

ORIGINAL

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

**DOCUMENT
FOLDER**

Public Input Hearing

Pages 205 through 222

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Norristown Borough Hall
Council Chambers
235 East Airy Street
Norristown, Pennsylvania

Wednesday, March 29, 2000

Met, pursuant to notice, at 7:01 p.m.

BEFORE:

CHARLES E. RAINEY, JR., Administrative Law Judge

APPEARANCES:

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11 * * *

FORM 2

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WITNESS INDEX

WITNESSES:

DIRECT

CROSS

REDIRECT

RECROSS

Donald Delamater

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FORM 2

EXHIBIT INDEX

NUMBER

FOR IDENTIFICATION

IN EVIDENCE

(None.)

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FORM 2

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P R O C E E D I N G S

ADMINISTRATIVE LAW JUDGE CHARLES E. RAINEY, JR.:

Good evening and welcome to this public input hearing of PECO Energy Company's application for approval of its proposed merger with Unicom Corporation.

This proceeding is docketed at A-00110550F0147.

My name is Charles Rainey, and I am the Administrative Law Judge presiding over this case.

This public input hearing is being held for the purpose of allowing interested persons an opportunity to provide testimony regarding PECO's application for approval of its proposed merger with Unicom Corporation.

I believe a brief history of this case may be helpful. On November 22, 1999, PECO filed with the Pennsylvania Public Utility Commission an application for the approval of its proposed merger with Unicom Corporation.

I note that PECO is required by law to obtain the Commission's approval of its merger. By law, in order to obtain the Commission's approval, PECO must demonstrate that the merger will affirmatively promote the service, accommodation, convenience or safety of the public in some substantial way.

Additionally, the electricity generation, customer choice and competition Act requires the Commission to

1 consider whether PECO's proposed merger with Unicom
2 Corporation will adversely impact retail electric
3 competition.

4 Numerous parties have formally intervened at these
5 proceedings; including Legislators, municipalities,
6 government agencies, consumer groups, electric generation
7 suppliers, environmental groups, and individuals.

8 A pre-hearing conference was held in January of
9 this year. At the pre-hearing conference a schedule for
10 this proceeding was established. That schedule includes
11 public input hearings which are being held in the counties
12 of Philadelphia, Bucks, Montgomery, Delaware, and Chester
13 this week. In addition, a public input hearing is being
14 held in York next week on April the 4th.

15 Evidentiary hearings for the purpose of examining
16 the parties' expert witnesses were also scheduled.
17 However, between the time of the pre-hearing conference
18 and these public input hearings the parties engaged in
19 settlement negotiations. Those negotiations resulted in a
20 settlement agreement on all of the issues in this case.
21 The settlement document was filed with the Commission on
22 March 23, 2000.

23 Shortly, I will give a representative of PECO an
24 opportunity to explain the significant terms of the
25 settlement. I will allow the other parties to comment, as

1 well.

2 In the settlement document, the signatory parties
3 requested a change in the procedural schedule in this case
4 in light of the settlement. During the public input
5 hearing held on Monday, March the 27th, I rejected the
6 signatory party's proposed revised schedule and I
7 established another revised schedule.

8 The revised schedule which I established provides
9 for the filing of objections or comments to the settlement
10 by April 13, 2000. It also provides for the filing of
11 replies to objections or comments by April 18, 2000. My
12 revised schedule further provides that evidentiary
13 hearings may be scheduled if necessary. So concludes my
14 brief presentation of the substantive and procedural
15 matters involved in this case.

16 You, the public, may participate in today's
17 hearing in one of three ways. The first way, and the one
18 the Commission finds preferable, is that you submit sworn
19 testimony under oath. By giving sworn testimony, the
20 Commission may consider your testimony when it decides
21 this case. Sworn testimony may be subject to questions
22 from the parties and me.

23 The second way is to provide unsworn testimony.
24 Unsworn testimony will not be considered by the Commission
25 when it makes its decision.

