

STATE OF MARYLAND
BEFORE THE PUBLIC SERVICE COMMISSION

**In the Matter of the Investigation Required by)
Section 5, 2006 Maryland Laws, 1st Special)
Session, Public Service Commission –)
Electric Industry Restructuring)**

Case No. 9073

DIRECT TESTIMONY OF
JONATHAN WALLACH
ON BEHALF OF
THE OFFICE OF PEOPLE’S COUNSEL

Resource Insight, Inc.

DECEMBER 15, 2006

1 **Q: Please state your name, occupation, and business address.**

2 A: I am Jonathan F. Wallach. I am Vice President of Resource Insight, Inc., 5
3 Water Street, Arlington, Massachusetts.

4 **Q: Please summarize your professional education and experience.**

5 A: I have worked as a consultant to the electric-power industry for more than
6 two decades. From 1981 to 1986, I was a research associate at Energy
7 Systems Research Group. In 1987 and 1988, I was an independent
8 consultant. From 1989 to 1990, I was a senior analyst at Komanoff Energy
9 Associates. I have been in my current position at Resource Insight since
10 September of 1990.

11 Over the last twenty-five years, I have advised clients on a wide range
12 of economic, planning, and policy issues including: electric-utility
13 restructuring; wholesale-power market design and operations; transmission
14 pricing and policy; market valuation of generating assets and purchase
15 contracts; power-procurement strategies; integrated resource planning; cost
16 allocation and rate design; and energy-efficiency program design and
17 planning.

18 My resume is attached as Exhibit JFW-1.

19 **Q: Please summarize your experience with regard to the issue of electric
20 restructuring in Maryland.**

21 A: In 1997, I co-authored a major study of electric-utility restructuring in
22 Maryland for the Office of People's Counsel ("OPC"). Since then, I have
23 advised and testified on behalf of OPC in most of the major proceedings
24 relating to Maryland's restructuring process. I assisted OPC during
25 settlement negotiations, and testified in support of such settlements, in Case

1 Nos. 8794, 8795, and 8797 (regarding electric restructuring), 8890 (regarding
2 the proposed merger of Potomac Electric Power Company and Delmarva
3 Power & Light to form PEPCo Holdings, Inc. [“PHI”]), and 8908 (regarding
4 procurement of Standard Offer Service [“SOS”]). I also testified in Case Nos.
5 8852 (regarding Potomac Electric Power Company’s proposed fees for
6 electricity-supplier services), 8994 and 8995 (regarding determination of the
7 residential SOS Administrative Charge), and 8985 (regarding Southern
8 Maryland Electric Coop’s SOS procurement plan). Most recently, I testified
9 in Case Nos. 9052 (regarding proposals to transition Baltimore Gas &
10 Electric’s residential customers to market-based SOS rates), 9056 (regarding
11 default service for Type II customers), 9064 (regarding residential SOS
12 procurement), and 9063 (regarding optimal structure). Finally, on OPC’s
13 behalf, I have monitored the SOS procurement process in every year since its
14 inception.

15 **Q: On whose behalf are you testifying?**

16 A: I am testifying on behalf of the Office of the People’s Counsel.

17 **Q: What is the purpose of your testimony?**

18 A: In accordance with the Commission’s Order Instituting Proceeding of August
19 17, 2006, this testimony addresses issues relating to the determination of
20 stranded costs for the generation assets that were transferred from Baltimore
21 Gas and Electric (“BGE”) to its unregulated affiliate.

22 **Q: How are stranded costs for a generation asset calculated?**

23 A: Stranded costs for a generation asset are calculated as the difference between
24 the asset’s market value and net book cost, where market value is the
25 discounted difference between annual market revenues and annual operating

1 costs (including both operating expenses and ongoing capital expenditures)
2 over the remaining life of the asset. An asset's annual market revenues, in
3 turn, are calculated as the product of the asset's annual output and the
4 wholesale market price for that output.

