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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

In 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 : Application Docket No. A-110550F0147
Merger of the Newly Formed Holding :
Company and Unicom Corporation :

DIRECT TESTIMONY OF JAMES McCORMICK
ON BEHALF OF MID-ATLANTIC POWER SUPPLY ASSOCIATION

DOCKETED
MAY 11 2000

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

2 A: My name is James McCormick. I am the Manager, Electricity Market Development for
3 the Mid Atlantic Region with Strategic Energy L.L.C. I am testifying in this proceeding
4 on behalf of the Mid-Atlantic Power Supply Association ("MAPSA"). My address is
5 1940 Robert Road, Meadowbrook, PA 19046.

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6 Q: What is the purpose of your testimony?

7 A: PPL has objected that the proposed settlement of this proceeding is not in the public
8 interest. In particular, PPL contends that certain portions of the settlement relating to the
9 competitive market for retail electrical services are not in the public interest, or else that
10 there is insufficient evidence to support the conclusion that these provisions are in the
11 public interest. I will testify that these features of the proposed Settlement will promote
12 competition in the market for retail electrical services in PECO's service area. As a result
13 of the inclusion of these features, the Settlement as a whole will have a positive impact on
14 competition and, therefore, the public interest.

15 Q: Please describe your qualifications and background.

1 A: I joined Strategic Energy L.L.C. in 1997 after working with the Pennsylvania Public
2 Utility Commission while they investigated the feasibility and details for electric industry
3 restructuring. After helping the Commission formulate their recommendations and
4 proposals to the Pennsylvania Legislature and Governor's Office, I worked with the
5 Commission to develop electric choice legislation and help the Commission develop
6 plans for the startup of Pennsylvania's electric competition pilot initiative.

7 Prior to joining the Pennsylvania Commission, I worked with PECO Energy.
8 While at PECO, I spent many years in electric generation, plant maintenance and new
9 facilities construction and startup. My work involved fossil, hydro, and nuclear facilities,
10 fuel management, and redesign of operating processes and organizations. Many of these
11 later activities were directed at readying PECO for industry restructuring.

12 I have a degree in Mechanical Engineering from Villanova University and
13 attended Temple University's Graduate School of Business Administration.
14 Additionally, I have received certifications in utility senior management, boiling water
15 reactor engineering, welding metallurgy, and behavioral analysis.

16 In my current position, I interact with state and federal regulators, consumer
17 advocates, jurisdictional utilities, other competitive energy suppliers, and the PA Jersey
18 Maryland ISO to shape legislation, regulations, and agreements that foster the
19 development of robust competitive electric supply alternatives.

20 Q: Have you participated previously in this proceeding?

21 A: I have not formally participated in this proceeding, but I was involved in the drafting of

1 the Joint Petition for Settlement. I attended several negotiations on behalf of MAPSA at
2 PECO's headquarters which ultimately led to the Settlement, and discussed the
3 Settlement with other members of MAPSA and our attorneys on numerous occasions.

4 Q: Why is the effect on competition a relevant factor in this proceeding?

5 A: In general, a merger may be approved only if the merger is in the public interest. While
6 the "public interest" involves the consideration of many factors, the Public Utility Code
7 specifically requires the Public Utility Commission to consider, in analyzing a proposed
8 merger involving an electric utility, "whether the proposed merger . . . is likely to result in
9 anticompetitive or discriminatory conduct, including the unlawful exercise of market
10 power, which will prevent retail electricity customers in this Commonwealth from
11 obtaining the benefits of a properly functioning and workable competitive retail
12 electricity market." 66 Pa. C.S. § 2811(e)(1). Thus, measures in a merger settlement
13 which promote competition amply support the conclusion that the settlement is in the
14 public interest.

15 Q: PPL argues that the proposed Settlement does not meet the "public interest" standard, or
16 that there is not enough evidence to prove that it does. Why do you think the proposed
17 Settlement meet this standard?

18 A: The proposed Settlement includes specific provisions that will limit anticompetitive and
19 discriminatory conduct, including the abuse of market power, and will ensure that
20 customers in the Commonwealth, and in PECO's service area more particularly, help
21 customers obtain the benefits of electric competition.

