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BEFORE

THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

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In re: R-00973953 Pennsylvania Public Utility Commission v. PECO Energy Company Application for approval of a restructuring plan and Consumer Education Program. Public Input Hearing.

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Media, Pennsylvania  
October 9, 1997

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Pages 172 to 255, inclusive

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P. O. Box 6144  
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BEFORE

## THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

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In re: R-00973953 R-00973953C0001-C0007 Pennsylvania Public Utility Commission v. PECO Energy Company  
Application for approval of a Restructuring Plan and Consumer Education Program. Public Input Hearing.

- - - - -

Stenographic report of hearing held in Council Chambers, Media Government Center, 201 West Front Street, Media, Pennsylvania,

Thursday,  
October 9, 1997  
at 4:00 o'clock p.m.

- - - - -

BEFORE

MARLANE R. CHESTNUT, ADMINISTRATIVE LAW JUDGE  
CHARLES E. RAINEY, JR., ADMINISTRATIVE LAW JUDGE  
ALSO PRESENT: COMMISSIONER JOHN HANGER

## APPEARANCES:

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1           JUDGE CHESTNUT: Good afternoon, everyone. I'd  
2 like to thank you all for attending. This is a public  
3 input hearing scheduled in the matter of Docket Number  
4 R-00973953, the restructuring application of PECO Energy  
5 Company.

6           I would like to introduce myself. I am  
7 Administrative Law Judge Marlane R. Chestnut. With me is  
8 Judge Charles R. Rainey, Jr., and to Judge Rainey's right  
9 is Commissioner John Hanger, one the five commissioners who  
10 will make the decision on this case, as I'll explain to  
11 you.

12           Thank you very much for taking the time to attend.  
13 What I'll do is take a few minutes to explain what the  
14 proceeding is and how you can testify. Can everybody hear  
15 me?

16           (Affirmative response.)

17           JUDGE CHESTNUT: This is an absolutely unprecedented  
18 proceeding. I am not sure if you are aware but the purpose  
19 of this is to change the way that you receive and pay for  
20 your electricity. It will literally change the nature of  
21 how, what your bill looks like, who will provide your  
22 service and who you will pay for your service.

23           Pennsylvania is one of the very first states that's  
24 passed legislation allowing competition in the electric  
25 service area. The Electricity Generation Customer Choice

1 Act, which became effective early this year is designed to  
2 separate the generation of electricity from the  
3 transmission and distribution functions.

4           What this means is that while PECO or some other  
5 regulated entity will deliver your electricity over the  
6 lines that exist now, you can select the source of who  
7 provides that electricity.

8           At this point, over 30 companies have been licensed  
9 by the Commission to sell electricity in the state. So you  
10 are free to select among any of those in terms of who you  
11 receive your electricity from. The act provides that  
12 deregulation is to be phased in over a period of time.

13           Under the pilot programs that you may have heard  
14 about, up to 5 percent of the customers in each rate class  
15 can pick their supplier effective November 1, 1997. Then  
16 each year, starting in 1999, at least one third of each  
17 rate class is to be permitted to choose their electric  
18 supplier so that by the year 2001, all customers can make  
19 their own decision concerning the source of their  
20 electricity.

21           Pursuant to the provisions of the act and orders  
22 issued by the Commission, PECO filed its restructuring plan  
23 on April 1, 1997. Basically, this contains the company's  
24 proposal as to the rates that will be charged and the  
25 service that will be rendered when customers are free to

1 select their own supplier of electricity.

2           Very simply, the way that this works would be that  
3 customers now will be charged separately for the  
4 generation, transmission and distribution functions. Each  
5 customer at this point will get a discount -- and I am  
6 using that term very loosely -- from their utility's total  
7 bill if they do not choose to buy the utility's  
8 generation.

9           Obviously, if they buy from the utility, they will  
10 pay the total bill which includes the cost of generation.  
11 If they could buy power at a lower rate than that,  
12 obviously there will be a savings. Customers still will  
13 have to pay for the transmission and distribution services  
14 as well as costs and charges associated with the change  
15 from regulated service to partially regulated service.

16           This is the stranded cost that you may have heard  
17 about which will be recovered from every customer, even if  
18 this customer chooses an alternative supplier. As I  
19 mentioned, PECO filed its plan on April 1st.

20           Numerous parties have actively participated in the  
21 proceeding which was instituted to address this plan.  
22 These parties include the Office of Trial Staff, Office of  
23 Consumer Advocate, the Office of Small Business Advocate, a  
24 consortium of industrial users, the American Association of  
25 Retired Persons, State Senator Vincent Fumo, a consortium

1 of environmental groups, such as Delaware Valley Citizens  
2 Clear Air Council, the Sierra Club, Citizen Action  
3 Alliance, Pennsylvania Public Interest Research Group,  
4 Grassroots Alliance for a Solar Pennsylvania, Nonprofit  
5 Energy Saving Investment Program and the Philadelphia Solar  
6 Energy Association.

7 Also participating are alternative suppliers such as  
8 Enron, New Energy Ventures and Connectiv. There were also  
9 the Consumers Education and Protective Association, CEPA,  
10 Lance Haver as an individual, Citizens' Action Alliance,  
11 Mid-Atlantic Power Supply Association, U.S. Navy, a group  
12 of municipalities who banded together and other utilities  
13 such as Allegheny Power and PP&L.

14 In response to PECO's filing, the other parties  
15 filed testimony which commented on that proposal. They  
16 filed that testimony in June. In July, PECO filed what's  
17 called rebuttal testimony which responds to the other  
18 parties' comments.

19 In other words, every party has had both a chance to  
20 comment on PECO's proposal and to comment on the proposals  
21 of other parties. The next step would have been technical  
22 hearings where witnesses testify under oath, introduce  
23 their written statements or testimony, and present their  
24 exhibits and are subject to cross examination in order to  
25 produce evidence upon which the Commission will make its

1 decision.

2 I want to stress that a significant part of the  
3 hearing process is public input hearings such as this one  
4 because this really is the only chance for rate payers and  
5 customers to participate directly in the process. I will  
6 explain the procedure by which you can do this in a minute,  
7 but let me go on with the history.

8 On August 27, a joint petition for partial  
9 settlement was filed. This is a proposed settlement of  
10 various issues that were signed by PECO, Senator Fumo,  
11 Community Legal Services on behalf of its various members,  
12 OTS -- Office of Trial Staff, Office of Consumer Advocate,  
13 the Office of Small Business Advocate, the Industrial  
14 Customers Group, the American Association of Retired  
15 Persons, Lance Haver and the Navy.

16 Thereafter, a new schedule was adopted for  
17 consideration of the proposed settlement as well as the  
18 issues which were not included in the settlement document.  
19 A proposed settlement has been filed and technical hearings  
20 on that testimony will be held next week in Philadelphia on  
21 October 14 through 17th.

22 These hearings are open to the public and you are  
23 encouraged to attend to observe at the request of the  
24 parties. Judge Rainey and I will not write a recommended  
25 decision for the Commission's consideration. Instead,

1 after the technical hearing, the parties will file briefs  
2 directly with the Commission and the Commission was  
3 scheduled to address the proposed settlement at its  
4 November 6, Public Meeting. This schedule has been  
5 somewhat and will be, I guess, further changed.

6 As you may be aware on October 7, Enron filed with  
7 the Commission a petition which contains an alternative to  
8 the proposed settlement. This is called the Enron Choice  
9 Plan. By order adopted today, the Commission consolidated  
10 that Enron Choice Plan with the proposed settlement, PECO's  
11 original proposal.

12 A new schedule will be adopted with the Commission  
13 resolving all restructuring issues rendered either in  
14 December or January. Now, with respect to this public  
15 input, I will explain how you can present testimony if you  
16 wish.

17 First, you may testify formally. This means that  
18 you will, your name will be called by me from this list  
19 that you signed, you will come up to the microphone and the  
20 lectern there. I will ask you your name and your address.  
21 You will make a statement which is what you feel and what  
22 comments you wish to present and you will be subject to  
23 cross examination by the parties here. If they wish to ask  
24 you questions, they will.

25 Judge Rainey and I may also ask you some questions.

1 To the extent that your testimony is relevant, material and  
2 competent, it may be considered by the Commission in its  
3 final order. If you choose to testify formally -- and I  
4 do urge you to do that -- you will be asked to also state  
5 whether you are a customer of PECO or if you are appearing  
6 on behalf any group, please state that so that we know the  
7 context in which you are appearing.

8 Do not be intimidated by these terms. I have used  
9 the words testimony and cross examination. But of course,  
10 we recognize that you are lay people and no one here will  
11 embarrass you or try to trip you up in anything that you  
12 may say. If we ask questions, they will be brief and  
13 directed for the purpose of clarification only.

14 The second method of participating that is available  
15 to you is to make an off the record statement. If you  
16 choose to do this, you will be called, you will not be  
17 sworn in, and the Court Reporter will not record your  
18 remarks.

19 In fact, Judge Rainey and Commissioner Hanger and I  
20 will try not to listen because the Commission, as a matter  
21 of law, is prohibited from considering evidence which is  
22 not part of the official records in this case. If you  
23 choose to make an off the record statement you will be  
24 asked to state your name and address and again if you are a  
25 customer or appearing on behalf of a group. You will not

1 be subject to cross examination.

2           The third manner by which you can present your  
3 comments is an informal one. You can provide this  
4 information privately or directly to the attorneys  
5 representing the Office of Trial Staff, the Office of  
6 Consumer Advocate, the Office of Small Business Advocate.  
7 You can do this during a break or at the end of the session  
8 and if you would prefer, it may be that you raise an issue  
9 that they could present for you somehow. I am not sure  
10 how, but somehow.

11           If you wish to testify, to make an on the record or  
12 off the record statement, please be sure that you have  
13 signed the signup sheet. If you haven't, we'll have a  
14 break and you can do that. Please make sure when you do  
15 that you print your name clearly. I will call you in the  
16 order in which you signed up and I will ask if you wish to  
17 testify on the record or off the record.

18           If you are going to testify off the record, I will  
19 ask you to wait until the people who are going to testify  
20 on the record have gone first.

21           This public input hearing is a chance to present  
22 evidence concerning the rates you will be paying and the  
23 service you will be receiving in a competitive  
24 environment.

25           Please don't testify if you have an individual

1 service problem or question. If you do have that kind of  
2 concern, during the break or after the hearing feel free to  
3 approach any company representative or any other  
4 representative who will be more than happy to assist you.  
5 These guys are here and feel free to take advantage of  
6 their presence tonight.

7           Finally, I'd like to remind everyone that this is an  
8 official, legal proceeding. Obviously, it's less formal  
9 than the hearings held in the Commission's hearing rooms.  
10 That's done so that you are not intimidated and/or nervous  
11 about getting up and speaking publicly as well as a matter  
12 of convenience. It is, however, considered a legal  
13 proceeding.

14           While we are here to hear you tonight, we do not  
15 wish the parties to engage in argument or harangue or to be  
16 rude or disrespectful to any person. I am sure that I can  
17 count on your good manners and your sense of decorum.

18           I will not impose a time limit but since there are a  
19 number of people that have signed up, I would please ask  
20 you to limit your comments to three to five minutes so that  
21 everybody has a chance to be heard and if someone has  
22 already made a point that is the same as you would like to  
23 make, then you don't have to repeat but just say that you  
24 agree with the prior speaker.

25           Do what you feel comfortable with but please keep in

1 mind we want to accommodate everyone. Therefore, we will  
2 begin hearing from you, which is what we are all here for.

3 I will now ask the representatives of active parties  
4 who are here to introduce themselves and to briefly state  
5 their role in this proceeding.

