

BEFORE THE PUBLIC UTILITY COMMISSION
TESTIMONY OF LANCE HAVER

PUC Docket No. R-00973953

Re: Joint Petition for Partial Settlement
of PECO Restructuring Plan.

October 7th, 1997

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Q. What is your name and address:

A. My Name is Lance Haver. My address is 6803 Lawnton Ave, Phila, Pa 19126

Q. What is your educational and professional background.

A. Unlike the other witnesses, I have never worked for a utility company or power marketer; and unlike Mr. Mitnick, I have never presented testimony to support a rate increase. I have always and only represented the consumer point of view.

I received a Bachelor of Arts degree from Hampshire College in 1978. In 1979 I completed the Emerging Consumer issues training and in 1980 the Consumer Leadership training. Both programs were directed by the Late consumer advocate Max Weiner. I am currently a candidate for a Masters of Philosophy in the University of Pennsylvania's Organizational Dynamics program.

In 1980 I worked for Dr. Barry Commoner, the environmental scientist doing research and outreach. Since 1981 I have worked for CEPA-- the Consumers Education & Protective Association. During that time I have been an intervenor in rate cases before the commission either through CEPA or individually. I have also been an intervenor before the Philadelphia Gas Commission, the Philadelphia Water Commissioner, the State Insurance Commissioner, the Milk Marketing Board and testified before various committees of the House and Senate of the Commonwealth of Pennsylvania as well as Philadelphia's City Council. I have written for "Philadelphia Inquirer", the "Philadelphia Daily News", "Building Economic Alternatives" and "Dollars and Sense".

Q. Have you read the testimony of the "Pennsylvania Electric Competition Coalition"?

A. Yes.

Q. Do you find fault with the testimony and if so outline the problems.

A. The testimony is so flawed that it should be disregarded by the commission. For Brevity I will focus on the testimony of Mr. Mitnick as his testimony is repeated in the testimony of the others.

Mr. Mitnick's testimony, in my opinion, can best be equated with the pillow talk of a low priced prostitute. In 1989 and 1990 while I and others were fighting PECO's exorbitant rates, Mr. Mitnick was justifying them in the testimony he helped witness Hieronymous prepare and file before this commission. While he was paid by PECO he argued that their rates were just and reasonable. Never once to my knowledge did witness Mitnick publicly state that PECO was overcharging; never once did he state through his testimony that bills should be lower. Now that Mitnick is paid by another boss,

his opinion of PECO's rates and rate structure is different. On page 13 witness Mitnick writes: "Current customer rates of PECO are extraordinarily high by any standard." When he was arguing for including Peach Bottom 2 in PECO's rate base did he make the same argument? Of course not. And for that reason alone his testimony should be thrown out. What is the value of an expert opinion if it is based on who is paying him?

In addition to the general lack of consistency and witness Mitnick's willingness to blow which ever way the money waves, there are severe mistakes, mis-judgments and outright errors in his testimony that lead me to suggest that the Commission disregard it.

Mr. Mitnick states that it is not in the public interest to have a "rate cap" nor to have price protection for those who do not choose an energy supplier. He is simply wrong.

De-regulation does not always bring prices down. When cable tv was de-regulated prices went up. Now that pay phones are being de-regulated, the prices are going up. The only way to guarantee that de-regulation doesn't only help large consumers at the expense of the residential consumer is to set a rate cap so that the prices cannot go above the existing levels. For consumers the reason to support competition is to bring prices down, not to guarantee witness Mitnick's clients profits.

Likewise protecting those consumers who become default consumers is very important. The transition to free market prices must not only help utility companies but also help consumers. When the phone company was de-regulated, 80% of the consumers made no choice. Those who made no choice were charged more than those who chose, even if they were receiving long distant service from the same company. The protection in the agreement is the only way to stop this price gouging.

Witness Mitnick is mis judging "body politic" when he states "But for the settlement proposal customers of all classes and income levels will demand and they will receive fairer rates from the body politic." (p13). If witness Mitnick had actually done any research in other states, he would have discovered that the settlement offers the largest rate reduction, the lowest percentage of stranded costs borne by consumers and the greatest number of protections that any consumer has won from any commission. Even in New Hampshire, the Governor has recently released a proposal that would increase the percentage of stranded cost collected from 60% to over 90%.

Witness Mitnick mis-judges the value to consumers of forcing PECO to accept the risks/benefits of higher or lower sales. Witness Mitnick support of a "true-up" mechanism for CTC collection shows that he either supports forcing society to pay more per kilowatt hour for every kilowatt conserved or conversely (perhaps worse) shows that Witness Mitnick doesn't understand the consequences of

the "true up" that he supports.

The settlement proposal combined with the universality of the CTC collection make conservation the most cost effective activity for lowering utility bills. Prior to this settlement the most cost effective way to lower the utility bills was to build a co-generation plant and leave the system, thus creating upward pressures on the rates for residential users. Creating a paradigm that rewards conservation is in the public interest. Conversely, Witness Mitnick's paradigm that punishes us for using less is not.

Witness Mitnick outright errors when he writes "as a matter of policy the Commission should be wary of low price projections, even if seemingly plausible, since they reduce the incentive for efficient operation. . ." Since when does forcing a company to produce a product at the lowest possible price reduce the incentive for efficient operation?

Just the opposite is true. The higher the set price the greater the room for waste and inefficiency. Perhaps witness Mitnick should have attempted to finish his Doctoral Dissertation.

Witness Mitnick compounds his error by arguing that it is in the public interest to set the price of energy above the market minimum. Witness Mitnick argues that it is in the public interest to add to the price of electricity "marketing, billing and collection, customer service and administrative costs. . ." So much for Enron and their minions claim that they want the market to set the price of energy. They are asking this Commission to force consumers to pay extra so that the marketers can be guaranteed a return on all their investments. This sounds remarkably like the old system that guaranteed a rate of return, the very system that Enron and company have attacked in many states across the nation and claim to be eliminating.

Q. Does this conclude your Testimony.

A. Yes, it does.

A handwritten signature in black ink, appearing to be "John H. ...", written in a cursive style.