



May 10, 2000

Mr. Robert J. Stonaker
Commonwealth Reporting Company, Inc.
700 Lisburn Road
Camp Hill, PA 17011

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MAY 17 2000

RE: PECO Application A-110550-0147
PennFuture's Testimony of John Rohrbach

Dear Mr. Stonaker:

As we discussed this morning, please find enclosed two copies of the Testimony of John Rohrbach, which was admitted by Judge Rainey today as PennFuture Statement 1. It previously was filed with the Commission, provided to Judge Rainey, and served on the parties.

For your convenience, I have enclosed a copy of the Stipulation Between the PennFuture Parties and PPL Electric Utilities Corporation, which was admitted today by Judge Rainey as Joint PennFuture/PPL Exhibit 1.

DOCUMENT
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Sincerely,

Peter Meadows Adels

cc: Judge Rainey
Paul Russell
Don Kaplan

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

APPLICATION OF PECO ENERGY :
COMPANY, PURSUANT TO CHAPTERS :
11, 19, 21, 22 AND 28 OF THE PUBLIC :
UTILITY CODE, FOR APPROVAL :
OF (1) A PLAN OF CORPORATE :
RESTRUCTURING, INCLUDING THE : APPLICATION
CREATION OF A HOLDING COMPANY : DOCKET NO. A-110550F0147
AND (2) THE MERGER OF THE NEWLY :
FORMED HOLDING COMPANY AND :
UNICOM CORPORATION :

Joint PennFuture/PP&E
Ex No. 1
A-110550F0147
5-10-2000
Phila
RFB

TESTIMONY OF JOHN ROHRBACH
ON BEHALF OF PENNEUTURE

INTRODUCTION

Q. Please state your name, address and for whom you are testifying.

A. My name is John Rohrbach. I am Chief Economist at PennFuture. I am testifying on behalf of PennFuture and ten named individuals referred to as the "PennFuture Parties" in this proceeding. My business address is 212 Locust Street, Suite 410, Harrisburg, PA 17101.

Q. What is the purpose of your testimony?

A. I explain why the PECO merger settlement ("Settlement") comports with the public interest. Specifically, I discuss how the environmental, electric choice and nuclear decommissioning aspects of the Settlement benefit consumers by decreasing rates and by making more renewable products available. The environmental, electric choice and nuclear decommissioning terms of the Settlement also make electricity choice cleaner, safer and more affordable. The Settlement protects the public

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1 health and environment. For these reasons, the Settlement advances
2 the public interest and should be approved.

3
4 **Q. What other purpose does your testimony serve?**

5
6 A. I also respond to some of the objections to the Settlement made by PPL
7 Electric Utilities Corporation ("PPL") in their 12 April filing. PPL's
8 objections are frivolous, an abuse of process, and should not be tolerated.

9
10 **Q. Please describe your qualifications and background.**

11
12 A. I received a Bachelor of Arts from Rutgers in 1982 and a Master of
13 Science in 1984 from Carnegie Mellon's Heinz School of Public Policy and
14 Management. From 1985 to 1989 I was a research economist at the
15 New Jersey Board of Public Utilities. From 1989 to 1990 I was an analyst
16 with ECONorthwest in Eugene, Oregon. From 1990 to 1993 I was a
17 utility economist and expert witness with the New Hampshire Office of
18 Consumer Advocate. From August 1993 to December 1998 I worked for
19 Commissioners John Hanger and Nora Mead Brownell of the
20 Pennsylvania Public Utility Commission (Commission).

21
22 I am familiar with electricity choice and the restructuring of Pennsylvania's
23 electric utilities, especially PECO and PPL. I provided an affidavit on
24 behalf the Commission in U.S. District Court in the matter of PP&L v.
25 Quain et al when PPL challenged the Commission's September 1998
26 order on installed generating capacity ("ICAP"). I have written two articles
27 in The Electricity Journal dealing with issues at the core of the Settlement
28 – nuclear decommissioning and electricity competition.

