

**PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**V.**

**METROPOLITAN EDISON COMPANY**

**Docket No. R-2016-2537349**

**PENNSYLVANIA ELECTRIC COMPANY**

**Docket No. R-2016-2537352**

**PENNSYLVANIA POWER COMPANY**

**Docket No. R-2016-2537355**

**WEST PENN POWER COMPANY**

**Docket No. R-2016-2537359**

**Direct Testimony**

**Of**

**Kokou M. Apetoh**

**Bureau of Investigation and Enforcement**

**Concerning:**

**Reporting Requirements**

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Kokou M. Apetoh. My business address is P.O. Box 3265,  
3 Harrisburg, Pennsylvania 17105-3265.

4

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am employed by the Pennsylvania Public Utility Commission in the Bureau of  
7 Investigation and Enforcement (“I&E”) as a Fixed Utility Valuation Engineer.

8

9 **Q. WHAT IS YOUR EDUCATIONAL AND EMPLOYMENT EXPERIENCE?**

10 A. Appendix A, which is attached to my testimony, describes my educational  
11 background and professional experience.

12

13 **Q. PLEASE DESCRIBE THE ROLE OF I&E IN RATE PROCEEDINGS.**

14 A. I&E is responsible for protecting the public interest in proceedings before the  
15 Commission. The I&E analysis in the proceeding is based on its responsibility to  
16 represent the public interest. This responsibility requires balancing the interests of  
17 the ratepayers and the Company.

18

19 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

20 A. The purpose of my testimony is to present I&E's recommendations regarding the  
21 individual rate filings of four FirstEnergy companies’ (collectively, the

1 “Companies”) pending before the Commission. These rate filings consist of the  
2 following:

- 3 • Metropolitan Edison Company’s (“Met-Ed”) request for \$140.2 million or  
4 9.53% in overall additional annual revenues for the fully projected future  
5 test year (FPFTY) ending December 31, 2017.;
- 6 • Pennsylvania Electric Company’s (“Penelec”) request for \$158.8 million or  
7 11.42 % in overall additional annual revenues for the fully projected future  
8 test year ending December 31, 2017.;
- 9 • Pennsylvania Power Company’s (“Penn Power”) request for \$42.0 million  
10 or 9.57% in overall additional annual revenues for the fully projected future  
11 test year ending December 31, 2017.; and
- 12 • West Penn Power Company ‘s (“West Penn”) request for \$98.2 million or  
13 5.74% in overall additional annual revenues for the fully projected future  
14 test year ending December 31, 2017.

15 My testimony will address the Companies’ reporting requirements for plant  
16 additions in both the future test year (FTY) ending December 31, 2016 and the  
17 fully projected future test year ending December 31, 2017.

18  
19 **REPORTING REQUIREMENTS**

20 **Q. WHAT IS A TEST YEAR AND HOW IS IT USED?**

1 A. A test year is a twelve-month period over which a utility’s costs and revenues are  
2 measured as the basis for setting prospective base rates. Further, it is used to  
3 analyze earned returns in comparison to either:

- 4 1. Previously authorized earnings levels (based on approved rates of return):  
5 this is known as a historic test year (“HTY”) or
- 6 2. Requested earnings levels (based on requested or recommended rates of  
7 return): this is known as a future test year (“FTY”).

8 Simply put, a historic test year is a twelve-month period representing a company’s  
9 recent full year of actual data as opposed to the future test year, which starts the  
10 day following the end of the historic test year and is a projection of a utility’s  
11 historic actual data into the future.

12  
13 **Q. HAVE STATUTORY CHANGES MODIFIED A UTILITY’S ABILITY TO**  
14 **PROPOSE A TEST YEAR THAT BEGINS AFTER THE RATE CASE IS**  
15 **COMPLETED?**

16 A. Yes. Prior to the passage of Act 11 by the Pennsylvania Legislature, utilities could  
17 use either a HTY or a FTY. However, Act 11, which was signed on February 14,  
18 2012, permits utilities to use a fully projected future test year in order to meet their  
19 burden of proof in rate cases. The FPFTY is defined as the twelve-month period  
20 that begins with the first month that the new rates will be placed into effect after  
21 the application of the full suspension period permitted under Section 1308(d).

