

PUC LATE-FILED EXHIBITS

Docket No. A-110550F 0160  
Hearing Date 6-30-05 (A.M) ✓  
Judge Chestnut  
Hearing held in Phila  
Exhibit No. No exhibit Nos. (only documents for document file)  
Reporter Robert Stonaker

1. Above exhibit to be supplied to reporter by:

\_\_\_\_\_

2. Above exhibit to be filed directly with PUC by:

\_\_\_\_\_

Additional Comments:

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BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

SECRETARY'S BUREAU

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Joint Application of PECO Energy  
Company and Public Service Electric and  
Gas Company for Approval of the Merger  
of Public Service Enterprise Group  
Incorporated with and into Exelon  
Corporation

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Docket No. A-110550F0160

DOCKETED

AUG 03 2005

TESTIMONY OF SENATOR ANTHONY H. WILLIAMS

My name is Senator Anthony H. Williams and I am a petitioner in the above captioned proceeding before the Pennsylvania Public Utility Commission (the "PUC"). I am a Pennsylvania State Senator, representing the 8<sup>th</sup> Senate District, which includes constituents from both Philadelphia and Delaware counties. I am the Minority Chair of the State Government committee, and sit on the Senate committees on Banking and Insurance, Environmental Resources and Energy, and Finance. I attended Franklin & Marshall College where I received a Bachelor of Science in Economics. I am a resident of Philadelphia, Pennsylvania and PECO is my electricity supplier.

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As stated in my petition, in my review of the joint application of PECO Energy Company ("PECO") and Public Services Electric and Gas Company ("PSEG", together with PECO the "Applicants") for approval of the merger of Public Service Enterprise Group Incorporated with and into Exelon Corporation (the "Joint Application"), I determined that, in spite of the requirements of Pennsylvania's Public Utility Code (the "Code"), the Applicants do not specifically detail how the merger will provide substantial benefits to its ratepayers. After reviewing the Joint Application, it appears to me that solely the merged company will realize any

significant benefits from the proposed merger. Furthermore, the discussion about the alleged benefits to consumers is vague.

As both a ratepayer and a representative of PECO's customers, I am concerned that PECO's customers, especially its low-income customers, will not receive any benefits from this merger, if it is ultimately approved. This is particularly troubling in light of the previous transaction in 2000 involving PECO's merger into ComEd thereby creating Exelon (the "2000 Merger"), in which PECO enumerated certain benefits that its low-income customers would enjoy in the Universal Services Program as a result of the merger. Research shows that those benefits have not been fully implemented by PECO or realized by its customers. PECO enumerated those benefits in the settlement agreement between PECO and the Joint Petitioners dated March 23, 2000 (the "Settlement Agreement") and in its Petition to approve these changes regarding its Universal Service Program submitted to the PUC on October 1, 2002 (the "Petition"). By Order dated March 6, 2003, the PUC approved the Petition and lauded both PECO and the advocacy groups for their diligent efforts in developing consensus modifications to PECO's customer assistance program. PECO's failure to fulfill these prior commitments must be reviewed to determine whether its promises of public benefits in this Merger are simply hollow rhetoric. In assessing whether its customers will realize any benefits from this proposed merger, its track record on past promised benefits is directly relevant.

In its Joint Petition (ultimately approved by the PUC), PECO committed to the following major improvements to its Universal Services Program:

- Development of a Special Needs Program for households whose income is equal to or less than 25% of Federal Poverty Level ("FPL"). The CAP A portion of this program would provide rate relief for ratepayers with "extenuating circumstances" such as health issues, sudden loss of employment or high non-discretionary electric usage related to conditions not susceptible to mitigation through energy reduction programs. Enrollment in this program

was limited to 7,500 customers. The CAP B portion of this program was for customers with the same income levels as CAP A but with no “extenuating circumstances”. Rate relief was provided for this group but at levels not as “generous” as the CAP A customers. The CAP C portion of the Special Needs Program provided rate relief for ratepayers at 25% - 50% of FPL. Once again, rates paid by these customers were higher than those in the CAP A and B Programs.

- A 40,000-customer enrollment target for the CAP A, B and C Programs with the potential for increase once this number was reached.
- An increase to 125,000 customers for the entire CAP Program subject to revision once this level was reached.
- An extensive outreach program for the low-income customer population designed to effectuate these enrollment goals and to explain the details of the new programs.
- Increased commitment to the various relief programs to improve hardship contributions by ratepayers.
- Increased commitment to the CARES Program.

PECO’s record on fulfilling these promised has been woefully inadequate. For example:

- Instead of 7,500 people in the CAP A Program, PECO has only enrolled 9 customers.
- Instead of 40,000 people in the CAP A, B and C Program, PECO has enrolled 15,000.
- Instead of 125,000 people in the entire CAP Program, PECO has enrolled approximately 100,000.
- Instead of an increase in hardship contributions, there has been a dramatic decrease.

The PUC has recently determined that there are approximately 260,000 households in PECO’s service territory that are eligible for the CAP Programs. As noted above, PECO is only servicing 100,000 of these people. Thus, it is clear that a vast number of people who are eligible and in need of these programs are not being served. Moreover, the PUC found that the average monthly residential non-heating usage for a PECO customer is almost twice the level of that for

which the CAP rate discount is provided. As a result, a CAP ratepayer, who is often in desperate need for help to pay energy bills, often gets no discount on a significant portion of its bill.

In my view, the PUC would not be fulfilling its obligations to Pennsylvania ratepayers, if, in assessing the promises of public benefit in this merger, it failed to assess PECO's declaration of public benefit in the 2000 Merger.

In order to rectify PECO's past failures, I recommend the following:

- A specific expedited timetable should be set for PECO to meet the enrollment targets for the various CAP Programs set forth in its prior settlement. Contracts should be entered into with outside advocacy groups to achieve this goal. Specific penalties should be imposed if the targets are not timely met.
- Outreach efforts, including the use of outside groups, should be undertaken to increase the enrollment in the CAP Programs. Particular attention should be paid to ratepayers who are eligible for the Special Needs Programs.
- The Outreach effort should contain a significant educational element that explains the CAP Program, provides information on available energy conservation programs and other assistance and identifies steps that can be taken to enroll.
- Affordable rates must be established for CAP ratepayers. Special attention should be paid to those households with high energy usage. In order to provide long term solutions to these customers, PECO should provide increased funding to energy reduction programs and make increased use of community based organizations for appropriate outreach.
- PECO should make substantial financial contributions to low-income energy hardship funds and assure that sufficient educational material is provided to its ratepayers to maximize contributions.
- As CAP Program enrollment increases, PECO shareholders should pay a significant portion of these increased costs.
- A program of low-income arrearage forgiveness should be implemented for customers as they move into the CAP Program.
- PECO should be required to submit a detailed plan within 90 days to implement these various requirements.

In addition to my concerns regarding PECO's low-income customers, I am also concerned about PECO's commitment towards its workforce and the communities in which it currently operates. In light of PECO's record of broken promises, regarding PECO's workforce and corporate citizenship, I recommend the following:

- PECO should ensure that its workforce remains at its current level and for at least five (5) years from the time the proposed merger becomes effective.
- PECO should ensure that its workforce remains diverse and it is compliant with all applicable employment and discrimination laws.
- PECO should ensure that its contributions to local area charities are maintained at current levels.

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## CONCLUSION

It is important to remember that a family at 25%, 50% or even 150% of FPL fights everyday for survival. Basic necessities such as affordable electricity and heating is a major component of this constant struggle. It is simply unacceptable that the benefits promised low-income ratepayers in the last Merger have not been fulfilled.

This Merger creates a substantial risk of concentrated market power, substantial job losses and a decreased commitment to local charities. While these issues are being more fully addressed by other parties in this case, they clearly have the potential to further exacerbate the problems faced by low-income customers in paying their energy bills. Therefore, it is critical that the PUC carefully analyze these issues and impose firm and enforceable requirements on PECO to properly address these problems.

Respectfully submitted

KLEINBARD, BELL & BRECKER LLP

/s/ Kahiga A. Tiagha

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*Attorneys for Senator Anthony H. Williams*

Dated: June 27, 2005

**CERTIFICATE OF SERVICE**

I, Kahiga A. Tiagha, hereby certify that on the 27<sup>th</sup> day of June, 2005, I caused true and correct copies of the Testimony of Pennsylvania State Senator Anthony H. Williams to be served upon the following:

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/s/ Kahiga A. Tiagha  
Kahiga A. Tiagha, Esquire



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35 YEARS  
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# GREATER PHILADELPHIA URBAN AFFAIRS COALITION

*Bringing together business and community leaders to solve urban problems.*

## Testimony before PA-PUC on Exelon-PSEG Merger Application Presented by Sharmain Matlock-Turner, President, GPUAC June 30, 2005

**DOCKETED**  
AUG 03 2005

Hello, my name is Sharmain Matlock-Turner and I am president of the Greater Philadelphia Urban Affairs Coalition, also known as "GPUAC." I have held this position since 1999, which includes the time PECO Energy merged with Exelon.

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I am here to say that PECO Energy is an outstanding corporate citizen. They have given generously to the Greater Philadelphia Urban Affairs Coalition (GPUAC) and to many other charities, and initiated projects in the community interest.

When PECO Energy merged with Exelon in 2002, there was concern at that time about the impact of the merger on charitable contributions. I met with PECO leadership when merger discussions were taking place and PECO made a commitment to me that they would continue their strong commitment to charitable giving in the Philadelphia region.

Recently, I met with PECO Energy leadership again, to ask this same question about their charitable commitment to the Philadelphia region. I was assured that if the merger is approved between Exelon and New Jersey's Public Service Enterprise Group that the strong commitment Exelon has made to the nonprofit community in the Philadelphia region will continue. I believe this to be true.

Speaking from my own experience, as president of GPUAC, I can say that PECO Energy's charitable commitment to our organization has remained constant ever since the 2002 merger. I fully expect this commitment to GPUAC and the work we do to help the disadvantaged in the Philadelphia region to continue.

All told, for 28 years PECO Energy has been a strong supporter of GPUAC. PECO has supported our general operations, as well as specific projects such as summer youth employment, grant making to small, community groups and, most recently, our education programs. Those we help through our education programs are low-income, predominately African American and Latino. They live in poor communities, in neighborhoods where violence is all too common.

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Recent funds were used by GPUAC to provide educational opportunities for school aged children and foster parental engagement. This was accomplished by administering a survey for “closing the racial gap in learning” and creating a safe environment for children exposed to violence to learn and play.

Last summer, PECO funding helped 146 Philadelphia children between the ages of 9 and 13 to spend a week at summer camp. Through the camp, Philadelphia children affected by violence - as victims, or as witnesses living in tough neighborhoods – will be able to escape the tensions of urban life and go to overnight camp. They will be able to experience the joy of summer camp, and find fellowship and fun in a safe environment.

At Fellowship Farm, in Montgomery County, they were also able to learn about conflict resolution. This camp is continuing this summer.

Also last summer, PECO funding enabled GPUAC to commission Franklin and Marshall College’s Center for Opinion Research to conduct a poll on parental involvement in Philadelphia schools. The results - shared with the School District of Philadelphia, the School Reform Commission, and the public – are helping bring much needed attention to issues such as smaller class size, improved teacher training, and giving principals more authority to manage their schools. This fall, we will host a parental engagement forum to focus in more detail on the survey results and meaningful ways public school parents can get involved in the education of their children.

PECO does more than give grants to groups like GPUAC. Their executives are volunteers on our Board of Directors, and with our Education Children and Youth Committee. They partner with our Campaign for Working Families to help us get out the word to low-income families about tax credits, including putting this information up in lights atop the PECO tower.

Corporate charitable giving is an important investment, a way for PECO Energy to strengthen the communities in which they live and work. Their contributions extend far beyond what we do at GPUAC, to community involvement with organizations such as:

The Philadelphia Zoo

The Franklin Institute

The Penn Relays

The Red Cross

One Book, One Philadelphia

And much more.

I believe the merger of Exelon and PSEG will not harm Exelon’s commitment to the Greater Philadelphia Community. Thank you for this opportunity to give comment.

**TESTIMONY FOR PUBLIC INPUT HEARINGS  
ON MERGER OF EXELON AND PSEG  
JUNE 30, 2005**

Offering Testimony: Edward F. Lynch, Jr., Executive Director

Organization: Utility Emergency Services Fund (UESF)

Address & Zip Code: 125 S. 9<sup>th</sup> Street, Suite 501, Phila., Pa. 19107

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My name is Edward Lynch and I am executive director of the Utility Emergency Services Fund (UESF) of Philadelphia. UESF is one of approximately 200 similar organizations, commonly referred to as fuel funds. Our mission is to serve as a last resort for utility assistance to low-income Philadelphia households that have had its gas, water or electric service shut off or face eminent utility termination. We accomplish this by providing grants of up to \$250 paid directly to PECO Energy, PGW or the Philadelphia Water Department to settle applicants' accounts. These grants are then matched by the utility. Each grant consists of 50% in funds raised by UESF and 50% in utility bill credits. For example: a \$500 grant consists of \$250 in UESF contribution funds, and \$250 in utility bill credits. The credits are provided by the utility whose bill is being settled.

Since 1983, we have helped 120,636 low-income Philadelphia households with \$53.2 million in grants. Each year, UESF is audited by a top accounting firm. The audits have all been excellent with no findings of material non-compliance and we have never had any of our costs questioned. There has never been a negative material finding in our 23 year history. We obviously are proud of our record of service to the Philadelphia community.

This past two years has demonstrated that the costs of utility service can go up drastically. The cost for natural gas has increased 100%. Electricity prices in the Philadelphia region are some of the highest in the country. The Philadelphia Water Department is currently in the process of asking for higher water rates. And as any fuel oil customers can tell you, home heating oil is at historic highs.

Typically, UESF does not testify at public hearings “for” or “against” utility companies’ proposals, but we feel that this time it is important to make our views know.

First, the Pennsylvania Public Utility Commission should not approve the acquisition of Public Service Enterprise Group by Exelon unless a “substantial public benefits” standard is used to assess the \$12 billion buyout rather than a “no harm” standard. This merger will impact rates, competition, employees and service. Most importantly for UESF, the low-income payment troubled customer could be negatively impacted.

