) Current Rates are assumed to be the Avg. Retail Rate in effect as of December 31, 1996 - \$ 0.09950 per kWh
- (3) Estimated Retail Rate computed from TABLE 3 rate components  

$$\text{Retail Rate} = (\text{T\&D Costs}) + (\text{Energy Costs}) + (\text{Implicit CTC Charge})$$
- (4) Savings per kWh computed as (Current Rate) - (Estimated Retail Rate)
- (5) Annual Savings computed as (Total Sales) x (Savings per kWh)
- (6) Annual Savings from Securitization taken from Data Request table - column 3 for 1999. No load growth leaves this constant over the time period.  
 We believe that the savings should extend through 2008 and have provided for this.

**TABLE 5 – ESTIMATION OF STRANDED COST RECOVERY UNDER PARTIAL SETTLEMENT AGREEMENT**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total Sales (1)	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358
Current Rates (2)	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950
T&D Costs (3)	\$ 0.03110	\$ 0.03110	\$ 0.03110	\$ 0.03110	\$ 0.03110	\$ 0.03110	\$ 0.03502	\$ 0.03572	\$ 0.03644	\$ 0.03717	\$ 0.03791
Energy Costs (4)	\$ 0.02880	\$ 0.02800	\$ 0.02800	\$ 0.03200	\$ 0.03241	\$ 0.03339	\$ 0.03439	\$ 0.03542	\$ 0.03648	\$ 0.03758	\$ 0.03870
Recovery of Energy Cost Increases (7)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total CTC/ITC Charge (5)	NA	\$ 0.03040	\$ 0.03040	\$ 0.03140	\$ 0.03140	\$ 0.03140	\$ 0.02870	\$ 0.02770	\$ 0.02570	\$ 0.02470	\$ 0.02270
Estimated Retail Rate	\$ 0.08950	\$ 0.08950	\$ 0.08950	\$ 0.09450	\$ 0.09491	\$ 0.09589	\$ 0.09611	\$ 0.09884	\$ 0.09882	\$ 0.09944	\$ 0.09932
Annual Stranded Cost Recovery (6)	\$ -	\$ 1,020,508	\$ 1,020,508	\$ 1,054,078	\$ 1,054,078	\$ 1,054,078	\$ 963,441	\$ 929,871	\$ 862,733	\$ 829,163	\$ 609,620
Total Stranded Cost Recovery			\$ 8,388,077								
NPV at 8.41% from 1/1/99			\$ 6,350,807								

- (1) Total Sales are fixed over the entire rate period per the Partial Settlement Agreement at 33,569,358 MWh
- (2) Current Rates are assumed to be the Avg. Retail Rate in effect as of December 31, 1996 - \$ 0.09950 per kWh
- (3) T&D Costs are assumed to be fixed at \$.0311 per kWh through December 2003 per Partial Settlement Agreement.  
T&D costs increase at a rate of 3% per year, beginning in 1998, 1% of which is offset by productivity increases.  
PECO is able to recover all of the annual increase pursuant to Section 2804(4)(iii)(C)
- (4) Energy costs are assumed to be \$.0288 per kWh in 1998 and increase at 3% per year per PUC assumptions  
PECO is able to recover all of the annual increase pursuant to Section 2804(4)(iii)(D)
- (5) Total CTC/ITC Charge set per Partial Settlement Agreement
- (6) Annual Stranded Cost Recovery is computed as the Total CTC/ITC Charge multiplied by Total Sales
- (7) Recovery of Energy Cost Increases - No recovery as costs are either below or set equal to the generation rate caps in each year

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**TABLE 6 – ESTIMATED SAVINGS UNDER PARTIAL SETTLEMENT AGREEMENT**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total Sales (1)	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358
Current Rates (2)	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950
Estimated Retail Rate (3)	\$ 0.08950	\$ 0.08950	\$ 0.08950	\$ 0.09450	\$ 0.09491	\$ 0.09588	\$ 0.09811	\$ 0.09884	\$ 0.09862	\$ 0.09944	\$ 0.09932
Savings per kWh (4)	\$ 0.01000	\$ 0.01000	\$ 0.01000	\$ 0.00500	\$ 0.00459	\$ 0.00361	\$ 0.00139	\$ 0.00066	\$ 0.00088	\$ 0.00006	\$ 0.00018
Annual Savings (5)	\$ 110,779	\$ 335,694	\$ 335,694	\$ 167,847	\$ 153,927	\$ 121,283	\$ 46,582	\$ 22,005	\$ 29,488	\$ 1,851	\$ 6,183
Total Savings			\$ 1,331,342								
NPV at 8.41% from 1/1/99			\$ 1,090,542								

- (1) Total Sales are fixed over the entire rate period per the Partial Settlement Agreement at
- (2) Current Rates are assumed to be the Avg. Retail Rate in effect as of December 31, 1996 -
- (3) Estimated Retail Rate computed from TABLE 5 rate components  

$$\text{Retail Rate} = (\text{T\&D Costs}) + (\text{Energy Costs}) + (\text{Total CTC/ITC Charge})$$
- (4) Savings per kWh computed as (Current Rate) - (Estimated Retail Rate)
- (5) Annual Savings computed as (Total Sales) x (Savings per kWh)

