

Docket No. R-00973953

*Phila. 11/18/87*

Interrogatory ENRON X-3

*M. W. IF*

ENRON X-3 Question:

Reference Paragraph 9 of Partial Settlement. Provide all workpapers, analyses, assumptions, calculations and other supporting data, as well as all indices or price levels used by PECO, or relied upon by PECO, to determine unbundled retail electric rates on January 1, 1999 for:

- a. distribution charges;
- b. transmission charges;
- c. the CTC and/or the ITC; and
- d. the "maximum market price for energy and capacity:.

ENRON X-3 Answer:

There are no workpapers. The Partial Settlement rates were developed through the negotiations of the signatories.

Responsible Witness: T. P. Hill, Jr.

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Interrogatory ENRON X-7

ENRON X-7 Question:

Reference Page 8 of the Partial Settlement. Provide all calculations and assumptions in support of all "values" used in the Partial Settlement to derive the CTC or ITC charges contained in Column 3 of Table A.

ENRON X-7 Answer:

The charges contained in the Partial Settlement were derived through the negotiation of the signatories.

Responsible Witness: T. P. Hill, Jr.

Interrogatory ENRON X-8

ENRON X-8 Question:

Reference Page 8, Table A, Column 4 of the Partial Settlement. Provide a breakout and all calculations in support of the maximum market price for energy and capacity used in the Partial Settlement to derive the average system-wide value of maximum market price for energy and capacity.

ENRON X-8 Answer:

The charges contained in the Partial Settlement were derived through the negotiation of the signatories.

Responsible Witness: T. P. Hill, Jr.

Interrogatory Enron VIII-21

Enron VIII-21 Question:

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

Enron VIII-21 Answer:

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

Responsible Witness: T. P. Hill, Jr.

Interrogatory ENRON X-13

ENRON X-13 Question:

Reference Footnote (b) on Page 8 of the Partial Settlement. Provide workpapers, studies, analyses, calculations, schedules and assumptions in support of the average yearly percentage decreases listed in Column 4 of Table A.

ENRON X-13 Answer:

There are no workpapers. The decreases listed in Column 4 of Table A were determined through the negotiations of the signatories.

Responsible Witness: T. P. Hill, Jr.

Interrogatory ENRON X-18

ENRON X-18 Question:

Reference Page 11, Paragraph 11 of the Partial Settlement. Provide all calculations, assumptions, schedules, summaries and the cost/benefit analysis relied upon in support of the statement that "the countervailing risks and potential benefits were taken into account and have been fully reflected in rates described in Paragraphs 8 through 10 ..."

Enron-X-18 Answer:

The referenced statement is based upon the partial settlement negotiations. There are no specific workpapers.

Responsible Witness: T. P. Hill, Jr.

Interrogatory ENRON X-28

ENRON X-28 Question:

Reference Paragraph 19. To the extent not readily identifiable in response to the prior question, provide all assumptions, calculations, amortization schedules and supporting data used or relied upon to determine what portion of the \$4,484 billion in stranded generation assets and costs was included in the Partial Settlement.

ENRON X-28 Answer:

The Partial Settlement does not specify what portion of these assets are included.

Responsible Witness: T. P. Hill, Jr.

Interrogatory ENRON X-29

ENRON X-29 Question:

Reference Paragraph 19. To the extent not readily identifiable in response to the prior questions, provide all assumptions, calculations, amortization schedules and supporting data used or relied upon to determine what portion of the \$2.272 billion of stranded regulatory assets was included in the Partial Settlement.

ENRON-X-29 Answer:

Refer to the response to Enron-X-28.

Responsible Witness: T. P. Hill, Jr.

Interrogatory ENRON X-30

ENRON X-30 Question:

Reference Paragraph 21. To the extent not readily identifiable in response to the prior questions, provide all assumptions, calculations, amortization schedules and supporting data used or relied upon to determine what portion of "other stranded transition costs" was included in the Partial Settlement.

ENRON-X-30

Refer to the response to Enron-X-28.

Responsible Witness: T. P. Hill, Jr.

Interrogatory ENRON X-31

ENRON X-31 Question:

Reference Paragraph 21, Page 20. To the extent not readily identifiable in response to the prior questions, provide all assumptions, calculations, amortization schedules and supporting data used or relied upon to determine what portion of \$127.0 million in fossil decommissioning costs was included in the Partial Settlement.

ENRON-X-31

Refer to the response to Enron-X-28.

Responsible Witness: T. P. Hill, Jr.

## Interrogatory Enron VIII-1

## Enron VIII-1 Question:

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

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

## Enron VIII-1 Answer:

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

Interrogatory Enron VIII-1 (cont.)

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

Responsible Witness: T.P. Hill, Jr.

Interrogatory Enron VIII-3

Enron VIII-3 Question:

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

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

Enron VIII-3 Answer:

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

Responsible Witnesses: T. P. Hill, Jr.