1 **Q. AT THIS TIME, HAS THE COMMISSION ADOPTED RULES AND**  
2 **REGULATIONS REGARDING THE USE OF THE FULLY PROJECTED**  
3 **FUTURE TEST YEAR?**

4 A. No. On August 2, 2012, the Commission entered its Final Implementation Order,  
5 at Docket No. M-2012-2293611, addressing Act 11 (“*Implementation Order*”). In  
6 the *Implementation Order*, the Commission initiated a separate proceeding at  
7 Docket No. L-2012-2317273 for the purposes of adopting rules and regulations  
8 regarding the use of the FPFTY in accordance with Section 315(e) of the Public  
9 Utility Code. Counsel informs me that this proceeding is ongoing before the  
10 Commission and that no rules or regulations have as yet been proposed.

11  
12 **Q. WHAT TEST YEARS HAVE THE COMPANIES USED IN THIS**  
13 **PROCEEDING?**

14 A. The Companies selected the twelve-month period ended December 31, 2015 as the  
15 HTY, the twelve-month period ending December 31, 2016 as the FTY, and the  
16 twelve-month period ending December 31, 2017 at the FPFTY.<sup>1</sup>

17  
18 **Q. WHAT TEST YEAR DID THE COMPANIES BASE THEIR REVENUE**  
19 **REQUIREMENTS UPON IN THIS PROCEEDING?**

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<sup>1</sup> Met-Ed/Penelec/Penn Power/West Penn Statement No. 9, p. 4.

1 A. The Companies based their requested revenue requirements on the FPFTY ending  
2 December 31, 2017.<sup>2</sup>

3

4 **Q. CAN YOU ILLUSTRATE THE IMPACT THAT THE FPFTY HAS ON**  
5 **PLANT ADDITIONS THAT THE COMPANIES ARE PERMITTED TO**  
6 **CLAIM IN THIS PROCEEDING?**

7 A. Yes. Historically, a fundamental principle of utility regulation is that a public  
8 utility should be permitted to include projects in rate base and earn a reasonable  
9 return on its investments after they became “used and useful” for the utility’s  
10 public service. However, now that a FPFTY is permitted, plant can be included in  
11 rate base before it is used and useful.

12 For example, the Companies can claim and recover plant additions in this  
13 proceeding even though it will not be used and useful until the end of the FPFTY  
14 ending December 31, 2017. The Companies’ breakdown of plant additions for the  
15 FTY is:

<b>Breakdown of the Companies Plant Additions for the FTY ending December 31, 2016</b>		
<b>Line</b>		
<b>No.</b>	<b>Description</b>	<b>2016 Plant Additions</b>
<b>(A)</b>		<b>(B)</b>
1	Met-Ed	\$107,042,000
2	Penelec	\$145,319,000
3	Penn Power	\$42,750,000
4	West Penn	\$135,775,000
<b>5</b>	<b>Total</b>	<b>\$430,886,000</b>

16

<sup>2</sup> Met-Ed/Penn Power/West Penn Statement No. 2, p. 25. Penn Power Statement No. 2, p. 23.

1 The breakdown of plant additions for the FPFTY is:

<b>Breakdown of the Companies Plant Additions for the FPFTY ending December 31, 2017</b>		
<b>Line No.</b>	<b>Description</b>	<b>2017 Plant Additions</b>
(A)		
1	Met-Ed	\$103,638,000
2	Penelec	\$137,524,000
3	Penn Power	\$42,910,000
4	West Penn	\$142,746,000
5	<b>Total</b>	<b>\$426,818,000</b>

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3

4

5 **Q. WHAT RECOMMENDATION DO YOU HAVE REGARDING PLANT**  
6 **ADDITIONS THAT ARE PROJECTED TO BE IN SERVICE DURING**  
7 **THE FPFTY ENDING DECEMBER 31, 2017 AND THUS INCLUDED IN**  
8 **RATE BASE FOR RATEMAKING PURPOSES?**

9 A. In the proceeding at Docket No. L-2012-2317273, it is expected that the  
10 Commission will set the appropriate standard, rules and regulations utilities must  
11 meet to satisfy the concepts of “used and useful” facilities that are projected to be  
12 in service during the FPFTY. While the Commission is working on those  
13 standards, I recommend that the Companies provide the Commission’s Bureaus of  
14 Technical Utility Services and Investigation and Enforcement with an update to  
15 the following exhibits: (1) Met-Ed Exhibits RAD-46 – 47, Attachment B,  
16 pages 1-2, column 2; (2) Penelec Exhibits RAD-46 – 47, Attachment B, page 1,  
17 column 2; (3) Penn Power Exhibits RAD-46 – 47, Attachment B, pages 1-2,

1 column 21, and (4) West Penn Exhibits RAD-46 – 47, Attachment B, page 1,  
2 column 2 by no later than May 1, 2017. The updates should include actual capital  
3 expenditures, plant additions, and retirements, by month, from January 2016  
4 through January 31, 2017. An additional update should be provided no later than  
5 May 1, 2018 for actual capital expenditures, plant additions, and retirements, by  
6 month through December 31, 2017.

