

**Testimony of William B. Berg
Exelon Generation Company**

**Pennsylvania House of Representatives
Consumer Affairs Committee
Informational Hearing on Municipal Aggregation**

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Chairman Preston, Chairman Godshall and members of the Committee, thank you for this opportunity to testify on behalf of Exelon Generation Company regarding municipal aggregation legislation. I am Bill Berg, the Manager of Eastern Regional Transmission Organizations for Exelon Generation.

Headquartered in Kennett Square, Chester County, Exelon Generation employs nearly 4,000 Pennsylvanians. We have one of the largest wholesale power trading organizations in the country and own or control approximately 31 GWs of electricity. Exelon Generation is also the parent company to Exelon Energy, an active retail supplier in Pennsylvania, Illinois, Michigan and Ohio. Exelon Generation is a vocal and staunch advocate of competitive electricity markets at both the wholesale and retail levels.

In the last year, Pennsylvania has made tremendous strides towards facilitating a competitive retail electricity market that will benefit all Pennsylvania consumers. Exelon Generation believes that a properly structured municipal aggregation framework can further expand the competitive retail electricity market. Exelon Generation further believes that these enhancements must evolve in an orderly manner and with due consideration given to the currently approved Default Service Plans.

As an experienced wholesale trading organization and active participant and supplier in many Default Service Procurements (DSP), Exelon Generation is willing and able to embrace all market risks associated with serving DSP customers. Such risks include operational risk, commodity price risk, congestion risks, weather risks, and switching risks. Exelon Generation evaluates all such market risks under the umbrella of the current rules, laws and the regulatory framework associated with serving those customers. While we fully expect the competitive market to continue to evolve over time, it's important to be mindful of prior commitments and provide all market participants reasonable notice and time to adjust to changing environments. Giving reasonable notice and time to adjust to the proposed municipal aggregation changes is really what I am here today to talk about.

As such, Exelon Generation believes it is essential for any municipal aggregation legislation to include language that would coordinate existing DSP plans with the implementation of municipal aggregation programs. Opt-out aggregation in particular creates the potential for movement of large-scale blocks of customers. This migration occurs well after an electric distribution company has secured default service supplies under a commission-approved DSP plan that was executed well before municipal aggregation was contemplated by the Legislature or the Public Utility Commission (PUC). This situation creates significant and unexpected switching risk for wholesale suppliers of default service customers. Simply stated, these are risks that could not have been reasonably anticipated when the DSP supply commitments were made.

To be clear, Exelon Generation does not shy away from any of the *market* risks I have identified previously. It is not in anyone's long term interest, however, to subject those winning suppliers to risks created by legislative and regulatory changes mid-stream of a PUC approved plan and contract. Not only will DSP suppliers be subjected to inequitable and significant financial loss that cannot be practically mitigated, but future default service procurements will also be negatively impacted as the risks of sudden, significant and unexpected changes in law are considered when developing market prices.

Synchronizing the initiation of aggregation programs with existing DSP plans substantially reduces these risks and their potential impact on consumers who remain in DSP programs. Importantly, it signals to the market that Pennsylvania will continue its pro-market evolution in an orderly and thoughtful manner. That's why it is our position that the legislation should be clear that no aggregation programs should be permitted to begin until new default service plans are approved by the Commission.

I hope that the Committee and the members of the General Assembly will strongly consider these issues as you move forward on crafting this legislation.

Thank you for your time and I would be happy to answer any questions.