6 The first person on the list that I have here is Mr.  
7 Dworetzky.

8 MR. DWORETZKY: Thank you, Your Honor. My name is  
9 Joseph Dworetzky. I am a lawyer for New Energy Ventures,  
10 which is one of the several companies that are part of the  
11 Pennsylvania Electric Competition Coalition. And this is a  
12 group that opposes the settlement that PECO has made with  
13 several of the other parties in this case.

14 When Judge Chestnut was describing the status of the  
15 case you recall that she said that the settlement was a  
16 partial settlement. It is partial because there are  
17 several parties, including the Pennsylvania Electric  
18 Competition Coalition, that have not joined in the  
19 settlement and I urge you to listen carefully to the  
20 discussion today because it's important to understand that  
21 there is not simply a settlement, that either you get rate  
22 decreases if you take the settlement or not.

23 There are alternatives and there are presently  
24 pending before the Commission two other plans, besides the  
25 proposal, besides the settlement proposal, even though

1 those other plans offer greater rate decreases for  
2 customers than the settlement that's on the table.

3 I represent New Energy Ventures and we are going to  
4 advance these arguments during the technical hearings that  
5 begin during the next week. Thank you very much.

6 JUDGE CHESTNUT: Thank you, Mr. Dworetzky. The  
7 Office of Trial Staff.

8 MR. SHIELDS: Thank you, Your Honor. My name is  
9 Charles Daniel Shields. I, along with my co-prosecutor Ken  
10 Mickens -- our title is prosecutor of the Commission's  
11 Office of Trial Staff. The Office of Trial Staff is the  
12 prosecutory arm of the Commission whose responsibility it  
13 is to represent and balance the interests of the consumers  
14 and the company to ensure that the company is able to  
15 operate as a viable entity and to also ensure that they  
16 provide service, proper service to you customers at the  
17 most reasonable possible rates.

18 As Judge Chestnut mentioned to you, the Office of  
19 Trial Staff is a signatory to the joint petition for  
20 partial settlement and obviously for that reason I'm here  
21 to represent that we support that settlement. We have a  
22 variety, a cadre of engineers, technical and analysts who  
23 have advised us on this case.

24 We feel that the joint petition for settlement is in  
25 the best interests of both the company and the customer and

1 we stand by it. Thank you, Your Honor.

2 JUDGE CHESTNUT: Thank you. Office of Consumer  
3 Advocate?

4 MR. STEINMETZ: Good afternoon. My name is Steve  
5 Steinmetz. I am an attorney with the Pennsylvania Office  
6 of Consumer Advocate. We represent the residential  
7 customers throughout the Commonwealth.

8 When this case was first filed by PECO, we  
9 challenged their proposal. Since that time the Consumer  
10 Advocate and approximately ten other parties have entered  
11 into a partial settlement with the company. It is now up  
12 to the Commission to decide whether this partial settlement  
13 is in the public interest. We believe it is. Today,  
14 however, we'd like to hear from you.

15 I would encourage each of you to testify, preferably  
16 on the record so that your testimony may be used by the  
17 Commission in determining the ultimate result in this  
18 case. Again, I would like to thank you all for coming out  
19 tonight.

20 JUDGE CHESTNUT: Thank you. Office of Small  
21 Business Advocate.

22 MR. RYAN: My name is Bernie Ryan. I am the Small  
23 Business Advocate. The office that I head represents small  
24 business customers of PECO, and indeed all of the public  
25 utilities that operate in the Commonwealth of

1 Pennsylvania.

2 We also are an active party in this case. We also  
3 are a signatory to the joint petition for settlement which  
4 we support because we do believe it's in the public  
5 interest. As it's been said several times, we are here to  
6 hear you and I think you have heard enough from me. Thank  
7 you.

8 JUDGE CHESTNUT: Mr. Bonney?

9 MR. BONNEY: Thank you. My name is Paul Bonney. I  
10 am an attorney with PECO Energy and I, too, welcome you and  
11 look forward to your comments here today. As you have  
12 heard, one of the ten parties that have signed the  
13 settlement that's the subject matter of this hearing  
14 today.

15 We strongly believe that that settlement is in the  
16 public interest and offers many benefits for consumers. We  
17 have submitted to the Commission a statement in support of  
18 that settlement and copies of it are available here.

19 If you want to see them or have one, let me know and  
20 I'll get you copies of that. It sets forth the reasons we  
21 believe this is in the public interest. I, too, would  
22 second the comments that have been made encouraging you to  
23 testify on the record. Thank you for taking the time to  
24 appear here today.

25 JUDGE CHESTNUT: Thank you, Mr. Bonney. Mr.

1 Gornish?

2 MR. GORNISH: My name is Gerald Gornish and I am an  
3 attorney for Enron. Enron is one of the competitors that  
4 has opposed the petition, together with New Energy Ventures  
5 as part of the Pennsylvania Electric Competition  
6 Coalition.

7 Enron is also the company that on Monday filed its  
8 own customer choice plan which is a fairly large document,  
9 as you can see. It proposes double the rate decrease that  
10 PECO is proposing together with greater competition and  
11 other things. Again, we are here to today to listen to  
12 what you have to say and we appreciate your interest.

13 JUDGE CHESTNUT: Thank you. Mr. Haver?

14 MR. HAVER: My name is Lance Haver. Those of you  
15 that know me know that I work for consumer groups. Unlike  
16 other attorneys who represent companies who stand to profit  
17 by forcing rates up, I actually stand to profit by keeping  
18 rates down. That's why I support the settlement. It is  
19 the only way to get guaranteed savings.

20 You have been misled if you believe that if this  
21 settlement is turned down you'll be guaranteed savings.  
22 Nothing could be further from the truth. The only way to  
23 get guaranteed savings if this settlement is approved other  
24 than that it is a pipe dream, pie in the sky and it is  
25 simply not the truth.

1 I urge you, as you testify, to consider the  
2 realities. One is there's a guaranteed settlement that  
3 guarantees lower rates that guarantees protection for  
4 consumers during the deregulation time.

5 If the settlement is thrown out there will be no  
6 guaranteed rate decrease. If their numbers are accepted,  
7 we will be forced to pay a higher percentage of stranded  
8 costs than was in the settlement. What they want us to do  
9 is pay more for energy which means the stranded cost that  
10 we will be paying will be a higher percentage than what's  
11 already in the settlement.

12 As you testify today I hope you will consider that  
13 and consider the reality. The proposal that's before us is  
14 a settlement that has guaranteed results. Thank you.

15 JUDGE CHESTNUT: Is there any other party present  
16 who did not sign the appearance sheet? As I indicated,  
17 it's the five Commissioners who will make the ultimate  
18 decision in this case concerning the restructuring plan and  
19 I introduce to you now Commissioner Hanger. Did you have  
20 any statement?

21 COMMISSIONER HANGER: Very briefly. I am here to  
22 listen to you. I think this is probably the most important  
23 case in the history of the Public Utility Commission. I  
24 believe the nation is watching this case and this is your  
25 opportunity to really affect what is going to happen with

1 electricity, your economy and the transition of  
2 competition. So I equally look forward to what you have to  
3 say today. Thank you.

4 JUDGE CHESTNUT: Thank you, Commissioner Hanger.  
5 We'll go now to the public input portion of this hearing  
6 and as I said, please don't be intimidated by this. The  
7 fact that it's a formal hearing, Judge Rainey and I are  
8 wearing robes, but that's only so that we match. So we'll  
9 start with Senator Bell who I don't think really needs an  
10 introduction.

11 SENATOR BELL: Thank you very much. Honorable  
12 Judge, Commissioner, my name is Clarence Bell. I reside at  
13 400 West 24th, Upland in Delaware County, Pennsylvania. I  
14 am here as a Senator representing the 9th Senatorial  
15 District which contains a quarter million people in  
16 Pennsylvania.

17 JUDGE CHESTNUT: Excuse me, Senator, would you raise  
18 your right hand.

19 CLARENCE BELL, called as a witness, having been duly  
20 sworn, was examined and testified as follows:

21 DIRECT TESTIMONY

22 THE WITNESS: I also will include the statement I  
23 already made under that. I urge all my friends here also  
24 to be sworn or you'll just be talking to the wind.

25 This hearing, incidentally, the settlement I hear

1 about included one senator. There's 50 senators in  
2 Pennsylvania. I was not a party. But this hearing today  
3 is under the 56 Pennsylvania Statute Code Section 2808 and  
4 it deals with the PECO recovery plan proposed competitive  
5 transition change; which in plain English, it's got the  
6 definition here means the stranded costs of stranded  
7 assets.

8 That would be in PECO's final charge, distribution  
9 charge which my neighbors will pay and will extend for nine  
10 years. I believe it stands up until January 1, 2007. So  
11 there's a lot of money involved in here. A lot of money.

12 I want to compliment the PUC and the judges for  
13 having this as a daytime meeting. The older folks, my  
14 generation don't like to come out at night for obvious  
15 reasons. But the same older folks are very much concerned  
16 not just for their own pocketbooks, their children, their  
17 grandchildren and Pennsylvanians of tomorrow.

18 And this situation, especially with what's happened  
19 in the last couple weeks, I can suggest those people who  
20 signed the settlement reconsider what they signed. You are  
21 now in a battle between billionaire, billion dollars worth  
22 corporate giants and you know, there's an old expression.  
23 When giants fight, the deer take to the woods, bystanders  
24 take to the hills.

25 Well, who's the target of this fight? It's about

1 one third of the people of Pennsylvania, the PECO  
2 customers, and these folks are the residential, small  
3 business and other rate payers. And the message I get in  
4 the 9th District, they want somebody to fight to protect  
5 the pocketbooks of these people who are going to pay the  
6 bill.

7           Maybe when the giants fight, the deer take to the  
8 woods. But the general public of Pennsylvania are not  
9 going to run for cover and they are insisting that with the  
10 billion dollars at stake, that you, judges, you the PUC  
11 don't let this be a snake pit. Because this requires  
12 tremendous amount of work on the part of PUC.

13           It requires very careful analysis and this, and by  
14 the way, I want to compliment the PUC and all their people  
15 because I know the tremendous amount of pressure the new  
16 law has. I know the PUC has been running 60 and 70 hours a  
17 week work.

18           But again, we have even more work at stake here.  
19 Because as I repeat, you have got billion dollar corporate  
20 giants jockeying for position for a chance to visit my  
21 neighbors' pocketbooks.

22           Now, I am not going to say who should get, win this  
23 case. But I am going to say this. The PUC, the Consumer  
24 Advocate, Trial Staff, the Small Business Advocate, you  
25 must insist that the electricity first be reliable. You

1 must also insist -- and I think the card game changed the  
2 past week -- that the prices that our people are going to  
3 pay, remember, this is going to be for nine years -- be  
4 fair and reasonable.

5 I am going to conclude these remarks. I have been  
6 the watchdog at my position as chairman of the committee  
7 with jurisdiction over the PUC. I intend to keep on being  
8 a watchdog to watch very carefully what happens in this  
9 case and other cases.

10 And now, to the judges, I am sorry that you don't  
11 hand down the decisions to the PUC. These citizens right  
12 here, you are seeing a cross section of one third of the  
13 people of Pennsylvania right in this room. These are the  
14 same people from Bucks, Montgomery, Chester County,  
15 Philadelphia County and elsewhere that will be affected by  
16 this decision. And I now conclude my remarks.

17 I thank you folks for coming here today. Because  
18 the people of -- let me go back a bit. There was a  
19 settlement between some parties. But I don't think all  
20 these folks in here were in on that settlement. Again,  
21 thank you for being here. God bless you.