1 The third way is to provide information at the
2 break or at the conclusion of this hearing to either the
3 Office of Trial Staff, the Office of Consumer Advocate, or
4 the Office of Small Business Advocate for its use at its
5 discretion at an evidentiary hearing if one is held, or
6 during any additional negotiation sessions if any are
7 held.

8 I would ask that you limit your testimony to
9 PECO's proposed merger with Unicom Corporation.
10 Representatives from PECO Energy Company will help you at
11 the break or at the conclusion of this hearing with other
12 matters.

13 I will now ask counsel for PECO to introduce
14 himself, and also explain the significant terms of the
15 settlement agreement.

16 Mr. Bonney?

17 MR. BONNEY: Thank you, Your Honor.

18 My name is Paul Bonney. I am counsel for PECO
19 Energy.

20 We did reach a settlement, we are happy to
21 announce, it is with a broad range of parties representing
22 all aspects of the public interests.

23 The settlement has a number of provisions. Among
24 them is a \$200 million rate cut over four years beginning
25 in 2002. That is across the board for all customer

1 classes. \$60 million at 2002, \$60 million at 2003,
2 \$40 million in 2004 and in 2005.

3 The company is also committed to extend its
4 distribution rate cap for another year-and-a-half through
5 December of 2006. That will be 16 years since we have had
6 our last base rate case in 1990.

7 There are other concessions in the settlement.
8 They include a modification to recovery of nuclear
9 decommissioning costs for customers, improvements to
10 reliability and customer service, expansion of universal
11 service and low income services for electric and gas
12 customers, funding and other commitments to develop solar
13 and wind generation, modification to rules for competition
14 to enhance the market provision of electric wholesale for
15 power to competitive supplies on favorable terms, and
16 finally, commitments to Southeastern Pennsylvania and
17 Philadelphia.

18 In particular, we have committed to continue our
19 level of civic and charitable giving, to maintain the
20 headquarters of the PECO distribution company in
21 Philadelphia for a number of years, and to maintain a
22 certain level of employees at our headquarters building in
23 Philadelphia.

24 We think this settlement is a good one. It does
25 represent the culmination of weeks of effort, discovery,

1 and negotiations by the parties, and we think it is in the
2 public interest and hopefully the Commission will approve
3 it expeditiously.

4 Thank you.

5 JUDGE RAINEY: Thank you, Mr. Bonney.

6 I will now ask the other formal parties who are
7 here to introduce themselves and to also provide comments.
8 We will start with Mr. Mickens.

9 MR. MICKENS: Thank you, Your Honor.

10 Good evening. My name is Kenneth L. Mickens. I
11 am the Senior Prosecutor with the Public Utility
12 Commission's Office of Trial Staff.

13 My office is a quasi independent office of the
14 Public Utility Commission. We are charged with the
15 responsibility of prosecuting utility rate cases primarily
16 in the public interest.

17 We have been involved in this proceeding, this
18 merger application proceeding from the beginning. My
19 office is a signatory to the settlement. We believe that
20 it is a good settlement. We believe it is in the best
21 interests of the customers and it will serve the public
22 interests.

23 Mr. Bonney indicated the highlights from the
24 settlement. My office particularly supports some of the
25 provisions, for example, the reduction in the distribution

1 rate of a \$200 million reduction in the distribution rate
2 over the period of three or four years.

3 We also think that the rate cap extension for 18
4 months on the distribution rate is also very beneficial to
5 rate payers.

6 We are also very impressed with the
7 decommissioning issues that were dealt with in the
8 settlement. Specifically, PECO has agreed to limit its
9 recovery of decommissioning costs for its nuclear units.
10 As significantly, as well, there is language in the
11 settlement which my office believes will prevent the
12 combined company in the future from obtaining from PECO
13 rate payers any costs which may be attributable to Unicom
14 units, the decommissioning of Unicom units. I thought
15 that was very important.