1 **Part One: Response to PPL's Objections**

2
3 **Q. Can you comment on PPL's objections to the Settlement?**

4
5 A. I first want to state that I view PPL's Objections as frivolous and an abuse
6 of process. It is hard to say whether PPL has polluted this record with this
7 filing more than it pollutes Pennsylvania's air with carbon dioxide (CO₂),
8 nitrogen dioxide (NO_x), mercury and sulfur dioxides (SO_x). PPL has no
9 direct interest at stake in this proceeding. To meet the requirements of
10 standing, indeed, PPL can only say that the settlement may establish a
11 precedent with which it may disagree. This argument is frivolous, abusive,
12 and obstructionist and PPL knows that or certainly should know this for
13 the following reasons: First, it is well established that settlements do not
14 serve as binding precedent. Second, even were a case to produce a
15 precedent that may affect PPL or anyone else, the mere possibility or
16 even certainty that a case could produce an adverse precedent does not
17 create the requisite direct interest in the matter to justify standing.

18
19 It is also truly incredible that PPL now opposes distribution rate cuts for all
20 customers in the PECO service territory, including many who receive
21 generation service from PPL. This act is a very poor way to treat one's
22 customers.

23
24 Moreover, it is insulting to this Commission for PPL to imply that past
25 settlements, including restructuring settlements, have treated PPL
26 unfairly. To begin with, no settlement affecting PPL has been approved
27 without PPL's agreement. Additionally, PPL's restructuring settlement
28 certainly treated PPL fairly as PPL's frequent positive, even glowing
29 statements about its current financial condition prove. These statements
30 combined with PPL's buying spree in Montana, New England and around

1 the world should shame PPL when it now implies unfair, past treatment.

2

3 **Q. Please elaborate.**

4

5 A. Simply because a party envisioned a particular policy in January 1998
6 and carried it into each of the Settlements that transpired that year does
7 not mean that, as PPL states on page 13 (point 22), an idea was
8 'precedentially used' in the various settlements subsequent to the PECO
9 restructuring settlement. The provisions in one settlement that are used in
10 another settlement are merely original ideas that one party or another has
11 decided to include in each settlement they participate in. Since the same
12 parties participated in each settlement, there usually is a commonality of
13 settlement themes. PPL would have the Commission believe that PPL
14 was forced to agree to its settlement in August 1998. Similarly, PPL
15 implies that in any future settlement PPL will be forced to live by
16 settlement provisions contained in this Settlement. This is, of course,
17 ridiculous. All PPL need do is not agree to something that it does not
18 wish to accept should any future settlement negotiations directly involving
19 PPL commence.

20

21 **Q. What is your second major point regarding PPL's list of objections?**

22

23 A. PPL's characterization of the Settlement's wind programs is inaccurate,
24 misleading, and presents nothing more than the barest suggestion that
25 the wind provisions of the Settlement are not in the public interest. The
26 wind provisions of the Settlement do not "reward any single group or
27 individual" and neither the Sustainable Development Fund ("SDF") nor
28 Community Energy, Inc. were parties to this proceeding. Both
29 organizations are probably the most qualified funding mechanisms for
30 PECO's investment.

1
2 The SDF is already the recipient of PECO money in support of renewable
3 energy development, and the additional money targeted to new wind
4 development will enable it to better achieve its objectives. The SDF Board
5 includes a variety of parties and has been approved by the Commission.
6 SDF must file regular reports with the Commission concerning its program
7 investments. Any suggestion that it exists to reward any single group or
8 individual is contrary to fact and offensive.

9
10 PECO has also agreed in the Settlement to support a "wind block"
11 program, just as renewable energy blocks are presently offered by Pacific
12 Corp in Utah (100 kWh blocks of new wind), Public Service Company of
13 Colorado along with four other utilities in Colorado (100 kWh blocks of
14 new wind), Wisconsin's Madison Gas & Electric Company (150 kWh
15 blocks of 100% new wind), Wisconsin Electric Power Company (100 kWh
16 blocks of 75% new renewables, including landfill gas, wind and hydro to
17 large commercial customers), and Tennessee Valley Authority (150 kWh
18 blocks of 100% new renewables [solar, wind and landfill gas]). The
19 agreement by PECO to help develop a wind block program in its service
20 territory is forward looking.

21
22 The selection of Community Energy, Inc. to develop the wind block
23 program provides tremendous advantages. The President of Community
24 Energy, Inc., Brent Alderfer, although he now lives and works in the PECO
25 service territory, helped develop the first wind block programs in 1997
26 when he was a member of the Colorado Public Utility Commission. The
27 Settlement requires that the wind block program be made available
28 through multiple competitive suppliers and is subject to public reporting of
29 its program. Contrary to PPL's insinuation, Community Energy provides
30 a uniquely qualified and committed organization that is able to deliver the

1 public benefit of this program investment by PECO.