5 **Q: When were estimates of BGE's stranded costs last considered by the**
6 **Commission?**

7 A: Stranded-cost estimates were last considered in Case No. 8794 / 8804. As
8 summarized in testimony by PSC Staff witness Calvin Timmerman, parties
9 to that proceeding estimated BGE stranded costs as follows:¹

10

	BGE	OPC	Maryland Energy Administration	Staff
Stranded Cost (Benefit) (Million \$)	897	(1,023)	58 - 673	242

11

12 **Q: Are there any indications that parties may have overstated stranded**
13 **costs for BGE's generation assets?**

14 A: Yes. As shown in Exhibit JFW-2, PJM market prices for the years 2000
15 through 2005 were significantly higher than forecasted by parties for the
16 purposes of estimating the market value of BGE's assets. This indicates that
17 parties may have underestimated the market value of BGE's assets, and thus
18 overstated the true magnitude of stranded costs.²

¹ *Initial Testimony in Support of Stipulation and Settlement Agreement of Calvin L. Timmerman*, Case No. 8794 / 8804, July 23, 1999, Exhibit CLT-2.

² These underestimates of actual market prices would be offset by any underestimate of actual prices for fuel burned by BGE's assets.

1 **Q: Which of the parties' estimates of stranded costs did the Commission**
2 **eventually approve?**

3 A: The Commission did not approve any of these estimates. Instead, the
4 Commission approved a negotiated figure of \$528 million, as stipulated in a
5 settlement reached by parties in this proceeding.³

6 **Q: Would the total rate paid by residential SOS customers have been lower**
7 **if the settlement agreement had adopted a lower figure for stranded**
8 **costs?**

9 A: No. The total rate was set equal to BGE's bundled rate at that time, less the
10 6.5% rate reduction adopted as part of the settlement agreement. This total
11 rate was then unbundled into generation, transmission, and distribution
12 portions. The stranded cost amount was then netted from the generation
13 portion to derive the SOS generation rate. If the stranded cost portion were
14 smaller, then the SOS generation rate would have been higher. However, the
15 unbundled generation rate (SOS generation plus stranded cost), and thus the
16 total rate, would have been the same as ultimately adopted in the settlement
17 agreement and approved by the Commission.

18 **Q: Does this conclude your testimony?**

19 A: Yes.

³ Although the Commission did not approve any party's estimate, it did adopt the range of estimates provided in the Maryland Energy Administration's direct testimony to support the reasonableness of the settlement amount.

Exhibit JFW-1

Qualifications of
JONATHAN F. WALLACH

Resource Insight, Inc.
5 Water Street
Arlington, Massachusetts 02476

SUMMARY OF PROFESSIONAL EXPERIENCE

- 1990–Present* **Vice President, Resource Insight, Inc.** Provides research, technical assistance, and expert testimony on electric- and gas-utility planning, economics, regulation, and restructuring. Designs and assesses resource-planning strategies for regulated and competitive markets, including estimation of market prices and utility-plant stranded investment; negotiates restructuring strategies and implementation plans; assists in procurement of retail power supply.
- 1989–90* **Senior Analyst, Komanoff Energy Associates.** Conducted comprehensive cost-benefit assessments of electric-utility power-supply and demand-side conservation resources, economic and financial analyses of independent power facilities, and analyses of utility-system excess capacity and reliability. Provided expert testimony on statistical analysis of U.S. nuclear plant operating costs and performance. Co-wrote *The Power Analyst*, software developed under contract to the New York Energy Research and Development Authority for screening the economic and financial performance of non-utility power projects.
- 1987–88* **Independent Consultant.** Provided consulting services for Komanoff Energy Associates (New York, New York), Schlissel Engineering Associates (Belmont, Massachusetts), and Energy Systems Research Group (Boston, Massachusetts).
- 1981–86* **Research Associate, Energy Systems Research Group.** Performed analyses of electric utility power supply planning scenarios. Involved in analysis and design of electric and water utility conservation programs. Developed statistical analysis of U.S. nuclear plant operating costs and performance.

EDUCATION

BA, Political Science with honors and Phi Beta Kappa, University of California, Berkeley, 1980.

Massachusetts Institute of Technology, Cambridge, Massachusetts. Physics and Political Science, 1976–1979.

PUBLICATIONS

“The Future of Utility Resource planning: Delivering Energy Efficiency through Distributed Utilities” (with Paul Chernick), *International Association for Energy Economics Seventeenth Annual North American Conference* (460–469). Cleveland, Ohio: USAEE. 1996.

“The Price is Right: Restructuring Gain from Market Valuation of Utility Generating Assets” (with Paul Chernick), *International Association for Energy Economics Seventeenth Annual North American Conference* (345–352). Cleveland, Ohio: USAEE. 1996.