Since the last merger agreement in 2000, we have seen a steady decline in customer service. Contractors now handle many of the customer service duties performed by long-time PECO employees. We have seen an increase in shut offs. Certainly, Act 201 has added to the shutoff total for this year, but shut offs have been creeping up prior to Act 201. We have also seen a shift in the decisions and decision makers--- more and more of the decisions are being centralized in Illinois. The Philadelphia connection has been fading.

One of the things I find most disturbing, Unicom, PECO’s prior merger partner, does not sponsor a fuel fund. This does not bode well for UESF or for Philadelphia, because decisions are being made in Illinois—where there appears to be a no fuel fund mindset.

PECO has not kept earlier merger promises. Specifically, PECO promised to develop a “special needs program” within its Customer Assistance Program. I serve on the committee that negotiated the outline for this program, the CAP Advisory

Committee. The program was to target 7,500 of PECO's poorest customers, households below 25% of the federal poverty guidelines. In addition, households must have an exceptional circumstance—such as the breadwinner suddenly dying. Because PECO was unable to meet the implementation timetable, January 1, 2003; it was required to make a \$400,000 donation to its fuel funds. Most people would consider the \$400,000 a penalty. The "special needs program" has been in operation for over a year. In a recent filing, PECO reported to the Pennsylvania Public Utility Commission in January 2004 that 9 people have been enrolled. How much money has PECO saved by not implementing a program for two years?

As part of the special needs program design negotiated with the CAP Advisory Committee, PECO agreed to help its fuel funds increase donations by giving its customers four opportunities each year to sign up for its MEAF Program. MEAF, stands for Matching Energy Assistance Fund. This is a program designed to solicit PECO customers to make contributions to its six fuel funds through a monthly pledge program. Bucks, Chester, Delaware, Montgomery, Philadelphia and York counties are members of MEAF. In addition, they agreed to discuss with the 6 member MEAF agencies, the possibility of creating a public service announcement to promote the MEAF Program. PECO has not lived up to either of these promises.

MEAF is a program that PECO has allowed to wither on the vine. In 1995 MEAF collected \$660,000, but contributions have been allowed to steadily decline to \$261,518 in 2004. During the decline, PECO decreased the number of customer bill solicitations per year from at least 4 to one or two per year. In addition, PECO did not and does not encourage its employees

to give. I would bet the average PECO employee doesn't even know such a program exists. Finally, PECO used to promote the MEAF program on television and radio, but that stopped 5 years ago.

Not only has the level of contributions decreased. But the UESF portion for Philadelphia County has declined with no explanation. UESF went from receiving 67% of the MEAF contributions in the early nineties to 34% in 2004. UESF's contributions dropped from \$439,995 in 1995 to \$88,550 in 2004. This is a \$351,445 annual loss or 79.9% decrease. But the loss is really twice as large, because PECO would have matched every contribution dollar for dollar. (See attached charts).

The loss of funds has affected our ability to remain open year round. UESF has been forced to close early in 2004 and 2005 for lack of funds. Had we received the higher level of MEAF contributions, comparable to the past; we would not have had to close before the end of our fiscal year.

#### Remedies:

If the MEAF program had simply collected the same dollars as collected in 1995, over the last ten years, with no growth in the program, an additional \$4.8 million would have been collected for the six fuel funds. UESF would have received an additional \$2.2 million. If the fund had grown at the national average of 7% annually, an additional \$5.02 million would have been collected, with \$3.36 million given to UESF. **Thus we request \$9.82 million to makeup for past shortfalls due to the past PECO neglect.** Keep in mind that if we do everything under the sun to promote the MEAF program, it will take at least five years to return it to its former high.

PECO once had a viable customer contributions program which was promoted and steadily growing until a computer foul-up lost thousands of long-time MEAF contributors. PECO has done nothing to contact past contributors and no marketing or promotions to the general public or to its own employees. Therefore, the following remedy is needed: Restoring the contributions check-off on each of 6 bills per year, with at least three during the winter months (MEAF contributions are cold weather driven). Also a system needs to be put in place for direct-payment customers to be able to have notice and access to the check-off. PECO also needs to pay for and develop, in conjunction with its MEAF fuel fund members, materials to market and promote the MEAF program to the general public and to its employees.

After making up for the lost MEAF revenues, PECO needs to make an ongoing corporate commitment of \$2 million annually to be divided among its six fuel funds each year PECO makes a profit . After all, PECO will eventually be receiving the benefit of these contributions while helping the low-income payment troubled customer in PECO's service territory.

PECO needs to agree to increasing the maximum size of the grants its fuel funds award to \$1,000. And be willing to provide the \$500 utility credit match.

PECO currently pays one-third of the UESF Board approved operating budget and needs to assure in writing that as a merged company it will continue to do so.

UESF feels that only with these measures in place to protect the people we serve, could we support the merger of Exelon and PSEG.

Thank you for this opportunity to speak.

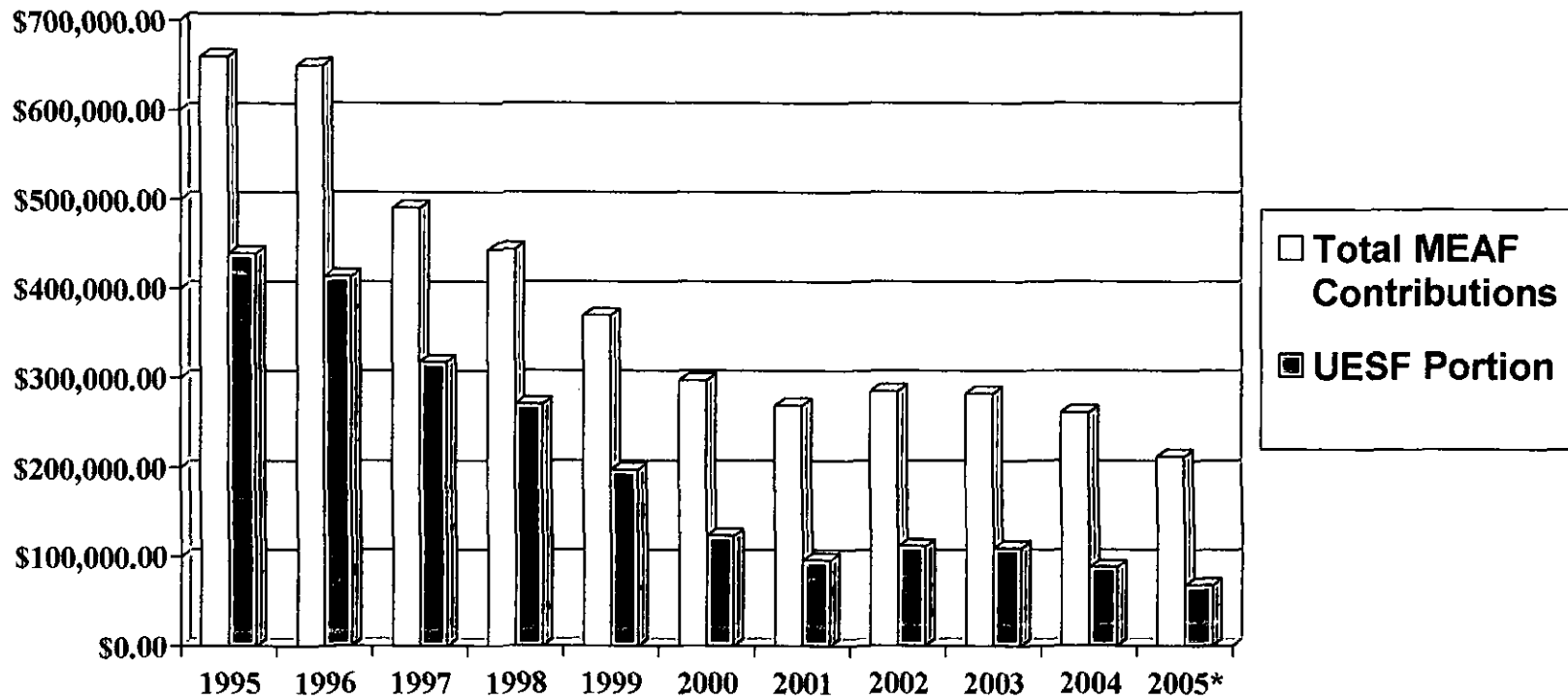
**PECO CUSTOMER CONTRIBUTIONS  
TO MEAF SINCE 1995**

<b>Year</b>	<b>UESF Portion</b>	<b>Total Collected</b>	<b>Percentage</b>
1995	\$439,995.78	\$659,993.67	66.76%
1996	\$413,668.65	\$650,502.98	63.59%
1997	\$318,152.31	\$491,120.19	64.78%
1998	\$270,633.72	\$443,601.60	61.01%
1999	\$197,456.12	\$370,424.00	53.31%
2000	\$124,048.62	\$297,016.50	41.76%
2001	\$96,646.12	\$269,614.01	35.85%
2002	\$112,013.05	\$284,974.93	39.31%
2003	\$109,958.40	\$282,926.28	38.86%
2004	\$88,550.49	\$261,518.37	33.86%
*2005	\$68,224.55	\$212,364.45	30.81%
<b>Total</b>	<b>\$2,239,347.81</b>	<b>\$4,224,056.98</b>	<b>53.01%</b>

\* 2005 statistics thru 10 months.

**MEAF AGENCIES: BUCKS, CHESTER, DELAWARE, MONTGOMERY,  
YORK AND PHILADELPHIA COUNTIES**

## PECO CUSTOMER CONTRIBUTIONS TO MEAF SINCE 1995



\* 2005 statistics thru 10 months

**COLLECTED IN BUCKS, CHESTER, DELAWARE,  
MONTGOMERY, PHILADELPHIA AND YORK COUNTIES**



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### **PECO Endorsement**

Hello, I'm Peter Lane. I am a resident of Villanova and a PECO customer. I am also speaking today as President & CEO of The Mann Center for the Performing Arts.

I want to thank PECO Energy Company for their long term support of The Mann. Their involvement with us reaches far beyond their service as a utility provider and includes representation on our Board of Directors and sponsorship of many Mann Center activities.

As a corporate sponsor, PECO has greatly increased their efforts in recent years. Prior to their merger with Exelon in the fall of 2000, PECO signed on to one year sponsorship of the PECO Pops series. After the merger, PECO then demonstrated a longer-term commitment with a three years sponsorship. This year they renewed that commitment for an additional three years – through 2008. In 2005, they also became a corporate leader in our campaign to revitalize our home in West Fairmount Park by funding a new entrance lobby – the PECO Plaza. This improvement to our facilities will bring long term enjoyment to all citizens of the Philadelphia region.

I also want to mention that The Mann has seen much improvement in the services offered by PECO as a utility provider. Two years ago, several service interruptions resulted in the cancellation of events while they were in progress. I recall one instance in particular, when just prior to the Philadelphia Orchestra performing Beethoven's 9<sup>th</sup>, lightning struck and the power went out. The show was canceled as a result and several thousand patrons, artists and staff had to evacuate the building. In response, PECO spent over \$100,000 to install auto-section reclosures and the end result is that the service interruptions have ceased. PECO has also worked closely with The Mann during our recent construction project by relocating utility poles and power lines in Fairmount Park in an efficient and timely manner.

It is my opinion that over the last few years, PECO has really made an impact at The Mann through their involvement with events, capital renovation, and corporate leadership. Their ever-expanding role in our activities exemplifies that they are a terrific corporate citizen. We are extremely proud of our relationship with them.

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PECO HEARINGS TESTIMONY

Congreso de Latinos Unidos is not here today to support or oppose PECO/Exelon's merger with PSE&G, instead, we are here to tell your Honor about our experience with PECO programs, the needs of our customer base, and some ideas for improving the programs. We hope to turn this proceeding into a positive opportunity for the people we serve.

Congreso de Latinos Unidos is here today to be the voice of those the Organization serves day to day and who cannot be here to speak for themselves. Congreso serves customers whose average annual income is about \$14,000 a year, and have received little or no education. Many are dependent of some sort of welfare benefit.

For over 5 years now, Congreso has successfully helped to provide energy services to the Eastern North Philadelphia community through LIHEAP, ECA and other low income programs supported by utility companies. Congreso is a Neighborhood Energy Center, and out of its 22,000 customers, it generally serves about 520 energy customers a year.

People in our community in Eastern North Philadelphia depend on Congreso's energy services. These services are much needed by our low income customers, particularly during critical time as are the winter months.

PECO's low income energy services are critical to the quality of life of members of a community striving to reach self-sustainability. In advance of this testimony, we met with our staff to discuss PECO's performance and the PECO programs. We are glad to say that Congreso's overall experience with PECO/Exelon low income services has been positive. Our staff is able to move through PECO's customer service and low income programs systems effectively. Having said that, Congreso's staff believes that there is room for improvement in a few areas and we would welcome the opportunity to discuss these with PECO and others.

First, we believe that the system can be streamlined to limit the time that Neighborhood Energy Center representatives spend on the phone while navigating the low-income systems.

Second, we would like to see more program flexibility when there are situations customers face that fall outside the scope of the existing services guidelines. For example, we had a single mother of three who had a complicated pregnancy last winter. Her husband abandoned her and the children in a place that was falling apart and with improper insulation. This woman was unable to work and could barely provide food and shelter for her children. Upon learning of the low income utility programs through Congreso, we tried to help her catch up with her bills. Despite our efforts, heating was difficult to restore because of the limited grant amount she could receive. \$600 dollars was not enough to get her up to date and to allow her to continue service. One of the issues that made it difficult to restore energy services to this client was the PECO system's inability to provide a payment arrangement plan after a first default from a previous payment arrangement. The system treats customers as delinquent and does not acknowledge the previous situation and good faith of customers. In this case, the system was requesting a full payment. Flexibility in rearranging payments could have made a difference on this family's life in meeting the bare necessities.

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Third, Congreso thinks that outreach and education services could be improved. We acknowledge the good work that has been done to advertise these programs. But, despite all of this work, many customers still do not know that these services exist until they walk into a place looking for help or hear it from someone else. Many don't speak or read English, many don't read well at all. It is difficult to reach many of these individuals, who often are not well informed, and who sometimes are misinformed by others. More outreach and education would enable low income electricity and gas customers to prepare for the winter season by signing on to programs sooner, hence avoiding a cut off or health risks situation.