33,569,358 MWh  
 \$ 0.09950 per kWh

**TABLE 7 – ESTIMATION OF STRANDED COST RECOVERY UNDER REVISED ENRON CHOICE PLAN**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total Sales (1)	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358
Current Rates (2)	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950
T&D Costs (3)	\$ 0.02370	\$ 0.02370	\$ 0.02370	\$ 0.02443	\$ 0.02565	\$ 0.02617	\$ 0.02669	\$ 0.02722	\$ 0.02777	\$ 0.02832	\$ 0.02889
Energy Costs (4)	\$ 0.02880	\$ 0.02966	\$ 0.03055	\$ 0.03147	\$ 0.03241	\$ 0.03339	\$ 0.03439	\$ 0.03542	\$ 0.03648	\$ 0.03758	\$ 0.03870
Recovery of Energy Cost Increases (7)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total CTC/ITC Charge (5)	NA	\$ 0.02110	\$ 0.02110	\$ 0.02730	\$ 0.02890	\$ 0.02950	\$ 0.02800	\$ 0.02650	\$ 0.02990	\$ 0.03320	\$ 0.03320
Estimated Retail Rate	\$ 0.07980	\$ 0.07446	\$ 0.07535	\$ 0.08320	\$ 0.08697	\$ 0.08905	\$ 0.08908	\$ 0.08914	\$ 0.09415	\$ 0.09910	\$ 0.10079
Annual Stranded Cost Recovery (6)	\$ -	\$ 708,313	\$ 708,313	\$ 916,443	\$ 870,154	\$ 990,296	\$ 939,942	\$ 889,588	\$ 1,003,724	\$ 1,114,503	\$ 891,602
Total Stranded Cost Recovery			\$ 9,132,880								
NPV at 8.41% from 1/1/99			\$ 5,886,064								

- (1) Total Sales are fixed over the entire rate period per the Partial Settlement Agreement at 33,569,358 MWh
- (2) Current Rates are assumed to be the Avg. Retail Rate in effect as of December 31, 1998 - \$ 0.09950 per kWh
- (3) T&D Costs are assumed to be fixed at \$.0237 per kWh through June 2001 per statute.  
T&D costs increase at a rate of 3% per year, beginning in 1998, 1% of which is offset by productivity increases.  
PECO is able to recover all of the annual increase pursuant to Section 2804(4)(III)(C)
- (4) Energy costs are assumed to be \$.0288 per kWh in 1998 and increase at 3% per year per PUC assumptions  
PECO is able to recover all of the annual increase pursuant to Section 2804(4)(III)(D)
- (5) Total CTC/ITC Charge set per Revised Enron Choice Plan
- (6) Annual Stranded Cost Recovery is computed as the Total CTC/ITC Charge multiplied by Total Sales
- (7) Recovery of Energy Cost Increases - No recovery as costs are below generation rate caps in each year

**TABLE 8 – ESTIMATED SAVINGS UNDER REVISED ENRON CHOICE PLAN**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total Sales (1)	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358
Current Rates (2)	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950
Estimated Retail Rate (3)	\$ 0.07960	\$ 0.07446	\$ 0.07535	\$ 0.08320	\$ 0.08697	\$ 0.08905	\$ 0.08908	\$ 0.08914	\$ 0.09415	\$ 0.09910	\$ 0.10079
Savings per kWh (4)	\$ 0.01990	\$ 0.02504	\$ 0.02415	\$ 0.01630	\$ 0.01253	\$ 0.01045	\$ 0.01042	\$ 0.01036	\$ 0.00535	\$ 0.00040	\$ (0.00129)
Annual Savings (5)	\$ 220,450	\$ 840,442	\$ 810,568	\$ 547,320	\$ 420,681	\$ 350,672	\$ 349,834	\$ 347,637	\$ 179,552	\$ 13,369	\$ (43,471)
Total Savings			\$ 4,037,075								
NPV at 8.41% from 1/1/99			\$ 3,147,923								

- (1) Total Sales are fixed over the entire rate period per the Partial Settlement Agreement at
- (2) Current Rates are assumed to be the Avg. Retail Rate in effect as of December 31, 1996 -
- (3) Estimated Retail Rate computed from TABLE 7 rate components  
Retail Rate = (T&D Costs)+(Energy Costs)+Total CTC/ITC Charge
- (4) Savings per kWh computed as (Current Rate) - (Estimated Retail Rate)
- (5) Annual Savings computed as (Total Sales) x (Savings per kWh)

33,569,358 MWh  
\$ 0.09950 per kWh

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**TABLE 9 – ESTIMATION OF STRANDED COST RECOVERY UNDER ORIGINAL ENRON CHOICE PLAN**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total Sales (1)	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358
Current Rates (2)	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950
T&D Costs (3)	\$ 0.03110	\$ 0.03110	\$ 0.03110	\$ 0.03205	\$ 0.03366	\$ 0.03434	\$ 0.03502	\$ 0.03572	\$ 0.03644	\$ 0.03717	\$ 0.03791
Energy Costs (4)	\$ 0.02880	\$ 0.02966	\$ 0.03055	\$ 0.03147	\$ 0.03241	\$ 0.03339	\$ 0.03439	\$ 0.03542	\$ 0.03646	\$ 0.03758	\$ 0.03870
Recovery of Energy Cost Increases (7)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total CTC/ITC Charge (5)	NA	\$ 0.01370	\$ 0.01370	\$ 0.02300	\$ 0.02810	\$ 0.03120	\$ 0.03030	\$ 0.02950	\$ 0.03360	\$ 0.03760	\$ 0.03680
Estimated Retail Rate	\$ 0.07960	\$ 0.07446	\$ 0.07535	\$ 0.08652	\$ 0.09418	\$ 0.09892	\$ 0.09971	\$ 0.10064	\$ 0.10652	\$ 0.11234	\$ 0.11342
Annual Stranded Cost Recovery (6)	\$ -	\$ 459,900	\$ 459,900	\$ 772,095	\$ 843,299	\$ 1,047,364	\$ 1,017,152	\$ 990,296	\$ 1,127,930	\$ 1,262,208	\$ 988,282
Total Stranded Cost Recovery			\$ 9,068,426								
NPV at 8.41% from 1/1/99			\$ 5,635,345								