2
3 **Q. Is investment in new wind energy contrary to market forces?**

4
5 A. To the contrary, the wind block program uses market forces to pay the
6 costs of wind power and produces new wind resources in direct proportion
7 to market demand. The wind block program to be funded by PECO offers
8 blocks of newly developed Pennsylvania wind energy for purchase by
9 customers paying a specified monthly premium.

10
11 The Settlement's wind investment is not a forced ratepayer contribution or
12 interference in the free market as PPL would have the Commission
13 believe. The wind energy from the investment to which PPL objects will
14 be sold to retail consumers in the PECO service territory. Retail
15 consumers will purchase the output of the Settlement's wind investment --
16 but only in a competitive market. The settlement's wind programs are not,
17 as PPL would have it, forced consumption or forced construction of wind
18 generating capacity. In fact, just the opposite is true. There is demand
19 for clean renewable electricity in Pennsylvania. The Settlement facilitates
20 the construction of needed new renewable capacity that thousands of
21 consumers want.

22
23 **Q. Can you respond to PPL's 'market failure' argument at page 25 of**
24 **their objections?**

25
26 A. PPL makes the incredible statement that the wind investment aspects of
27 the settlement are evidence of some sort of market failure. As I noted
28 above, the wind investment program is not market failure. PPL also lacks
29 the intellectual honesty to point out the biggest example of market failure
30 -- its own Restructuring Settlement. Let us not forget that a PPL

1 consumer wishing to purchase renewable energy must pay a premium
2 over market prices because PPL's competitive transition charge raises the
3 delivered price of a renewable product by over 1.5 cents/kWh for the
4 normal customer.

5
6 **Q. Please elaborate. How does PPL's CTC interfere with the market?**

7
8 A. A PPL residential consumer can purchase a 50% renewable product for
9 6.03 cents/kWh but must also pay a premium over the PPL residential
10 shopping credit in order to do so. This is because the customer must pay
11 over 1.5 cents/kWh to PPL for PPL's generation investment that is no
12 longer economic. If PPL were not interfering with the free market for
13 electricity, this consumer would have to pay only a very small premium for
14 purchasing renewable power in PPL's service territory. As it stands now
15 PPL effectively tells the consumer "we [PPL] realize the market price for
16 renewable power is 6 cents/kWh, but PPL has made past investments
17 that are not economic. We are required to force you, the consumer to pay
18 for our past investment mistakes. While we are sorry to interfere with the
19 free market for electricity, we have to remain viable."

20

21 No matter what PPL says in response to this, it is clear that the PPL CTC
22 directly interferes with free market principles. PPL's electric restructuring
23 settlement awarded PPL approximately \$5 billion in stranded cost charges
24 over an 11-year period starting in 1999. Let us also not forget that PPL's
25 settlement provided PPL with sufficient above-market resources for PPL
26 to purchase the generating portfolios of Montana Power and Maine's
27 Bangor Hydro-Electric. These purchases were facilitated by the generous
28 settlement that PPL was "subjected to" in August 1998. For PPL to
29 criticize the Settlement's wind provisions as "market failure" while PPL's
30 stranded cost charges interfere massively with Pennsylvania's electricity

1 market each year until 2009 is supremely hypocritical. Note that as an
2 advisor to a Commissioner during the PPL restructuring settlement I
3 supported that settlement. I bring up the above points because PPL has
4 challenged the Settlement's renewable investment as market failure.
5

6 **Q. Is there anything else you find inconsistent in the PPL Objections?**

7
8 A. In addition, I find PPL's criticism of the wind investment curious. Coming
9 on the heels of receiving a grant for a science and nature center at Lake
10 Wallenpaupack, PPL's questioning of the Settlement's wind program is
11 puzzling. It also is puzzling because PPL is among the largest polluters
12 in the Commonwealth. Four PPL plants (Sunbury, Montour, Martins
13 Creek and Brunner Island) release over 20 million tons of carbon dioxide,
14 40,000 tons of nitrogen dioxide and over 235,000 tons of sulfur dioxide
15 annually into the atmosphere. These plants also release over a ton of
16 mercury. In fact, the Pocono's Lake Wallenpaupack has a fish advisory
17 for mercury contamination. Mercury is one of the most toxic substances
18 on earth. A small fraction of a teaspoon annually falling into a moderate
19 sized lake could contaminate its fish so making them unsafe to eat.
20