7  
8 **Q. WHY DO YOU RECOMMEND THAT THE COMPANIES PROVIDE**  
9 **THESE UPDATES?**

10 A. Through use of the FPFTY, a utility is allowed, in essence, to require ratepayers to  
11 pre-pay a return on its projected investment in future facilities. This is true  
12 because the future facilities are not only not in place and providing service at the  
13 time the new rates will take effect, but there is also no guarantee of them being  
14 completed and placed into service. While the FPFTY provides for such  
15 projections, there should be some timely verification of the projections.  
16 Therefore, requiring the Companies to provide updates demonstrating that actual  
17 investment comports with projections used in setting rates using the FPFTY  
18 allows the Commission to measure and verify the accuracy of FirstEnergy's  
19 projected investments in future facilities on a timely basis.

20  
21 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

22 A. Yes.

**KOKOU M. APETOH**

**THE PENNSYLVANIA PUBLIC UTILITY COMMISSION  
PO BOX 3265  
HARRISBURG, PA 17105-3265**

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**Education:** Bachelor of Science in Electrical Engineering, 2004; the Pennsylvania State University; Middletown, PA.

**Continuing**

**Education:** Coursework in Civil Engineering Technology at the Harrisburg Area Community College.

**Rate School:** The National Association of Regulatory Utility Commissioners and the Institute of Public Utilities of the Michigan State University's Rate School – Clearwater, FL – October/November 2012.

**Title:** **FIXED UTILITY VALUATION ENGINEER**

July 2013 – Present

Pennsylvania Public Utility Commission  
Bureau of Investigation and Enforcement  
Harrisburg, PA

**Duties:** Perform and analyze fixed utilities' engineering valuation, depreciation, cost of service, quality and reliability of service.

**Title:** **FIXED UTILITY VALUATION ENGINEER TRAINEE**

July 2012 – July 2013

Pennsylvania Public Utility Commission  
Bureau of Investigation and Enforcement  
Harrisburg, PA

**Duties:** Assisted senior fixed utility valuation engineers with their rate case assignments.

**Title:**        **ADJUNCT INSTRUCTOR**  
Fall 2010 – December 2013

Harrisburg Area Community College  
Harrisburg, PA

**Duties:**     Provided academic instruction and student academic support for assigned classes in Electricity, Safety, and Mathematics.

**Title:**        **ESTIMATOR**  
March 2008 – October 2008

Cumberland Valley Corporation  
Camp Hill, PA

**Duties:**     Estimated construction projects (electrical).

**Title:**        **INDUSTRIAL ENGINEER**  
September 2005 – December 2007

United Parcel Service, Incorporated  
Harrisburg, PA

**Duties:**     Worked on process improvement and supervised hourly workers.

**TESTIMONY**

I have filed testimony or testify in the following cases:

<u><b>NO.</b></u>	<u><b>CASE</b></u>	<u><b>DOCKET NUMBER</b></u>
1.	The York Water Company	R-2012-2336379
2.	Duquesne Light Company	R-2013-2372129
3.	Penn Estates, Incorporated – Sewer Division	R-2013-2370455
4.	Peoples Natural Gas, LLC. – Equitable Division	R-2014-2403935
5.	Peoples Natural Gas, LLC. – TWP	R-2014-2399598
6.	City of Lancaster – Bureau of Water	R-2014-2418872
7.	West Penn Power Company	R-2014-2428742
8.	Pennsylvania Electric Company	R-2014-2428743

9.	Pennsylvania Power Company	R-2014-2428744
10.	Metropolitan Edison Company	R-2014-2428745
11.	Delaware Sewer Company	R-2014-2452705
12.	Peoples Natural Gas, LLC. – TWP	R-2014-2456648
13.	PECO Energy Company – Electric Division	R-2015-2468981
14.	UGI Utilities, Inc. – Gas Division	R-2015-2518438
15.	Peoples Natural Gas, LLC. – TWP	R-2016-2528557
16.	Peoples Natural Gas, LLC. – Equitable Division	R-2016-2529260
17.	Peoples Natural Gas, LLC.	R-2016-2528562
18.	Columbia Gas of Pennsylvania	R-2016-2529660
19.	Community Utilities of Pennsylvania	R-2016-2538660