“The Future of Utility Resource Planning: Delivering Energy Efficiency through Distribution Utilities” (with Paul Chernick), *1996 Summer Study on Energy Efficiency in Buildings* 7(7.47–7.55). Washington: American Council for an Energy-Efficient Economy, 1996.

“The Transfer Loss is All Transfer, No Loss” (with Paul Chernick), *Electricity Journal* 6:6 (July, 1993).

“Benefit-Cost Ratios Ignore Interclass Equity” (with Paul Chernick et al.), *DSM Quarterly*, Spring 1992.

“Consider Plant Heat Rate Fluctuations,” *Independent Energy*, July/August 1991.

“Demand-Side Bidding: A Viable Least-Cost Resource Strategy” (with Paul Chernick and John Plunkett), *Proceedings from the NARUC Biennial Regulatory Information Conference*, September 1990.

“New Tools on the Block: Evaluating Non-Utility Supply Opportunities With *The Power Analyst*, (with John Plunkett), *Proceedings of the Fourth National Conference on Microcomputer Applications in Energy*, April 1990.

REPORTS

“First Year of SOS Procurement.” 2004. Prepared for the Maryland Office of People’s Counsel.

“Energy Plan for the City of New York” (with Paul Chernick, Susan Geller, Brian Tracey, Adam Auster, and Peter Lanzalotta). 2003. New York: New York City Economic Development Corporation.

“Peak-Shaving–Demand-Response Analysis: Load Shifting by Residential Customers” (with Brian Tracey). 2003. Barnstable, Mass.: Cape Light Compact.

“Electricity Market Design: Incentives for Efficient Bidding; Opportunities for Gaming.” 2002. Silver Spring, Maryland: National Association of State Consumer Advocates.

“Best Practices in Market Monitoring: A Survey of Current ISO Activities and Recommendations for Effective Market Monitoring and Mitigation in Wholesale Electricity Markets” (with Paul Peterson, Bruce Biewald, Lucy Johnston, and Etienne Gonin). 2001. Prepared for the Maryland Office of People’s Counsel, Pennsylvania Office of Consumer Advocate, Delaware Division of the Public Advocate, New Jersey Division of the Ratepayer Advocate, Office of the People’s Counsel of the District of Columbia.

“Comments Regarding Retail Electricity Competition.” 2001. Filed by the Maryland Office of People’s Counsel in U.S. FTC Docket No. V010003.

“Final Comments of the City of New York on Con Edison’s Generation Divestiture Plans and Petition.” 1998. Filed by the City of New York in PSC Case No. 96-E-0897.

“Response Comments of the City of New York on Vertical Market Power.” 1998. Filed by the City of New York in PSC Case Nos. 96-E-0900, 96-E-0098, 96-E-0099, 96-E-0891, 96-E-0897, 96-E-0909, and 96-E-0898.

“Preliminary Comments of the City of New York on Con Edison’s Generation Divestiture Plan and Petition.” 1998. Filed by the City of New York in PSC Case No. 96-E-0897.

“Maryland Office of People’s Counsel’s Comments in Response to the Applicants’ June 5, 1998 Letter.” 1998. Filed by the Maryland Office of People’s Counsel in PSC Docket No. EC97-46-000.

“Economic Feasibility Analysis and Preliminary Business Plan for a Pennsylvania Consumer’s Energy Cooperative” (with John Plunkett et al.). 1997. 3 vols. Philadelphia, Penn.: Energy Coordinating Agency of Philadelphia.

“Good Money After Bad” (with Charles Komanoff and Rachel Brailove). 1997. White Plains, N.Y.: Pace University School of Law Center for Environmental Studies.

“Maryland Office of People’s Counsel’s Comments on Staff Restructuring Report: Case No. 8738.” 1997. Filed by the Maryland Office of People’s Counsel in PSC Case No. 8738.

“Protest and Request for Hearing of Maryland Office of People’s Counsel.” 1997. Filed by the Maryland Office of People’s Counsel in PSC Docket Nos. EC97-46-000, ER97-4050-000, and ER97-4051-000.

“Restructuring the Electric Utilities of Maryland: Protecting and Advancing Consumer Interests” (with Paul Chernick, Susan Geller, John Plunkett, Roger Colton, Peter Bradford, Bruce Biewald, and David Wise). 1997. Baltimore, Maryland: Maryland Office of People’s Counsel.

“Comments of the New Hampshire Office of Consumer Advocate on Restructuring New Hampshire’s Electric-Utility Industry” (with Bruce Biewald and Paul Chernick). 1996. Concord, N.H.: NH OCA.