22 JUDGE CHESTNUT: Thank you, Senator Bell.  
23 Representative John Lawless.

24 REPRESENTATIVE LAWLESS: Good evening. Thank you,  
25 Your Honor.

1 JUDGE CHESTNUT: Would you raise your right hand  
2 please.

3 JOHN LAWLESS, called as a witness, having been duly  
4 sworn, was examined and testified as follows:

5 DIRECT TESTIMONY

6 JUDGE CHESTNUT: Good afternoon.

7 THE WITNESS: My name is John A. Lawless,  
8 L-a-w-l-e-s-s. I live at 2745 Lantern Lane in Audubon,  
9 Pennsylvania. I represent the 150th Legislative District  
10 in Montgomery County. Good afternoon. And thank you for  
11 the opportunity to provide my comments on the widely  
12 publicized and very important issue of electric  
13 deregulation.

14 When the Legislature passed the electric competition  
15 law last year, I did not vote in favor of the Bill. I  
16 repeat, I did not vote in favor of this Bill because I was  
17 not convinced that the legislation guaranteed lower  
18 electric rates.

19 In fact, I was unsuccessful in my attempt to offer  
20 an amendment on the House floor that would have guaranteed  
21 a 10 percent reduction in electric generation to the  
22 residential customers. Competition, in and of itself, does  
23 not create a guaranteed rate reduction. The settlement  
24 that was reached between PECO and a number of consumer  
25 representatives provides solid assurances that we will see



1 THE WITNESS: Aaron Wilson. The Honorable Judges,  
2 Commissioner, other distinguished neighbors and friends,  
3 good evening. My name is Aaron Wilson. I am the mayor of  
4 the City of Chester. I am here today to offer comments on  
5 the agreement that is being proposed by a number of groups  
6 that have negotiated with PECO over the past few months.

7 This agreement, as I understand it, is designed to  
8 provide a guarantee of lower electric rates for PECO  
9 customers, speed up the opportunity for all customers or  
10 consumers to choose their electric supplier and allow PECO  
11 to recover approximately 5.5 billion in stranded costs.

12 This agreement was reached by groups located right  
13 here in Delaware Valley. They have seen firsthand the role  
14 that PECO plays in the community and the initiative that  
15 the company has undertaken to improve the economy,  
16 development in the region. Certainly, we all want to see  
17 lower electric rates as soon as possible.

18 Under the competition law that was enacted in  
19 Pennsylvania last year, the forecast for negotiated  
20 agreements like the proposal was established. The  
21 implementation of a complex program like the electric  
22 deregulation.

23 It is important that regulators embrace the  
24 opportunities which provide maximum consumer benefit. By  
25 reaching this agreement, we will see fixed rate reductions,

1 benefits to low income families and the assurance that PECO  
2 will continue to provide added value to our region as both  
3 an employer and a good corporate citizen.

4 Customers will be able to use the money that is  
5 freed up by saving 10 percent our electric costs and put it  
6 to good use elsewhere. As the PUC I kindly ask you to  
7 consider favorable approval of this agreement. Thank you.

8 JUDGE CHESTNUT: Thank you. Before we go any  
9 further, I'm sorry I forgot one important person and that's  
10 Judge Rainey. And I don't know how I did it but I didn't  
11 give him a chance to say anything. I really do apologize.  
12 All I can say is I guess I was nervous. I don't want you  
13 to think that Judge Rainey doesn't have an active or  
14 important role and I do all the talking. That's not the  
15 way it is. Judge Rainey, if you have --

16 JUDGE RAINEY: No apology necessary. I was going to  
17 pass you a note. I'd just like that say it's a pleasure to  
18 be here and that I appreciate the importance of your input  
19 and the Commission very much appreciates how important it  
20 is that you provide us with your sentiments with regard to  
21 competition and how we go about it. So I look forward to  
22 your comments and I will be taking copious notes. Thank  
23 you, Judge Chestnut.

24 JUDGE CHESTNUT: Okay. It's kind of hard to read  
25 some of this handwriting, but it looks like the next person

1 is Richard Hasson. Let me state that if you haven't signed  
2 the signup sheet and you do want to testify, we'll have a  
3 break after we come to the end of this and we will put it  
4 out again, so don't feel that you'll be foreclosed from  
5 speaking. I see that you list your organization as IGAFCU.

6 MR. HASSON: Correct.

7 JUDGE CHESTNUT: I also see there's other citizens  
8 that have also listed the same organization. Is there one  
9 person speaking on behalf of that organization.

10 MR. HASSON: No. I think we are talking  
11 individually.

12 JUDGE CHESTNUT: You are all individuals?

13 MR. HASSON: Yes.

14 JUDGE CHESTNUT: Raise your right hand, please.

15 RICHARD HASSON, called as a witness, having been  
16 duly sworn, was examined and testified as follows:

17 DIRECT TESTIMONY

18 JUDGE CHESTNUT: Would you please give your name and  
19 spell your name for the record.

20 THE WITNESS: Richard Hasson, H-a-s-s-o-n 1597 Reed  
21 Circle, Washington, Bucks County.

22 JUDGE CHESTNUT: Thank you. And you are appearing  
23 as an individual?

24 THE WITNESS: I am appearing as an individual, yes.

25 JUDGE CHESTNUT: Fine.

1 THE WITNESS: Thank you for allowing me the  
2 opportunity to speak. I am a little nervous.

3 JUDGE CHESTNUT: Don't be nervous.

4 THE WITNESS: I want --

5 JUDGE CHESTNUT: But remember that I make the  
6 jokes.

7 THE WITNESS: No problem. I want to just briefly  
8 speak and also in favor of the settlement. I believe also  
9 that it's in the best interests of the consumer. Also  
10 because it's guaranteed. I am a father of four young  
11 children trying to save to get them to go to college and to  
12 do things and I know that if there's something that's going  
13 to give me a guaranteed savings I'd like to get that saving  
14 each month. And starting now. So that's basically all I  
15 really wanted to say.

16 JUDGE CHESTNUT: Does anybody have any questions for  
17 Mr. Hasson?

18 (Negative response.)

19 JUDGE CHESTNUT: Thank you, sir. Kate Mager. Raise  
20 your right hand, please.

21 KATE MAGER, called as a witness, having been duly  
22 sworn, was examined and testified as follows:

23 DIRECT TESTIMONY

24 JUDGE CHESTNUT: Please state and spell your name  
25 for the record.

1 THE WITNESS: Kate Mager, M-a-g-e-r. I live at 663  
2 Rively Avenue, Glen Olden. I am here on behalf of my  
3 mother. I live in my mother's house and she is a PECO  
4 employ -- PECO Energy person. She --

5 JUDGE CHESTNUT: When you say person, you mean  
6 customer or --

7 THE WITNESS: I meant customer. I am sorry. I'd  
8 just like to say that with the 10 percent discount for a  
9 discount on paying her bill would be greatly appreciated.  
10 It would be great for us to be able to pay other bills on a  
11 timely manner and not feel like we are strained on money  
12 and we have to -- she has to come to me to ask me for some  
13 help. I know it's hard to ask your children for help. So  
14 I think it would be in our best interest to have a  
15 discount.

16 JUDGE CHESTNUT: Thank you. Does anybody have any  
17 questions for Ms. Mager? I do. Do you think a 10 percent  
18 discount would be good?

19 THE WITNESS: Right. Any discount would be great.

20 JUDGE CHESTNUT: If a 10 percent discount is great  
21 is a 20 percent discount better?

22 THE WITNESS: Absolutely.

23 JUDGE CHESTNUT: Okay. Thank you. The next person  
24 who is on the list is Bob Adelsberger.

25 JUDGE CHESTNUT: Would raise your right hand,

1 please.

2 BOB ADELSBERGER, called as a witness, having been  
3 duly sworn, was examined and testified as follows:

4 DIRECT TESTIMONY

5 JUDGE CHESTNUT: Please give and spell your name for  
6 the record.

7 THE WITNESS: Adelsberger, A-d-e-l-s-b-e-r-g-e-r. I  
8 reside at 549 Melody Lane, Glenside, Pennsylvania. I would  
9 like to thank Your Honor and the judges for this  
10 opportunity. I believe I am speaking for my church today.  
11 For the past 30 years I have served on and off the board of  
12 trustees of Second Baptist church of Germantown and we  
13 struggle to meet our budget each year.

14 It's difficult and one of the big parts of our  
15 budget, of course, are utilities. So that any discount  
16 offered and I especially am for the Philadelphia Electric's  
17 proposal of the guaranteed 10 percent discount rather than  
18 possibly a discount that is like Lance Haver had said, pie  
19 in the sky. I am not sure. What we are looking at is  
20 possibly a real discount of 10 percent. It would be very  
21 helpful. So I do offer that to the committee. Thank you.

22 JUDGE CHESTNUT: Thank you. Does anybody have any  
23 questions for Mr. Adelsberger?

24 (Negative response.)

25 JUDGE CHESTNUT: Thank you. You are excused.

1 Mario Colungo, if I am saying that right.

2 MR. COLLINGO: Pretty close.

3 JUDGE CHESTNUT: Would you raise your right hand,  
4 please.

5 MARIO COLLINGO, called as a witness, having been  
6 duly sworn, was examined and testified as follows:

7 DIRECT TESTIMONY

8 JUDGE CHESTNUT: Would you give and spell your name  
9 for the record.

10 THE WITNESS: My name is Mario C-o-l-l-i-n-g-o. I  
11 want to thank the Commission and judges for allowing me  
12 this testimony. I am the president of a medium-sized  
13 cooperative financial organization called IGA Federal  
14 Credit Union.

15 If you understand how credit unions operate then you  
16 know that we pass all saving to our members in the form of  
17 lower mortgage loans and improved dividends. Part of our  
18 contingency includes the Grays Ferry area of Philadelphia  
19 where every dollar counts.

20 Our goal of assisting people in purchasing their  
21 homes mean that every money that members can save goes a  
22 long way. You may have read how credit unions have been  
23 under severe financial problems. A 10 percent reduction in  
24 our electric bill at this time would go a long way in  
25 allowing us to maintain our services to the Grays Ferry

1 area and the rest of the five county areas that we serve.

2 Thank you.

3 JUDGE CHESTNUT: Thank you. Does anyone have any  
4 questions for Mr. Collingo?

5 (No response.)

6 THE WITNESS: Thank you.

7 JUDGE CHESTNUT: Thank you, sir. You are excused.  
8 Daniel McBride? Raise your hand, please.

9 DANIEL MCBRIDE, called as a witness, having been  
10 duly sworn, was examined and testified as follows:

11 DIRECT TESTIMONY

12 JUDGE CHESTNUT: Give and spell your name, please,  
13 for the record.

14 THE WITNESS: Daniel J. McBride, M-c-B-r-i-d-e, 309  
15 West Donald Street, Wellsville, New Jersey. I am the  
16 executive director of Variety Club, charity for children  
17 with disabilities. We have been providing services for  
18 disabled children in this area since 1935.

19 We currently serve more than 7,000 children. Our  
20 services are made possible through donations and revenue  
21 from special events. As you can probably imagine, a  
22 charity like ours operates on a very tight budget. We  
23 strive to provide the maximum benefits to our disabled  
24 children that our budget allows.

25 Perhaps you have heard of our camp and development

1 center in Montgomery County. This 80-acre facility  
2 provides a vacation like atmosphere to a children to enjoy  
3 with other children having similar disabilities. Our camp  
4 accomplishes two very important goals. It makes the  
5 children happy and it provides for the regular care givers  
6 a break for a few days.