21 PPL's massive pollution contributes to many of Pennsylvania's most
22 serious environmental problems. Pennsylvania's acid rain problem
23 threatens our forests and streams. PPL's huge SO_x emissions aggravate
24 these threats. Moreover, more than 14,500 Pennsylvanians were seen in
25 emergency rooms last year suffering from respiratory problems
26 attributable to dirty air. PPL's huge NO_x and SO_x emissions certainly do
27 not help Pennsylvanians with lung conditions. PPL's Montour and
28 Brunner Island plants have NO_x rates 250% times the amount that would
29 be the case if Brunner Island was equipped with modern control
30 technology.

1 **Part Two: The Settlement Improves Pennsylvania's Environment**

2
3 **Q. Describe the settlement's wind investment provisions?**

4
5 A. The Settlement provides that PECO will provide a total of \$32 million in
6 support of renewable energy, of which \$24 million is newly committed
7 funds and the remainder is an accelerated payment of funds previously
8 committed to the Sustainable Development Fund (SDF). Of these
9 commitments, PECO will contribute \$15.5 million to support new wind
10 energy development, enough to build turbines to produce more than 30
11 mW of wind power. This will enable construction of sufficient renewable
12 power for 7500 homes each year, and will remove 51,000 tons of carbon
13 dioxide from the air, reducing global warming. This is the equivalent of
14 planting 7.2 million trees or not driving 126 million miles. The benefits of
15 a growing renewable energy presence in Pennsylvania are significant.
16 They include increased permanent and construction employment levels,
17 the development of "second crops" for farmers based on the land leased
18 to the developers of wind projects, and increased tax revenues for local
19 governments are all benefits associated with renewable energy.

20
21 PECO also will provide \$4 million for installation of rooftop photovoltaic
22 panels to provide personal solar power. PECO will provide \$2.5 million to
23 fund public education on renewable electricity.

24
25 **Q. Please continue. What are the Settlement's other provisions for**
26 **renewable power?**

27
28 A. The first aspect of the settlement addressing retail choice requires that
29 PECO engage in cooperative process to develop streamlined technical

1 requirements and procedures for the interconnection of renewable and
2 distributed generation facilities.

3
4 These Settlement provisions are designed to maximize pre-certification of
5 various facilities and avoid timely individualized reviews. In addition, the
6 Settlement requires consideration of system benefits to offset any charge
7 to the developer for costs imposed on the system. The Settlement also
8 establishes a cooperative procedure to develop streamlined technical
9 requirements and procedures for the interconnection of renewable and
10 distributed generation facilities to PECO's facilities.

11
12 Finally, the Settlement provides that PECO will not charge any distribution
13 or transmission charges on interconnecting generators, unless the PUC or
14 FERC has approved such charges for all generation, including utility
15 generation.

16
17 **Q. What is the impact of the settlements on renewable and distributed**
18 **generation in southeastern Pennsylvania?**

19
20 A. The Settlement's provisions in these areas should reduce uncertainties
21 and expenses for developers of new renewable generation facilities, while
22 improving the safety, reliability and efficiency of PECO's distribution
23 system.

24
25 **Q. What are the other key aspects of the settlement benefiting**
26 **renewable power?**

27
28 A. The settlement provides that PECO's "net metering" tariff will enable
29 consumers to better afford to install pollution-free solar panels on their
30 roofs or fuel cells in their basements. Since private installation of

1 distributed generation closer to the customer will reduce the need for
2 consumers to fund distribution system improvements and avoid "line
3 losses", there is an improvement in overall distribution system integrity
4 and generation diversity.

5
6 **Part Three: The Settlement Facilitates Retail Competition in Southeastern**
7 **Pennsylvania**

8
9 **Q. What are the benefits of the settlement for the Pennsylvania retail**
10 **market?**

11 A. The first obvious benefit is that PECO, will, on a first-come/first serve
12 basis provide suppliers with ICAP and price certainty. At roughly \$20 per
13 kW-year, the agreement provides enough ICAP to allow over 50,000 new
14 Philadelphia-area customers to participate in the competitive retail market.