I want to close by saying that Congreso came here today in good faith to represent the Eastern North Philadelphia community it serves, and to ask your Honor, the Public Utility Commission, PECO Energy, Exelon, government officials, and all influencing this process, to seriously explore how we might use this merger to meet the special needs of our mutual low income customers. The PECO programs have done a lot of good in the Community. As always, however, there is room for improvement. Moreover, there always is a need for more funding by the government and private utilities to address the needs of the community.

On behalf of Congreso, its board, staff and stakeholders we thank you for the opportunity you've given us to voice our concerns. We would be happy to meet with PECO and the other parties to respond to questions and develop recommendations.

# Coalition of Neighborhood Energy Centers

8400 Chippewa Road  
Philadelphia, PA 19128

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Public Input Hearings on Merger of Exelon and PSEG  
June 30, 2005

Testimony presented by  
John Rowe  
Coordinator of the Coalition of Neighborhood Energy Centers  
representing

- Congresso de Latinos Unidos,
- Diversified Community Services,
- Friends Neighborhood Guild,
- Germantown Settlement,
- Greater Philadelphia Asian Social Services Center
- New Kensington Community Development Corporation, and
- United Communities of Southeast Philadelphia.

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Good afternoon, I am John Rowe, Coordinator of the Coalition of Neighborhood Energy Centers representing the following Neighborhood Energy Centers

- Congresso de Latinos Unidos,
- Diversified Community Services,
- Friends Neighborhood Guild,
- Germantown Settlement,
- Greater Philadelphia Asian Social Services Center
- New Kensington Community Development Corporation, and
- United Communities of Southeast Philadelphia.

Thank you for providing me with the opportunity to present testimony.

The NECs are very concerned about the impact of this merger upon the delivery of energy services to low income customers. If the Coalition is not to object to such a merger, binding assurances must be made to ensure and expand the delivery of quality energy services to *all* low income residents.

As the Philadelphia Inquirer recently stated in its editorial addressing concerns with this merger, *“Customers need to see substantial benefits that will reduce their utility costs. Unless the current outlook changes, utility regulators at both the state and the federal level have a clear choice: Order that the merger do more—much more—for consumers, or reject it.”*

The spirit of past agreements and arrangements has not lived up to expectations and low income customers have suffered for it.

For example:

- The 2000 PECO settlement agreement set the anticipated enrollment for the PECO electric CAP at 125,000. 125,000 has never been reached and it is presently at about 100,000.
- The PUC Order of 2003 regarding Special Needs anticipated an “extenuating circumstances” CAP A enrollment of 7,500. As of January 1, 2005, there were 9 customers enrolled in CAP A.

Now is the time to produce guarantees for low income customers. Advocates for low income customers have been presenting, and many specific recommendations are being made that are sound and measurable. I want to focus upon the role of the NECs.

The role of the NECs must be more fully recognized and expanded

### **Quality and Experience**

The NECs offer quality energy services that are available only at experienced neighborhood based organizations. The NECs deliver a thorough analysis of energy

problems, and provides well crafted solutions, including conservation workshops, budget counseling, and energy counseling. The solutions are based upon empowering the family to understand what must be done to resolve their problems.

### **Leveraging Other Needed Services**

The NECs are able to leverage other services so that families can be stabilized. This is possible because the NEC is located within a full service, experienced organization, offering other services such as:

- *First Time Homebuyers Program*
- *Default/Delinquency Counseling*
- *Homeowners Emergency Mortgage Assistance Program*
- *Individual Development Account*
- *Anti-Predatory Lending*
- *Tenant Counseling*
- *Weatherization Assistance Program*
- *Water Conservation Program*
- *Utility Emergency Services Fund*
- *WRAP Program*
- *Food, Clothing, and Furniture Vouchers*
- *Men's Support Group*
- *Anger Management*
- *Workforce Development*

### **Cost**

Unfortunately for the NECs, 30% to 40% more clients receive energy services than are paid for. The organizations which run the NECs must subsidize the direct, administrative and overhead cost of the NECs. Each NEC runs at a severe deficit. The organizations do this because of their commitment to the community.

### **Merger--Centralization**

The proposed merger will tend to increase the centralization of services and decrease the community presence. This merger must expand the role of the community based NECs so that the community presence can be increased. This merger must guarantee that PECO will contract with community based NECs to assist with the delivery of energy services for low income customers.

For example, The Low Income Usage Reduction Program (LIURP) should be contracted to community based NECs so that other services may be leveraged, such as other conservation programs, budget counseling, financial literacy, and even homelessness prevention programs.

For example, a program providing overall case management, social service referral, and networking and training should be contracted to community based NECs to assist low income customers to be financially stable. This is a win, win, win situation--for the customer, for the community based NECs, and for PECO.

For example, education and outreach programs should be contracted to community based NECs so that low income customers can be made adequately aware of existing programs.

The mission of the Coalition of Neighborhood Energy Centers (CONEC) is to ensure and expand the delivery of quality energy services necessary for low income residents. A merger could very well produce a strong hold on the community. The Coalition firmly asserts that the merger must provide for the safety of all customers. A solid approach must include an expanded role of community based NECs. If not, the merger must be rejected.



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Energy Coordinating Agency 1924 Arch Street, Philadelphia, Pa. 19103 215/988-0929 [www.ecasavesenergy.org](http://www.ecasavesenergy.org)

## **Testimony in the Merger Case of Exelon Corporation and PSE&G**

My name is Maureen Mulligan and I'm a Board member of the Energy Coordinating Agency on whose behalf I am testifying today. The Energy Coordinating Agency (ECA) is a private, non-profit corporation dedicated to ensuring households has access to safe, affordable and reliable sources of energy and water. Every year since 1985, ECA has provided thousands of Pennsylvanian with conservation, home repair, energy education and bill payment assistance services and has taken a leadership role in policies to develop a sustainable energy future for the region. Low income services are directly delivered through our partnerships with the Neighborhood Energy Centers.

This merger request occurs at a time of rising energy prices, increasing utility service terminations and considerable uncertainty as to the future affordability of energy. Dr. Jeremy Leggett's "The Coming Global Energy Crisis" remarks that the last time we discovered more oil in a year than we used was a quarter of a century ago. Oil demand has been growing at 3.5% per year for the last two years while the rate of discovery of large, new oilfields went from 16 in 2000 to none in 2003. Supply and demand theory tells us energy prices are not going down. Fourteen years of working at the PUC also tells me when energy prices increase for one type of energy, costs for other energy sources also increase.

Public policy makers are forced to choose between stockholder and competitive pressures on utilities and the people who can't afford to pay their bills. In the Philadelphia area, utilities reported a 50 percent increase in terminations, from 8,420 households in 2004 to 12,690 so far this year. We can't solve all these problems in the merger, but ECA views the merger as an opportunity to address some of them through energy conservation, and energy efficiency and enhanced education.

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It is critically important that this merger truly represents public interest and in ECA's view, much will depend on how fairly customers are treated. That means customers must receive some real benefits. It also means PECO's fundamental responsibilities to their customers are realized, namely, an adequate quality of customer service, reliability, affordability and environmental benefits.

The ECA Board of Directors has not taken a position on whether the merger is in the public interest. Issues such as market power, jobs impact, long term rate impacts, and nuclear safety among other issues are best addressed by the parties with the greatest expertise in those areas. ECA is most focused on the issues we work with every day and will be impacted by a merger. They are: utility payment problems, energy conservation, energy efficiency and renewable energy. As energy prices continue to climb, ECA requests that PECO use some of the \$40 million they cite as the savings to Pennsylvania due to the merger on actions to assist lower income households and promote environmental investments. Whether PECO's \$40 million dollars is the right number is being contested by many of the parties to the case but the point is still the same. The benefits should go back to the customers in a way that best supports this region. When thinking about how merger benefits can be shared, we need to remember that PECO will be getting \$40 million dollars next year in distribution rate increases, in 2007 they will get a 6.6% overall increase, and in 2008 a 4.8% increase according the analysis of Pennsylvanians' Office of the Small Business Advocate. That brings the total rates collected through 2010 to \$1.5 billion dollars above current rates. There appears to be a high burden for PECO to prove they can't find more than \$40 million in benefits to Pennsylvania from a merger but I'm not here to argue the numbers.

As part of the evidentiary hearing discovery process, the City of Philadelphia asked PECO to identify "best practices" (Question #61) that would be carried forward if the merger is approved. Mr. Dennis O'Brien, President of PECO response was as follows:

There are no specific materials that list or describe the "best practices" in any area. Identification of the best practices requires

extensive detailed analysis and effort over an extended period to identify and implement those practices that will yield the best results. The merger will facilitate that process since the three operating utilities will be sharing ideas and analyses to an extent that would otherwise not have been possible.

This response makes it clear to ECA that specific direction and accompanying financial commitment has to be clearly quantified and negotiated with PECO. Mr. O'Brien's response is vague, making it difficult to determine if "best practices" will actually prevail.

ECA offers the following: PECO should invest locally in energy conservation and efficiency and education; they should make some programmatic changes to the universal service programs and the Low Income Usage Reduction Programs (LIURP); and they should provide greater support to environmental initiatives.

Certainly, ECA supports direct financial support to low income households but ECA's proposal is to dedicate financial resources to approaches such as conservation and efficiency, that will have a long-term, positive effect on PECO's low income customers. For example, "Cool Roofing" uses white reflective roofing systems to reduce the temperature inside homes on days like today and should be included as an acceptable measure in PECO's Low Income Usage Reduction Program (LIURP). The same is true with inclusion of solar hot water heating. In addition, another way to get water heating costs under control would be to reopen the off peak rate for water heating.

While our suggestions are narrow and modest, we think they will produce very significant economic and environmental benefits for PECO customers and for shareholders. Energy conservation programs increase reliability by shaving peak load and

reduce greenhouse gas emissions. PECO set a voluntary goal of 8% greenhouse gas reduction goal. ECA encourages PECO to set up a local stakeholder process to help meet that goal and ECA volunteers to be a member.

LIURP rules should be amended to ensure coordination with the Weatherization Assistance Program. Increasing the energy savings of its Low Income Usage Reduction Program (LIURP), will reduce PECO's arrearages, uncollectibles and collections costs. This will directly reduce the cost of serving Customer Assistance Program (CAP) customers. To the extent PECO can reduce CAP costs, it reduces upward pressure on rates and provides value to both customers and shareholders.

PECO should contract with the Neighborhood Energy Centers to provide CAP outreach, budget counseling and bill payment assistance services. This will improve the payment practices of many payment troubled customers and result in fewer utility service terminations, illegal hookups, and the related societal problems such as: homelessness, abandonment of housing, and fires.

PECO has not met its own enrollment goals for CAP. To address this, PECO should contract with community based organizations currently taking CRISIS, MEAF and WAP applications to support LIHEAP outreach and intake. This approach enables these organizations to also serve as intake specialists for the PECO CAP and LIURP programs. The direct financial support to low income customers through increased LIHEAP participation will help PECO meet their enrollment levels for their low income program.

PECO should financially support the Philadelphia Million Solar Roofs Partnership by providing an operating grant for public education and training. This will focus merger savings directly on job creation in the growing solar industry at the same time as jobs are being lost through the merger. This will bring PECO into early compliance with its required solar purchase under the Alternative Portfolio legislation. Also, PECO should recognize as "best practices" the New Jersey net metering and interconnection rules already in use at PSE&G.

While the level of investment ECA is seeking from Exelon is very modest, the benefit to PECO, Exelon and to all ratepayers, and to the general public is very significant.

Thank you for holding this public input hearing.



# CITY OF PHILADELPHIA CITY COUNCIL

JACK KELLY  
Room 594, City Hall  
Philadelphia, Pennsylvania 19107-3201  
(215) 686-3452 or 3453  
Fax (215) 686-1925

COUNCILMAN-AT-LARGE

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## COMMITTEES

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June 30, 2005

Good morning, your honor. My name is Jack Kelly and I am a City Councilman At- Large in Philadelphia. I am here today to ask you to recommend to the Public Utility Commissioners the merger of Exelon with PSEG.

I have served previously as a district Councilman in Philadelphia and on the staff of City Council for several years. In these and my current role I have come to know PECO Energy as an electric utility company and a corporate citizen.

PECO Energy's service reliability to its customers has been improving for years and, as I found out at a Philadelphia County day function back on May 12, 2005, in 2004 the company's reliability was the best in their history, in the top quartile of all electric utilities in the country. At the same event I found out that they have been recognized for their safety record nationally and by our State's Governor several times for being the safest utility in the Commonwealth.

The merging PSEG with PECO makes good business sense from my perspective as the borders of the two companies are separated only by the Delaware River; being so contiguous they can allow them to draw from each others strengths. It would also seem that in emergencies when utilities commonly draw on one another's staffing to respond to storms and natural disasters being so close and corporately connected would make these scenarios even more beneficial from a response standpoint. This would ultimately help the customers with quicker response.

Merging PSEG with Exelon would reduce their costs of operating the merged company by improving their buying power from suppliers and spreading the costs of operations across more customers in three metropolitan areas. (Chicago, Philadelphia and Newark). Merging three financially and operationally strong utilities can only serve their customers and our region better.

Since I was recently elected, I have had the opportunity to work with PECO Energy on matters involving my constituents and found the company to be very responsive. Additionally, it seems that PECO Energy is very supportive of our community, which improves the region's quality of life. Through their corporate philanthropy they support the Philadelphia School system, the Philadelphia Art Museum and the Franklin Institute. They led the effort to relight our Philadelphia landmark, Boathouse Row, they support the arts, and education, small community organizations as well as playing an active role in organizations such as the chambers of commerce and other business focused associations. PECO has played an active role in our community for many years and I for one don't see that changing only improving.

In closing I would ask again that you recommend the merger of these good companies thereby securing ongoing good utility service and corporate support for our region.



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**Mark S. Schweiker**  
President & CEO

6/30/05

Good morning. For the record, I am **Mark Schweiker**, President and CEO of the Greater Philadelphia Chamber of Commerce. Today's hearing gives me the opportunity to speak in support of the Exelon/PSE&G merger and to detail my organization's experiences with Exelon over the years.