7 Our camp is also, to say the least, a significant  
8 consumer of energy. Every dime we save on things such as  
9 utility bills would allow us to maximize our program dollar  
10 even more. A rate cut of the 10 percent one year earlier  
11 will have a profound effect on our budget. Along with  
12 that, PECO Energy and Philadelphia Electric before that,  
13 have been a long time sponsor, contributor, beneficiary and  
14 a great friend to our organization.

15 The ability of PECO Energy to remain a strong  
16 presence in our area will help to assure their continued  
17 support of the charities like Variety Clubs that have  
18 always provided a much needed service for the disabled in  
19 our program. Our directors feel and the club believes the  
20 proposal being debated will offer across the board benefits  
21 that are good for Variety Club and the entire region. It  
22 should be implemented as soon as possible. Thank you.

23 JUDGE CHESTNUT: Any questions?

24 FROM THE FLOOR: I have just one --

25 JUDGE CHESTNUT: I didn't mean audience questions.

1 I meant the parties.

2 FROM THE FLOOR: I'll wait my turn.

3 JUDGE CHESTNUT: Next person is Patricia McNamara.

4 MS. MCNAMARA: My name is --

5 JUDGE CHESTNUT: I'm sorry. Would you raise your  
6 right hand.

7 PATRICIA MCNAMARA, called as a witness, having duly  
8 affirmed to tell the truth, was examined and testified as  
9 follows:

10 DIRECT TESTIMONY

11 JUDGE CHESTNUT: Would you please give and spell  
12 your name for the record.

13 THE WITNESS: Patricia McNamara. P-a-t-r-i-c-i-a,  
14 last name M-c-N-a-m-a-r-a. I am the executive director of  
15 CEPA, the Consumers Education and Protective Association, a  
16 31-year-old grassroots consumer group founded by the late  
17 Max Wiener, who I am proud to say I worked with. I am here  
18 today to urge the Commission to accept the settlement  
19 agreement.

20 The settlement, while not perfect, offers the  
21 greatest benefit any consumer has seen anywhere in the  
22 country as a result of the restructuring of the electric  
23 utility industry and much better than what the PUC could  
24 grant.

25 I want to stress that there are added benefits in

1 the settlement that go beyond the protections in the law.  
2 The settlement guarantees a minimum 10 percent decrease in  
3 our bills. If it is approved, the average consumer will  
4 save almost \$100.00 a year and the decrease will be  
5 guaranteed until the year 2001.

6         The settlement gives every consumer the right to buy  
7 low cost electricity one year before the law would. It  
8 protects our savings by prohibiting PECO from raising the  
9 regulated portion of the bill up until the year 2004.  
10 Longer than the law provides and increases the number of  
11 families in PECO's low income program from 40,000 to  
12 100,000, making the transition from welfare to work a  
13 little easier.

14         In addition, the settlement extends the rate cap  
15 past the provisions in the law so that if deregulation  
16 causes prices to rise as they did when cable and the phone  
17 company were deregulated, consumers will still see lower  
18 electric bills. And perhaps most importantly the  
19 settlement protects people who are confused and don't pick  
20 a generating company.

21         PECO will have to offer the same low prices to  
22 everyone, not just a small percentage of their consumers.  
23 Without that protection, which Enron and the other  
24 marketers oppose, thousands of consumers will be over-  
25 charged.

1           In all honesty let me point out that the settlement  
2 doesn't give consumers everything we wanted. It only  
3 forces PECO to absorb \$2 billion of their mistakes, what  
4 they call stranded costs. We lowered what we were paying  
5 for the mistakes by 29 percent. And while we really tried  
6 to do better, it is the biggest reduction any consumer  
7 anywhere in the country has won.

8           In Maine, Massachusetts, New York, California and in  
9 other states, consumers are being forced to pay 100 percent  
10 of the stranded costs. If the settlement is approved, we  
11 will pay far less. The Enron plan that has been filed at  
12 the last minute is a smoke screen and an attempt to stop  
13 consumers from receiving the benefits of the proposed  
14 settlement.

15           While Enron says they can offer 20 percent  
16 reductions, the truth is they can only do it if PECO agrees  
17 to give up all their customers and rates are allowed to  
18 skyrocket in the future. In essence, what Enron wants to  
19 do is to eliminate consumer protection, raise prices in the  
20 future so they can claim to lower prices now and take over  
21 PECO's consumers, their customers.

22           Enron's plan is not a settlement. It is just the  
23 opposite. A transparent attempt to destroy the settlement  
24 that guarantees real savings. It is similar to the tactics  
25 that they have used in other states. And I do have copies

1 of stuff from the Internet to document that. It's only  
2 just exactly what they are doing elsewhere.

3 In Oregon, for example, Enron made promises to  
4 consumers and environmentalists and now they are reneging  
5 on those promises. Enron has worked to defeat consumer  
6 protection clauses in Oregon, and according to a leading  
7 paper in Oregon bribed their way to seizing what they  
8 wanted.

9 In the midwest Department of Energy charged Enron  
10 with over-charging consumers and forced the company to make  
11 refunds. And Amnesty International says that Enron  
12 colluded with the Indian police to violate the human rights  
13 of people protesting Enron's power plant. If the truth  
14 were known about Enron and its plan it would never be  
15 seriously considered.

16 But Enron is conducting an expensive advertising  
17 campaign and many people may not hear the truth about  
18 Enron. That is why Enron's plan, while not a real offer,  
19 is a very, very real danger. If too many people fall for  
20 Enron's smoke screen, then the settlement that guarantees  
21 lower rates, consumer protection against rising energy  
22 costs and protection for those who don't understand what is  
23 going on, will be thrown out.

24 If Enron is successful at blocking the settlement,  
25 consumers will see no rate reduction for many, many years

1 and be forced to pay 100 percent of the stranded costs for  
2 at least the next few years. And that is what Enron  
3 wants.

4           If you read what they say in other states, what  
5 their expert witnesses say, you will realize that Enron  
6 wants to force consumers to pay 100 percent of stranded  
7 costs and drive up the price of energy so that they can be  
8 guaranteed a profit; far from helping the consumer, Enron  
9 wants to fleece us. That is why we support the settlement  
10 and urge you to do so also.

11           It is time for the Public Utility Commission to  
12 protect consumers' interests; not guarantee profit for a  
13 multinational corporation like Enron.

14           JUDGE CHESTNUT: Does anyone have any questions for  
15 Ms. McNamara?

16           (Applause.)

17           JUDGE CHESTNUT: Did you want to make that part of  
18 the record?

19           THE WITNESS: Yes.

20           JUDGE CHESTNUT: You give two copies to the  
21 reporter. Thank you, ma'am. Mr. Boonin

22           (CEPA Exhibit No. 1 was produced and  
23 marked for identification and admitted in evidence.)

24           MR. BOONIN: We have submitted our testimony.

25 We'll --

1 JUDGE CHESTNUT: You'll pass? Next person is Robert  
2 Carmichael. Would you raise your right hand, please.

3 ROBERT CARMICHAEL, called as a witness, having been  
4 duly sworn, was examined and testified as follows:

5 DIRECT TESTIMONY

6 JUDGE CHESTNUT: Give and spell your name for the  
7 record.

8 THE WITNESS: Robert Carmichael,  
9 C-a-r-m-i-c-h-a-e-l, 2609 Andrea Road, Broomall, Pa.

10 JUDGE CHESTNUT: Go ahead Mr. Carmichael.

11 THE WITNESS: I am here to support the PECO  
12 agreement that has been made with these other interested  
13 parties but before I back that up, I'd like to thank the  
14 Governor, the Legislature and the PUC for giving us  
15 deregulation and for being in the forefront in the country  
16 on this.

17 And I am saying this a little selfishly at this time  
18 because I am one of the lucky ones. I have been chosen for  
19 the pilot program. So I am expecting to hear from all of  
20 these companies very, very soon but when I know that PECO  
21 has entered into this agreement and said that they will  
22 give the 10 percent they are at the head of my list.

23 Somebody's got to come in with an awful big offer  
24 and I know right now that Enron has not offered that to the  
25 pilot people as I stand here. So we'll see what happens

1 there. But this stranded cost, you know, I have three  
2 granddaughters, babies and I am retired. And I like to  
3 take them out for a walk. And you know why, I can do that,  
4 because we have clean air because of what the stranded cost  
5 is.

6 The nuclear plants may have cost money but they  
7 cleaned up the air in this area. And it's something that  
8 we all should be thankful for. We have reliable service  
9 and another thing, has been mentioned before and I'd like  
10 to back that up.

11 PECO backs the efforts of all the charitable groups  
12 in the community that they serve. They are there  
13 participating. They are a good neighbor and I'll finish  
14 up. They have a fine customer assistance program which has  
15 been mentioned here.

16 They have adhered to the Chapter 56 regulations.  
17 And they have promised to add \$50 million into that. I'd  
18 just ask are these other utilities ready to have the  
19 commitment that PECO has proven over the years for their  
20 help in these, with these customers who need the customer  
21 assistance program.

22 I ask the Commission to act favorably on PECO  
23 Energy's request to recover these stranded costs. Thank  
24 you.

25 JUDGE CHESTNUT: Thank you.

1 (Applause.)

2 JUDGE CHESTNUT: To avoid confusion, I am not going  
3 to follow my usual practice of asking the counsel present  
4 if they have questions, so if you do have questions,  
5 quickly raise your hand before we release the witness. Rob  
6 Powelson.

7 ROB POWELSON, called as a witness, having been duly  
8 sworn, was examined and testified as follows:

9 DIRECT TESTIMONY

10 JUDGE CHESTNUT: Give and spell your name for the  
11 record.

12 THE WITNESS: Robert P-o-w-e-l-s-o-n. Good  
13 afternoon, Your Honor and members of the Commission, before  
14 I begin my testimony, this afternoon, I'd like to submit  
15 for the record on behalf of the Chester County Board of  
16 Commissioners a letter of support for the settlement. May  
17 it be entered into record?

18 JUDGE CHESTNUT: Give it to the Court Reporter  
19 there.

20 (Chester County Exhibit No. 1 was produced and  
21 marked for identification and admitted in evidence.)

22 THE WITNESS: Good afternoon. My name is Rob  
23 Powelson. I represent the Chester County Chamber of  
24 Business and Industry. We are an 1100 member business  
25 organization located in West Chester, Pennsylvania.

1           The Chester County Chamber of Business and Industry  
2 appears before you this afternoon to support the proposed  
3 settlement that has been submitted by PECO Energy Company.  
4 Based on the current proposal we urge your approval of the  
5 restructuring plan as it represents a fair and equitable  
6 settlement for all rate payers.

7           Chester County Chamber's position is that the  
8 settlement offer is guaranteed across the board rate  
9 reductions of 10 percent beginning September 1, 1998, and  
10 the separate implementation of customer choice in electric  
11 generation suppliers for all PECO Energy customers.

12           This reduction equates to approximately a \$330  
13 million annual savings and it represents the largest rate  
14 reduction in the United States. This single provision will  
15 allow for greater economic development throughout the  
16 Greater Philadelphia region.

17           The chamber is particularly supportive of the  
18 settlement because it will help foster not only economic  
19 development but redevelopment in many of our urban and  
20 suburban areas.

21           Clearly, there is a loud and clear message across  
22 the Commonwealth of Pennsylvania that companies like PECO  
23 Energy are committed to working toward the competitive  
24 marketplace in the Commonwealth.

25           In achieving this goal, PECO has reiterated its

1 strong support to the local community and many of the  
2 charitable organizations that have been here today to  
3 submit their testimony. The company's reputation in  
4 Chester County and throughout the Greater Philadelphia  
5 region is long established.

6 Therefore, we view this settlement as a pro  
7 community initiative. In conclusion, we urge the members  
8 of the Commission to support the restructuring settlement  
9 without amendments, or counter-offers from non-Pennsylvania  
10 based electric utilities.