- (1) Total Sales are fixed over the entire rate period per the Partial Settlement Agreement at 33,569,358 MWh
- (2) Current Rates are assumed to be the Avg. Retail Rate effect as of December 31, 1996 - \$ 0.09950 per kWh
- (3) T&D Costs are assumed to be fixed at \$.0311 per kWh through June 2001 per statute.  
T&D costs increase at a rate of 3% per year, beginning in 1998, 1% of which is offset by productivity increases.  
PECO is able to recover all of the annual increase pursuant to Section 2804(4)(III)(C)
- (4) Energy costs are assumed to be \$.0288 per kWh in 1998 and increase at 3% per year per PUC assumptions  
PECO is able to recover all of the annual increase pursuant to Section 2804(4)(II)(D)
- (5) Total CTC/ITC Charge set per Original Enron Choice Plan
- (6) Annual Stranded Cost Recovery is computed as the Total CTC/ITC Charge multiplied by Total Sales
- (7) Recovery of Energy Cost Increases - No recovery as costs are below generation rate caps in each year

**TABLE 10 – ESTIMATED SAVINGS UNDER ORIGINAL ENRON CHOICE PLAN**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total Sales (1)	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358	33,569,358
Current Rates (2)	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950	\$ 0.09950
Estimated Retail Rate (3)	\$ 0.07960	\$ 0.07448	\$ 0.07535	\$ 0.08652	\$ 0.09418	\$ 0.09892	\$ 0.09971	\$ 0.10064	\$ 0.10652	\$ 0.11234	\$ 0.11342
Savings per kWh (4)	\$ 0.01990	\$ 0.02504	\$ 0.02415	\$ 0.01298	\$ 0.00532	\$ 0.00058	\$ (0.00021)	\$ (0.00114)	\$ (0.00702)	\$ (0.01284)	\$ (0.01392)
Annual Savings (5)	\$ 220,450	\$ 840,442	\$ 810,568	\$ 435,652	\$ 178,646	\$ 19,336	\$ (7,128)	\$ (38,420)	\$ (235,710)	\$ (431,183)	\$ (467,135)
Total Savings			\$ 1,325,508								
NPV at 8.41% from 1/1/99			\$ 1,602,986								

- (1) Total Sales are fixed over the entire rate period per the Partial Settlement Agreement at
- (2) Current Rates are assumed to be the Avg. Retail Rate in effect as of December 31, 1998 -
- (3) Estimated Retail Rate computed from TABLE 9 rate components  
Retail Rate = (T&D Costs)+(Energy Costs)+(Total CTC/ITC Charge)
- (4) Savings per kWh computed as (Current Rate) - (Estimated Retail Rate)
- (5) Annual Savings computed as (Total Sales) x (Savings per kWh)

33,569,358 MWh  
\$ 0.09950 per kWh

**SUMMARY TABLE**

VARIOUS PROPOSALS	AMOUNT OF STRANDED COST RECOVERY		AMOUNT OF RATEPAYER SAVINGS	
	ACTUAL (\$ 000s)	NPV (\$ 000s)	ACTUAL (\$ 000s)	NPV (\$ 000s)
PECO'S APRIL FILING	\$ 10,739,039	\$ 7,454,197	\$ (357,211)	\$ (236,748)
PARTIAL SETTLEMENT AGREEMENT	\$ 9,398,077	\$ 6,350,807	\$ 1,331,342	\$ 1,090,542
<b>ENRON'S CHOICE PLANS</b>				
ORIGINAL CHOICE PLAN	\$ 9,068,426	\$ 5,635,345	\$ 1,325,508	\$ 1,602,986
REVISED CHOICE PLAN	\$ 9,132,880	\$ 5,886,064	\$ 4,037,075	\$ 3,147,923

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**In re the Application of PECO Energy  
Company for Approval of its Restructuring  
Plan Under Section 2806 of the Pennsylvania  
Public Utility Code**

+  
+  
+  
+  
+

**Docket No. R-00973953**

**CERTIFICATION OF SERVICE**

I Christopher B. Craig, attorney for Senator Vincent J. Fumo, hereby certify that a copy of the foregoing document has been served in person or by first class mail at the addresses indicated below. I further certify that the manner of service satisfied the requirements of 52 PA.Code §§ 5.75 and 1.54.

The Honorable Charles E. Rainey, Jr.  
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Pennsylvania Public Utility Commission  
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Philadelphia, PA 19130  
215-560-2105

The Honorable Marlane R. Chestnut  
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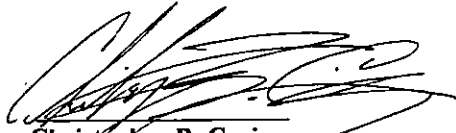
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IN REPLY PLEASE  
REFER TO OUR FILE

KJR

November 25, 1997

In Re: R-00973953,  
R-00973953C0001-  
C0007, P-00971265

(See letter dated 11/18/97)

R-00973953,R-00973953C0001-C0007  
PECO ENERGY COMPANY

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

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P-00971265

Petition of ENRON Energy Services Power, Inc.

For approval of an electric competition and customer choice plan and for authority pursuant to section 2807(E)(3) of the Public Utility Code to serve as the provider of last resort in the service territory of PECO Energy Company.