The Greater Philadelphia Chamber of Commerce has a long history of serving the regional business community. Exelon has been a longtime member of the Chamber joining our ranks in 1945 when they were still the Philadelphia Electric Company.

Over the years and throughout the many changes that the company has experienced, they have remained an outstanding corporate citizen. They have constantly stepped up with support of programs that have helped to educate and inform businesses on a host of subjects from quality management to diversity issues to targeted programming for women and programs devoted to raise mentoring dollars for underprivileged children.

This year, the Chamber began a new program to help small businesses develop the skills necessary in order to do procurement business with large companies. When we asked for corporate participation, Exelon once again stepped up and participated in the course development which has made it possible for close to 100 companies to receive training and networking opportunities.

In today's economy, the unit of competition is the region. In order for regions to compete, arbitrary barriers must be eliminated and divergent interests brought together so that prosperity and a higher standard of living can be enjoyed by all. PECO Energy understands the nature of economic development, and for many years, was the leading force in southeastern Pennsylvania in attempting to recruit new companies and jobs. In the past few years, a recognition has now developed that our region is not merely composed of the five counties in southeastern Pennsylvania but the 11 counties that include southern New Jersey and northern Delaware. With this in mind, a business marketing organization was formed by the Chamber known as SELECT GREATER PHILADELPHIA. SELECT has been charged with marketing the region throughout the country and I dare say, throughout the world, in order to attract new jobs and industry to this 11 county region. PECO has been a stalwart as far as providing crucial support during the formative days of SELECT.

History therefore demonstrates to our residents and certainly to me that PECO has lived up to its commitments and met its promises following the merger of PECO and Unicom to form what we now know as Exelon.

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Page 2

Mark S. Schweiker

It is also my belief that this forward thinking company will continue to serve the Greater Philadelphia community well but also not hesitate to change in institutional ways which will help us address the changing landscape and associated challenges which our region now faces.

Let me also add this thought. In the modern marketplace, energy is a key component of the infrastructure which a company must consider in locating facilities. It is important that our region have a strong, unified market leader who can deliver reliable, uninterrupted energy to a growing region. We believe that this merger allows for such a situation.

In closing, on behalf of the Greater Philadelphia Chamber of Commerce, I am happy to lend my support for the merger of Exelon and PSE&G.

PECO MERGER HEARING'S  
JUNE 30, 2005

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Hello, My name is Barbara A. Moragne, I am a resident of Philadelphia and a PECO customer. I am also speaking today on behalf of PECO's Annuitants (retiree's).

I am here today to express my position on PECO because they have they have always been there for me, first as a customer, then as an employee and now as an annuitant (retired employee) and always a customer.

PECO has always stirred to give it's employee's good benefits and in today's world that is a blessing. The Company is committed to keeping it's promise to us by keeping our benefit's in tact. Health plans that meet our needs. Last year I went into the hospital for surgery and during that surgery there was a complication that could have changed my life forever, and I wound up staying in the hospital for three weeks and while I was going through all of that, the one thing that I did not have to worry about was the Bill. I needed a lot of test and care and I couldn't do anything. It was such a blessing to know that I would be get everything that was needed because of the benefits that PECO has provided me with and all it's retirees. It is keeping it's commitment to us and to it's customers everyday. PECO is a strong and quality company and this merger will make it even better to serve its customers with that same quality that it always has. Thank you for your time and for giving me this opportunity to speak.

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**InSyst, Inc.**  
5501 Harriet Ave. S.  
Minneapolis, MN 55419  
(612) 823-5443

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My name is Robert Fantauzzo. I am the president of InSyst, Inc. My involvement with PECO Energy's Low Income Usage Reduction Program (LIURP) began in 1989 when I developed the management information system used to monitor the LIURP program. Subsequently, I began analyzing energy usage and billing data to evaluate PECO's LIURP program.

During the period from 1999 through 2003, PECO Energy provided weatherization services to 42,627 customers who met the LIURP qualifications. My comments today are based upon analysis I performed on usage and billing data for 25,619 (60%) of these customers.

The LIURP Codebook for the Low Income Usage Reduction Program summarizes the program objectives as follows:

"It is expected that the programs required by LIURP regulations will enable low-income customers to reduce their energy usage, thereby reducing their utility bills, and also markedly improve their payment behavior."

-The Pennsylvania Public Utility Commission, Bureau of Consumer Services; and The Pennsylvania State University, Consumer Services Information System Project.

Based upon these criteria, I feel that PECO's LIURP program is satisfying the program objectives. During the 1999-2003 timeframe, the average energy savings was 10.3% for residential electric (base load) customers, 8.5% for electric heating customers and 10.8% for gas heating customers. It should be noted that the implementation of weatherization measures does not guarantee a reduction in energy usage; in fact, some measures may actually increase usage; an example of this is the elimination of space heaters that can, therefore, increase load on the primary heating system. Thus, it is significant to note that over 70% of all households treated during this timeframe did, in fact, reduce energy consumption after weatherization services were completed.

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Average energy savings for these customers are, obviously, even more significant: 70% of base load customer's had a savings of 19.2 %, 70% of electric heating customers had a savings of 16.1%, and 76% of gas heating customers had a savings of 16.4%.

The reduction in energy usage was reflected in a bill reduction following weatherization services. On average, the annual bill reduction was \$158 for base load customers, \$193 for electric heating customers, and \$256 for gas heating customers. For the 2003 program year, the average annual bill reductions were \$206 for base load, \$232 for electric heating, and \$268 for gas heating customers. These estimated bill savings were calculated based on group average energy savings and rates. Additionally, these bill savings do not reflect discounted rates afforded to CAP Rate customers who were provided LIURP services and are included in this overview.

Prior to LIURP services, customers were unable to pay their current bills in full. This resulted in an increase in customer arrears during the year prior to receiving LIURP services. Following treatments, customers were able to pay over 100% of their current bills, thus reducing their arrears to the company. For the 2003 LIURP program year, bill coverage increased from 90.8% to 102.5% for base load customers, from 91.6% to 107.6% for electric heating customers, and from 93.5% to 101.3% for gas heating customers. These changes are consistent with prior LIURP program years.

LIURP has become increasingly more efficient and effective over the years with only 6% of the LIURP budget used to administrate the program during the 2003 program year; 94% of all LIURP dollars go directly to providing weatherization services to PECO low-income customers. PECO's administrative vendor, CMC Energy Services (CMC), has an excellent working relationship with both PECO and the subcontractors who perform the weatherization work. This relationship has enabled program changes to be implemented in a timely fashion and has produced increased efficiencies over time.

The program's effectiveness can be measured by the "cost per unit saved" (i.e., how much does it cost to get one kilowatt hour savings for electric customers; or a savings of one ccf for gas customers? One can think of this as being analogous to "miles-per-gallon").

For example, during the 2003 program year, the average annual energy savings for base load customers was 1,361 kWh and the average cost of providing weatherization services was \$214 per customer. The cost per unit saved is then simply calculated as \$0.16; that is, for every \$0.16 spent providing weatherization services there was a one kilowatt hour reduction in usage. Of course, as with miles-per-gallon, results varied on a household by household basis.

Through coordinated efforts with both PECO and the subcontractors, CMC has been able to reduce the cost per unit saved over time. During the 1999 – 2003 time period the cost per unit saved decreased from \$0.24 to \$0.16 for base load jobs, from \$0.95 to \$0.72 for electric heating jobs, and from \$12.73 to \$10.09 for gas heating jobs.

Another measure of program efficiency is the length of time from when a customer is qualified for LIURP services to when weatherization services are completed. Over the past several years, PECO and CMC have been able to reduce this considerably. The length of time from intake to completion was 62 days for the 2002 program year base load jobs as compared to over 100 days for base load jobs in 1999. This is significant, as it enables customers to realize potential energy savings and lower bills quicker.

In addition to providing weatherization services (either directly or through subcontractors) to eligible households, CMC works with customers on an individual basis to identify additional sources of service. During the 2002 program year, referred 7,437 LIURP participants to outside agencies for assistance (many of these customers being referred to multiple agencies). In total 26,389 referrals were made during the 2002 program year: 11,528 for fuel assistance (e.g., LIHEAP, CRISIS, MEAF); 5,708 for utility payment assistance programs (e.g., CAP Rate, WRAP, PGW); 6,220 for home repair and weatherization services not covered by LIURP (e.g. WAP, PHR); and, 3,933 for all other types of assistance (e.g., United Way, Salvation Army, L&I).

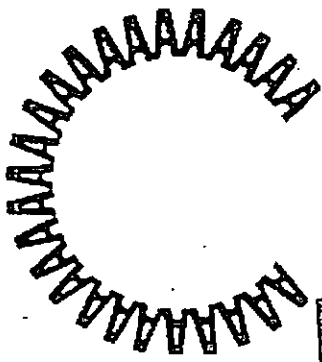
Using the management information system as a tool, CMC is able to evaluate monthly customer usage during the year following completion of LIURP services. While customers do receive a monthly letter informing them as to whether or not their post-treatment usage is decreasing, CMC provides personalized follow-up to those customers whose usage remains high.

This serves several purposes: first, to provide additional education to customers regarding specific measures that were installed; second, to identify any problems which may be impacting the installed treatment; third, to identify any changes in the customer's status that might need to be addressed by referral to one of the agencies cited above; and four, to enhance the customer's ability to associate usage behavior with usage consumption.

Evidence that PECO's LIURP program is delivering a service of high quality is found in the persistence of savings over time. I analyzed usage data for households treated during the 2000 LIURP program year to evaluate second year savings; this was done in 2003, the last time a second year evaluation was performed. Results of that analysis revealed that usage during the second year following weatherization remained significantly lower than during the pre-treatment period. For heating households, usage remained lower during the second year following weatherization than for the year prior to weatherization. Electric heating customers had reduced usage by 1,200 kWh (5.6%) during the year following weatherization and saved an additional 961 kWh (4.8%) during the second year. Similarly, gas heating savings decreased 166 ccf (13.0%) during the first year following weatherization and an additional 112 ccf (10.1%) during the second year. Base load households, as a whole, did not fare as well with a 9.0% reduction in the first year and a 4.0% increase in the second year. But this was due to the preponderance of households (70%) with monthly average usage of less than 800 kWh. For the base load customers with monthly usage over 800 kWh, energy savings were 9.8% during the first year and their annual usage increased only 1.8% during the second year.

I do believe that PECO's LIURP program is serving its low-income customers in an efficient and effective manner. I also know that both PECO and CMC are constantly seeking ways to improve both the level and quality of LIURP services. This is evidenced not only by the post-evaluation reviews but by the on-going, open dialogue.

I thank you for providing me the opportunity to share my findings.



Action Alliance of Senior Citizens  
of Greater Philadelphia

1201 Chestnut Street, 5<sup>th</sup> Floor  
Philadelphia, PA 19107-4123  
(215) 557-0751 (215) 557-0754 Fax

**DOCKETED**  
AUG 03 2005

BEFORE THE PENNSYLVANIA PUBLIC UTILITY  
COMMISSION

STATEMENT OF VIVIEN HANSBURY

VICE PRESIDENT, ACTION ALLIANCE OF SENIOR  
CITIZENS OF GREATER PHILADELPHIA

JUNE 30, 2005

"NO" TO THE EXELON/PSE&G MERGER:

THERE WILL BE NO BENEFIT FOR ELDERLY AND

LOWER INCOME CUSTOMERS

SECRETARY'S BUREAU

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Vivien Hansbury  
Vice President  
Action Alliance  
1201 Chestnut Street  
5th Floor  
Philadelphia, PA 19107  
Tel. (215) 557-0751

My name is Vivien Hansbury. I have been the Vice President of Action Alliance for Senior Citizens of Greater Philadelphia for three years. Action Alliance is an advocacy organization for seniors and elderly in our area, working to better the lives and protect the rights of seniors since 1973. We constitute 229 affiliated elder clubs, representing 103,000 retired and seniors, including 12,000 dues paying members. We have an all volunteer Board of Directors.

You may be hearing from some groups today in support of PECO, but please remember that this is a big company with a lot of money that is given out to many groups. Action Alliance does not receive any PECO money. You will hear the truth from us today.

I am here today to speak on behalf of the low income senior citizens in the Philadelphia region. Most are struggling with health problems. Many are still supporting and raising children, grandchildren, and great grandchildren. Many live in senior housing where electricity is the energy source for all things, including heat and hot water. Keeping up with electric bills, at the high prices that PECO charges, has become almost impossible for the large majority.

Before 2000, the time of the last merger, when senior citizens found themselves in these desperate situations, they could find help at their Neighborhood Energy Centers. Here, seniors were able to learn which of PECO's assistance programs they qualified for, have bills and forms explained to them, and find out about the other social services available. The merger and centralization moves have ended PECO's use of Neighborhood Energy Centers, and the "call centers" that PECO has now, can not and do not provide the level of service that the N.E.C.s did.

Today, when our members have a problem paying and they call PECO about it, they are **not** told about the different forms of

assistance available. If they are not already in the Customer Assistance Program (or CAP), they are not asked if they have lower incomes which might qualify them for a discount rate. If they are in the CAP program, they are not asked if they have medical problems, or young children in the house, or other circumstances that might get them lower rates.

And the CAP program does not even assure that the discounted bills are affordable. This is because PECO is the only utility company in the state that does not discount the whole bill in its CAP program. When you use more than 500 kilowatts in the CAP program, like many elderly do, you pay the regular rates, which makes the bill unaffordable.

As a result, people are unable to pay and are losing service. This can have serious consequences for senior citizens. They can not breathe in hot weather without air conditioning. A simple thing like walking up the stairs can be an obstacle with the lights on. Without lights, climbing stairs can be life-threatening. Without a working refrigerator, the loss of medications and foods that need refrigeration also create life-threatening situations.

The whole billing and payment process is confusing, and PECO's customer assistance is woefully lacking. PECO sends letters that don't make sense to our members. They are unable to reach a live person when they call for help. Despite the customer's efforts, the paperwork and the late fees pile up until the situation seems completely hopeless.