## Interrogatory Enron VIII-5

## Enron VIII-5 Question:

With respect to ¶17 of the Joint Petition:

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

## Enron VIII-5 Answer:

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

Interrogatory Enron VIII-5(cont.)

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

Responsible Witness: T. P. Hill, Jr.

Interrogatory ENRON X-53

ENRON X-53 Question:

Reference Page 10, Paragraph 10 of the Partial Settlement, wherein, PECO states that "If any legal impediment precludes PECO from securitizing its stranded assets and costs, the average CTCs and rate caps set forth in Paragraph 9 and Table A of the Partial Settlement will be increased by 0.3 cents/ kWh and the actual CTCs and rate caps for each customer class set forth in Appendices B and C will be adjusted. . . ." Please provide all workpapers, studies, analyses and assumptions in support of this proposed aspect of the Partial Settlement. In addition, please explain in detail how the actual CTCs and rate caps for each customer class, including all riders, set forth in Appendices B and C will be adjusted and provide all workpapers, studies, analyses and assumptions supporting such adjustments.

ENRON X-53 Answer:

Refer to Attachment Enron X-53(a), which contains responses to Enron VIII-15, Enron VIII-26, Enron VIII-27, and Enron VIII-39.

Responsible Witness: T. P. Hill, Jr.

Enron VIII-26 Question:

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

Enron VIII-26 Question:

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

Responsible Witness: T. P. Hill, Jr.

Enron VIII-27 Question:

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

Enron VIII-27 Answer:

Please refer to Enron VIII-15.

Responsible Witness: T. P. Hill, Jr.

Enron VIII-15 Question:

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

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

Enron VIII-15 Answer:

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

Responsible Witness: T. P. Hill, Jr.

Enron VIII-39 Question:

Securitization and legal impediments:

- (a) Is PECO aware of any legal or other impediment to its securitization of \$4 billion in stranded costs?
- (b) If so, at what level does PECO believe that it will be able to securitize its stranded costs and, if the level is less than \$4 billion, identify all factors leading to that conclusion.
- (c) Explain the calculation that supports the concept that failure to securitize will cost 3% of proposed rate reductions?
- (d) Assuming PUC adoption of the Partial Settlement, what restrictions, if any, does PECO believe will attach to the use of the proceeds of securitization?

Enron VIII-39 Answer:

- (a) Yes, one example would be the currently pending cases before the Commonwealth Court which challenges the constitutionality of the Act and the Commission's Order in PECO's Securitization case.
- (b) If there is a legal barrier in place the Company will be able to securitize \$0.
- (c) The adjustment associated with the failure to be able to securitize was a negotiated amount determined by the signatories.
- (d) PECO use of the proceeds of securitization will comply with the restrictions of the Qualified Rate Order from that case and the restrictions in the Act.

Responsible Witness: T. P. Hill, Jr.

Interrogatory Enron VIII-16

Enron VIII-16 Question:

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

Enron VIII-16 Answer:

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

Responsible Witness: T. P. Hill, Jr.

Interrogatory Enron VIII-28

Enron VIII-28 Question:

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

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

Enron VIII-28 Answer:

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

Responsible Witness: T. P. Hill, Jr.

Interrogatory Enron VIII-30

Enron VIII-30 Question:

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

Enron VIII-30 Answer:

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

Responsible Witness: T. P. Hill, Jr.

Interrogatory Enron VIII-36

Enron VIII-36 Question:

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

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

Enron VIII-36 Answer:

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

Responsible Witness: T. P. Hill, Jr.

Interrogatory Enron VIII-40

Enron VIII-40 Question:

For 1999, and for each major customer class (Rate "R," GS and HT) provide PECO's projection of the total delivered price of power, including all associated charges including but not limited to the projected wholesale cost of power, line losses, capacity charges, GRT load factor adjustments and ancillary charges. Also, provide a breakdown of each item included within the calculation of the total delivered price of power and identify the specific cost or price associated with that item.

Enron VIII-40 Answer:

The prices of retail power contained in the Settlement are negotiated figures based on the compromise agreed to by the signatories. PECO notes, also, that the "total delivered price of power" will be a function of the market.

Responsible Witness: T. P. Hill, Jr.

Interrogatory Enron VIII-44

Enron VIII-44 Question:

Provide all documents supporting the allegation that the proposed rate reductions will benefit economic development. (§ 48)

Enron VIII-44 Answer:

PECO has prepared no specific studies that support this proposition.

Responsible Witness: T. P. Hill, Jr.

Enron VIII-18 Question:

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

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

Enron VIII-18-Answer:

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

Responsible Witness: T. P. Hill, Jr.

Interrogatory Enron VIII-17

Enron VIII-17 Question:

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

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

Enron VIII-17 Answer:

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

Responsible Witness: T. P. Hill, Jr.

Interrogatory Enron VIII-19

Enron VIII-19 Question:

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

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

Enron VIII-19 Answer:

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

Responsible Witness: T. P. Hill, Jr.