22 Q: What specific provisions of the Settlement accomplish this goal?

1 A: A number of provisions of the proposed Settlement will help improve competition.

2 These include: PECO's commitment to provide access to installed capacity ("ICAP"); the
3 release of more specific customer historical billing data; improvements in the Electronic
4 Data Interchange ("EDI") process; and PECO's agreement not to market its services as
5 provider of last resort ("PLR Service").

6 Q: How will PECO's commitment to provide access to ICAP aid competition?

7 A: Paragraph 45 of the Settlement ("Access to Install Capacity ('ICAP')") provides an initial
8 step toward remedying the detrimental impact of the installed capacity requirement on
9 electric competition. The PJM Interconnection, LLC currently requires that all load
10 serving entities contract for a specified amount of capacity, in addition to the firm energy
11 the entity must purchase. This requirement, coupled with an ICAP market that is subject
12 to the exercise of market power, has inhibited the development of a robust market for
13 retail electrical services in Pennsylvania. While Paragraph 45 does not solve the
14 problem, it represents a first step toward such a remedy, by providing EGSs an option to
15 purchase a guaranteed quantity of ICAP at a fixed price.

16 Q: How will the release of customer historical billing data promote competition?

17 A: Paragraph 46 of the Joint Petition ("Release of Customer Historical Billing Data")
18 ensures that, in addition to the information currently provided to EGSs concerning
19 potential customers, EGSs will receive twelve individual months of usage and twelve
20 individual months of billing demand for all customers who have not restricted the release
21 of this information. In addition, the customer lists will be updated quarterly, and will be
22 provided until at least 2004. As a result, EGSs and customers will have access to

1 substantially more and more accurate information, and will therefore be better able to
2 participate in the market. Furthermore, section (b) ensures that, for individual, customer-
3 authorized requests for account information, PECO will respond in a timely manner.
4 Paragraph 46 and the accompanying changes to PECO's Supplier Coordination Tariff
5 will promote the development of competition.

6 Q: How will providing customer load profile revisions for existing EGS customers
7 contribute to competition?

8 A: EGSs are required to use EDC-supplied load profiles for their non-interval metered
9 customers, even when such load profiles are known to be inaccurate. As a result, EGSs
10 cannot necessarily schedule the correct amount of energy for the customers' energy
11 requirements, and are forced to rely on the hourly energy market to balance their supply
12 against their customers' requirements. This increases the risks and costs that EGSs must
13 bear in serving retail customers; these costs are ultimately born by the customers
14 themselves. Paragraph 48 ("Customer Load Profile Revisions") attempts to remedy this
15 situation, by providing a mechanism whereby EGSs will be able to obtain revised, and
16 hopefully more accurate, prospective customer load profiles.

17 Q: How will revisions to the Electronic Data Interchange ("EDI") process help the
18 competitive market?

19 A: Paragraph 49 ("EDI") ensures that PECO will comply with all of its electronic data
20 interchange ("EDI") standards and protocols. In the past, EGSs have had some difficulty
21 in maneuvering through the EDI system as implemented and used by PECO. Paragraph
22 49 embodies a commitment by PECO to comply with all of its EDI obligations, and

1 provides a mechanism for the resolution of any problems that may arise.

2 Q: How will PECO's agreement not to market its services as provider of last resort assist the
3 market?

4 A: PECO has agreed, in Paragraph 51 ("PLR Marketing") of the Joint Petition for
5 Settlement, not to market, advertise, or promote its Provider of Last Resort ("PLR")
6 service. This measure will enhance the development of a robust market for retail electric
7 generation, because PECO will no longer be able to leverage its monopoly distribution
8 service into the market for generation.

9 Q: Would you comment on PPL's position that the Commission cannot approve the
10 Settlement with various provisions that advance the public interest?

11 A. I am not an attorney, but I am aware that in the PPL restructuring proceeding a settlement
12 was reached which contained various public interest provisions. The Commission's final
13 order approving that settlement rejected objections by informal commenters to some of
14 those provisions without an evidentiary hearing or additional processes. If PPL's position
15 in this case were correct, it might call into question the validity of the Commission's final
16 order approving the PPL settlement. Accordingly, I would urge the Commission to reject
17 PPL's position in this proceeding.