Exelon/PECO has proved to us that the bigger it gets through mergers, the less seriously they consider the needs of lower income senior citizens. We have no reason to believe that they will honor their commitments to lower income customers in the future. If they are not required to provide affordable service to as many

people as they can, the health and safety of the Philadelphia region's senior citizens will be undermined, and lives will be lost.

Action Alliance firmly believes that Exelon/PECO has failed in its commitments to lower income customers, and there's no sign that they will greatly improve their programs and services. As a result, we urge the Public Utility Commission to say "NO" to the merger application before you.

Thank you for this opportunity to speak to you today.



## Pennsylvania ACORN

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SECRETARY'S BUSINESS

## Testimonial of Donald Stokes, ACORN Member

On the proposed merger of Exelon Corp and Public Service Enterprise Group, Inc.

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AUG 03 2005

My name is Donald Stokes, and I am an ACORN member. ACORN is an organization of 6,000 low- and moderate-income people in Philadelphia. We have been fighting with utilities in this city for years to get a fair deal for low-income people. We have not got a fair deal from PECO so far.

I would like to believe that this merger would help a lot of people, but I don't think it will. I think the bigger Exelon gets, the more they will see poor people as a way to lose money. I believe the bigger the electric company gets, the less it will want to help low-income people.

I am currently on disability, and I am not now a client of PECO. I was when I was working. I lived in Germantown and I had a job as a maintenance worker. I got my first apartment, and I had to pay child support, a gas bill, an electric bill and rent. For me, I got to the point where I worked one job to pay my rent and another job to pay my other bills. I don't think a lot of these big companies understand how hard it is.

PECO shut off my lights twice. The first time, I was working. I didn't pay my bill for three months and they disconnected me. I tried to pay them part of it. I sent them \$60, and then I called and they said it wasn't enough. They said I had to pay

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my whole bill. When I told them my situation, they didn't care, all they wanted was my money.

They wouldn't reconnect my lights until I paid everything that I owed. They charged me about \$100 to do it, too, plus the bills I hadn't paid. I had to pay about \$340 all together. So, then I got a second job doing contract maintenance work at night. I got that job just to pay off my electricity bill.

I was having problems with my disability by then, though. The second time they shut off my lights, I was on unemployment. I was getting calls at my house about my bill. I talked to one bill collector and told her I was on disability and couldn't pay the whole bill, and she just sort of laughed at me. She said I better pay it or they were going to shut off my lights. I told them that I was on unemployment, but they didn't say anything about the CAP program or any grants to help me.

Then, I found this community center and they told me about CAP and about the grants that I could get. If you call PECO, they aren't going to tell you anything but that you need to pay them what you owe them. They aren't going to tell you that you only have to pay 35% of your bill when you are on unemployment. But, when you call them and tell them you know the information about CAP, then you can get on it and get a discount on your bill.

When I think about this merger, I have to ask myself whether or not they are going to want to tell people about the CAP program and put people on it after the company has gotten bigger. I don't think they will. They didn't tell me about CAP when I

called them and told them my situation. I don't think they will be any better when a lot of the owners aren't even from Philadelphia.

As an ACORN member, I know how hard we work to win policies that help the people. I oppose this merger, because I don't think it's going to be for folks like me. PECO needs to make a few changes in the way it does business now before I will believe they are ready for a merger like this one.

Here is what PECO should do if it is interested in the public welfare:

- Recruit community groups, like ACORN, to promote programs like CAP and help people get on.
- Talk to people about the programs they have to help low-income people when they call in having trouble paying their bill.
- CAP should cover your whole bill. You shouldn't just get a discount on the first 500 Kilowatt Hours, when most people use a lot more than that. If PECO wants to help people and they want to give a discount, then give a discount on the whole bill.

I know that PECO is not helping low-income people get into the CAP program because they didn't help me. They got a collection agency to call my house and laugh at me when I had trouble paying. If PECO joins another company and gets even bigger, they will only treat low income people worse.

Before the  
Pennsylvania Public Utility Commission

JOINT APPLICATION OF PECO ENERGY COMPANY AND  
PUBLIC SERVICE ELECTRIC AND GAS COMPANY  
FOR APPROVAL OF THE MERGER OF  
PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED  
WITH AND INTO EXELON CORPORATION

Docket No. A-110550 F0160

**DOCKETED**  
AUG 03 2005

Public Input Testimony of Randolph Haines  
June 30, 2005

SECRETARY'S BUREAU

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Name: Randolph Haines  
Work address: 214 S. 11<sup>th</sup> Street  
Philadelphia, PA 19107  
Employer: Thomas Jefferson University  
Title: Energy Manager

I have been employed at Thomas Jefferson University since 1994 and have been in my present position since 1997. I have an engineering degree from the University of Pittsburgh and have spent more than 27 years in the maintenance and operations fields. I am a Certified Energy Manager and in 2004, I was awarded "The International Energy Manager of the Year" by the Association of Energy Engineers in Atlanta, GA.

Thomas Jefferson University and Thomas Jefferson University Hospital (Jefferson) are located in Center City Philadelphia. We are a teaching hospital with approximately 4 million square feet of property comprised of clinical hospital space, research, teaching, medical office buildings and apartments for students, with more than 10,000 employees. Jefferson purchases \$6.7 Million and 112 million kilowatt hours of electricity per year for the Center City location. In 2001, we used 121 million kWh and started an aggressive energy saving program.

Using a mixture of technology and financing arrangements, including low interest loans from the Sustainable Development Fund, we are now saving more than 9 million kilowatt hours per year. We replaced 73,000 energy efficient light bulbs, 1360 exit signs, 580 lighting controls and 10 air handling motor controls to achieve this. The reduction of 9 million kilowatt hours per year is equivalent to removing 1,800 cars off the road-year after year! This is especially important in the Philadelphia area because we are in an "Ozone non-attainment Region" of the country (that is we have high ozone pollution in our region).

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Also, not only has Jefferson reduced the amount of electricity used (thereby reducing pollution created by the manufacture of electricity) but we have saved money, helping increase the growth of technological jobs and to further our clinical and research mission.

The Sustainable Development Fund has been a good partner for Jefferson. We learned of SDF with a call from their development office. They worked with us to develop a financial approach that worked for Jefferson budget, using the energy services company model to finance a lease deal. Jefferson has done two deals with SDF and we find them to be creative and effective.

There are two main recommendations I would like to make today. First, the Commission should consider the importance of improving energy efficiency, supporting renewable energy and growing clean energy businesses as part of the merger issues. These developments are important to all people in Philadelphia because it cleans up the air and saves money thereby preserving jobs. Clean energy (energy efficiency and renewables) should be part of the public benefit that is supported by this merger.

Second, the Commission should consider how this merger can provide additional funding to the Sustainable Development Fund to help companies finance new energy technology through grants and low interest loans. SDF is an effective vehicle for supporting these issues. I have worked with the SDF and they run a very tight ship and evaluate each and every project with much scrutiny.

Bottom line...

The PA PUC should invest a portion of the savings of this merger in SDF and its work.

**PECO Energy Company and  
Public Service Electric and Gas Company**

**PUC Docket No. A-110550F0160**

**PUBLIC INPUT TESTIMONY of DIANE B. GRIMES  
of DCS/DIXON HOUSE**

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My name is Diane Grimes. I am the Center Director at Diversified Community Services' Dixon House site in South Philadelphia. Our agency's mission is to enable children, youth and families to realize their fullest potential and achieve self-sufficiency in safe neighborhoods. I have been with the agency for over 20 years and I have learned the importance of educating our clients about resources and how to use them, as well as the responsibilities they have to becoming self-sufficient.

Our agency has a long history of working with PECO. We were part of the original CAP Program as well as the High Users Program. Both of these programs, as provided through PECO, proved to be a benefit for our clients. There are reasons why: Under the Energy Coordinating Agency, there are Neighborhood Energy Centers (NECs) that serve as One-Stop shops as regards utility and housing needs. These NECs have services that link clients with Federal and private resources. The face-to-face contacts of counseling provided linkage to a menu of energy assistance and grant programs that were further connected to short- and long-term solutions. Through education, conservation, weatherization and home repairs, many low-income households became stabilized. This came about because we were able to coordinate a variety of resources. Unfortunately, now, since the last merger, PECO has severed its contracting with the NECs and PECO customers have lost out on accessing this unique community resource.

I have only recently learned through a colleague that PECO has a new 'Special Needs' program that is available to PECO CAP Rate customers under 50% of the federal poverty level. It would have been helpful if PECO had informed agencies like ours about the program and had engaged our services to assist these clients. Each year, we see over 3,000 low-income people with energy problems. Some have had decreases in incomes because of job loss and sickness. Being made aware of this program as well as how these programs work would have enabled us to educate those who may qualify and thus provide another area for low-income individuals to take better control of their energy usage and reduce costs through knowledge and understanding.

This education about resources was instrumental in helping with PECO's CAP and High Users Program. Years ago, agencies like ours were partners in helping a client to reduce their energy cost. These programs were successful because of our caring and sharing, and our face-to-face contact with the client, as well as performing follow-up and case management. During these counseling sessions, we would identify areas of high usage, explain to the client its costs and, together, we would determine areas on which the client could cut back and reduce energy usage and cost. In addition, we would make sure that

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the client received the various fuel assistance grants as well as the conservation programs available. A complete budget and usage analysis was done on the client, and behavior modifications were suggested to show the client how they could keep electric costs down. Any individuals who were high users were referred to PECO's LIHURP Program.

Today, especially after the last merger, things are different. Although many of our clients are enrolled in PECO's low-income assistance programs, they are not provided affordable bills that they can actually pay. Further, they have not been educated about these programs, nor have many of the people working with these clients been made aware of the various programs such as Weatherization and Conservation. These programs would certainly help in the reduction of energy usage and costs.

PECO truly needs to look at developing a program with the NECs similar to the CAP and High-Users Program that were available years ago. When there were face-to-face meetings, it proved quite beneficial because the client was helped to establish a budget, educated about the importance of paying their bills on time, connected to conservation resources and shown how behavioral modification could lead to reduced usage and cost savings. This personal relationship with the client helped in empowering them with regard to becoming more responsible for their own household expenses. Unlike then, today many people become frustrated with depersonalized modes of communication like centralized call centers and other 'streamlining' efforts. Some have no access to such things as computers, or even the simple 'push button' telephone units.

Additionally, PECO really needs to think about creating a CAP Program that is more 'user-friendly'. Furthermore, the face-to-face contact is more conducive to the client:

- (1) gaining a clearer understanding of the agreements they are entering into;
- (2) recognizing that they, as the utility customer, have a responsibility to pay their bills on time;
- (3) being encouraged to implement behavior modification and making changes in their thinking as a way to reduce usage and cut their own utility costs; and
- (4) learning how to access other significant and timely resources.

All such efforts can help to bring about the stability of many households, and such efforts will most certainly be of benefit to PECO as well as utility customers.

With the prospect of another merger and more centralization in the offing, we feel that there will be further losses in customer services and face-to-face contact.

Thank you for allowing me to speak today.

Diane B. Grimes, Center Director  
Diversified Community Services/Dixon House  
1920 S. 20<sup>th</sup> Street, Philadelphia, PA 19145  
Phone: (215) 336-3511 / Fax: (215) 551-4327  
Email: [dgrimes\\_dixonhouse@dcsphila.org](mailto:dgrimes_dixonhouse@dcsphila.org)

TESTIMONY OF BEVERLY WILLIAMS

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

**DOCKETED** ON THE EXELON/PSE&G MERGER APPLICATION  
AUG 03 2005

JUNE 30, 2005

My name is Beverly Williams. I am a paralegal in the Energy Unit at Community Legal Services. I interview many low income utility customers every week. From my experience with these clients, PECO has not made its Customer Assistance Programs accessible to or affordable for low income customers.

The story of Lucinda Holland, who is here today, exemplifies PECO's failure to provide for its CAP customers. Ms. Holland is a 43 year old woman with several life-threatening medical problems including lupus, osteoporosis, rheumatoid arthritis, and neuropathy. She survives on an income of just \$579 a month. Although she is in the CAP program, her monthly PECO payments are unaffordable, in that they exceed the P.U.C. CAP rate guidelines. In April of this year, PECO shut off her service. Shortly before the termination, Ms. Holland informed PECO that she is very ill and needed electricity to refrigerate the 12 medications she must take everyday. She explained that her disabilities make it very easy for her to fall while walking through the house and that she would be even more susceptible to injury without light. PECO refused to reconnect her service or work out a new payment arrangement with Ms. Holland.

Now, Ms. Holland is forced to use candles for light, adding the risk of fire death or injury to her already fragile life. The food in her refrigerator and freezer spoiled. She lost nearly \$200 worth of food. Because her arthritis is so severe, she cannot cook food on the stove. She relied on the pre-cooked meals she had delivered by Wheels from Aids for Friends. She can no longer use the food provided by Aids for Friends because it must be kept frozen. As a result, in less than three months, Ms. Holland has lost 10 pounds due to her lack of regular meals. Because she suffers from lupus, living without air conditioning is particularly dangerous to her health. Ms. Holland was going to enter a hospital for food and safety if our office could not help her. She is depressed and does not know how she will ever come up with the amount of money PECO demands of her.

PECO does not take into account the specific and unique needs of low income customers. The purpose of the CAP program is to assist low income customers to afford and maintain service. Yet, PECO, unlike any other utility company in the state, has a CAP program that doesn't apply the discount to the entire bill, only the first 500 kilowatts of usage, well below the usage of the clients I see. As a result, I see people come in to CLS every week who, despite their very best and sincere efforts, and their being in the CAP program, cannot afford PECO bills.

PECO's CAP program is so problematic and unfair that it can easily force an already struggling CAP customer into an even more desperate situation. Barbara Clowden is the head of a four

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person household who had a monthly income of \$1232 before she stopped receiving her child support check. Now, the household income is just \$960 per month, just over 50% of the poverty level. She cannot pay her unaffordable monthly PECO bill of \$109, over 10% of her income. PECO also insisted that she make a bankruptcy deposit to avoid a shut-off, even though other utilities like PGW in their CAP programs, waive this deposit to allow continued service. Now, with even less money in her pocket, it seems impossible that she will be able to continue to pay what PECO bills her and avoid a termination for herself and her four children.