NOTICE

This is to inform you that the Further Hearing on the above captioned case scheduled to be held on Tuesday, November 25, 1997 at 10:00 a.m. in an available hearing room, Philadelphia State Office Building, Broad and Spring Garden Streets, Philadelphia, Pennsylvania, has been canceled.

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

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: 717-787-1399
- AT&T Relay Service number for persons who are deaf or hearing impaired: 1-800-654-5988.

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Judge Rainey  
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Small Business Advocate  
Bill Barrett - FUS  
Norma Lewis  
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# PECO ENERGY

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Pennsylvania Public Utility Commission  
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1400 West Spring Garden Street  
Philadelphia, PA 19130

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Direct Dial: 215 841 4252  
November 25, 1997

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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

KJR

Dear Judges Chestnut and Rainey:

Attached for filing in the above proceeding are PECO Energy's Answers to the Commission's Data Requests, Set III. Pursuant to the instructions that we received from you, PECO requests that the attached Answers, along with PECO's October 31, 1997 Answers to the Commission's Interrogatories Set I (also attached), be entered into the record as PECO Exhibit 8.

PECO must register several concerns regarding these data requests. It is one thing for the Commission to identify certain issues and ask the parties to address those issues through testimony and briefs. It is quite another thing, as here, for staff members of the Commission to conduct their own substantive analysis and attempt to place that into the record, apparently as a possible basis for the Commission's decision. Such action goes beyond a fact-finding request to the parties, and in the Company's view constitutes an improper commingling of prosecutory and adjudicatory functions in violation of the parties' due process rights. See Lyness v. State Board of Medicine, 529 Pa. 535, 605 A.2d 1204 (1992).

The problem is exacerbated because, as the attached Answers explain, the analysis embodied in the Set III Data Requests is fundamentally flawed and based on assumptions that either are not in the record or are inconsistent with record evidence submitted by the parties. Furthermore, the analysis set forth in the Data Requests is not sponsored by any witness or party and provides no source cites or underlying workpapers. Finally, the analysis has not been subjected to discovery or cross-examination, all of which might reveal further flaws and possible biases.

In short, because of the errors in the Data Request analysis and the manner in which it has been presented, the analysis is of no probative value and should play no part in the

November 25, 1997  
Page 2

Commission's adjudication of this case. See also Duquesne Light Co. v. Pa. PUC, 643 A.2d 130 (Pa. Cmwlth. Ct., 1994) (holding that the Commission's decision must be based upon substantial evidence submitted by the parties in a proceeding).

Sincerely,

Handwritten signature of Paul Bonney in cursive script.

Paul Bonney

PRB/mbo  
Enclosures

cc: w/enclosures  
James McNulty, Acting Secretary (cover ltr and Certificate of service only)  
John M. Quain, Chairman  
David W. Rolka, Commissioner  
John Hanger, Commissioner  
Robert K. Bloom, Commissioner  
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Cheryl Walker Davis, Office of Special Assistants  
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Certificate of Service

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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**ALJ HEARING REPORT**

Docket No. R-00973953  
R-00973953C0001-C0007, P-00971265  
 Case Name Pennsylvania Public Utility  
 Commission v. PECO Energy Company  
Petition of ENRON Energy Services  
Power, Inc.  
 Location Philadelphia  
 Date November 25, 1997  
 ALJ Chestnut & Rainey  
 Reporting Firm \_\_\_\_\_

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Prehearing held YES \_\_\_\_\_ NO \_\_\_\_\_  
 Hearing held YES \_\_\_\_\_ NO   
 Testimony taken YES \_\_\_\_\_ NO \_\_\_\_\_  
 Transcript due YES KONO \_\_\_\_\_  
 Hearing concluded YES \_\_\_\_\_ NO \_\_\_\_\_  
 Further hearing needed YES \_\_\_\_\_ NO \_\_\_\_\_  
 Estimated add'l days \_\_\_\_\_  
 RECORD CLOSED YES \_\_\_\_\_ NO \_\_\_\_\_  
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MOSCOW  
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LONDON  
(A LONDON-BASED  
MULTINATIONAL PARTNERSHIP)

November 26, 1997

**BY HAND**

James McNulty, Prothonotary  
Pennsylvania Public Utility Commission  
North Office Building  
P.O. Box 3265  
Harrisburg, PA 17105-3265

RECEIVED  
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PROTHONOTARY'S OFFICE

Re: Pennsylvania Public Utility Commission v. PECO Energy Company  
Docket No. R-00973953  
  
Petition of Enron Energy Services Power, Inc.  
Docket No. P-00971265

DEC 04 1997

Dear Mr. McNulty:

Enclosed please find for filing on behalf of Enron Energy Services Power, Inc. ("EESPI") an original and three (3) copies of the following *nonsubstantive* corrections to the transcripts from evidentiary hearings held on November 17, 18 and 19, 1997, in the above-captioned proceedings. The following corrections relate to the Indexes of Witnesses, Indexes to Statements and Indexes to Exhibits. EESPI reserves the right to make any further corrections to the transcripts.