11 Thank you very much, Your Honor and members of the  
12 Commission. I'll take any questions if you have them.

13 JUDGE CHESTNUT: Thank you very much, sir. John  
14 Ferguson.

15 JOHN FERGUSON, called as a witness, having been duly  
16 sworn, was examined and testified as follows:

17 DIRECT TESTIMONY

18 JUDGE CHESTNUT: Please give and spell your name for  
19 the record.

20 THE WITNESS: John Ferguson, F-e-r-g-u-s-o-n. I  
21 live in Springfield. I want to welcome to you Delaware  
22 County as a part-time employee of the Chamber of Commerce,  
23 although I am not speaking for them today. I am a retired  
24 telephone employee. We were a survivor of deregulation. I  
25 retired.



1 Reporter. They don't know how anybody spells their names,  
2 so I need to have the spellings.

3 THE WITNESS: I live in Wynnewood, Pa. I represent  
4 Presidential Apartments on City Avenue. We are a thousand-  
5 unit apartment complex. We have a 7,000 square foot office  
6 building. We have a demand of approximately 1.7 megs and  
7 we feel that specifically within this agreement, I can't  
8 say what the stranded costs should be.

9 Frankly, I don't really know that as much as many of  
10 us want to support PECO and what a good citizen they are.  
11 I don't know that any of us know the details well enough to  
12 really make that judgment. That's really for the PUC.  
13 That is something that they have to decide what should be.

14 I know lots of PECO employees, present, former, I  
15 have a high opinion of them. But that's not really what  
16 this should be about. This is about the growth of this  
17 region. And this region has been oppressed by the highest  
18 utility costs in the nation. Not just electricity; gas,  
19 water, it is impressive.

20 I have lived abroad and other places and it's got to  
21 change. This is a start. I don't know if it's the right  
22 number but I want to make the comment that we are not being  
23 protected here. We have already -- 10 percent discount  
24 will not even put us close to the rest of the country in  
25 what they are paying for utilities. It's not even close.

1           With that said, this agreement would specifically  
2 prejudice us in that we don't have four megs of  
3 consumption. This agreement, you know, says it has two  
4 classes of people. And yet it's one the second class, one  
5 the commercial group, is that what they testify, it sets up  
6 a specific barrier against people of our size, which is  
7 substantial.

8           A thousand units, 7,000 square foot office building  
9 is big. And if we set up our own generation plant we can't  
10 get the same deal that other slightly bigger people can  
11 get. And either there are two classes or there are a  
12 million classes and if there are only two we should be  
13 entitled to the same discounts in transportation or any of  
14 those costs that they got.

15           We are not obviously big enough to stand at those  
16 meetings and have representatives at each and every PUC  
17 meeting but we shouldn't be, whatever the settlement is, we  
18 should be treated equally at least on a per consumption  
19 basis. If there are any questions?

20           JUDGE CHESTNUT: Thank very much, Mr. David.

21           (Applause.)

22           JUDGE CHESTNUT: The next person is Carl?

23           JUDGE RAINEY: Gars, G-a-r-s?

24           JUDGE CHESTNUT: Would you raise your right hand  
25 please.

1           CHARLES B. GANS, called as a witness, having been  
2 duly sworn, was examined and testified as follows:

3                           DIRECT TESTIMONY

4           JUDGE CHESTNUT: Give and spell your name for the  
5 record.

6           THE WITNESS: My name is Charles B. Gans, G-a-n-s,  
7 resident of Haverford Township and I am here as a plumbing,  
8 heating, cooling contractor to represent myself and my  
9 local and state plumbing, heating, cooling contractor  
10 members. We are concerned about unfair utility competition  
11 and the small contracting firm trying to compete with the  
12 800 pound gorilla, billion dollar corporation.

13           We are for fair competition and we feel that there  
14 needs to be a separation between the regulated and  
15 unregulated business. There has to be a way to separate  
16 those businesses. Utilities can't cross subsidize.  
17 Utilities have to prove that they are not unfairly  
18 competing. We shouldn't have to prove that they are.

19           Fines must be administered for broken rules. Small  
20 contractors have always been more competitive than large  
21 corporations. We are more responsive, we are your  
22 neighbors. We are always, we have always protected health  
23 and the safety of our consumers. Loss leaders and those  
24 types of things always come back and have to be paid for  
25 some way.

1 I don't think that I, as a contractor, should have  
2 to pay for my neighbor's water heater because a utility  
3 company wants to give him one. Thank you.

4 JUDGE CHESTNUT: Okay. Thank you very much, sir.  
5 Clifford Eike.

6 CLIFFORD EIKE, called as a witness, having been duly  
7 sworn, was examined and testified as follows:

8 DIRECT TESTIMONY

9 JUDGE CHESTNUT: Please give and spell your name for  
10 the record.

11 THE WITNESS: Clifford Eike, E-i-k-e. I am from  
12 Willow Grove, Pennsylvania. Don't really have a prepared  
13 speech. Just had a couple comments I wanted to make. Seem  
14 to be in the minority but I object to the partial  
15 settlement that's been proposed under the current PUC plan  
16 as I, just a lay person, understand, it allows PECO to  
17 recoup about 5 and a half billion dollars of the stranded  
18 costs.

19 In my estimation that seems like a sweetheart deal  
20 for PECO. I don't understand why rate payers, you know,  
21 such as residential people like myself, should be asked to  
22 bail out PECO for what turned out to be a bad business  
23 decision on their part in terms of its commitment to  
24 nuclear energy.

25 Furthermore, I don't know that we should set the bar

1 so low at a 10 percent rate rollback. Why not start the  
2 competitive bidding process at 20 percent below current  
3 PECO rates, given that they are so high in comparison to  
4 the rest of the country. I think consumers, politicians  
5 and consumer advocate groups and the PUC need to trust the  
6 free enterprise process and let true open competition come  
7 in without any artificial 10 percent discount being built  
8 into it. That's basically all I have to say.

9 JUDGE CHESTNUT: Thank you Mr. Eike.

10 (Applause.)

11 JUDGE CHESTNUT: Donald Brown?

12 DONALD BROWN, called as a witness, having been duly  
13 sworn, was examined and testified as follows:

14 DIRECT EXAMINATION

15 JUDGE CHESTNUT: Please give and spell your name for  
16 the record.

17 THE WITNESS: Donald Brown, D-o-n-a-l-d, B-r-o-w-n.

18 JUDGE CHESTNUT: Okay.

19 THE WITNESS: First let me say I agree with the lady  
20 back there in red with what she said. I thought that was  
21 fantastic. I wanted to make a couple of points. I manage  
22 and direct Freedom Theater. We are celebrating our 31st  
23 anniversary in North Philadelphia.

24 We serve over 900 students and 40,000 patrons,  
25 largest African-American theatrical production and training

1 program in the country. I am a board member of the  
2 Coalition of African-American and Latino cultural  
3 organizations, Greater Philadelphia Cultural Alliance.

4 Both organizations represent over 400 individual  
5 nonprofit agencies. We support PECO's plan for several  
6 reasons. First of all, we don't want another telephone  
7 deregulation mess. Secondly, we believe the plan is fair  
8 and reasonable in that it is phased in, that it not only  
9 gives consumers time to understand what all is going on but  
10 it also gives us time to understand the players involved in  
11 this deregulation.

12 We believe the plan also has a number of short term  
13 and long term benefits. PECO's a great corporate citizen.  
14 PECO has helped most of our organizations over the past 25  
15 years, through capital campaigns as well as helping us to  
16 identify students for our programs.

17 We'd like to continue to -- we believe that part of  
18 Philadelphia's strength is the strength brought to it by  
19 its corporate citizens. I also look at personally who's at  
20 the table. When I see people like Lance Haver and Mayor  
21 Wilson at the table, there's a lot of confidence because we  
22 have people who are honest and tenacious brokers for  
23 consumers.

24 So in summary we ask that you support, we ask the  
25 PUC that they support PECO's plan.

1 JUDGE CHESTNUT: Thank you.

2 JUDGE RAINEY: Mr. Brown, I do have a question.  
3 When you talk about your support for PECO's plan, are you  
4 talking about your support for the partial settlement  
5 petition, the agreement that was reached?

6 THE WITNESS: Yes.

7 JUDGE RAINEY: Thank you.

8 JUDGE CHESTNUT: We have come to the end of our  
9 signup sheet. In case there are any people after, who have  
10 seen the process see how much fun it is and would like to  
11 sign up, we're going to take a break for ten minutes and  
12 I'll put the signup sheet over on that table by Mr.  
13 Holbert.

14 (Whereupon, a brief recess was taken.)

15 JUDGE CHESTNUT: If everybody will resume their  
16 seats. Warren McHugh?

17 MR. MCKNIGHT: McKnight.

18 WARREN MCKNIGHT, called as a witness, having been  
19 duly sworn, was examined and testified as follows:

20 DIRECT EXAMINATION

21 JUDGE CHESTNUT: Please state and spell your name  
22 for the record.

23 THE WITNESS: My name is Warren McKnight,  
24 M-c-K-n-i-g-h-t. I reside at 51 South 63rd Street in West  
25 Philadelphia. I'd like to thank you all for having me

1 speak here. I don't know what's actually going on because  
2 I am confused.

3 We have got one big company and other little small  
4 companies, but what I'd like to say is I have noticed since  
5 I have been paying utility bills that if one company takes  
6 everything, that rules everything, one company then they  
7 are able to make the prices whatever they want.

8 However, I learned from Sprint, MCI, things like  
9 that, where AT&T was the number one, they could charge you  
10 what they want, including Bell. But now that Sprint and  
11 MCI came out, I have seen lower prices in my bills, so I  
12 figure if PECO runs everything, you charge what you want.

13 If you give the other companies a chance to come in,  
14 now, we don't have to take the other companies, if we see a  
15 lower reduction, if we get one of these other companies  
16 that would be fine. If we don't, we can always switch back  
17 to PECO. You see what I am saying? That's all I have to  
18 say. Thank you for your time.

19 JUDGE CHESTNUT: Thank you, sir.

20 (Applause.)

21 JUDGE CHESTNUT: John DePollo. I am sorry if I  
22 mispronounced your name.

23 MR. DEPOLLO: I've been called everything from  
24 Diablo to Dinulli.

25 JUDGE CHESTNUT: Raise your right hand, please.

1           JOHN DEPOLLO, called as a witness, having been duly  
2 sworn, was examined and testified as follows:

3                           DIRECT TESTIMONY

4           JUDGE CHESTNUT: Please give and spell your name for  
5 the record.

6           THE WITNESS: My name is John DePollo. I don't  
7 represent any specific group except, well, I am a senior  
8 citizen and I am trying to make a statement for just the  
9 average payer and the kids in the future that have to bear  
10 this stuff.

11           I am not here to thank the PUC at all. I am here to  
12 just throw out some facts that I have learned over the  
13 years. This I am going to read you is an editorial letter,  
14 never got published because it got lost in the shuffle.  
15 Okay. Ever since I first heard the silent majority  
16 expression back when Moses wore sneakers, I realized the  
17 politician's favorite statement is if you don't oppose it,  
18 you are for it.

19           Fellow captive customers of PECO, passage of the  
20 PECO Energy Company Public Utility Commission and Senator  
21 Vincent Fumo's proposal on a 10 percent rate reduction and  
22 \$5.5 billion bailout scheme will result in a devastating  
23 impact on the future of the State of Pennsylvania and I  
24 think the nation because it sets a precedent that every  
25 other energy provider in the nation can use to get them in

1 deeper into our pocket.