CAP customers often find themselves unable to pay their bills because PECO has not designed its CAP program according to the Public Utility Commission's guidelines. The P.U.C. has stated that CAP payments that amount to more than 7% of a CAP customer's income are not affordable for the customer. I recently interviewed a PECO customer, Donna Regaolo, who is raising five children alone and whose sole source of income for the family is \$606 a month from SSI disability benefits which is 29% of the poverty level for her household. She contacted PECO about her situation and requested different payment arrangements. PECO did not offer her any information about CAP or especially, the Special Needs program, which was designed precisely for her family, offering a 75% discount on the first 500 kilowatts used. Ms. Regaolo's PECO bills account for 19% of her limited monthly income, four times the maximum that the PUC has established for CAP customers like her.

The Special Needs program was developed following PECO's last merger in 2000, specifically for customers like Ms. Regaolo. The program was to be implemented to provide more affordable service to customers with incomes below 50% of the federal poverty level, the most vulnerable of PECO's customers. Yet, we see almost no one coming to our offices who has been enrolled or even told about the program by PECO.

Following the last merger, it was decided that PECO's Special Needs program would have a maximum enrollment of 40,000 customers. Considering the large number of people who we see could qualify, this number seems very small. The Special Needs program should have easily reached its maximum capacity instead of being at about one quarter of its intended enrollment.

If PECO both itself began enrolling customers it knows or should know are eligible for the Special Needs program, and provided information to customers about the Special Needs program, the program probably would reach its maximum capacity. But PECO continues to make it as difficult as possible for low income customers to receive information about assistance programs. I regularly call the PECO call centers on behalf of clients and have never once been offered any information about Special Needs or other CAP programs that I haven't specifically asked about. It is no surprise to me that there are so few people enrolled in PECO's Special Needs program. No one knows about it and PECO makes very little effort to inform anyone about it. As a result, people who could benefit from PECO's assistance programs never even attempt to enroll. Instead, they fall behind and their service is shut off.

Of course, a CAP application will delay a shut-off. But, PECO provides just **one fax number to one CAP office on the other side of the state** for customers to send their applications. It is almost impossible to fax a CAP application and have it arrive at the CAP office in a timely

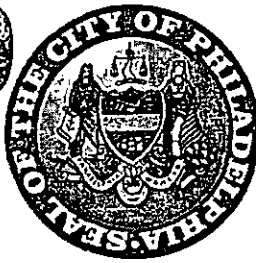
fashion. I recently had a client who mailed a CAP recertification application on May 30, 2005, which PECO claimed later they did not receive. That recertification was not received by the CAP office until just yesterday, June 29, one month later, when CLS faxed a second certification in. I was told by PECO that it takes "a couple of months" for a mailed CAP application to arrive and get processed in Pittsburgh. Not only is PECO not informing people about the CAP program, but its own centralization and efficiency schemes, following the last merger, are keeping those who do know about CAP from receiving the full benefit of the program.

The purpose of CAP and the Special Needs program, created during the last merger, was to provide affordable service to low income customers. PECO has not made this goal a reality. If PECO claims that this merger will bring further benefit to low income customers, we have no reason to believe them.

If this merger goes forward, Exelon will have a whole new group of low income customers to keep in the dark about the different forms of assistance available to them. Further centralization and integration of call centers and customer service offices will result in fewer CAP applications received in time to avoid shut-offs, and thus more low income customers risking their lives without electricity. This can only bring harm and should not be permitted.

Thank you for this opportunity to speak here today.

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**MAYOR'S OFFICE**



**CONSUMER AFFAIRS**

Room 116 - City Hall  
Philadelphia, PA 19107  
Phone: 215 686 7598

John F. Street, Mayor  
Lance S. Haver, Director  
Cell: 215 906 6230

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TESTIMONY OF LANCE HAVER, DIRECTOR OF CONSUMER AFFAIRS

My name is Lance Haver. I am the Director of the office of Consumer Affairs for the City of Philadelphia. I am not testifying on behalf of the City. Kent R. Miller has submitted the City's testimony.

The question before the Commission is: Will this merger benefit the Public? Will the ratepayers benefit from allowing Exelon to become the largest utility in the nation?

Thousands and thousands of pages of testimony will be written and reviewed. Hundreds of thousands of dollars will be paid to lawyers to argue both the great and the small and yet the question is simple: Will this merger benefit the Public? Not will the stockholders get richer. Not will Exelon be better able to compete in the future, not a public policy question of shouldn't corporations be allowed to do what ever they want whenever they want to. The question before you, Madame Hearing Examiner is straightforward, when you weigh the consequences of the merger as it has been proposed, is it in the public interest?

The answer, based not on settlement negotiations, not on theory, not on promises, but on facts is, no. The public will loose. We will loose jobs and tax revenues. We will loose service and corporate focus. We will loose accountability and we will be at the greater mercy of market powers that through vertical and horizontal integration will not only be able to manipulate electric prices but also natural gas prices. And consumers will gain nothing.

So why would you approve this merger?

Exelon admits that there will be jobs lost. At least 250 jobs will be lost in Pennsylvania and 1500 hundred overall. Exelon does not commit to keeping an set number of employees to provide basic services going forward. Job lost, and lost tax revenues to the City, State and Federal Government are part of Exelon's proposal. No one denies that.

Exelon , if allowed to buy PSE&G will cut the number of employees in their call centers and switch to Commonwealth Edison's billing system. There will be fewer company representatives per 1000 customers and a new type of bill that will of course cause problems. Consumers will suffer. But in many ways what is worse is that the company's focus will be diluted. When it was just PECO, its CEO had to worry about the Delaware Valley. The health and well being of the company was inextricably linked to the health and well being of our region. If we lost jobs,

if poverty grew, it would have a direct impact on the company. PECO executives were fighting for economic development in our region, and were part of the fabric of our community.

Every time the company grows, the CEO's focus becomes more diffuse. It doesn't matter to Exelon's CEO if the growth is in Pennsylvania or Illinois. His company benefits either way. If Exelon is allowed to buy PSE&G, it will be even more diffuse. As it stands now Exelon may be willing to help the City of Philadelphia keep or bring a business to the Delaware Valley. If they are allowed to buy a utility that goes all the way to North Jersey, it will not matter to them if the business locates in the New York area or the Philadelphia area, but it certainly matters to Philadelphians.

Many of the parties in the case have pointed out that Exelon has not yet, or has failed to, live up to agreements they made when they first merged with Commonwealth Edison. If they are allowed to merge again, after violating the terms of the first merger, there will be no accountability. If it didn't matter that they failed to comply with the agreements in the first merger, why would anyone expect them to live up to any agreements or promises made in this merger? If there is no accountability to the public, how can the merger possibly be in the public interest?

Nor is there any question that the merger, if allowed will give Exelon the greatest market power in the region. It will constitute an unregulated monopoly able to price fix and price rig at will. As explained in Dr. Carpenter's testimony, the buy out of PSE&G will give Exelon a way to not only set electric prices, but also natural gas prices. Much like the citizens of California, if this new world is allowed to be created, consumers, businesses and the states themselves will be at the mercy of Exelon's ability, exercised or not, to price fix.

The negative impact of these problems, one might argue, are outweighed by the benefit the merger will bring to consumers. That is if there were any benefits proposed.

Unbelievably there are none. No rate cut, no specific improvements, no economic development plan. Nothing. In the restructuring case and in the original merger, there was a trade off; the public was offered something in return for granting Exelon's motion. This time, the public is being offered as a sacrifice to Exelon's bankers and stockholders.

So I ask again, how can you find that the proposed merger is in the public interest? Jobs will be lost as will tax revenues, service will get worse, economic development in our region will suffer. we will be at the mercy of an unregulated utility, and consumers will receive no benefits.

In one's lifetime there are few opportunities to do what is right and have it count. For you Judge, this is one of them. The only reason to approve the merger proposal, is because Exelon is asking you to do so. And that should not be reason enough.

My name is Elizabeth Signil. I am here today as a member of the Philadelphia Workers Benefit Council, a delegate body representing low-income workers in Philadelphia. I am also here as a Peco customer who has payed bills for the same house on ~~Dickinson Street~~ in South Philadelphia for more than 40 years.

A year ago I stood before another administrative law judge of the same Commission and said that the Public Utility Commission (PUC) was at a crossroads. At that time, gas customers faced a \$47 million surcharge. I said that federal policies are giving utilities more and more leverage to charge us higher prices and to shut us off when they can't collect. I asked the PUC to allie itself with the lowest-paid Philadelphians and, together with us, to resist policies that treat the poorest customers as expendable. And I warned that if you failed to take a stand, you would endanger your own ability to ensure reliable service at affordable rates in the future.

Since then, we have all watched as Exelon, the company created out of Peco's merger five years ago, has used the size and wealth that it acquired from the merger to threaten and cajole legislators in Harrisburg. Last year they cooperated with other executives to get a utility company wish-list submitted as a bill before the legislature. They worked in conjunction with leaders at the Philadelphia Gas Works, whose ratepayer-financed \$2.8 million marketing budget created a media hysteria scapegoating so-called "deadbeats." They waited until the November elections were over, attached their bill as an amendment onto unrelated legislation, shuttled it through the legislature with no public debate, and passed it late on a cold winter's night while most Pennsylvanians were distracted by the Christmas holiday. The press did not report the story until all was said and done. And they got exactly what they wanted: a law that shuts off more customers, cuts utility company costs, and expands their profit.

This law, passed in this undemocratic process, is now called Act 201, and it allows Peco and other utilities to shut off families in the middle of the winter without the PUC's approval, the first time that has been legal in 30 years.

One of my roles as a delegate on the Philadelphia Workers Benefit Council is to advocate on behalf of low-income families faced with shutoffs. In that capacity, I often call the PUC for help. I have noticed, now that Act 201 is on the books, that the PUC workers respond differently than they did before. "Our hands are tied," they tell me. "There's not much we can do." So far this spring, PECO has shut off 24% more customers than last year. Overall in Pennsylvania, utility shutoffs are up 114%.

So let's make one thing clear from the start. We do not need to speculate what a merged Exelon -- worth \$28 billion instead of just \$15 billion -- will do with its added size and wealth. It will do more of what it has already done: use its power to influence the utility decision-making process in the state, and make that decision-making process conform more to Exelon's sole reason for existing: maximizing shareholder wealth.

One year later, I am back at a hearing of the PUC. Again we are at a crossroads, but this time the stakes are higher. The question is not just whether you will approve this merger. The question is whether you will retain your ability to regulate utility services in Pennsylvania in anything but a symbolic sense. If Exelon at its current size can weaken the PUC to this extent, a company even larger will make the PUC impotent. Your own documentation says that the PUC has a responsibility to "ensure safe, adequate service for consumers at fair and reasonable rates." If you approve this merger, whether or not the PUC has the desire to fulfill that role, it will lack the ability to do so.

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The question from the 20,000 service workers I speak for is this. If that happens, who, then, will represent us? Who will be on our side?

I hope the members of the commission consider that question carefully before making your decision, because your decisions up to this point have already had lethal results.

A 12 year old girl burned to death in my neighborhood this month. She was the twelfth child in the city to die in a fire this year. The city is suffering twice as many fires as last year. More children have already died from fire than in all of 2004. The fire department says it has no explanation.

Well, I have an explanation.

I am a block captain and I see the people in my neighborhood resorting to more and more extreme measures in a losing effort to keep up with their bills. Parents are out late working, and their children are unattended more of the time. Families that used to employ air conditioners are trying to conserve, and switching to fans instead. One of this month's fires was triggered by a portable fan.

It is a myth that poor families are protected from shut-offs. The Utility Emergency Services Fund has seen the number of requests for assistance increase four-fold this year. When it ran out of money in early June it was turning people away at the rate of 50 to 100 a week. The fund assists families whose average annual income is less than \$10,000. The combined amount of their gas, water and electricity bills equals 30% of their annual income.

*These* are the people that Exelon is shutting off. This is the impact its policies are having on my community. This is what the state has fostered, by giving the utility companies *carte blanche* to shut off their customers when they desire.

The question for the Commission: Are you for that or against it?

The question is not whether this merger will be good for the working people of southeastern Pennsylvania. Judging from Exelon's treatment of low-paid service workers so far, the answer is obviously NO.

The question is whether the PUC will have the foresight and fortitude to stand up for the interests of the majority of Pennsylvanians -- those of us who struggle to get by on our limited earnings, who are forced to choose between paying for electricity or for food. We refuse to make that choice. You should refuse to condone policies that force us to.

Ultimately, the question facing the members of the PUC is whether you will have the foresight to stand up for *yourselves*. Because, as I said in this forum little more than a year ago, you pay utility bills, too.

Do you know when Exelon took over daily operations of the Hope Creek nuclear power plant in South Jersey? Last January! They are acting as if they already own parts of PSE&G. In other words, they are treating the entire process of government approval that we are engaged in here today as a mere formality.

Exelon's profit-making policies have the potential, eventually, to negatively affect many more than just the poorest-paid. If you make no effort to re-establish some measure of control over investor-owned companies like Exelon, who is going to stand up for the interests of ratepayers? Certainly not the company: it's only loyalty is to its shareholders, to whom it is mandated to earn a profit. Certainly not an abstract concept like "competitive forces." The kind of competition which these huge companies engage in is a kind from which residential customers with limited incomes never benefit in the long run.

So I am asking you to do more than to say no to this merger. I am asking you to join WITH the lowest paid, hardest working members of your community. Our pensions are being raided, our hospitals are being shut down, our kids and grandkids are being soaked with \$35,000 in college debts before they've even had a chance to live.

Former Commissioner Nora Brownell once said she had to pass a "look-in-the-mirror test" at the end of every day. Make sure you can pass that test. DO YOUR JOB.

Go to the Federal Energy Regulatory Commission and tell them the plight of your real constituents. Tell them to stop forcing on 100 million low-paid workers in this nation policies that concentrate energy ownership while simultaneously deregulating utility prices.

