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Phil, PA

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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 CREATION OF A :
HOLDING COMPANY AND (2) THE :
MERGER OF THE NEWLY FORMED :
HOLDING COMPANY AND UNICOM :
CORPORATION :

Docket No. A-110550F0147

MARKETED
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TESTIMONY
OF
KENT R. MILLER

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ON BEHALF OF THE
CITY OF PHILADELPHIA

APRIL 18, 2000

**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 CREATION OF A HOLDING COMPANY AND (2) THE MERGER OF THE NEWLY FORMED HOLDING COMPANY AND UNICOM CORPORATION :
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TESTIMONY OF KENT R. MILLER

1 **Q. Please state your name and business address for the record.**

2 A. My name is Kent R. Miller. My business address is Municipal Services Building, 10th Floor,
3 1401 John F. Kennedy Boulevard, Philadelphia, PA 19102-1665.

4

5 **Q. By whom are you employed, and in what capacity?**

6 A. I am Executive Director of the Municipal Energy Office for the City of Philadelphia.

7

8 **Q. What is the purpose of your testimony?**

9 A. My testimony addresses the objections submitted by PPL in the Merger and Restructuring
10 proceeding of PECO Energy Company ("PECO"). Specifically, my testimony addresses the
11 terms of the Joint Petition for Settlement ("Joint Petition") regarding PECO service to the
12 City of Philadelphia.

1 Q. **What position has PPL taken with respect to the City of Philadelphia's agreement with**
2 **PECO on its Rule 4.6 contract?**

3 A. PPL challenges the grant to the City of Philadelphia of additional rights and options under
4 its existing Rule 4.6 contract. PPL says that there is no evidence showing how the merger
5 affects the City, why the contract revisions are necessary to undo any problems created by
6 the merger, and why the contract revisions are just, reasonable and nondiscriminatory. The
7 City disagrees with PPL's opposition, and requests that the Commission approve the Joint
8 Petition as soon as possible. PECO's agreements concerning the City's Rule 4.6 contract do
9 not harm PPL in any respect, and the City fails to understand why PPL seeks to begrudge the
10 City and its residents of the attendant benefits associated with the settlement.

11

12 Q. **As background for the Commission, what are the effective dates of the City's Rule 4.6**
13 **contract with PECO?**

14 A. The contract was negotiated prior to electric competition, and took effect July 1, 1996.
15 There was an initial four-year term, and the City has exercised its option to extend it
16 through June 30, 2001. The City holds yearly options to extend the contract through June
17 30, 2004.

18

19 Q. **What discounts, if any, does the City enjoy under its Rule 4.6 contract with PECO?**

20 A. Since mid-1996, the City has received an 8.65% discount off of PECO's standard rates on
21 service taken under PECO's HT, PD, GS, and SL-P tariffs. On July 1, 2000, this

1 discount will increase to 11.2%. Thereafter, the discount increases every year through the
2 remainder of the City's option years, reaching a high of 14.55% beginning July 1, 2003.

3

4 **Q. What is the basis of these Rule 4.6 discounts?**

5 A. The City was required to demonstrate its ability to implement specific energy competitive
6 alternatives and to agree to forego those alternatives.

7

8 **Q. Why did the City seek relief from the SL-P street lighting tariff as a part of the merger
9 proceedings?**

10

11 A. The City has maintained for several years that the current rate structure discriminates
12 against the City. Prior attempts to rectify that discrimination were unsuccessful. The
13 City is the only customer that pays for street lighting under Rate SL-P. All other
14 municipalities pay for substantially identical service under PECO's SL-E tariff.

15

16 **Q. Is there a difference in the rates between SL-E and SL-P?**

17 A. Yes. The SL-P rate has a substantially higher customer charge, and each street light is a
18 separate "customer." After the City entered into its contract, the SL-E tariff was reduced
19 to an effective rate almost 20% lower than the base SL-P tariff.

20

1 Q. **Why is this an issue for the merger?**

2 A. In the Joint Petition, PECO has agreed to pass on a portion of its "synergy savings" from the
3 merger through an 18-month rate cap extension. As a result, no general rate case is now
4 expected until at least 2007. The City was concerned that the merger and resulting change
5 in control could make it more difficult for the parties to resolve their differences amicably.
6 Without a base rate case opportunity, the City would have needed to file a formal complaint
7 before the Public Utility Commission to obtain relief from the SL-P rate. Instead of costly
8 and lengthy regulatory litigation, PECO and the City have agreed to place the City on the
9 same footing as other municipalities beginning in mid-2001.

10

11 Q. **Why were other components of the City's Rule 4.6 contract an issue in the merger
12 proceedings?**

13 A. The deregulation settlement provides that certain Rule 4.6 discounts will carry forward for
14 a time following contract expiration. The City and PECO disagreed as to the appropriate
15 ongoing discount level. Again, the City was concerned that the change in control could
16 make it more difficult for the parties to resolve their differences amicably. The agreement
17 contained in Appendix G reflects a compromise by both parties on the level and application
18 of the discounts.

19

20

21

1 **Q. How does this settlement serve the public interest?**

2 A. First of all, the City believes that these contractual clarifications and enhancements are fair
3 to PECO, the City, and PECO's other customers, particularly given the fact that these
4 benefits are at the cost of PECO and not other ratepayers. Second, the result creates certainty
5 without litigation, which will benefit PECO, the City, and the Public Utility Commission,
6 as well as PECO's potential competitors. Third, the City is a public entity, and electric rate
7 discounts benefit our taxpayers, who are also PECO ratepayers. Finally, the result is just,
8 reasonable and nondiscriminatory because (1) the City was the only customer on Rate SL-P;
9 (2) PECO retained the ability to enter and revise Rule 4.6 contracts in its restructuring
10 proceeding; (3) the agreement is pursuant to Rule 4.6, which is a tariff provision the
11 Commission approved; and (4) the agreement is thoroughly consistent with the
12 Commission's preference for collaborative resolution over litigation especially where, as
13 here, no other party is adversely impacted.

14

15 **Q. Does that complete your testimony?**

16 A. Yes.