2           If you are as tired as me of seeing our income raped  
3 but believe that they can do whatever they want, that is a  
4 half truth. They can but only if you let them. Changes  
5 can come from the power of many but only when the many come  
6 together to become that which is invincible; the power of  
7 one. That means you have got to get together.

8           I, one of millions of PECO's captive customers that  
9 strongly opposed the building of a nuclear powered energy  
10 plant am appalled and vehemently opposed to paying for  
11 their stupidly bullheaded blunder shifting the bailout for  
12 their stranded costs totalling five and a half billion  
13 dollars onto the Consumers' backs for the next ten years.

14           Now, I was a mechanical planner and estimator and I  
15 know that capital improvements, the future or the viability  
16 of a capital improvement is if it can pay itself off in  
17 five years. It's a five-year payback. They have been on  
18 line with this nuclear energy plant for 20 years. They  
19 didn't pay back yet? Now, I don't buy that.

20           So third -- and also 30 years ago as a pipefitter  
21 building nuclear powered ships and later as a metals  
22 inspector I learned that all of the main piping in a  
23 nuclear plant has a ten year life due to critical leaks of  
24 contamination regardless of physical condition.

25           Due to extreme radiation contaminate amounts must be

1 renewed and same existing piping disposed of in accordance  
2 with Nuclear Regulatory Commission specs before reaching a  
3 critical level of radiation which may occur sooner. I know  
4 there are also similar requirements for dismantling a  
5 reactor containment vessel for this same reason.

6 I am not sure but I think its max life is 20 years,  
7 which incidentally is about the age of PECO's plant, which  
8 prompts me to ask when will PECO's plant reach its age of  
9 obsolescence. In other words, how soon will the need arise  
10 to build a new one and who would pay for it.

11 Do we get a prorated discount on the bailout based  
12 on the age of the existing plant? I haven't heard anything  
13 about that. I know -- okay. If they are in financial  
14 trouble as they say they are, why are they buying more  
15 nuclear plants? They are. They are in the market.

16 There's also the problems of the disposal of the  
17 spent fuel which has never been resolved. After 50 years,  
18 no one knows what to do with this fatally hazardous junk.  
19 I can't wait to get the bill for that one if proper  
20 disposal ever gets resolved.

21 These and other factors result in a never ending  
22 enormously expensive task which is not necessary for  
23 conventionally powered plants. All this was or should have  
24 been known by the movers and shakers, was produced by a  
25 percentage of the governing body.

1           We the people which would have easily defeated the  
2 proposal and had we been allowed to vote on it, instead,  
3 PECO, with the sanction of our PUC, who totally ignored an  
4 overwhelming objection by their employers, that is us, once  
5 again, they slipped it to us.

6           This action resulted in PECO's prices soaring to 40  
7 percent above the national average sanctioned by the PUC  
8 which created the devastating effects to the economy of  
9 Pennsylvania and created so many bad things in Chester and  
10 many outlying areas, made Phoenix Steel move completely out  
11 of the state rather than pay these exorbitant rates and  
12 many other companies followed suit and still are.

13           All this was or should have been known by the movers and  
14 shakers. Okay. Had we been allowed to vote on this, et  
15 cetera. I'm sorry I am repeating.

16           I forgot, though, that big business and most  
17 politicians have deleted shame from their vocabulary  
18 because this is shame. This is shameful. Thievery.  
19 That's all it is. And last week's paper I read of PECO's  
20 competitor objecting to the bailout. You have got to  
21 remember that I wrote this on 9/3/97. That was last  
22 month.

23           Last week's paper I read of PECO's competitors  
24 objecting to the bailout due to the disproportional levels  
25 of competition that PECO surcharge would impose on the

1 competitors' customers. The PECO CEO rebutted by calling  
2 its competitors poor babies. This reply from those  
3 attempting to get Momma PUC to intercede inspired me to  
4 think that's about the largest sack of used oats I ever  
5 saw.

6 By the way, PECO, the world welfare just triggered a  
7 memory and a question in my mind. Back in 1961, my parents  
8 were destitute and my income insufficient enough to support  
9 my own family and help them. I arranged an interview for  
10 mom and dad to apply for relief. The only thing that they  
11 had was a small run down house.

12 After calculating their monthly allotment of welfare  
13 rep informed my parents that in order for them to collect,  
14 they would have to surrender ownership of their home to the  
15 city, which would have been ludicrous if it was not so  
16 pathetic because the pittance offered them would not be  
17 enough to afford a roof over my parents' head.

18 It did not then, nor does it seem now that just  
19 reward for a lifetime of carrying their own load. In my  
20 school, we sink or swim based on our own decisions. Why  
21 not PECO. For this is really one type of justice for us,  
22 is there really one type of justice for us and another for  
23 them?

24 Please forgive me for this continuous repetition of  
25 my sanity which interrupted my train of thought. It's just

1 that my insanity gets tempted to surface when I learn about  
2 theirs. Please bear with me.

3 My question PECO is since you are applying for  
4 relief from our PUC, when do you turn over ownership of  
5 your assets to us, the Commonwealth also, PECO, PUC, after  
6 the real cost of the bailout adjusted by pro rata is  
7 determined by a broad inquiry composed of knowledgeable  
8 PECO customers in an equal amount of equally knowledgeable  
9 people from your code, how about a dollar for dollar share  
10 in PECO's assets in return for our bailout money.

11 They really should pay us some interest, but I'd  
12 settle for equitable collateral. As far as rate reduction,  
13 it must be justified to compare with the national average  
14 energy and to enable Pennsylvania to survive in the real  
15 business world, in parity with the national average, not 30  
16 percent above it.

17 And by the way, PUC, how come only a percentage of  
18 us are allowed to get out from the clutches of PECO? How  
19 come it has to be a pilot program? Nobody told me hey,  
20 son, you can have a pilot program. You don't have to lose  
21 this \$15,000.00 in stock you invested because I did and I  
22 lost it. That was my fault. Okay?

23 So why only a percentage? We are the customer. We  
24 are supposed to be always right. We can't even say hey, I  
25 want to walk away from this thievery. Because you guys are

1 saying you can't.

2 Fellow citizens, of course it's a much easier task  
3 to prevent a law than to change one. I beg you to wake up  
4 and become involved in the above cited subject while there  
5 is still time. The miserable track record of the  
6 Pennsylvania PUC has convinced me, as it convinced the rest  
7 of us apathetic idiots that they do not operate in the  
8 general public's best interests.

9 Therefore, they must not be entrusted with  
10 determining our responsibility for their fiasco since they  
11 have never and shall never be held accountable for any  
12 decisions they have ever made or will make. Make no  
13 mistake, there is a definite separation between honest  
14 politicians. Mr. Bell here, they do exist. Mr. Bell, here  
15 and their good old boy counterparts.

16 So I mean no contempt for the honest. When I cite  
17 the magnificent words of my pastor in a recent sermon. He  
18 said do not expect government to cure political ills for  
19 how can you expect the ungodly to do Godly things. The  
20 accomplishment of Godly and just things are the  
21 responsibility of the believers in the Godly and the just.  
22 To this I say amen.

23 In view of all the above reasons and chaotic  
24 consequences riding on the fate of this ill-conceived  
25 assault on our already overburdened income, I propose that

1 it be in the best interest of this regional population,  
2 present and future, that we, general voting population vote  
3 for or against the proposal. Come subject two thirds of  
4 majority as in Congressional and Senatorial proceedings,  
5 see from other determining factors allowable.

6 Fellow slaves, if we choose to remain apathetic  
7 after reading this, you deserve slavery. Even though your  
8 children, the elderly on fixed income, the sick and the  
9 feeble don't. Also, you don't have the right to complain  
10 with the freeloaders on welfare that receive energy  
11 allowances.

12 If the cost of energy had not been enabled to spiral  
13 out of control causing the cost of basic needs and  
14 everything that we consume to rise to absurdity through our  
15 silence, the roles of the homeless and unemployed would not  
16 have been such a staggering burden. If, on the other hand  
17 you resolve as I, to challenge the subject disposal, you  
18 must deluge your State Senators with your objections.

19 Also, one other question. One question, I am  
20 interested in how's Enron afford to pay PECO the 5.5  
21 billion and still offer us a 20 percent savings and make a  
22 profit? And yet these guys are dying.

23 JUDGE CHESTNUT: Thank you very much, sir. Mr.  
24 Sliwa?

25 JUDGE CHESTNUT: Would you raise your right hand,

1 sir.

2 MATEUS SLIWA, called as a witness, having been duly  
3 sworn, was examined and testified as follows:

4 DIRECT TESTIMONY

5 JUDGE CHESTNUT: Please give your name and spell it  
6 for the record.

7 THE WITNESS: My name is Mateus Sliwa, M-a-t-e-u-s  
8 S-l-i-w-a. I am from Philadelphia County. I am speaking  
9 as a concerned citizens and I am quite surprised that I am  
10 one of very few young people here. I am a first born of my  
11 generation in the United States.

12 My parents are from Poland and my father, he's still  
13 enamored by the United States and this country and his  
14 favorite expression is in America, the only two things you  
15 have no choice about are death and taxes and this situation  
16 does not seem to comply with that. Sorry. I know you are  
17 the one to make all the jokes.

18 JUDGE CHESTNUT: You are allowed.

19 THE WITNESS: About six years ago, I met my soon to  
20 be fiance. I guess I am politically active by  
21 association. She doesn't happen to be here today so I am  
22 speaking on her behalf. And when we met, I had to give up  
23 a lot of things. She is a strict Vegan, which is  
24 Vegetarian, but more so.

25 I had to change the brand of cigarettes I have

1 smoked, the restaurants we have attended. I can't eat  
2 meat. I cannot drink milk. Everything we did of  
3 activities, everything we purchased, everything we put  
4 money towards or supported we had to research and study.

5 And it's nice to have that choice. Sure savings are  
6 great, you know, but anyone who's decided to try to change  
7 their diet or tried to become a Vegetarian knows how  
8 expensive it can be.

9 It may not be right but you know, if that's what you  
10 are really, really determined to do, and that's what you  
11 believe in, then you may have to pay a little more money.  
12 I am up here in support of choice. I don't want to be  
13 told, you know, this is the only choice you get.

14 Right now, we are looking for a home. And going  
15 into this home, I would like to have a choice of a lot of  
16 things and you know, I have had to give up, as I said, a  
17 lot of things in the past, most Kielbasi.

18 But there is a lot of things that I can imagine how  
19 much a hype getting a house is going to be for a young  
20 couple. As much as a challenge but I can't imagine hearing  
21 my wife say PECO supports this, we are going to go without  
22 electricity because there are no options.

23 I have had an -- I have had to deal with things  
24 along that line during our relationship and it's lasted  
25 this long and as much as I hate to admit it, she's the one

1 who wears the pants in the family. I don't believe I am in  
2 the minority in saying this, even though today I may be.

3 You know, the most important thing to me may not be  
4 the saving but it is the freedom of choice and that is what  
5 America is all about. Thank you.

6 JUDGE CHESTNUT: Thank you, sir. Gene, it begins  
7 with a P. Is there someone whose name is Gene and whose  
8 name is P-a-k-r and a lot of other letters. The writing is  
9 really bad. That's the problem.

10 JUDGE RAINEY: P-a-k-r-y-z-y could be a w-z? I  
11 think it's quite enough to identify. That person should  
12 have known her name by now. David Robbins.

13 MR. ROBBINS: Good evening.

14 JUDGE CHESTNUT: Raise your right hand, please.

15 DAVID ROBBINS, called as a witness, having been duly  
16 sworn, was examined and testified as follows:

17 DIRECT TESTIMONY

18 JUDGE CHESTNUT: Please state and spell your name.

19 THE WITNESS: My name is David Robbins,  
20 R-o-b-b-i-n-s, resident of Haverford Township. Without any  
21 disrespect to the people who have hammered this settlement  
22 out, I think there are a couple things that I would like to  
23 see mentioned.