PECO Energy Company and  
Public Service Electric and Gas Company

PUC Docket No. A-110550F0160

PUBLIC INPUT TESTIMONY OF ANNE CZAJKA  
OF NEW KENSINGTON CDC

DOCKETED  
AUG 03 2005

RECEIVED  
2005 JUL -7 PM 1:54  
SECRETARY'S BUREAU

My name is Anne Czajka. I am the Housing Services Director at New Kensington CDC. NKCDC is a non-profit agency in the City of Philadelphia that was founded in 1986. NKCDC is part of a network of 11 **Neighborhood Energy Centers (NECs)** in Philadelphia. The mission of NKCDC is to assist community residents with various Housing and Energy issues. New Kensington services about 1,000 low income clients a year. We provide a "one stop shop" for all housing needs and grants. I have worked there for 20 years.

My experience and history with PECO and the low income customer is also 20 years. New Kensington CDC was part of the original pilot program that established the "Cap Program" for PECO. Although it has changed quite a bit, nevertheless, it was the beginning of "Low Income Assistance Program" for PECO.

In the past, PECO partnered with community agencies like NKCDC, where case managers at NKCDC reviewed the client's budget and usage and educated the client of some behavior modifications that could assist them in keeping their electric costs down. We also at the same time reviewed the client information to determine if they were eligible for any other programs that could assist the client, such as **LIHEAP, Crisis, UESF, CRP**, etc. We reinforced the concept of **self sufficiency** through various approaches. If the client had unusual housing issues we would be able to refer them to city programs to help address them. Anyone who showed high usage would be referred to the "**PECO LIURP Program**." I feel the counseling sessions were very helpful in assisting the low income household with suggestions that would help promote a self sufficient household. Some of the ways we accomplished this is through establishing a budget, promoting regular payments, reducing usage and keeping things affordable through conservation and behavior modification.

Although today's **CAP Rate Program** is quite different from the pilot, it still provides reduction in cost of energy to the low income customer. I think one of the major drawbacks of this program is the lack of meaningful communication between the company and the client. PECO needs to do a better job at educating the community and its low income customers about the CAP Rate Program and the usage reduction services available. This would help clients to lower their energy cost, reduce default payment to the electric company and encourage and promote a healthy environment. I strongly encourage PECO to extend its hand and provide the personal touch that some of these households need to become more empowered and knowledgeable.

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My experience has been that when a customer has problems it is very hard to get a **face to face person** to help them resolve their issues. It is frustrating to someone who may have a lack of experience in the modern technology of computers, and the many different levels of pushing the phone. For example when a mistake is made in the long process of telephone selection you may need to go through the whole process of pressing buttons again from the beginning. Not a friendly system.

What does that mean for the future if this merger is approved? It means calling a central location possibly in another state, or even another country, and trying to get them to see your point. From state to state things are so different. How will a customer service representative in Ohio or even in Canada know how to refer someone to PECO's low income program?

It is the responsibility of the PUC to make sure that they protect and insure good customer service for the low income residents of Pennsylvania. It has been brought to our attention that the **anticipated CAP Rate customer enrollment numbers have not been met** and I can assure you that it is **not because of lack of need**. I believe that there are many more low-income people who are eligible and should be on the CAP Rate Program. At NKDCD, we often see people who should be on CAP but are not. In order to service low income residents PECO must be present in their community so that they can access PECO's services. Otherwise, PECO's best programs for low-income customers will remain a secret.

I, myself, who has been working with utility customers for 20 years, have never called PECO on behalf of a customer and received information about the special needs program. The Special Needs Programs provide special discounts and services for very low-income people at or below 50% of the poverty level. Why doesn't PECO tell the public, or at least its own low income customers, about these programs?

The merger should not go forward if PECO still keeps its Special Needs Programs a secret and fails to increase its CAP enrollment.

Thank you for giving me the opportunity to voice my opinion.

Respectfully submitted,

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Anne Czajka  
Housing Services Director  
New Kensington CDC  
2515 Frankford Avenue  
Philadelphia, PA  
215-427-0350

TESTIMONY OF MARIA ADAMES

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

ON THE EXELON/PSE&G MERGER APPLICATION

**DOCKETED**  
AUG 03 2005

JUNE 30, 2005

MY NAME IS MARIA ADAMES AND I LIVE IN THE FAIRMOUNT AREA OF THE CITY OF PHILADELPHIA.

I HAVE BEEN EMPLOYED FOR 26 YEARS WITH COMMUNITY LEGAL SERVICES, AND HAVE BEEN A PARALEGAL IN THE ENERGY UNIT FOR 19 YEARS.

WE INTERVIEW DAILY AT OUR NORTH PHILADELPHIA, NORTH BROAD AND ERIE AVENUE OFFICE, OVER A HALF DOZEN LOW INCOME CLIENTS WITH UTILITY PROBLEMS EITHER BY TELEPHONE, OR THROUGH WALK-INS OR BY REFERRALS FROM OTHER SOCIAL SERVICE AGENCIES.

OVERALL, WE HAVE SEEN GREAT PROBLEMS IN LOW INCOME PEOPLE BEING ABLE TO PAY THEIR PECO BILLS AT THE SAME TIME THAT WE SEE THAT THE COMPANY PROVIDES INADEQUATE ASSISTANCE FOR THESE LOW INCOME CUSTOMERS THROUGH ITS SO-CALLED UNIVERSAL SERVICE PROGRAMS.

FOR EXAMPLE, PECO HAS HAD A "SPECIAL NEEDS" PROGRAM FOR ITS POOREST CUSTOMERS, THOSE BELOW 50% OF POVERTY, YET FEW PEOPLE ARE IN IT AND THE COMPANY DOES ALMOST NOTHING TO INFORM THE COMMUNITY OR CUSTOMERS ABOUT IT. NONE OF MY MANY CLIENTS ARE IN THE "SPECIAL NEEDS" PROGRAM EVEN THOUGH THEY ARE ELIGIBLE, WHICH MEANS THAT PECO HAS FAILED TO ENROLL THEM IN THE VERY PROGRAM DESIGNED FOR THE POOREST OF CUSTOMERS.

MY JOB IS TO HELP THESE CLIENTS, BUT UNTIL JUST A FEW WEEKS AGO, I HAD NOT EVEN BEEN AWARE OF "SPECIAL NEEDS" PROGRAM. I COULD HAVE BEEN REFERRING CLIENTS INTO IT IF PECO HAD ONLY PUBLICIZED IT AMONG SOCIAL AGENCIES AND COMMUNITY GROUPS. IT HAS NEVER DONE SO TO MY KNOWLEDGE.

WE HAVE ALSO SEEN MANY MORE TERMINATIONS OF ELECTRIC SERVICE BY PECO SINCE THE WINTER MORATORIUM, EITHER CLIENTS WITH SHUT-OFFS

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COMING OR SERVICE ALREADY OFF BY THE TIME THEY COME TO US. I AM TOLD THAT PECO HAS REPORTED TO THE PUC A 25% INCREASE IN TERMINATIONS IN THE FIRST FOUR MONTHS OF THIS YEAR, COMPARED TO LAST YEAR.

VIRTUALLY ALL OUR LOW INCOME, POVERTY LEVEL CLIENTS ARE NOT ABLE TO PAY THEIR ENTIRE BILL. YET MOST OF THESE CLIENTS ARE ALREADY IN THE CAP OR CUSTOMER ASSISTANCE PROGRAM. THIS MEANS TO ME THAT DESPITE CAP--WHICH IS SUPPOSED TO INSURE UNIVERSAL SERVICE AND AFFORDABLE BILLS--THOSE IN CAP ARE BEING FORCED TO PAY A BILL THAT THEY CANNOT IN FACT AFFORD TO PAY.

THE CAP PROGRAM ONLY PROVIDES A DISCOUNTED BILL UP TO USAGE OF 500 KILOWATTS A MONTH, BUT MOST PEOPLE MUST USE MORE THAN THAT. WHEN THESE CLIENTS DO, THEY ARE BILLED WITHOUT ANY DISCOUNT FOR USAGE OVER 500 KILOWATTS. WE ARE RECENTLY SEEING MANY CLIENTS WHERE THE ENTIRE PROPERTY IS ELECTRIC AND THEIR CURRENT CHARGES ARE VERY HIGH--DESPITE THE FACT THEY ARE SUPPOSED TO GET HELP THROUGH THE CAP PROGRAM.

MOST LOW INCOME CUSTOMERS DON'T HAVE AN ADVOCATE, AND CALL OR VISIT PECO AND MUST REPLY ON THEIR CUSTOMER SERVICE REPRESENTATIVE FOR ALL THEIR INFORMATION AND HELP. THE INFORMATION OR HELP THEY GET IS OFTEN VERY BAD. LOW INCOME CLIENTS TELL US THAT WHEN THEY CALL PECO AND EXPLAIN THAT THEY ARE NOT ABLE TO PAY ON THEIR BILLS FOR DIFFERENT REASONS, THEY ARE NOT BEING TOLD ABOUT CAP, OR THE "SPECIAL NEEDS" PROGRAM. ITS AS IF PECO WANTS TO HIDE THESE PROGRAMS AND KEEP ELIGIBLE CLIENTS FROM GETTING INTO THEM.

VERY LOW INCOME CLIENT ARE BEING PLACED ON PAYMENT AGREEMENTS THAT THEY ARE NOT ABLE TO AFFORD, AND THEN ARE BLAMED WHEN THEY CANNOT FOLLOW THEM. THE PUC HAS FOUND THAT IN 84% OF PECO'S PAYMENT ARRANGEMENT REQUESTS FOR CAP CUSTOMERS, REVIEWED BY COMMISSION STAFF, PECO WAS DEMANDING UNREASONABLE PAYMENT ARRANGEMENTS IN VIOLATION OF PUC CAP POLICY.<sup>(1)</sup> SOME CLIENTS JUST AGREE WITH WHATEVER THEY ARE OFFERED, HOWEVER UNFAIR AND UNREASONABLE, JUST TO BE ABLE TO KEEP THEIR ELECTRIC SERVICE ON.

I ALSO WORK CLOSELY WITH OUR ELDERLY LAW UNIT. WE VISIT THE

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<sup>1</sup>PUC Order in PECO's Universal Service and Energy Conservation Plan, Docket Bo. M-00041788, p. 4 (entered April 21, 2004).

SENIOR CITIZEN CENTERS AND ALSO THE SENIOR APARTMENT COMPLEXES. JUST ABOUT ALL OF THE UNITS THAT OUR SENIORS LIVE IN USE ELECTRICITY FOR ALL SERVICES (COOKING, AIR CONDITIONING, HEATING, HOT WATER). THEY ARE ALL ON LOW, FIXED INCOMES. THIS IS NOT ENOUGH FOR THEM TO PAY THE HIGH ELECTRIC BILL, RENT, AND IN SOME CASES THEIR OWN MEDICATION AND FOODS FOR SPECIAL DIETS. YET PECO DOES NOT ENROLL THESE SENIORS INTO THEIR CAP OR "SPECIAL NEEDS" PROGRAM TO HELP REDUCE THEIR BILLS.

DESPITE HIGH USAGE, ESPECIALLY AMONG THESE ELDERLY CUSTOMERS, ALMOST NO CLIENTS I KNOW RECEIVE ENERGY CONSERVATION AND WEATHERIZATION ASSISTANCE FROM PECO THROUGH THE LIURP PROGRAM. I CAN ONLY CONCLUDE THAT PECO GIVES A VERY LOW PRIORITY IN ITS SUPPORT OF LIURP, DESPITE THIS BEING A VERY IMPORTANT PART OF A UTILITY COMPANY'S UNIVERSAL SERVICE PROGRAM.

AT THIS TIME I KNOW OF ONLY TWO CLIENTS WHO RECEIVED LIURP ASSISTANCE, AND THEY HAVE NEVER MENTIONED ANYTHING ABOUT THEIR USAGE BEING LESS. WHAT'S EVEN WORSE, IS THAT DESPITE GETTING SOME LIURP SERVICES, THESE TWO CLIENTS WERE NOT PLACED BY PECO ONTO THEIR CAP OR "SPECIAL NEEDS" PROGRAM TO HELP THEM PAY THEIR BILLS.

SINCE THE PRIOR PECO AND UNICOM MERGER IN 2000 I HAVE NOT SEEN ANY IMPROVEMENTS IN SERVICING LOW INCOME CUSTOMERS AND MAKING THE UNIVERSAL SERVICE PROGRAMS WORK AS INTENDED. THE COLLECTION PROCESS PROBLEMS HAVE STAYED THE SAME; THE BAD TELEPHONE CUSTOMER SERVICE FOR LOW INCOME CUSTOMERS HAS STAYED THE SAME.

I DON'T BELIEVE THAT THE CUSTOMER SERVICE TELEPHONE PEOPLE KNOW MUCH ABOUT THE LOW INCOME PROGRAMS, OR THE "SPECIAL NEEDS PROGRAM" SO THEY ARE ALMOST USELESS IN HELPING LOW INCOME CUSTOMERS. I BELIEVE THAT THEY HAVE THE SAME ANSWERS FOR EVERYONE WHO CALLS PECO, WHETHER LOW INCOME OR NOT.

I HAVE REPEATEDLY SEEN CLIENTS, FRIENDS AND COLLEAGUES CALL PECO ON BEHALF OF A POOR PERSON ASKING FOR MORE TIME OR A PAYMENT AGREEMENT AND NO MENTION IS EVER MADE OF ANY LOW INCOME CAP OR "SPECIAL NEEDS" PROGRAM.

IN CONCLUSION, PECO HAS NOT MET ITS OBLIGATIONS TO ITS LOW INCOME CUSTOMERS. FOR THESE CUSTOMERS, ELECTRICITY IS A TRUE NECESSITY OF LIFE. JUST LAST MONTH IN WESTERN PENNSYLVANIA, WHEN A LOW INCOME FAMILY WAS CUT OFF FROM THEIR ELECTRICITY AND THEY BEGAN USING CANDLES, A FIRE BROKE OUT KILLING THREE CHILDREN AND A MOTHER. THIS

COULD HAVE BEEN A FAMILY IN THE PECO SERVICE AREA AS WE HAVE SEEN PECO FAIL ON MANY FRONTS IN ITS OBLIGATIONS TO ITS POORER CUSTOMERS.