November 17, 1997

**PAGE:**

**READS:**

**SHOULD READ:**

1191

PECO: witness Steven J. Kean

Enron/EESPI: witness Steven J. Kean

1191

Enron: witness Michael Dirmeier

Enron/EESPI: witness Michael Dirmeier

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87

<b><u>PAGE:</u></b>	<b><u>READS:</u></b>	<b><u>SHOULD READ:</u></b>
1192	<u>Enron</u> : Statement No. 2-R	<u>Environmentalists</u> : Statement No. 2-E
1192	<u>EESPI</u> : No. 1, No. 1-R, No. 10-R, Nos. 6 6-SR	<u>Enron/EESPI</u> : No. 1, No.1-R, No.10-R <u>Enron/EPMI</u> : No. 6, No. 6-SR
1192	<u>EPMI</u> : No. 1-0	<u>Enron/EPMI</u> : No. 1-0

**November 18, 1997**

<b><u>PAGE:</u></b>	<b><u>READS:</u></b>	<b><u>SHOULD READ:</u></b>
1537	<u>Enron</u> : Number 2 (Revised, Statement 2)	<u>Enron/EESPI</u> : No. 2 (Revised, Statement No. 2)
1537	<u>EESPI</u> : Number Cross- Exam. 1	<u>Enron/EESPI</u> : Cross- Exam. Number 1
1538	<u>Enron</u> : No. 4, No. 4-R, No. 3, No. 3-R, No. 2, No. 2-R, No. 6, No. 6-R, No. 5, No. 5-R	<u>Enron/EESPI</u> : No. 4, No. 4-R, No. 3, No. 3-R, No. 2, No. 2-R, No. 6, No. 6- R, No. 5, No. 5-R
1538	<u>EESPI</u> : No. 7, No. 7-R	<u>Enron/EESPI</u> : No. 7, No. 7-R

**November 19, 1997**

<b><u>PAGE:</u></b>	<b><u>READS:</u></b>	<b><u>SHOULD READ:</u></b>
1893	<u>Enron</u> : No. 9 and 9-R, No. 11-R	<u>Enron/EESPI</u> : No. 9 and 9-R, No. 11-R

James McNulty, Prothonotary  
November 26, 1997  
Page 3

<u>PAGE:</u>	<u>READS:</u>	<u>SHOULD READ:</u>
1893	<u>EESPI</u> : No. 8, No. 8-R	<u>Enron/EESPI</u> : No. 8, No. 8-R
1894	<u>EESPI CX</u> : No. 1	[This is not an <u>Enron/EESPI exhibit</u> ]
1894	<u>Enron</u> : No. 2	<u>Enron/EESPI</u> : Cross-Exam. Number 2
1894	<u>PUC</u> : No. 7-1, No. 8, No. 14	<u>Enron/EESPI</u> : Cross-Exam. Number 2 (Supplements)
2273 (line: 3)	Energy Services Power, Inc. Exhibit No. 2	Energy Services Power, Inc. Cross-Exam. Exhibit No. 2
2273 (line: 20)	responses, PUC No. 7-1, No. 8 and No. 14	responses, PUC, Set I, No. 8 and No. 14
2273 (line: 21)	(Thereupon, PUC Nos. 7-1, 8 and 14 were	(Thereupon, PUC, Set I, No. 8 and No. 14 were
2274 (line: 4)	(Thereupon, PUC Nos. 7-1, 8 and 14 were	(Thereupon, PUC, Set I, No. 8 and No. 14 were

If you should have any questions or comments, please do not hesitate to contact me at your convenience.

Sincerely,



Michael D. Klein

cc: The Honorable Marlane Chestnut  
The Honorable Charles Rainey  
Holbert Associates  
All Parties on Certificate of Service

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-00973953
	:	
PECO Energy Company	:	
	:	
Petition of Enron Energy Services Power, Inc.	:	Docket No. P-00971265
	:	

---

---

**CERTIFICATE OF SERVICE**

---

---

I hereby certify that I have on this 26th day of November, 1997, served a true copy of the foregoing Transcript Changes on behalf of Enron Energy Services Power, Inc. upon the participants, listed below, in accordance with the requirements of 52 Pa.Code § 1.54:

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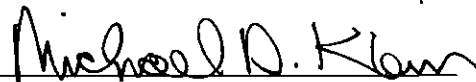
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LeBoeuf, Lamb, Greene & MacRae  
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Attorney for Enron Energy  
Services Power, Inc.

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LONDON  
(A LONDON-BASED  
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November 26, 1997

James McNulty, Prothonotary  
Pennsylvania Public Utility Commission  
North Office Building  
P.O. Box 3265  
Harrisburg, PA 17105-3265

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Public Utility Commission

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

Petition of Enron Energy Services Power, Inc.  
Docket No. P-00971265

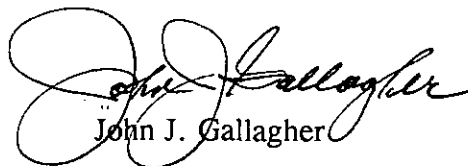
KJR

Dear Mr. McNulty:

Pursuant to my letter dated November 25, 1997, attached please find a list of signatories to the Confidentiality Agreement in the above-captioned proceeding who received a *proprietary* copy of the Supplemental Exhibits Nos. 2 and 3 to the Surrejoinder Testimony of Christopher P. Kinney on behalf of Enron Energy Services Power, Inc.

If you have any questions concerning this matter, please contact me at your convenience.

Sincerely,

  
John J. Gallagher

MDK/mas

cc: The Honorable Marlane Chestnut  
The Honorable Charles Rainey

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97

**ORIGINAL**

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

Petition of Enron Energy Services Power, Inc.  
Docket No. P-00971265

**List of Signatories to Confidentiality Agreement who received a copy of the Supplemental Exhibits Nos. 2 & 3 to the Surrejoinder Testimony of Christopher P. Kinney**

Paul R. Bonney, Esquire  
(*PECO Energy Company*)

Paul E. Russell, Esquire  
(*Pennsylvania Power & Light Company*)

Joseph A. Dworetzky, Esquire  
(*New Energy Ventures, Inc.*)

Craig A. Doll, Esquire  
(*Delmarva Power & Light Company, d/b/a  
Conectiv Energy*)

Bernard Ryan, Esquire  
(*OSBA*)