24 The first thing is the stranded cost question that's  
25 been alluded to previously but the one thing that hasn't

1 been alluded to is that PECO is a public company. It has  
2 shareholders. Those are the people who should be bearing  
3 the burdens occasioned by the investment decisions of the  
4 people who ran PECO in the past and are running PECO  
5 today.

6           Number two, I believe that the plebescite which was  
7 conducted by virtue of the number of people who responded  
8 to the pilot program suggests that people do want to save  
9 money. I don't think there's any doubt about that. The  
10 third thing, I remember not too long ago Mr. Pacquette had  
11 an advertisement on the television and on the radio  
12 concerning how PECO was committing itself through the year  
13 2000 not to increase electricity rates.

14           At that time it gave me pause. It led me to believe  
15 if they are committing to this, then they must be making a  
16 lot of money. Now I am hearing that they are saying a year  
17 from now we are going to reduce our rates 10 percent.

18           We are guaranteeing that. And it leads me to  
19 believe, again, maybe I am cynical, but what is being left  
20 on the table and I think all of these things should be  
21 considered when the PUC renders its decision in terms of  
22 the settlement. Thank you.

23           JUDGE CHESTNUT: Thank you very much. Howard  
24 Angstadt.

25           HOWARD ANGSTADT, called as a witness, having been

1 duly sworn, was examined and testified as follows:

2 DIRECT TESTIMONY

3 JUDGE CHESTNUT: Would you state and spell your name  
4 for the record.

5 THE WITNESS: Howard Angstadt, A-n-g-s-t-a-d-t.

6 I am a PECO customer and as such I am paying one of  
7 the highest rates for my electricity in the nation. If  
8 this negotiated settlement becomes the law of the land and  
9 goes through, and we get the 10 percent reduction I'll  
10 still be paying one of the highest rates in the nation.  
11 That disturbs me.

12 Other companies can manufacture electricity  
13 apparently at much reduced costs than can PECO and some of  
14 those companies are in our own state. There are costs, I  
15 understand, are in part due to what I believe are poor  
16 decisions made by the million dollar a year executives and  
17 they are now trying to recover some of the costs of those  
18 decision called their stranded assets.

19 The prior speaker said it even better than I could.  
20 That I believe the owners of the companies, the  
21 stockholders should be responsible for that, not its  
22 customers because they had no choice in making or  
23 inputting, making any input into those decisions.

24 I also remember as he pointed out, Mr. Pacquette  
25 made a promise to keep PECO's rates constant. If you, the

1 PUC, would grant him the raise that he was requesting at  
2 that time, that rate raise; they granted it but less than a  
3 year later he was asking for a raise saying that what he  
4 promised was not the entire category but he asked for a  
5 raise and I forget what category that was I'm sorry.

6 I'm a little suspicious of PECO's promises and how  
7 they might be interpreted in the future. I believe that  
8 the free market should be allowed to exist. It works.  
9 This country is a living documentation that it works and in  
10 this case also I think the free market should be allowed to  
11 and anyone should be able to come in here and complain. I  
12 am suspicious of negotiated settlements made on my behalf  
13 by people whose I agendas I do not know.

14 I am especially suspicious of those when they are  
15 negotiated by politicians. Thank you.

16 (Applause.)

17 JUDGE CHESTNUT: Martin Berger?

18 MARTIN BERGER, called as a witness, having been duly  
19 sworn, was examined and testified as follows:

20 DIRECT TESTIMONY

21 JUDGE CHESTNUT: Please state your name and spell  
22 your name for the record.

23 THE WITNESS: Martin Berger, B-e-r-g-e-r, 141  
24 Cedarbrook Road, Ardmore, Pennsylvania, 19003. Good  
25 afternoon, Judge Chestnut and Judge Rainey.

1 I am the president of the Pennsylvania State Council  
2 of Senior Citizens and so I am appearing before most of  
3 this statement on their behalf and I am also a board member  
4 of the Action Alliance of Senior Citizens who at the  
5 beginning was involved in this negotiation, but withdrew at  
6 a later date because they didn't feel that this thing was  
7 to their credit or their benefit.

8 The State Council Alliance in the Philadelphia area  
9 has 202 clubs. We have a lot of members living in the  
10 area. There are some points I wanted to cover today very  
11 briefly. Number one, we believe, as we said before, at a  
12 meeting of this kind that PECO should not recover one penny  
13 associated with Limerick I and II and that their high rates  
14 are a terrible burden on many elderly people living in  
15 Pennsylvania, in PECO's territory and that we are looking  
16 forward to supporting the establishment of a universal  
17 service fund which we hope will pay the cost of people who  
18 aren't able to pay their bills.

19 And they can contribute to that. The Action  
20 Alliance, when they pulled out, is working on organizing a  
21 PECO boycott. The concept of the PECO boycott based on the  
22 Action Alliance procedure would be that people would pay 50  
23 percent of their bill and that we'd have thousands of  
24 people who would do that and maybe break even.

25 We were only here a few months ago when we appeared

1 before a judge who made a decision that PECO should recover  
2 no costs at all and we agreed with that. So we also talk  
3 about a thing called a sur-credit. A sur-credit would be a  
4 refund due all of the PECO customers for the years and  
5 years and years and years of overcharging.

6 We don't owe PECO anything. PECO owes the people of  
7 this community thousands upon thousands of dollars for  
8 over-charging. My director of my organization gave me a  
9 few figures that are important. PECO's average bill is  
10 \$70.00 per month. West Penn's average bill is \$35.00 per  
11 month.

12 Ten percent reduction will still make PECO the  
13 highest in the country and the state and I don't know how  
14 they got that way because they are a regulated monopoly.

15 1935, when the President Roosevelt instituted the  
16 concept of the regulated monopoly to provide electricity to  
17 all areas, including rural areas, it was agreed their rates  
18 would be controlled.

19 PECO's residential electric rates are the highest in  
20 the state, more than twice as high as West Penn Power's  
21 residential rates, 46 percent over the national average,  
22 the portion of PECO electric rates are above retail current  
23 market at the rate of \$1 billion annually.

24 One billion dollars. It's a great drain on our  
25 regional economy. For us in the senior citizen movement

1 this is a very, very serious problem. And let me just give  
2 you the story of a woman named Theresa Stevens; talk about  
3 their great accomplishments, that they are such wonderful  
4 citizens, community oriented folks. It was in the paper  
5 this week. You might have seen it.

6 Theresa Stevens was an 86-year-old woman. She  
7 didn't pay her PECO bill. She didn't pay her PECO bill for  
8 two months. Her power was shut off. The fact that she was  
9 charged double all the years that she was living there,  
10 more than she should have paid and the fact that she has  
11 paid her bills constantly because senior citizens have a  
12 propensity to pay their bills. When it comes in, they pay  
13 their bill. She had to light her house by candlelight.

14 You know where I am going with this, don't you? She  
15 lit her house with candlelight. House burned down.  
16 Theresa Stevens is no longer a PECO customer. Of course,  
17 she is dead. That's the kinds of things that are  
18 happening. We want the PUC to think about this  
19 sur-credit. A credit, you know for the overcharges that  
20 have been going on for years and years. Senior citizens  
21 are independent and they do a lot of things to survive, to  
22 maintain their independence.

23 They don't want to go to nursing homes. They don't  
24 want to go to their children's homes. But they sometimes  
25 have a problem understanding all these changes that are

1 coming about. In fact I don't understand 50 percent of it,  
2 a majority of it. They have a hard time with these high  
3 rates.

4 The average person doesn't get that kind of income.  
5 They get Social Security for the most part. We have a lot  
6 of low income people there. Social Security, the average  
7 amount of our payments in Philadelphia are \$5,000.00 to  
8 \$6,000.00 a year. That's \$840.00 per year they are paying  
9 for energy.

10 The universal service fund would cost little but  
11 help a lot. Any restructuring decision by the PUC must  
12 include a universal service funds. The funding mechanism  
13 should be a single statewide plan with responsibilities and  
14 benefits, pooled statewide by all utilities. Not pooled in  
15 different plans. The boycott is continuing, and anybody  
16 who wants an application for the boycott, I have been asked  
17 to hand them out.

18 When this bill slipped through the Legislature  
19 unbeknownst to a lot of people, when this bill was rushed  
20 through after 67, 70 years of regulated monopoly and the  
21 system did work except in PECO's case.

22 There's no way a regulated monopoly could get an  
23 increase unless PUC agreed to it. And the rates are low  
24 all over the state except PECO somehow, we asked the  
25 Legislators, we don't have time, I didn't see busloads. I

1 work up in Harrisburg a lot and I see busloads every day,  
2 different groups coming in protesting something.

3 I have yet to see a busload come in demanding  
4 deregulation. There was no demand upon consumers, upon the  
5 working class people, upon seniors to deregulate. Nobody  
6 asked for it.

7 This is a concept singularly and only because there  
8 is a governor who wants to make this a business friendly  
9 state and a business friendly state means what's going to  
10 happen in this program, what's going to happen in this  
11 program is that the large corporations are going to get  
12 massive decreases and the consumers are going to get stuck  
13 as they have before.

14 And we went there and tried to talk to the  
15 legislators. We talked to them and said this is happening  
16 too fast. This came on a taxicab bill. This legislation  
17 was attached to a bill that regulated taxicabs. Okay?  
18 This program we have had for 70 years, was abolished on a  
19 bill like that.

20 We asked them that. We said that we are seniors.  
21 We have plenty of time. Why are you rushing this thing.  
22 Let us examine it. Let us look at it. Let's understand  
23 what it's about and we being older, not necessarily wiser,  
24 but we are older and been around longer, we have seen what  
25 deregulation has bought.

1 Believe it or not, if you look at rates and inquire  
2 about long distance rates AT&T is competitive right up to  
3 the nose with Sprint and MCI and those other companies. So  
4 we basically, people aren't having lower rates. Being  
5 deregulated gives us highest cost.

6 Airline fares are not down. I went to the U.S. Air  
7 yesterday. I wanted to fly from Philadelphia to Pittsburgh  
8 on a senior ticket, which required me to take a 6:00  
9 o'clock in the morning plane and come back at a crazy  
10 hour. It was \$380.00. I don't see that's competition. I  
11 don't see that deregulation has brought us any help there.

12 Many columnists in our local papers have questioned  
13 the speed of this legislation. People were receiving  
14 dozens and dozens and dozens of calls in New Hampshire when  
15 they had that test case several years ago. The people  
16 could get 38 calls per hour for the House to change over.  
17 That's a burden on consumers. It's very confusing. It's  
18 still confusing.

19 But PECO's system is not working for our people and  
20 I think PUC has the obligation to bring them back in line  
21 and the fact that the gentleman just said, if somebody was  
22 willing to write a check for \$5 billion, to PECO there's  
23 got to be a lot of loot out there that they are going to  
24 collect for to get their money back.

25 We are urging the PUC to turn the agreement down,

1 start over again, let's look at this thing. There were no  
2 hearings in this state. There was a shareholders committee  
3 that met behind closed doors. There was one union  
4 representative from IBEW there that was outvoted every time  
5 he opened his mouth and this thing never saw the day of  
6 light (sic).

7 It's not fair and not equitable and I recommend that  
8 we have to reject the settlement and start over again and  
9 let's look at this thing carefully and make sure the  
10 consumers don't have their pockets picked as it has been  
11 picked for years and years and years by PECO. Thank you.

12 (Applause.)