GREATLY IMPROVING ASSISTANCE TO LOW INCOME FAMILIES SHOULD BE PECO'S HIGHEST PRIORITY. BECAUSE IT IS NOT NOW THEIR PRIORITY, AND BECAUSE THE PROPOSED MERGER WILL NOT BENEFIT THESE CUSTOMERS, I THINK THE MERGER SHOULD NOT BE APPROVED BY THE COMMISSION.

THANK YOU FOR HEARING THIS STATEMENT.

MARIA ADAMES

TEL. (215) 227-2400, x.2427      MADAMES@CLSPHILA.ORG

Metro

# Commentary

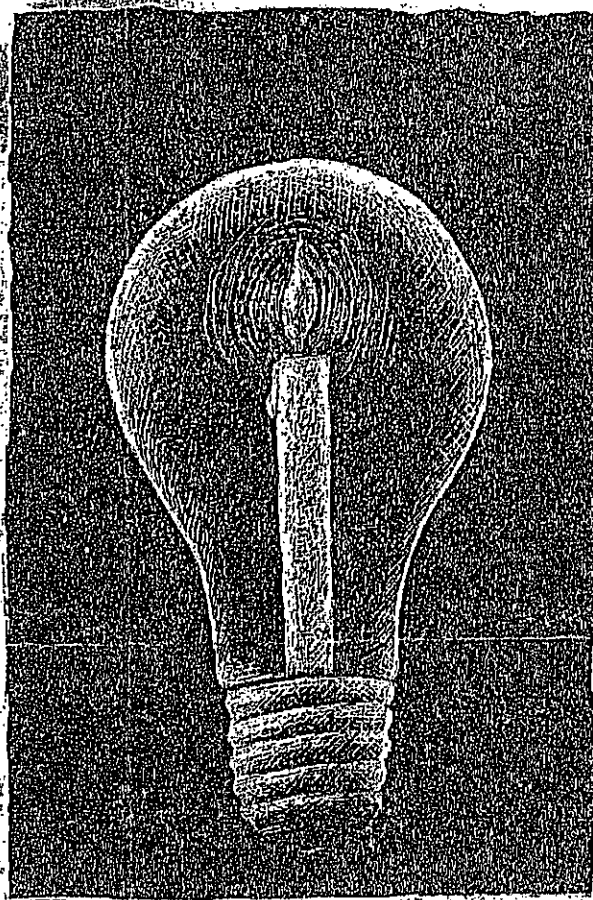
## Utility shutoffs a lethal tactic

By Jonathan M. Stein

**U**tility terminations kill people — and that includes children. Utility chief executive officers left this unpleasant truth out of their slick PowerPoint presentations last fall when they induced Gov. Rendell and the Legislature to gut long-standing consumer protections overseen by the Public Utility Commission and pass the inglorious Act 201 of 2004.

Few remember that former U.S. Sen. Hugh Scott (R., Pa.) demanded customer safeguards 30 years ago when a Pennsylvania family froze to death after a utility termination. Due to Act 201, these protections were not in place last month in Southwestern Pennsylvania when three children and their mother perished after FirstEnergy cut off their electricity in the town of Hastings, Cambria County.

Perhaps the company was emboldened by Act 201's weakening of regulations that offered payment agreements to financially struggling customers. Suddenly, a seemingly first-world household became an American third-world household when, bereft of electricity service, the family resorted to using candles to light their way into the night. The deadly fire broke out three days later.



Metro

# Commentary

## Utility shutoffs a lethal tactic

CHRIS VAN ES

FirstEnergy was a member of the pack. In the first four months of this year, PUC data reveals a frenzy of utility terminations: a 114 percent increase over 2004. Philadelphia Gas Works (PGW) chalked up a 150 percent increase in terminations, and Peco/Exelon, which serves a broader Eastern Pennsylvania regional area, registered a 25 percent increase.

In a plan Peco filed with the PUC, the utility company said it anticipated a 10 percent increase in terminations after implementing Act 201. But what's 10 percent or 25 percent for a company that, along with New Jersey's Public Service Energy & Gas (PSE&G), is in the midst of trying to get government approvals for the biggest utility merger in United States history? The poor have been forgotten in this process.

During the Peco/Exelon presentation for the governor and legislature, company officials argued that the PUC's customer-service protections, such as reasonable and affordable payment agreements for customers, were abused by deadbeat, able-to-pay customers who simply chose not to pay their utility bills. If that were so, wouldn't we now be seeing many of these customers coming up with the

money so they could be reconnected?

Lo and behold, the escalating termination numbers filed with the PUC show that this surge of shutoffs has not been joined by a corresponding increase in reconnections.



Jonathan M. Stein

Peco/Exelon's percentage of reconnections actually has gone down from 59 percent in 2004 to 58 percent in the first four months of this year, and PGW's reconnections number was about the same as 2004 — 3,235 in 2004 vs. 4,721 in the first four months of this year — hardly mirroring the 150 percent shutoff increase.

Maybe the termination victims have not been the able-to-pay crowd but really hard-pressed families who didn't have the funds available to pay the full bill. That's the view of State Rep. Phyllis Mundy (D., Luzerne). "They are good, hardworking, blue-collar people who just fell upon hard times," she said.

While utilities such as Peco are pulling the plug on service, they're more quietly stepping away from programs to help their lower-income customers. Peco committed itself to having up to 7,500 of its poorest customers, those under 25 percent of the poverty level,

in a special-needs program for people with "exceptional circumstances." To date, they've placed a total of nine customers in this program, according to a filing with the PUC. You can bet this fact was not in the Peco presentation for Act 201's passage.

The earlier merger of utilities Peco and Unicom in 2000, sowed a policy of benign neglect for their nearly 200,000 low-income customers. And this can only get worse with the proposed merger of Peco/Exelon with PSE&G now before various regulatory bodies.

The Utility Emergency Service Fund, a private program financed by the utilities and their customers, is dependent on Peco's cooperation and support. It totally ran out of funds this month after a 10-year, 60 percent decline. Peco's Customer Assistance Program still fails to provide discounted, affordable bills for low-income participants under 150 percent of the federal poverty level.

How many more deaths like those in Hastings will there have to be before officials in Harrisburg sees the glow of third-world candlelight in the Commonwealth of Pennsylvania?

Jonathan M. Stein is general counsel at Community Legal Services Inc. in Philadelphia.

Joint Application of PECO Energy Company and Public Service Electric and Gas Company for Approval of the Merger of Public Service Enterprise Group Incorporated with and into Exelon Corporation

Docket No. A-110550 F0160

Testimony of Joyce M. Ferris  
June 30, 2005

**DOCKETED**  
AUG 03 2005

My name is Joyce M. Ferris. My work address is Blue Hill Partners, 40 West Evergreen Avenue, Philadelphia, Pennsylvania, 19118. I am a Managing Partner at Blue Hill Partners, an investment firm that focuses exclusively on the Advanced Energy and Industrial Technologies sector.

I have over 20 years of Pennsylvania based experience in the management, development and financing of energy and industrial technology companies and renewable energy projects. I have had principal roles as an investor, technology and equipment provider, a financial advisor and as a project developer. My project experience includes biomass and agricultural waste fired energy projects, industrial waste disposal facilities, waste-coal fired power plants, geothermal, and hydroelectric projects. From 1985 to 1993, I was a senior founding executive and Director of Project Finance for Reading Energy Company where I managed financial transactions totaling over \$900 million. I was one of the founders of the firm and after a management buy-out in 1988, a principal shareholder. I was a major shareholder and Director of Business Development for Energy Products of Idaho, a combustion technology firm specializing in the conversion of a wide variety of solid waste material. Along with Mr. Alan Grant, I originally founded Blue Hill as the US subsidiary of a London based firm, Impax Capital. In January 2000 we purchased the company and later changed the name to Blue Hill Partners. I have held numerous board positions in the Clean Energy sector and am currently on the board of Princeton Energy Systems, Connected Energy and Encelium Technologies. I have been a speaker at industry conferences in the US and Europe. I currently serve on the Pennsylvania Climate Change Working Group and the Pennsylvania Department of Environmental Protection Energy Advisory Board. I was also nominated by the Governor to serve on the Pennsylvania Energy Development Authority Board. I am on the Advisory Board of the Cleantech Venture Network. I hold a B.A. from Reed College and an M.S. from the University of Pennsylvania in Energy Management and Policy.

I have known the Sustainable Development Fund and its work for approximately 4 years. Over the past three years, Blue Hill has been the General Partner of a venture capital investment fund, the Pennsylvania Advanced Industrial Technologies Fund ("PA-AIT"). The Sustainable Development Fund has been a Limited Partner in this Fund and an executive of the Sustainable Development Fund, Rob Sanders, sits on the Investment Committee for the Fund. I am aware of some of the Sustainable Development Fund's other activities, including grants, funding wind energy, and energy efficient projects. I am also familiar with the Clean Energy Funds in multiple other states, including California, Connecticut, Massachusetts, New Jersey, and New York. I believe that the Sustainable Development Fund is one of the best.

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There are many issues for the Pennsylvania Public Utility Commission (PUC) to consider in this merger, and among the most important are: improving energy efficiency, promoting environmentally friendly technologies and business practices, promoting the development of clean energy businesses, supporting renewable energy, and working to create a regional economy that is less sensitive to the volatility of commodity prices.

The more that regionally based Clean Energy companies deploy their products and services, the more positive economic and environmental benefits are achieved in the state. Utilizing natural resources more efficiently through the application of Clean Energy technologies and services will reduce consumption of non-renewable resources and minimize pollution and waste. Application of these technologies will also help regional businesses, schools, universities, hospitals and governments save money, create or retain jobs and remain competitive in the highly competitive global marketplace.

Application of Clean Energy solutions to existing regional businesses will also strengthen their economic position and allow these companies to retain and increase jobs. Moreover, the advent of Clean Energy technologies and practices to the local economy is unique in its ability to create and retain jobs across a full spectrum of employment categories. Clean Energy has the potential to create both blue collar jobs in the deployment of technologies, as well as white collar research and management positions. These technologies also help retain existing jobs throughout the region by saving businesses money and allowing them to stay competitive.

Traditional fossil fuels such as coal, oil and natural gas are major contributors to air pollution and the buildup of climate-changing, greenhouse gases in the atmosphere. By working to promote Clean Energy technologies and the increased usage of renewable and alternative sources of energy, Pennsylvania will realize improved air quality through the reduction of NO<sub>x</sub>, SO<sub>x</sub> and other air pollutants, improved water quality through reductions of nitrogen, phosphorous and other water contaminants, improved sustainability of regional businesses through increased efficiency and the reduction of operating expenses, improved reliability through a stronger energy infrastructure, and reduced generation of greenhouse gas emissions, the prime contributor to global warming.

The Sustainable Development Fund offers loans, equity investments, and grants and other means of support for businesses seeking to establish themselves in the Clean Energy, as well as for companies working on development projects that are both socially and environmentally friendly. The Sustainable Development Fund leverages its capital to increase private investment in clean energy, energy efficiency, and environmentally friendly and socially responsible business, community and economic development.

Pennsylvania currently has the opportunity to become a national leader for the Clean Energy sector. The Commonwealth has an excellent foundation for building companies and deploying technologies. There is now a great opportunity to capture further benefits by building on that strong foundation. The activities to date of Blue Hill and the Pennsylvania Advanced Industrial Technologies Fund make the region a leader in using early stage venture capital investment to build Clean Energy companies. Massachusetts and California have created similar funds but

they are two years behind. Continuing to use early stage capital to build on the momentum in Philadelphia is critical.

Pennsylvania is a great place to build Clean Energy companies. The diversity of resources and industries, strong universities, and central geographic location combined with strong government leadership in Harrisburg are all strong ingredients to help early stage regional companies. For almost three years Blue Hill has been successfully investing with a focus on building Pennsylvania based clean energy companies. I have learned a tremendous amount about the abundance of opportunity in sector focused, early stage investing with a Pennsylvania focus. We have learned that the geographic mission fit is not a constraint on successfully investing a small early stage fund focused in Clean Energy technologies and services. As an early stage investor it is critical to stay close, both geographically and interactively with our companies. An investment requirement that investee companies locate all or a substantial part of their operation in Pennsylvania is a strength for the type of fund we are raising.

Early stage companies will relocate in part or altogether for investment capital and strategic support. We have a proven ability to find unique Pennsylvania related deal flow. Direct experience implementing a similar Pennsylvania focused investment strategy. Over the past three years Blue Hill Partners has: invested growth capital into a Pennsylvania based firm that was not actively raising capital; attracted a non-US firm to build its US headquarters in Pennsylvania; attracted an out of state firm to build its business development division in Pennsylvania, and the company is expected to ultimately move all but its research and development operation to Pennsylvania over the next few years. There is tremendous opportunity to replicate these types of approaches in drawing companies to Pennsylvania.

The Sustainable Development Fund has had a tremendous impact on the growth of my business, Blue Hill Partners, and the growth of our five portfolio companies, all of which are either based in Pennsylvania or have Pennsylvania based divisions. Over the past three years Blue Hill has invested a total of over \$3 million through both the Pennsylvania Advanced Industrial Technologies Fund and Blue Hill Partners itself. We have created over 13 jobs in Pennsylvania to date, and that number is expected to grow to over 100 by 2009. Regarding revenues, we currently expect our portfolio companies to generate approximately \$6 million in revenues in 2005, and over \$100 million of projected revenues by 2009. The Sustainable Development Fund has played an integral role in our achieving this level of growth—our portfolio companies started with \$0 revenues only a few years ago.

Based upon my knowledge of and familiarity with the Clean Energy sector and the overall energy economy of Pennsylvania, it is my recommendation that clean energy, energy efficiency and other advanced energy technologies should be part of the public benefit that is supported by this merger.

I further endorse the Sustainable Development Fund as an effective vehicle for supporting these issues. Given their impressive track record of highly successful projects, I believe that the Sustainable Development Fund is capable of promoting, guiding, and leading initiatives that aim to

meet the aforementioned goals of improving the energy economy, infrastructure, usage practices in Pennsylvania.

It is my recommendation that the Pennsylvania Public Utility Commission should invest a portion of the savings of this merger in the Sustainable Development Fund and its work.