“Estimation of Market Value, Stranded Investment, and Restructuring Gains for Major Massachusetts Utilities” (with Paul Chernick, Susan Geller, Rachel Brailove, and Adam Auster). 1996. On behalf of the Massachusetts Attorney General (Boston).

“Report on Entergy’s 1995 Integrated Resource Plan.” 1996. On behalf of the Alliance for Affordable Energy (New Orleans).

“Preliminary Review of Entergy’s 1995 Integrated Resource Plan.” 1995. On behalf of the Alliance for Affordable Energy (New Orleans).

“Comments on NOPSI and LP&L’s Motion to Modify Certain DSM Programs.” 1995. On behalf of the Alliance for Affordable Energy (New Orleans).

“Demand-Side Management Technical Market Potential Progress Report.” 1993. On behalf of the Legal Environmental Assistance Foundation (Tallahassee)

“Technical Information.” 1993. Appendix to “Energy Efficiency Down to Details: A Response to the Director General of Electricity Supply’s Request for Comments on Energy Efficiency Performance Standards” (UK). On behalf of the Foundation for International Environmental Law and Development and the Conservation Law Foundation (Boston).

“Integrating Demand Management into Utility Resource Planning: An Overview.” 1993. Vol. 1 of “From Here to Efficiency: Securing Demand-Management Resources” (with Paul Chernick and John Plunkett). Harrisburg, Pa.:Pennsylvania Energy Office

“Making Efficient Markets.” 1993. Vol. 2 of “From Here to Efficiency: Securing Demand-Management Resources” (with Paul Chernick and John Plunkett). Harrisburg, Pa.: Pennsylvania Energy Office.

“Analysis Findings, Conclusions, and Recommendations.” 1992. Vol. 1 of “Correcting the Imbalance of Power: Report on Integrated Resource Planning for Ontario Hydro” (with Paul Chernick and John Plunkett).

“Demand-Management Programs: Targets and Strategies.” 1992. Vol. 1 of “Building Ontario Hydro’s Conservation Power Plant” (with John Plunkett, James Peters, and Blair Hamilton).

“Review of the Elizabethtown Gas Company’s 1992 DSM Plan and the Demand-Side Management Rules” (with Paul Chernick, John Plunkett, James Peters, Susan Geller, Blair Hamilton, and Andrew Shapiro). 1992. Report to the New Jersey Department of Public Advocate.

“Comments of Public Interest Intervenors on the 1993–1994 Annual and Long-Range Demand-Side Management and Integrated Resource Plans of New York Electric Utilities” (with Ken Keating et al.) 1992.

“Review of Jersey Central Power & Light’s 1992 DSM Plan and the Demand-Side Management Rules” (with Paul Chernick et al.). 1992. Report to the New Jersey Department of Public Advocate.

“Review of Rockland Electric Company’s 1992 DSM Plan and the Demand-Side Management Rules” (with Paul Chernick et al.). 1992.

“Initial Review of Ontario Hydro’s Demand-Supply Plan Update” (with David Argue et al.). 1992.

“Comments on the Utility Responses to Commission’s November 27, 1990 Order and Proposed Revisions to the 1991–1992 Annual and Long Range Demand Side Management Plans” (with John Plunkett et al.). 1991.

“Comments on the 1991–1992 Annual and Long Range Demand-Side-Management Plans of the Major Electric Utilities” (with John Plunkett et al.). Filed in NY PSC Case No. 28223 in re New York utilities’ DSM plans. 1990.

“Profitability Assessment of Packaged Cogeneration Systems in the New York City Area.” 1989. Principal investigator.

“Statistical Analysis of U.S. Nuclear Plant Capacity Factors, Operation and Maintenance Costs, and Capital Additions.” 1989.

“The Economics of Completing and Operating the Vogtle Generating Facility.” 1985. ESRG Study No. 85-51A.

“Generating Plant Operating Performance Standards Report No. 2: Review of Nuclear Plant Capacity Factor Performance and Projections for the Palo Verde Nuclear Generating Facility.” 1985. ESRG Study No. 85-22/2.

“Cost-Benefit Analysis of the Cancellation of Commonwealth Edison Company’s Braidwood Nuclear Generating Station.” 1984. ESRG Study No. 83-87.

“The Economics of Seabrook 1 from the Perspective of the Three Maine Co-owners.” 1984. ESRG Study No. 84-38.