David Kleppinger, Esquire  
(*Philadelphia Area Industrial Energy  
Users Group*)

Terrance J. Fitzpatrick, Esquire  
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William T. Hawke, Esquire  
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Christopher B. Craig, Esquire  
(*Senator Vincent J. Fumo*)

Steven P. Hershey, Esquire  
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Roger Clark, Esquire  
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Linda C. Smith, Esquire  
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Kenneth L. Mickens, Senior Prosecutor  
Charles D. Shields, Prosecutor  
(*OTS*)

Paul Nordstrom, Esquire  
(*Allegheny Power*)

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215 841 5544  
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Direct Dial: 215 841 4252  
November 26, 1997

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Jessica N. Cone  
Todd D. Cutler  
Harvey B. Dikter  
Susan Sciamanna Foent  
Vilna Waldron Gaston  
Gregory Golazeski  
John C. Halderman  
Mary McFall Hopper  
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Jeffrey J. Norton  
Mark B. Peapody  
Roslyn G. Pollack  
Wendy Scharmer  
Richard S. Schlegel  
Jenny P. Shulbank  
Ward L. Smith  
Della W. Stroud  
Dawn Getty Sutphin  
Noel H. Trask  
Ronald L. Zack  
Assistant General Counsel

**Via Fax and First Class Mail**

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

DOCUMENT  
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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 Judges Chestnut and Rainey:

KJR

Attached for filing in the above proceeding is a revision to PECO Energy's Answer to the Commission's Data Requests, Set III. This revision corrects two numerical errors on page 3 of our response.

Sincerely,

Paul Bonney

PRB/mbo  
Enclosure

cc: w/enclosures  
James McNulty, Acting Secretary (cover ltr and Certificate of service only)  
John M. Quain, Chairman  
David W. Rolka, Commissioner  
John Hanger, Commissioner  
Robert K. Bloom, Commissioner  
Nora Mead Brownell, Commissioner  
Cheryl Walker Davis, Office of Special Assistants  
John Povilaitis, Law Bureau  
Certificate of Service

total. Please perform this calculation for each of the following scenarios a. and b.:

a. all consumers remain a bundled customer of PECO Energy and purchase generation at the generation credit rates found in PECO's April 1 filing.

b. all consumers procure generation at a market price in 1999 of 2.88 cents/kWh escalating at 3% per year for each and every year of the transition period.

Answer III-2

A comparison of the Company's original 4-1-97 filing with \$4.0 billion of asset securitization assumed by the interrogatory is also provided in Tables 2 and 3. Under Case 2a, which develops the original filing with market prices at the 4-1-97 filed generation cap, customers would pay, on a present value basis, \$668 million more than existing rates (\$17.176 B vs. \$16.508 B) due to the elimination of the market price cap beginning 1-1-06. Under Case 2b, with the original 4-1-97 filing and given market prices, customers would benefit on a present value basis by \$583\* million (\$15.925\* B vs. \$16.508 B).

Question III-3

Assume the Enron Choice Plan is implemented without modification and that no legal impediment to securitization exists. Please provide a table quantifying the nominal cash value for each and every year of the transition period and the net present value and levelized annual rate cut (relative to the PECO system rate in effect on 12/31/1996) for plan in total. Please perform this calculation for each of the following scenarios, and assume that transmission and distribution rates are as found in the Choice plan for each and every year of the Choice plan's transition period.

a. all consumers are provider of last resort customer of Enron and purchase generation at the energy and capacity cap rates found in the Choice Plan petition.

b. all consumers procure generation at a market price of 2.88 cents/kWh on a system basis in 1999 escalating at 3% per year for each and every year of the transition period.

\*Revised 11-26-97

**DOCKETED**  
DEC 01 1997

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.

Honorable Marlane R. Chestnut)  
Administrative Law Judge  
1302 Philadelphia State Office Building  
1400 West Spring Garden Street  
Philadelphia, PA 19130

Honorable Charles E. Rainey, Jr.  
Administrative Law Judge  
1302 Philadelphia State Office Building  
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Dated: November 26, 1997

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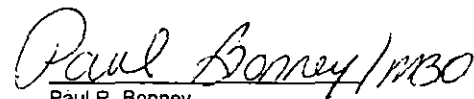
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Direct Dial: 215 841 4252  
November 26, 1997

**Via Fax and First Class Mail**

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

DOCUMENT  
FOLDER

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 Judges Chestnut and Rainey:

Attached for filing in the above proceeding is a revision to PECO Energy's Answer to  
the Commission's Data Requests, Set III. This revision corrects two numerical errors on  
page 3 of our response.

Sincerely,

*Paul Bonney / 11/30*

Paul Bonney

PRB/mbo  
Enclosure

cc: w/enclosures  
James McNulty, Acting Secretary (cover ltr and Certificate of service only)  
John M. Quain, Chairman  
David W. Rolka, Commissioner  
John Hanger, Commissioner  
Robert K. Bloom, Commissioner  
Nora Mead Brownell, Commissioner  
Cheryl Walker Davis, Office of Special Assistants  
John Povilaitis, Law Bureau  
Certificate of Service

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.

