BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission, *et. al.*	:	R-2016-2537349, *et al.*
	:	
v.	:	
	:	
Metropolitan Edison Company	:	
Pennsylvania Public Utility Commission, *et. al.*	:	R-2016-2537352, *et al.*
	:	
v.	:	
	:	
Pennsylvania Electric Company	:	
Pennsylvania Public Utility Commission, *et. al.*	:	R-2016-2537355, *et. al.*
	:	
v.	:	
	:	
Pennsylvania Power Company	:	
Pennsylvania Public Utility Commission, *et. al.*	:	R-2016-2537359, *et al.*
	:	
v.	:	
	:	
West Penn Power Company	:	

REBUTTAL TESTIMONY

OF

CLARENCE L. JOHNSON

ON BEHALF OF
OFFICE OF CONSUMER ADVOCATE
(Corrected)

August 17, 2016

TABLE OF CONTENTS

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Clarence L. Johnson. My business address is 3707 Robinson Ave, Austin, Texas 78722.

Q. ON WHOSE BEHALF ARE YOU PRESENTING TESTIMONY IN THIS PROCEEDING?

A. I am presenting testimony on behalf of the Pennsylvania Office of Consumer Advocate ("OCA").

Q. ARE YOU THE SAME CLARENCE JOHNSON WHO PREVIOUSLY FILED TESTIMONY IN THIS PROCEEDING?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. Like my direct testimony, this testimony will address the rate cases of the First Energy electric distribution companies ("Company" or "Companies"): Met Ed (ME), Penelec (PN), Penn Power (PP), and West Penn Power (WP). I will rebut selected cost allocation/rate design positions taken by the following witnesses: Mr. Baudino, Mr. Knecht, Mr. Kalcic, and Mr. Hubert. To the extent that other intervenor witnesses have taken positions in this case similar to these witnesses, my testimony should be considered rebuttal of their positions too. Absence of any discussion of particular issues presented by these or other witnesses should not be construed as agreement with their positions. For purposes of comparison, this rebuttal testimony may refer to cost studies

based on the revenue requirements requested by the Companies, but such reference does not indicate agreement with the requested revenue levels. I will first address class cost of service study changes proposed by other parties. Next, I will respond to revenue distribution recommendations of other parties. Finally, I will rebut the residential customer charge recommendation of Investigation and Enforcement (I&E).

II. CLASS COST OF SERVICE STUDIES (CCOSS)

A. MR. BAUDINO'S PROPOSED MODIFICATION TO WEST PENN CCOSS

Q. DOES MR. BAUDINO, ON BEHALF OF AK STEEL, PROPOSE TO MODIFY THE METHODOLOGY IN THE WEST PENN CCOSS?

A. Yes. Mr. Baudino proposes to "weight" the demand allocator applied to primary substation equipment. The intent is to exempt primary customers at 23 kV or higher from the allocation of substations which are connected only to primary and/or secondary customers who take service below 23 kV. The effect of this change is to shift additional substation costs onto primary customer classes below 23 kV and secondary residential and general service classes. The impact of the new "weighted" non-coincident peak (NCP)[1] demand allocator on the residential class is to increase the substation NCP allocation factor from 41% to 48%. The impact on the class pertaining to Mr. Baudino's client, Rate PP46, is to reduce the substation NCP allocation factor from 6.1% to 2.6%.

[1] NCP demand is based on the customer class' maximum hourly demand for the annual period. "Non-coincident" means that it is not based on the system peak demand.

Q. DO YOU AGREE WITH HIS PROPOSED CHANGE TO THE ALLOCATION OF SUBSTATIONS?

A. No.

Q. WHY DO YOU DISAGREE WITH MR. BAUDINO'S ADJUSTMENT TO THE SUBSTATION ALLOCATION?

A. The selection of a 23 kV demarcation within the primary voltage category appears somewhat opportunistic. The 23 kV boundary was chosen because it is associated with the PP46 tariff eligibility—not based on cost differentials associated with substation voltage. Other higher or lower voltages could have been chosen. In addition, his approach ignores that substations are part of an integrated system. West Penn Power's current planning procedures provide for designing and sizing substations so that they provide support for adjacent substations in the event of outage conditions.[2] Although this capability may not apply to some of the existing substations, the current practice demonstrates that substations are viewed as part of an integrated distribution network. Moreover, the Company's previous testimony calls into question whether the FERC Form 1 data used by Mr. Baudino includes all substations. First Energy's witness in the last base rate case testified that the data does not include substations serving a single customer.[3] This could affect the accuracy of the weighting percentages used in Mr. Baudino's method.