16 My office supports the settlement, as I have
17 indicated. I will be available at the break or at the
18 conclusion of this hearing if you have additional
19 questions concerning our participation in this proceeding.

20 I urge you to testify under oath, if you testify,
21 so that your testimony can be used by the Judge and by the
22 Commission in rendering their decisions.

23 Again, I want to thank you for coming.

24 JUDGE RAINEY: Thank you, Mr. Mickens.

25 Mr. Mullins?

1 MR. MULLINS: Thank you, Your Honor.

2 Good evening. My name is James A. Mullins. I
3 represent the Pennsylvania Office of Consumer Advocate.
4 Our office was created via statute to represent the
5 residential interests before the Pennsylvania Public
6 Utility Commission.

7 Our office did file a protest in opposition to
8 PECO's filing, and the crux of that protest was, in our
9 estimation, the proposed benefits to flow to PECO rate
10 payers was insufficient, and our protest set forth the
11 reasons as to why we thought the company's filing did not
12 address some of those rate payer concerns.

13 As Mr. Bonney, Judge Rainey and Mr. Mickens had
14 indicated, the parties have reached a joint petition for
15 settlement. Our party is a signatory, our office is a
16 signatory to that petition, and we do believe that the
17 joint petition does address many if not all of our
18 concerns which were raised in our protest.

19 I would like to thank you for coming out this
20 evening. If you do have any concerns or issues which you
21 would like to have on the record this evening regarding
22 this merger, I would encourage you to do so. I look
23 forward to hearing from you. I thank you for coming out.

24 I also have placed on the table before you
25 literature regarding the Office of Consumer Advocate's

1 function, and I have also placed up there shopping guides
2 for electricity, so please feel free to take some of those
3 at any break this evening or on your way out.

4 Once again, thank you for coming out. We look
5 forward to hearing from you.

6 JUDGE RAINEY: Thank you, Mr. Mullins.

7 Mr. Ryan?

8 MR. RYAN: Thank you, Judge Rainey.

9 I am Bernard Ryan. I am the State's Small
10 Business Advocate.

11 We are also a party to this case. We are also a
12 signatory to the settlement, and we strongly support it
13 for all the reasons that have already been mentioned, and
14 I am not going to repeat them now, because I would like to
15 hear from you.

16 Thank you very much.

17 JUDGE RAINEY: Thank you, Mr. Ryan.

18 Before I begin to take testimony, I have noticed
19 that we just have one person who has signed up to testify
20 thus far. Is there anyone else sitting in the audience
21 who would like to testify at this proceeding who has not
22 signed up?

23 (No response.)

24 JUDGE RAINEY: All right, well, why don't we then
25 proceed with Mr. Donald Delamater.

1 MR. DELAMATER: Thank you, Your Honor.

2 JUDGE RAINEY: Mr. Delamater, before you begin to
3 give testimony, let me swear you in. Would you raise your
4 right hand, please?

5 Whereupon,

6 DONALD DELAMATER

7 having been duly sworn, testified as follows:

8 JUDGE RAINEY: Please provide your full name for
9 the record. Also, spell your last name, provide your
10 address, and also state whether you are a PECO customer or
11 not.

12 THE WITNESS: My name is Donald Delamater;
13 D-e-l-a-m-a-t-e-r. I work for the East Norriton Township.
14 I am the Assistant Manager there. The address is 2501
15 Stanbridge Street in East Norriton, Pennsylvania, 19401.

16 JUDGE RAINEY: Mr. Delamater, are you appearing
17 here this evening on behalf of East Norriton Township?

18 THE WITNESS: Yes, I am.

19 JUDGE RAINEY: Very well. Please proceed.

20 **DIRECT TESTIMONY**

21 THE WITNESS: As an employee of East Norriton
22 Township, the Board of Supervisors asked me to attend the
23 meeting to relay some of their thoughts on this.

