



**COMMUNITY
LEGAL SERVICES, INC.**

CEPA EX. NO. 1

A-110550F0147

5/10/00

PLB/PA

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March 29, 2000

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
North Office Building, Room B-20
Commonwealth Avenue and North Street
Harrisburg, PA 17105-3265

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DOCUMENT
FOLDER

**Re: 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 Off Corporate Restructuring,
Including The Creation Of A Holding Company and (2) The Merger Of The Newly
Formed Holding Company And Unicom Corporation.
Docket No: A-110550F0147**

Dear Secretary McNulty:

Enclosed please find for filing an original and three copies of the Statement in Support of Joint Petition for Settlement of Consumers Education and Protective Association, Association of Community Associations for Reform Now, Action Alliance of Senior Citizens of Greater Philadelphia and Tenants' Action Group in the above-captioned matter..

Copies have been served upon all parties of record as shown on the attached Certificate of Service.

Very truly yours,

PHILIP A. BERTOCCI

Enclosures

cc: Administrative Law Judge Charles E. Rainey, Jr.
Certificate of Service

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SECRETARY'S BUREAU

**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 : **Docket No. A-110550F0147**
Corporate Restructuring, Including :
the Creation of a Holding Company :
and (2) the Merger of the Newly :
Formed Holding Company and Unicom :
Corporation :

**Statement in Support of Joint Petition for Settlement
of Consumers Education and Protective Association, Association of Community
Associations for Reform Now, Action Alliance of Senior Citizens
of Greater Philadelphia and Tenants' Action Group**

The Consumers Education and Protective Association, the Association of Community Organizations for Reform Now, the Action Alliance of Senior Citizens of Greater Philadelphia, and the Tenants' Action Group (collectively "CEPA et al."), through counsel Community Legal Services, Inc., hereby file this Statement in Support of Joint Petition for Settlement as follows:

CEPA et al. filed a Protest and Intervention in this proceeding on December 20, 1999 and, as in PECO Energy Company's prior securitization and restructuring cases at Docket Nos. R-00973953 and P-00971265, have actively participated in the extended and complex

settlement negotiations that resulted in the Joint Petition for Settlement. On the basis of this experience, and all available information, CEPA et al. have concluded that the proposed settlement (hereinafter "Settlement") assures that between 2001 and the end of 2006, PECO ratepayers and the public at large will substantially benefit from the proposed merger in a wide variety of ways, and that the sum of the benefits exceeds the dollar value of the net savings to be achieved by PECO Energy as a regulated distribution company resulting from merger related synergies. CEPA et al. submit that if this case were fully litigated before the Commission, the public would not be able to obtain greater value, and might very well obtain a lesser result.

Rate Reductions. CEPA et al. regard the \$200 million in rate reductions provided for in the Settlement as a significant step in passing through tangible merger related synergies to the public. The rate reductions provided in Section 10 and 11 must be viewed in conjunction with the \$60 million reduction in CTC for the year 2001 that has been achieved though settlement of issues associated with the recent additional issuance of a QRO for the securitization of stranded costs. Coupled with this CTC reduction, the Settlement assures that Transmission and Distribution rates, instead of rising 6% next year to return to January 1, 1997 levels, will remain for residential customers at least 2.3% below January 1, 1997 levels for the years 2001, 2002 and 2003, and at 1.5% to 1.75% below those levels during the years 2004 and 2005. Moreover, due to the extension of the Transmission and Distribution rate cap through 2006, customers will pay no more in 2006 than they paid as

of January 1, 1997. In addition, the modification of the Restructuring Full Settlement provisions concerning PECO's recovery of its universal service costs will save customers as much as \$15 million in charges not subject to the rate cap between 2001 and the end of 2006.¹

Universal Service. In addition to seeking reductions in rates for all customers, CEPA et al. sought in these negotiations to focus attention on the most obvious deficiencies in PECO's CAP Rate program, a discount program for customers with household incomes at or below 150% of the federal poverty level. Recent expert evaluations and analyses of PECO's CAP Rate program have expressed the concern that the tariffed rates for customers below 100% of poverty (approximately 50% off the standard residential rates for the first 500 kWh) are not affordable under PUC affordability standards for many households with incomes below 50% of federal poverty. See Peach, H. Gil, Process Evaluation of the PECO Energy "CAP-Rate" Pilot, Beaverton, Oregon: H. Gil Peach & Associates/Scan America, 1998, Monograph 981-2, pp. xxi; "Direct Testimony and Exhibits of Roger D. Colton. Universal Service and Energy Efficiency Issues," OCA Statement No. 4, Docket No. R-00994787. This "special needs" part of the low income population is typified by the