15
16 **Q. Please comment on the Settlement provisions facilitating retail**
17 **choice.**

18 A. Four additional aspects of the Settlement specifically enhance electric
19 choice in Southeastern Pennsylvania.

- 20 1. PECO agrees not to market, advertise or promote its Provider of
21 Last Resort service January 1, 2004
- 22
- 23 2. PECO will reconcile transition charge revenues for all commercial
24 and industrial accounts as a single class, minimizing volatility of the
25 charges.
- 26
- 27 3. Large industrial customers are granted a one-time option to
28 terminate their PECO contract and switch to a competitive supplier.

1 4. PECO and competitive suppliers will identify contact personnel to
2 quickly resolve electronic data exchange problems. PECO will
3 provide licensed electric and natural gas suppliers twelve-month
4 historical usage and billing data without charge, and PECO will
5 review and revise customer load profiles for customers with
6 significant over or under deliveries relative to their load profile over
7 a six-month period.

8
9 5. The Competitive Default Supply provisions of the Restructuring
10 settlement will be modified to improve the opportunity for
11 successful competitive bidding. An RFP will be issued on April 1,
12 2000, covering electric generation supply and capacity only, while
13 excluding customer care functions such as call center, collections
14 and billing. Bids must be received by May 1, 2000, and the winning
15 bidder selected by the Commission by July 1, 2000. The
16 settlement establishes a process of bilateral negotiations in case
17 no winning bidder is selected.

18
19 **Q. Can you comment on these aspects of the Settlement?**

20
21 **A.** The above provisions are important additions or adjustments to the
22 current array of policies helping make Pennsylvania's retail choice
23 become the most successful such effort in the US. The above provisions
24 are necessary to continue Pennsylvania's commitment to retail choice in
25 the PECO service territory. They will also benefit green power consumers
26 who want clean energy products at the best possible price. Presently
27 about 80,000 Pennsylvania consumers have purchased some kind of
28 cleaner energy product.

29
30

1 Part Four: The Settlement protects consumers from unwarranted
2 Nuclear Decommissioning Expenses

3
4 **Q. Please describe the Settlement's nuclear decommissioning**
5 **aspects?**

6
7 A. One of my big fears going into this case was that PECO's distribution
8 consumers were somehow, some way, going to be stuck with a bill for
9 decommissioning either one or many of Unicom's many reactors or one of
10 the Amergen reactors (for example Nine Mile Point 1&2, Oyster Creek,
11 Vermont Yankee or Clinton). My fear was that, because the concentration
12 of nuclear assets in one company was so large, a shift in
13 decommissioning assumptions (operating life of Unicom or Amergen
14 plants, decommissioning costs, inflation rates) could place cost
15 responsibility for these plants on the backs of Philadelphia-area
16 consumers.

17
18 **Q. Please continue.**

19
20 A. The settlement firmly insulates PECO customers from having to pay
21 decommissioning costs for Unicom plants, those co-owned by PECO's
22 unregulated affiliates, or those purchased in the future. For PECO
23 plants, consumer exposure to nuclear decommissioning cost increases is
24 limited. PECO will forego consumer payment for the first \$50 million of
25 increased decommissioning costs and 5% of any additional increases.
26 The settlement protects future generations from bearing the risk that
27 nuclear decommissioning costs obligations will not be inappropriately
28 foisted on due to cost escalations that are unforeseen today.

1 **Q. At page 23, item 35 of its Objections, PPL states that the parties**
2 **should demonstrate how the settlement does not interfere with a**
3 **balance between consumer protections versus an under-financing of**
4 **nuclear decommissioning? Can you respond?**

5

6 A. PPL forgets that the Pennsylvania restructuring settlements already deal
7 with fundamental nuclear decommissioning responsibility and funding
8 levels.

9

10 The Settlement's nuclear provisions, insofar as PECO's nuclear
11 decommissioning plants are concerned, do not affect adversely meeting
12 this responsibility. The provisions of the Pennsylvania Electric
13 Competition Act that protect consumers from an under-financed nuclear
14 decommissioning scenario or a public safety issue are intact.

15

16 The Settlement's provisions protecting consumers from PECO's interest in
17 the Amergen or Unicom plants are fundamental protection issues that I do
18 not believe PPL has any basis to criticize. I see no reason why a PECO
19 customer should bear any decommissioning responsibility for any
20 Amergen or Unicom nuclear plants.

21

22

23 **Q. Does this conclude your direct testimony?**

24

25 A. Yes, it does.