13 JUDGE CHESTNUT: Thank you, Mr. Berger. Nobl  
14 McHugh?

15 NOBL MCHUGH, called as a witness, having been duly  
16 sworn, was examined and testified as follows:

17 DIRECT TESTIMONY

18 JUDGE CHESTNUT: Please state and spell your name  
19 for the record.

20 THE WITNESS: N-o-b-l M-c-H-u-g-h and I will be  
21 brief. I want to compliment the parties to the PECO  
22 restructuring plan. They have all represented their  
23 various con stint June sees very well. I have been a close  
24 observer and sometimes participant in the energy business  
25 for over 50 years and this is the most remarkable agreement

1 I have ever seen negotiated.

2 My only disappointment in the whole thing is that I  
3 was not chosen for the pilot program. The proceeding  
4 reminds me, and in listening here of an old adage. That  
5 is, you can fool some of the people all of the time, you  
6 can fool all of the people some of the time but the PECO  
7 plan pleases all of the people all of the time. Thank  
8 you.

9 JUDGE CHESTNUT: Thank you, sir. The next name on  
10 the list is Vincent Boyer?

11 VINCENT BOYER, called as a witness, having been duly  
12 sworn, was examined and testified as follows:

13 DIRECT TESTIMONY

14 JUDGE CHESTNUT: Please state and spell your name  
15 for the record.

16 THE WITNESS: Vincent Boyer, B-o-y-e-r,  
17 V-i-n-c-e-n-t, energy consultant, and I have looked into  
18 the proposed agreement carefully and I believe it to be in  
19 the best interests of the citizens of this region to be  
20 approved as rapidly as possible.

21 PECO, Senator Fumo, Consumer Advocate and citizens  
22 groups have gotten together and developed a comprehensive  
23 plan which benefits all of them. Now, a good plan cannot  
24 give all of the parties everything they wanted but a good  
25 plan is defined as doing the best for all of the parties

1 and I believe this plan does that.

2           It also is an advancement of the time schedule and a  
3 savings to the customers will come at an earlier date than  
4 any other plan and savings are the things that we are  
5 looking for.

6           It would keep local people in control rather than  
7 some foreign outfit such as Enron who has some proposal on  
8 the table for higher savings. And those savings may not  
9 materialize because I understand that there's a phone  
10 number you can call to talk to the Enron people and they  
11 are not willing to guarantee the 20 percent savings they  
12 quote.

13           The 10 percent savings that we are talking about I  
14 think you will see in your investigation, is a true  
15 savings. Now, people have talked about high costs here.  
16 High costs of energy.

17           Why do we have the high cost of energy in this  
18 area? Mainly because of intervention and delays created  
19 with the Limerick project. The Limerick project ended up  
20 by costing \$7 billion for the two utilities.

21           Pennsylvania Power and Light built exactly the same  
22 plant built by the same contractor for about four billion  
23 dollars. There's an additional three billion dollars due  
24 to the delays and if you look at that, that is a large part  
25 of the reason that the costs in this area are higher than

1 in other areas.

2           The PUC approved the Limerick project and at the  
3 time, Philadelphia Electric proposed to put it into rate  
4 base, the full costs were not allowed and 600 million, as I  
5 remember the figure, was disallowed which had to come out  
6 of the stockholder's pocket and resulted in a reduction in  
7 the dividend of \$1.00 from \$2.12 to \$1.12.

8           Some of the people here who have commented seem to  
9 forget about that bite which went to the stockholders of  
10 the company. And it also illustrates the cost of delays.  
11 Delays raised the costs of Limerick. Delays in approving  
12 this program that go to something else will raise the cost  
13 of this or prevent the savings from occurring to the  
14 customers as early as they otherwise might.

15           So I would encourage the PUC to take action on this  
16 as rapidly as possible. And to make the saving available  
17 to the customer as early as possible. Another point about  
18 Enron is that they have, are objecting to the full recovery  
19 of stranded costs here.

20           Yet in their own territory, they are seeking the  
21 full recovery of their stranded costs so they are speaking  
22 out of both sides of their mouth, I believe. Why do we  
23 have these stranded costs? Mainly because of the delays  
24 that were created in projects which received the approval  
25 from the Public Utility Commission.

1 With regard to nuclear operations, nuclear plants  
2 are going to come back not tomorrow, not the next day. But  
3 if you look at his tremendous and look at the environmental  
4 movement just recently, objections to carbon dioxide  
5 discharge for environmental effects and health effects, if  
6 you go back to the sulfur dioxide releases, the nitrous  
7 oxide releases answer now the carbon dioxide release which  
8 come from fossil plants, every environmental regulation has  
9 promoted the nuclear facility as a better generating entity  
10 than a fossil plant.

11 And I predict that nuclear plants will come back one  
12 day in the future. So with regard to this proposal under  
13 the PUC to adopt it as rapidly as possible and get the  
14 savings to the customer as early as possible. Thank you.

15 (Applause.)

16 JUDGE CHESTNUT: Thank you, Mr. Boyer.

17 MR. GORNISH: I have a question.

18 CROSS EXAMINATION

19 BY MR. GORNISH:

20 Q Mr. Boyer, were you ever employed by PECO?

21 A I was.

22 MR. GORNISH: Thank you.

23 JUDGE CHESTNUT: We have come to the end of our  
24 signup sheet. Is there anybody in the audience who hasn't  
25 spoken that feels they have something new to contribute?

1 Sir?

2 MR. SCHLEGEL: I think I am on the list. I have a  
3 few different things I'd like to get into.

4 JUDGE CHESTNUT: What is your name, sir?

5 MR. SCHLEGEL: Schlegel.

6 JUDGE CHESTNUT: I don't see it here but feel free  
7 to come up and give your speech.

8 MR. SCHLEGEL: My name was on the signup. I checked  
9 it for you earlier at the recess.

10 JUDGE CHESTNUT: You checked this one?

11 MR. SCHLEGEL: I can't remember.

12 JUDGE CHESTNUT: Raise your right hand, please.

13 JOHN SCHLEGEL, called as a witness, having been duly  
14 sworn, was examined and testified as follows:

15 DIRECT EXAMINATION

16 JUDGE CHESTNUT: Please state and spell your name  
17 for the record.

18 THE WITNESS: My name is John Schlegel,  
19 S-c-h-l-e-g-e-l and I reside in Montgomery County. I was  
20 born and raised in Philadelphia, educated in Philadelphia  
21 and was transferred some years ago to California where I  
22 was kind of surprised at the electric rates that I paid in  
23 the two bedroom apartment.

24 The first one was only a partial but I remember the  
25 numbers very well. My electric bill was \$2.37. And as I

1 got into full months, the highest bill I have paid, and  
2 this was in Marin County which is one of the most expensive  
3 counties in California. The highest bill I paid was right  
4 around \$15.00.

5 In the portion of Montgomery County that I live in  
6 the western edge, about a half a mile up the road we have  
7 GPU who provides service and I know a lot of the small  
8 business people up there because small business people, of  
9 course, are very concerned about the costs of doing  
10 business and we don't have the luxury that large  
11 corporations do of being able to pass on some of the costs  
12 and in the case of stranded costs, of course, those costs  
13 go on to the electric customers rather than being borne, as  
14 I understand it, by the stockholders of the company.

15 In a very small company we have approximately five  
16 employees, depending upon business, our situation is such  
17 that we have to be incredibly competitive in order to  
18 survive so if all of the savings of the dollars do go,  
19 business goes up, it's not normal that we can pass those  
20 increased costs of doing business along to our customers.

21 With the economy the way it is, we are lucky, many  
22 times, if we can break even, and as the owner of a small  
23 company, the last paycheck is yours if you get a paycheck.  
24 So I think that it's important to understand that there are  
25 some significant changes or differences in the rates that

1 are paid within our own region.

2           The California one, of course, stands out in my mind  
3 because I paid those rates. A half a mile up the road in  
4 GPU, the same size business as ours pays approximately 40  
5 percent less and it's my understanding I guess that the  
6 selection of the 5 percent has already been made.

7           I haven't received notification so I would assume at  
8 this point at least that I am probably not in the group  
9 that will get 10 percent reduction.

10           The third part is that in the cost of purchasing  
11 electric for either residential or small businesses, many  
12 times what you find is a disproportionate cost that's  
13 charged to very small businesses compared to a large  
14 business.

15           I understand that there are economies of scale but  
16 the problem is that that formula is skewed and hampers very  
17 small businesses because you have every responsibility in  
18 doing that small business as a major corporation does, yet  
19 your margins of profit generally are much less unless you  
20 have a particular item that's doing incredibly well and  
21 then okay, things are fine there.

22           The other part is that in coming up with a 5 percent  
23 sampling, I think that a disservice was done to the  
24 customers within the PECO area because in many instances, a  
25 lot of people, especially those on fixed incomes, have a

1 hard time of even figuring out -- and I place myself in  
2 that same group -- of exactly what was done through this  
3 program.

4           Hopefully, I will get educated pretty quick with the  
5 information I have been able to pick up today. The other  
6 comments that were made here about the generosity by I  
7 assume 501-C-1 and 501-C-4 corporations, how charitable and  
8 benevolent PECO is in providing those funds to them.

9           The one thing if I understand anything about  
10 operating a business, that I'd like to point out to the  
11 people is that that money comes from somewhere. There is  
12 no such thing as a free raise and I constantly tell my four  
13 sons when somebody tells you something is free, look for  
14 the person who's going to pay for it.

15           The charitable organizations may make out very well,  
16 but I guarantee you if you did a detailed analysis which I  
17 am sure you gentlemen all have done, of PECO's books, that  
18 charitable benevolence is paid by the customers of PECO.  
19 Maybe a portion is paid by the stockholders. I doubt that  
20 100 percent of it is paid for by the stockholders.

21           Final statement would be that based on what I have  
22 seen, what I have observed and heard today, and I truly  
23 appreciate the panel's providing the opportunity and for  
24 all of us to come forth and at least say something; that I  
25 would be really in favor of choice and who the company may

1 be, whatever, but just very quickly, I heard there was a  
2 press conference at PECO's headquarters in Philadelphia  
3 today at I believe it was 2:00 o'clock or 1:00 o'clock  
4 thereabouts.

5           Being interested in knowing I was going to come to  
6 this meeting I went down and I got a visitor's badge and  
7 everything else, and when I went downstairs into the lower  
8 level to go into the meeting to see what was going on and I  
9 guess it was a presentation by the president and CEO of  
10 PECO, I was escorted out when I said I was a concerned  
11 citizen.

12           So I am not sure what there is to hide, but it would  
13 really help the ordinary people to just find out, you know,  
14 what all of the pros and cons are in this plan. Again,  
15 thank you very much.

16           JUDGE CHESTNUT: Thank you, Mr. Schlegel.

17           (Applause.)

18           JUDGE CHESTNUT: Now, is there anyone who hasn't  
19 spoken who feels they have something to contribute?

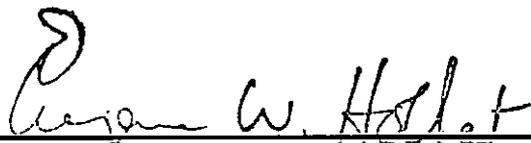
20           (No response.)

21           JUDGE CHESTNUT: I hear nothing. Then this hearing  
22 is adjourned, and we'll reconvene at 11:00 o'clock tomorrow  
23 in Philadelphia.

24           (Whereupon, the hearing recessed.)

25

1 I hereby certify that the evidence and  
2 proceedings are contained fully and accurately in the notes  
3 taken by me during the hearing of the within cause, and  
4 that this is a true and correct transcript of the same.

5  
6  
7  
8   
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