24 Basically, what I am here to do is just to ensure
25 that PECO is addressing the reliability issue of their

1 electrical service. Again, mainly for our residents and
2 businesses of East Norriton Township, who I represent.

3 Recently, the Township staff, with State
4 Representative John Fichter met with some PECO
5 representatives, and also residents in East Norriton
6 Township because of some service disruptions that they
7 were having.

8 Through those two meetings, it appears that
9 everything was resolved, and we appreciate what PECO did;
10 however, we also recommended that they take a proactive
11 approach in informing residents when they know there are
12 going to be disruptions. These residents weren't aware
13 that their power would have been off -- was off for close
14 to eight hours when there was a transformer switched over.
15 So we do ask PECO to try to take more of a proactive
16 approach in that.

17 We also ask that PECO ensure that they are
18 addressing the explosion of construction that is taking
19 place; not only in our township but throughout
20 Philadelphia. That, combined with the aging
21 infrastructure that PECO has, we want to ensure that they
22 can handle all of this new construction and handle it
23 reliably.

24 The final issue that I just wanted to bring up
25 was; as you drive down the road, it just seems like all

1 you see is telephone poles or electric poles. It is kind
2 of a question that I don't know if it can be answered here
3 or not, but is PECO looking in the direction of any
4 underground utilities and trying to eliminate these poles.
5 Because the problem we are having is, every time a road
6 gets widened, expanded, here we are moving every pole that
7 is along that road and relocating it. Then ten years down
8 the road, you know, down the line when that road needs to
9 be widened again we are going to be doing the same thing
10 again. We were wondering if they are addressing that
11 issue, as well.

12 Those are the only issues. The main issue is
13 reliability, service reliability. We want to make sure
14 our residents are getting the least amount of disruptions
15 as possible. And those are the issues that I wanted to
16 present you.

17 JUDGE RAINEY: Thank you.

18 Mr. Bonney, is there anyone here who can respond
19 to the question with regard to whether or not PECO is
20 looking into the possibility of under grounding its
21 electric wires as opposed to aerial locations?

22 MR. BONNEY: Yes, Your Honor. Al Miller, our
23 Director is here, and he can correct me if I am wrong, but
24 my understanding is that in new developments we do place
25 the facilities underground, but that in older facilities,

1 if they are aerial, we leave them aerial largely because
2 it is cost prohibitive to underground all of our
3 facilities.

4 We recognize the issue that has been raised here
5 about the movement of poles, and it can be disruptive and
6 expensive, but on balance, the cost to underground the
7 distribution system would be, we think, cost prohibitive.

8 JUDGE RAINEY: Mr. Delamater, does that respond to
9 your question?

10 THE WITNESS: Yes.

11 JUDGE RAINEY: Very well. Do any of the parties
12 have any questions for Mr. Delamater?

13 MR. MICKENS: No, Your Honor.

14 MR. RYAN: No.

15 JUDGE RAINEY: Thank you, Mr. Delamater. You may
16 stand down.

17 THE WITNESS: Thank you.

18 (Witness excused.)

19 JUDGE RAINEY: Is there anyone else here who would
20 like to provide testimony or ask any questions of the
21 company or any parties here?

22 (No response.)

23 JUDGE RAINEY: If not, that will then conclude our
24 public input for this evening. I would like to thank you
25 all for coming out here. We will proceeding to a public

1 input hearing in Glenmore tomorrow.

2 Thank you very much. This hearing is adjourned.

3 (Whereupon, at 7:20 p.m., the hearing was
4 adjourned.)

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C E R T I F I C A T E

9 I hereby certify, as the stenographic reporter,
10 that the foregoing proceedings were reported
11 stenographically by me, and thereafter reduced to
12 typewriting by me or under my direction; and that this
13 transcript is a true and accurate record to the best of my
14 ability.

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By: 

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Valorie H. Rosi

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