“An Evaluation of the Testimony and Exhibit (RCB-2) of Dr. Robert C. Bushnell Concerning the Capital Cost of Fermi 2.” 1984. ESRG Study No. 84-30.

“Electric Rate Consequences of Cancellation of the Midland Nuclear Power Plant.” 1984. ESRG Study No. 83-81.

“Power Planning in Kentucky: Assessing Issues and Choices—Project Summary Report to the Public Service Commission.” 1984. ESRG Study No. 83-51.

“Electric Rate Consequences of Retiring the Robinson 2 Nuclear Plant.” 1984. ESRG Study No. 83-10.

“Power Planning in Kentucky: Assessing Issues and Choices—Conservation as a Planning Option.” 1983. ESRG Study No. 83-51/TR III.

“Electricity and Gas Savings from Expanded Public Service Electric and Gas Company Conservation Programs.” 1983. ESRG Study No. 82-43/2.

“Long Island Without the Shoreham Power Plant: Electricity Cost and System Planning Consequences; Summary of Findings.” 1983. ESRG Study No. 83-14S.

“Long Island Without the Shoreham Power Plant: Electricity Cost and System Planning Consequences; Technical Report B—Shoreham Operations and Costs.” 1983. ESRG Study No. 83-14B.

“Customer Programs to Moderate Demand Growth on the Arizona Public Service Company System: Identifying Additional Cost-Effective Program Options.” 1982. ESRG Study No. 82-14C.

“The Economics of Alternative Space and Water Heating Systems in New Construction in the Jersey Central Power and Light Service Area, A Report to the Public Advocate.” 1982. ESRG Study No. 82-31.

“Review of the Kentucky-American Water Company Capacity Expansion Program, A Report to the Kentucky Public Service Commission.” 1982. ESRG Study No. 82-45.

“Long Range Forecast of Sierra Pacific Power Company Electric Energy Requirements and Peak Demands, A Report to the Public Service Commission of Nevada.” 1982. ESRG Study No. 81-42B.

“Utility Promotion of Residential Customer Conservation, A Report to Massachusetts Public Interest Research Group.” 1981. ESRG Study No. 81-47

PRESENTATIONS

“Electricity Market Design: Incentives for Efficient Bidding, Opportunities for Gaming.” NASUCA Northeast Market Seminar, Albany, N.Y., February 2001.

“Direct Access Implementation: The California Experience.” Presentation to the Maryland Restructuring Technical Implementation Group on behalf of the Maryland Office of People’s Counsel. June 1998.

“Reflecting Market Expectations in Estimates of Stranded Costs,” speaker, and workshop moderator of “Effectively Valuing Assets and Calculating Stranded Costs.” Conference sponsored by International Business Communications, Washington, D.C., June 1997.

EXPERT TESTIMONY

1989 **Mass. DPU** on behalf of the Massachusetts Executive Office of Energy Resources. Docket No. 89-100. Joint testimony with Paul Chernick relating to statistical analysis of U.S. nuclear-plant capacity factors, operation and maintenance costs, and capital additions; and to projections of capacity factor, O&M, and capital additions for the Pilgrim nuclear plant.

1994 **NY PSC** on behalf of the Pace Energy Project, Natural Resources Defense Council, and Citizen’s Advisory Panel. Case No. 93-E-1123. Joint testimony with John Plunkett critiques proposed modifications to Long Island Lighting Company’s DSM programs from the perspective of least-cost-planning principles.

1994 **Vt. PSB** on behalf of the Vermont Department of Public Service. Docket No. 5270-CV-1 and 5270-CV-3. Testimony and rebuttal testimony discusses rate and bill effects from DSM spending and sponsors load shapes for measure- and program-screening analyses.

1996 **New Orleans City Council** on behalf of the Alliance for Affordable Energy. Docket Nos. UD-92-2A, UD-92-2B, and UD-95-1. Rates, charges, and integrated resource planning for Louisiana Power & Lights and New Orleans Public Service, Inc.