¹ On the electricity generation side, the provisions contained in Sections 45 through 56 of the Settlement, designed to enhance retail electric generation competition, may lead to additional opportunities for cost savings by customers who exercise their right to shop for electricity generation.

household whose sole source of income is TANF, an income which is approximately 35% of the federal poverty standard. The Settlement addresses problems posed by the energy needs of this portion of the low income population in several ways, some as part of the class of low income customers generally, and some directly as a distinct subgroup within that class.

At Section 34, PECO reaffirms that the CAP Rate Program is an "open enrollment" program, open to all payment troubled customers with household incomes at or below 150% of federal poverty. The initial maximum participation level in the existing CAP Rate electric program is raised to 125,000. This measure ensures that no otherwise eligible customer will be denied the benefits of CAP Rate solely because the Program is "full."

At Section 30, PECO commits to the prompt development and implementation of a computerized customer "Data Warehouse" which is critical for the rational development and refinement of programs to meet the needs of the low income population in general and the low income population below 50% of federal poverty.

At Section 31, PECO commits to working with its LIURP Advisory Committee to assess the energy circumstances of households at 50% of poverty and below, and to develop as necessary program enhancements to meet their special needs.

At Section 29, PECO agrees to provide support above its existing support to the fuel funds in the five county area in the amount of \$1.3 million annually in 2001 and 2002; in the event that a "special needs" program is not in place by 2003, PECO commits to providing an additional \$400,000 to these fuel funds in that year. Under this Section, the Philadelphia

fuel fund, the Utility Emergency Services Fund ("UESF"), will receive \$1 million per year in the next two years to assist low income households who are threatened with termination of utility service or whose utility service has already been terminated.²

Jobs and Economic Development. *CEPA et al.* have traditionally attached high importance to economic development and the preservation of jobs in Philadelphia and the five county area generally.

At Section 82 of the Settlement, PECO commits to maintaining 1250 jobs at its headquarters at 2301 Market Street, Philadelphia, through 2003, more than 90% of the jobs currently there.

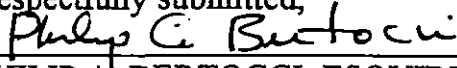
In addition, Section 43 of the Settlement provides for acceleration of the \$9.98 million otherwise due to the Sustainable Development Fund (SDF) between the present and 2005 under the Restructuring Full Settlement. This acceleration, which has a value of several million dollars, provides added resources to a fund whose mission is "to promote the development and use of renewable energy and clean energy technologies, energy conservation and efficiency, and economic development projects which promote clean energy." Joint Petition for Full Settlement of PECO Energy Company's Restructuring Plan and Related Appeals and Application for a Qualified Rate Order and Application for Transfer of Generation Assets (April 29, 1998), Dockets Nos. R-00973953 and P-

² Approximately 70% of UESF's available funds are distributed to households with incomes below 50% of federal poverty.

00971265(emphases added).

In conclusion, in this Settlement, PECO and the participating parties attempted to accommodate and harmonize all the diverse interests articulated by all the parties who filed Protests and/or intervened. PECO has been induced to put substantial value on the table in many forms to meet the particularized needs of this region. CEPA et al. believe that it would be a serious mistake to delay approval of the Settlement in the hope of extracting marginal additional benefits, thereby increasing the risk that the merger will not be consummated and that the parties will never see any merger benefits at all. CEPA et al., like all other parties, did not obtain everything that they hoped to obtain through these negotiations. They recognized that their needs had to be reconciled with the needs of other parties and of PECO itself, and that their bargaining power was limited by the relatively meager leverage provided by the Public Utility Code, existing legal precedent and the Electricity Generation Customer Choice and Competition Act. For these reasons, CEPA et al. request that the Commission approve the Settlement without modification.

Respectfully submitted,


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Date: March 29, 2000

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CERTIFICATE OF SERVICE

Re: 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 Creation of a Holding Company and (2) The Merger of the Newly Formed Holding Company and Unicom Corporation.
Docket No. A-110550F0147

I hereby certify that I have this day served a true copy of the foregoing document, Statement in Support of Joint Petition for Settlement, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 29th day of March 2000

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