Honorable Marlane R. Chestnut)  
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1302 Philadelphia State Office Building  
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Dated: November 26, 1997

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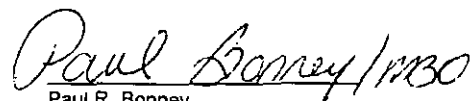
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COMMONWEALTH OF PENNSYLVANIA



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IRWIN A. POPOWSKY  
Consumer Advocate

November 26, 1997

DOCUMENT FOLDER (717) 783-5048

Honorable Marlane R. Chestnut  
Honorable Charles E. Rainey, Jr.  
Administrative Law Judges  
PA Public Utility Commission  
1302 Philadelphia State Office Bldg.  
Philadelphia, PA 19130

Via Facsimile & Federal Express

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

Dear Judges Chestnut and Rainey:

In accordance with the conference call held this morning, enclosed please find the Exhibit of OCA witness Lee Smith, marked as OCA Exhibit LS-13 and the Exhibit of OCA witness Doug Smith, marked as OCA Exhibit DCS-11. As agreed to by the parties on the conference call, these exhibits are to be admitted into the record of this proceeding by stipulation of the parties. The OCA asks that Your Honors admit these exhibits into the record.

Copies of these Exhibits have been served upon all parties and the Court Reporter as evidenced by the attached Certificate of Service.

Very truly yours,

A handwritten signature in cursive script that reads "Tanya J. McCloskey".

Tanya J. McCloskey  
Assistant Consumer Advocate

Enclosure

cc: Court Reporter, via Federal Express  
All parties of record

42552

CERTIFICATE OF SERVICE

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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

DEC 1 1997

PA PUBLIC UTILITY COMMISSION  
PROTHONOTARY'S OFFICE

Petition of Enron Energy Services Power, Inc.,  
for Approval of an Electric Competition  
and Choice Plan and for Authority Pursuant  
to Section 2807(e)(c) of the Public Utility Code  
to Serve as the Provider of Last Resort in the  
Service Territory of PECO Energy Company  
Docket No. P-00971265

I hereby certify that I have this day served a true copy of the foregoing document,  
OCA Exhibit DCS-11 and OCA Exhibit LS-13, upon parties of record in this proceeding in  
accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the  
manner and upon the persons listed below:

Dated this 25th day of November, 1997.

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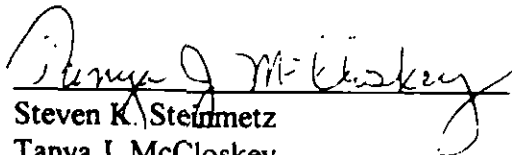
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Question:

Given DRI's Fall, 1997 fuel price outlook (as provided on 11/25/97 by Enron), how would a current projection of PJM electricity market prices compare to those projected in the testimony of Douglas Smith (OCA Statement 2) in Docket R-00973953, dated June 1997?

Response:

I expect that a current analysis would yield somewhat lower near term (i.e.; before 2000) market energy prices, relative to my original results. The precise effect is not possible to determine without further analysis. My reasoning is as follows.

First, in the near term, market prices are driven primarily by the costs and characteristics of existing marginal generating units in PJM. These marginal units burn primarily coal, with lesser amounts of natural gas and oil. Focusing on 1999 as an indicator of near term prices, DRI's Fall, 1997 projection features gas prices and coal prices several percent higher than those in the Fall, 1996 forecast underlying my initial analysis. The expected effect of these fuel price increases would be to increase near term marginal energy prices by some amount.

However, my initial PECO market price analysis has since been revised (in the context of proceedings related to PP&L and other Pennsylvania utilities) to reflect several factors.

- Inclusion of a baseload unit that had been omitted from the initial ENPRO simulation;
- More flexible dispatch of energy imports from outside PJM;
- A reconciliation of DRI forecast prices with the actual 1996 prices, correcting an overstatement of gas prices in my initial analysis.

Each of these revisions tended to lower forecasted market prices. I estimate that a revision of my market price analysis to reflect both the Fall, 1997 DRI forecast and the other revisions discussed above would yield somewhat lower near term prices, relative to the forecast presented in Exhibit DCS-4 of OCA Statement 2.

It may also be useful to review this conclusion from the perspective of my November, 1997 surrebuttal analysis, which reflects the DRI Spring, 1997 forecast and the other revisions described above. For 1999, the DRI Fall, 1997 forecast features gas prices roughly 12 percent above its Spring, 1997 forecast, and coal prices roughly one percent higher. I therefore expect that the near term effect of reflecting the DRI Fall, 1997 forecast would be to increase market prices slightly, relative to my PECO surrebuttal testimony.

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PA PUBLIC UTILITY COMMISSION  
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To get from the annual all-hours wholesale generation price to the customer level requires adjustment for load shape, for line losses, and for the Gross Receipts Tax. In our original testimony, we did not realize that the values with which the market price was being compared included the GRT, and we neglected to apply this multiplier. The filed retail market price, and the resulting competitive generation revenues, were thus too low by the amount of the GRT in the original testimony and the revised original exhibits

The "multiplier" that brings rates to the retail level includes both Company average line losses (from FERC Form 1) of 4.573% and the relationship between the "all-hours" wholesale price that was calculated for each year and a system load-weighted price. This relationship of necessity changed as the energy and capacity components of the rate changed. For the original testimony, we used the multiplier calculated from 1999 data. For the surrebuttal, we recalculated this weighting in 2001, because capacity prices increased significantly, and used this alternative weight for all subsequent years.