- 1996 **New Orleans City Council** Docket Nos. UD-92-2A, UD-92-2B, and UD-95-1. Rates, charges, and integrated resource planning for Louisiana Power & Lights and New Orleans Public Service, Inc.; Alliance for Affordable Energy. April, 1996.
- Prudence of utilities' IRP decisions; costs of utilities' failure to follow City Council directives; possible cost disallowances and penalties; survey of penalties for similar failures in other jurisdictions.
- 1998 **Massachusetts Department of Telecommunications and Energy** Docket No. 97-111, Commonwealth Energy proposed restructuring; Cape Cod Light Compact. Joint testimony with Paul Chernick, January, 1998.
- Critique of proposed restructuring plan filed to satisfy requirements of the electric-utility restructuring act of 1997. Failure of the plan to foster competition and promote the public interest.
- Massachusetts Department of Telecommunications and Energy** Docket No. 97-120, Western Massachusetts Electric Company proposed restructuring; Massachusetts Attorney General. Joint testimony with Paul Chernick, October, 1998. Joint surrebuttal with Paul Chernick, January, 1999.
- Market value of the three Millstone nuclear units under varying assumptions of plant performance and market prices. Independent forecast of wholesale market prices. Value of Pilgrim and TMI-1 asset sales.
- 1999 **Maryland PSC** Case No. 8795, Delmarva Power & Light comprehensive restructuring agreement, Maryland Office of People's Counsel. July 1999.
- Support of proposed comprehensive restructuring settlement agreement
- Maryland PSC** Case Nos. 8794 and 8808, Baltimore Gas & Electric Company comprehensive restructuring agreement, Maryland Office of People's Counsel. Initial Testimony July 1999; Reply Testimony August 1999; Surrebuttal Testimony August 1999.
- Support of proposed comprehensive restructuring settlement agreement
- Maryland PSC** Case No. 8797, comprehensive restructuring agreement for Potomac Edison Company, Maryland Office of People's Counsel. October 1999.
- Support of proposed comprehensive restructuring settlement agreement
- Connecticut DPUC** Docket No. 99-03-35, United Illuminating standard offer, Connecticut Office of Consumer Counsel. November 1999.
- Reasonableness of proposed revisions to standard-offer-supply energy costs. Implications of revisions for other elements of proposed settlement.
- 2000 **U.S. FERC** Docket No. RT01-02-000, Order No. 2000 compliance filing, Joint Consumer Advocates intervenors. Affidavit, November 2000.

Evaluation of innovative rate proposal by PJM transmission owners.

2001 **Maryland PSC** Case No. 8852, Charges for electricity-supplier services for Potomac Electric Power Company, Maryland Office of People's Counsel. March 2001.

Reasonableness of proposed fees for electricity-supplier services.

Maryland PSC Case No. 8890, Merger of Potomac Electric Power Company and Delmarva Power and Light Company, Maryland Office of People's Counsel. September 2001; surrebuttal, October 2001. In support of settlement: Supplemental, December 2001; rejoinder, January 2002.

Costs and benefits to ratepayers. Assessment of public interest.

Maryland PSC Case No. 8796, Potomac Electric Power Company stranded costs and rates, Maryland Office of People's Counsel. December 2001; surrebuttal, February 2002.

Allocation of benefits from sale of generation assets and power-purchase contracts.

2002 **Maryland PSC** Case No. 8908, Maryland electric utilities' standard offer and supply procurement, Maryland Office of People's Counsel. Direct, November 2002; Rebuttal December 2002.

Benefits of proposed settlement to ratepayers. Standard-offer service. Procurement of supply.

2003 **Maryland PSC** Case No. 8980, adequacy of capacity in restructured electricity markets; Maryland Office of People's Counsel. Direct, December 2003; Reply December 2003.

Purpose of capacity-adequacy requirements. PJM capacity rules and practices. Implications of various restructuring proposals for system reliability.

2004 **Maryland PSC** Case No. 8995, Potomac Electric Power Company recovery of generation-related uncollectibles; Maryland Office of People's Counsel. Direct, March 2004; Supplemental March 2004, Surrebuttal April 2004.

Calculation and allocation of costs. Effect on administrative charge pursuant to settlement.

Maryland PSC Case No. 8994, Delmarva Power & Light recovery of generation-related uncollectibles; Maryland Office of People's Counsel. Direct, March 2004; Supplemental April 2004.

Calculation and allocation of costs. Effect on administrative charge pursuant to settlement.

Maryland PSC Case No. 8985, Southern Maryland Electric Coop standard-offer service; Maryland Office of People’s Counsel. Direct, July 2004.

Reasonableness and risks of resource-procurement plan.

2005 **FERC** Docket No. ER05-428-000, revisions to ICAP demand curves; City of New York. Statement, March 2005.