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PJM Load Weighted Average Market Price

	1999	2001	Formulas
(A) Peak Demand (MW)	46,965	48,274	
(B) Required Capacity (+18% res.)	55,419	56,963	(A x 1.18)
(C) Total Generation (GWh)	254,039	261,905	
(D) Load Weighted Energy Price \$/MWh	\$22.19	\$24.96	
(E) Capacity Price \$/kW-yr	\$19.73	\$41.66	
(F) Total Capacity \$000	\$1,093,411	\$2,373,092	(B x E x 1000)
(G) Total Generation \$000	\$5,638,353	\$6,536,300	(C x D)
(H) Total \$000	\$6,731,764	\$8,909,392	(F + G)
(I) Load Weighted Market Price	\$26.50	\$34.02	(H)/(C)
(J) All-hours Energy \$/MWh	\$21.64	\$24.24	
(K) All-hours Capacity Price \$/MWh	\$2.25	\$4.76	(E)/(8.76)
(L) Total All-hours Average Price \$/MWh	\$23.89	\$29.00	(J + K)
(M) Multiplier to gross-up all-hours values to retail load-shape (before losses) *	1.1091	1.1732	(I)/(L)

\* Note the 1999 (M) values is used in 2000 and the 2001 is used in all subsequent years.

From The Desk Of  
HARRY L. ROSS

1709 Dianne Ct.  
Linwood, N.J. 08221-2212

November 28, 1997

The State Regulators of  
The Public Utility Commission  
Harrisburg, Pa.

R-973953  
P-971265

Gentlemen:

The enclosed newspaper article makes me feel a little  
better about the study being made, PECO vs Enron.  
My wife holds 300 shares of PECO and depends on  
the dividend she receives quarterly. In our  
age bracket (I am 88 years young) INCOME is most  
important, to cope with the rising cost of living.  
We would hope her dividend would not be reduced,  
thus we are hoping PECO wins out in this discussion  
you are having on this subject.  
Thank you for considering all the other widows and  
senior citizens involved.

Sincerely,

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021039

# The Philadelphia Inquirer

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ACEL MOORE, *Associate Editor*

A18

Tuesday, November 25, 1997

## EDITORIALS

# Surge of independence

*PUC shows signs that it has interest of consumers at heart in sorting out electricity competition.*

Confused about the move to competition in electricity sales in the Philadelphia region?

Who could blame you?

But let's clear up one thing: Price-shopping for power need not mean being at the mercy of someone as shady as the former "Joe Isuzu" character, now appearing as a lyin' Texan in Peco Energy Corp. ads.

The rules for the new competitive market in electricity supply will not be established by Peco, its would-be competitors, or by their proxies in the heated PR campaign.

Rather, the rules are to be set by five low-profile state regulators — members of the Pennsylvania Public Utility Commission (PUC). Better news yet: The PUC commissioners are showing signs of being able to think for themselves.

That was evident in early October, as the PUC kept its cool when huge Enron Corp. of Houston jumped in with far larger rate cuts than Peco had pledged. Ignoring Peco's pleas that it rush to judgment, the PUC agreed to consider Enron's ideas as well as other strategies for creating a competitive market in energy.

Now the PUC has stirred the pot again, asserting in a staff analysis that consumers would have saved more money from Peco's original plan to restructure for competition than they will under the compromise plan reached with low-income, consumer and business groups in August. That sure wasn't what Peco or

the other settlement parties wanted to hear, inasmuch as they'd been telling everyone the so-called Pennsylvania Plan is the best deal.

Formal responses to the analysis are due today, but the debate boils down to two main issues: What's the cost of stretching out transition surcharges for Peco customers over 10 years, rather than seven? And do the sizable rate cuts provided in the Pennsylvania Plan outweigh its longer surcharge period?

The right answer will be the one that saves consumers the most by contributing the most to robust competition.

In a matter of weeks, we'll at least have the PUC's answer. It has set Dec. 11 for its vote on instituting electricity competition in this region.

For now, consumers can take heart that the PUC is challenging thinking on all sides in the deregulation debate. The PUC's questioning of the Peco settlement, in particular, shows that it may yet blaze its own trail to the new, competitive world — as it has every right to do.

In any other regulatory matter, the PUC could be expected to take the best from each proposal and craft its own solution. In this one, Peco and allies and, to a lesser extent, Enron keep implying it's their way or the highway.

Presumably, that highway would lead to the courts and drawn-out litigation. Consumers won't like that one bit.

Trust us on that.



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December 1, 1997

DEC 04 1997

DEC 1 1997

James McNulty, Acting Secretary  
Pennsylvania Public Utility Commission  
Room B-20, North Office Building  
Harrisburg, PA 17105

PA PUBLIC UTILITY COMMISSION  
PROTHONOTARY'S OFFICE

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

KJR

Dear Mr. McNulty:

I testified under oath at the public input hearings on the PECO settlement and am submitting this letter to ensure that my testimony is considered by the Commission.

I testified on behalf of Presidential Associates, LLP, a major PECO Energy customer with a peak load of around 1.6 megawatts. The Presidential is a complex comprising of 1,000 apartments and an office complex in northwest Philadelphia. We have a vital interest in the economic well-being of the Philadelphia area and are active in a number of economic development organizations, such as the City Avenue Special Service District.

It is our view that the proposal of a small, temporary rate decrease does little to revitalize the Philadelphia area. We also are concerned that competition may not occur if PECO's stranded charges are so large that competitors may not be interest in or able to offer savings, leaving PECO basically unchanged as the monopoly.

We also object to the PECO proposal to assess stranded charges if we install self-generation (section 13). This proposal makes us worse off than the current situation where we can install self-generation and avoid PECO's electric charges altogether for the amount we generate.

There is an exception to this new charge for customers with peak load more than 4 megawatts. This seems to be a special deal for large customers that can afford to hire utility lawyers and consultants. We can't afford to do this and must rely on the Commission for fair treatment that doesn't discriminate against smaller customers. If PECO is allowed to impose this new charge for customers that self generate then the exception should be available to all customers without special limitations.

Thank you for your consideration of these concerns.

Very truly yours,

  
George A. David, Jr.  
Project Services Manager

GADJR/tmb

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FOLDER**