Net-revenue offset to cost of new capacity. Winter-summer adjustment factor. Market power and in-City ICAP price trends.

FERC Docket No. PL05-7-000, capacity markets in PJM; Maryland Office of People’s Counsel. Statement, June 2005.

Inefficiencies and risks associated with use of administratively determined demand curve. Incompatibility of four-year procurement plan with Maryland standard-offer service.

FERC Dockets Nos. ER05-1410-000 & EL05-148-000, proposed market-clearing mechanism for capacity markets in PJM; Coalition of Consumers for Reliability, Affidavit October 2005, Supplemental Affidavit October 2006.

Inefficiencies and risks associated with use of administratively determined demand curve. Effect of proposed reliability-pricing model on capacity costs.

2006 **MD PSC** Case No. 9052, Baltimore Gas & Electric rates and market-transition plan; Maryland Office of People’s Counsel, February 2006.

Transition to market-based residential rates. Price volatility, bill complexity, and cost-deferral mechanisms.

MD PSC Case No. 9056, default service for commercial and industrial customers; Maryland Office of People’s Counsel, April 2006.

Assessment of proposals to modify default service for commercial and industrial customers.

MD PSC Case No. 9054, merger of Constellation Energy Group and FPL Group; Maryland Office of People’s Counsel, June 2006.

Assessment of effects and risks of proposed merger on ratepayers.

Illinois Commerce Commission Docket No. 06-0411, Commonwealth Edison Company residential rate plan; Citizens Utility Board, Cook County State’s Attorney’s Office, and City of Chicago, Direct July 2006, Reply August 2006.

Transition to market-based rates. Securitization of power costs. Rate of return on deferred assets.

MD PSC Case No. 9064, default service for residential and small commercial customers ; Maryland Office of People’s Counsel, Rebuttal Testimony, September 2006.

Procurement of standard-offer power. Structure and format of bidding. Risk and cost recovery.

FERC Dockets Nos. ER05-1410-000 & EL05-148-000, proposed market-clearing mechanism for capacity markets in PJM; Maryland Office of the People's Counsel, Supplemental Affidavit October 2006.

Distorting effects of proposed reliability-pricing model on clearing prices. Economically efficient alternative treatment.

MD PSC Case No. 9063, optimal structure of electric industry; Maryland Office of People's Counsel, Direct Testimony, October 2006; Rebuttal November 2006; surrebuttal November 2006.

Procurement of standard-offer power. Risk and gas-price volatility, and their effect on prices and market performance. Alternative procurement strategies.

Comparison of Market-Price Forecasts

	PJM Actual Price (\$/MWh)	OPC Forecast (\$/MWh)	Difference from Actual	BGE Forecast (\$/MWh)	Difference from Actual	MEA Forecast (\$/MWh)	Difference from Actual	Staff Forecast (\$/MWh)	Difference from Actual
2000	30.51	31.45	3.1%	28.32	-7.2%	28.32	-7.2%	30.73	0.7%
2001	36.14	32.57	-9.9%	29.49	-18.4%	29.49	-18.4%	31.96	-11.6%
2002	29.62	33.99	14.8%	30.61	3.3%	30.61	3.3%	33.18	12.0%
2003	38.95	35.31	-9.3%	31.51	-19.1%	31.51	-19.1%	34.17	-12.3%
2004	43.14	36.52	-15.3%	31.82	-26.2%	31.82	-26.2%	34.50	-20.0%
2005	58.32	38.95	-33.2%	32.92	-43.5%	32.78	-43.8%	35.71	-38.8%
Average	39.45	34.80	-11.8%	30.78	-22.0%	30.76	-22.0%	33.38	-15.4%

(1) Prices are totals of energy and capacity prices at 100% load factor.

(2) PJM actual prices from 2005 State of the Market Report, Tables 2-32 and 3-2.

(3) OPC price forecast from Direct Testimony of Paul Chernick, CN 8794 / 8804, December 22, 1998, Exhibit PLC-6.

(4) BGE price forecast from Chernick direct, Exhibit PLC-6.

(5) MEA price forecast from Direct Testimony of Matthew I. Kahal, CN 8794 / 8804, December 1998, Schedule MIK-1.

MEA adopted BGE price forecast for the years 2000 through 2004, then assumed prices escalate at inflation thereafter.

(6) Staff price forecast assumed 10% higher energy prices than BGE forecast, and adopted BGE capacity-price forecast.