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[2] West Penn Power Docket No. R-2014-2428742, WPP-OCA-VIII-9.

[3] West Penn Power Docket No. R-2014-2428742, Rebuttal Testimony of H.E. Stewart at 19.

Q. IS IT REASONABLE TO USE A WEIGHTED DEMAND ALLOCATION METHOD TO ISOLATE THE COSTS OF SERVING >25 KV CUSTOMERS?

A. Not in my opinion. Applying a weighting to demand factors might be justified if the weighting reflects cost differentials associated with different levels of demand. But Mr. Baudino's Ex._RAB-2 contains no cost information and does not purport to examine differences in cost. Instead, the exhibit calculates the percentage of total distribution substation capacity associated with substation voltage in excess of 25 kV. This does not provide information regarding cost differences for substations with varying voltage levels. Furthermore, although his analysis is based on substation capacity, no consistent relationship between voltage and capacity is apparent. Based on the data in Mr. Baudino's exhibit, neither secondary nor primary voltage levels are correlated with the size of substation capacity.[4] For these, and the reasons previously discussed, Mr. Baudino's proposed modification to the CCOSS should be rejected.

Q. IF MR. BAUDINO'S RECOMMENDATION IS ADOPTED CONTARY TO YOUR RECOMMENDATION, WOULD IT CHANGE YOUR OPINION THAT THE WEST PENN RESIDENTIAL CLASS SHOULD RECEIVE A PERCENTAGE REVENUE INCREASE BELOW SYSTEM AVERAGE?

A. No, my opinion remains the same. Even if his allocation modification is adopted, the residential class relative rate of return at current rates is 131% if the minimum distribution system is rejected, as recommended in my testimony. If the customer

[4] The R-square statistic for the relationship between primary voltage level and substation capacity is .03 and .0006 for secondary voltage level and substation capacity. This means that primary voltage levels explains approximately 3% of substation capacity and secondary voltage level explains less than 1% of substation size. Both results reflect weak or non-existent correlation.

classification ratios for my alternative recommendation, as set out in Schedule CJ-2 of my initial testimony, were to be adopted, Mr. Baudino's CCOS study would produce a 102% relative rate of return for the residential class.

B. MR. KNECHT'S CRITICISM OF THE COMPANIES' CCOSS

Q. DID OSBA WITNESS MR. KNECHT PROPOSE ANY MODIFICATIONS TO THE WEST PENN CCOSS?

A. Yes. Mr. Knecht proposed several changes to the WP CCOSS which he characterized as "modifications." However, the effects of these changes were minor and did not have a material impact on larger rate classes. For that reason, I will not address the minor modifications which he proposed to the WP CCOSS.

Q. DOES MR. KNECHT CRITICIZE THE COMPANIES' MINIMUM SYSTEM METHOD WHICH DEVELOPS THE CUSTOMER CLASSIFICATION PERCENTAGES FOR THE CCOSS?

A. Yes. Mr. Knecht leveled a number of criticisms of the Companies' minimum system methodology, and indicated that the customer classification percentages may be overstated.[5] In my view, these criticisms are consistent with the conclusion in my initial testimony that the Companies' CCOSS studies are incomplete and inaccurate. Among the contentions raised by Mr. Knecht:

- The customer classification percentages are substantially higher than the comparable customer percentages in the Pennsylvania Power and Light Co. (PPL) minimum system

[5] Although Mr. Knecht presented testimony regarding West Penn and Penn Power, his criticisms are equally applicable to Met Ed and Penelec, because First Energy used the same methodology for all four companies.

study approved by the commission in 2012. For example, the PPL average secondary customer percentage is 61% compared to 83% for West Penn.

- The Companies' use of exponential equations to estimate component costs such as poles is suspect, unsupported by adequate discovery responses, and overstates the cost of the minimum size pole.
- The customer component of overhead conductors is overstated because, contrary to the NARUC cost allocation manual, the minimum conductor is not the minimum size currently installed on the system.

Q. WHAT CHANGES IN THE CCOSS ARE PROPOSED BY MR. KNECHT AS A RESULT OF THESE CRITICISMS?

A. None. Mr. Knecht states that he is advised by counsel that OSBA reserves the right to claim that the Companies did not meet their burden of providing sufficient information to evaluate the CCOSS. However, because he generally supports the use of a minimum system method, and the resulting parameters are "directionally correct" compared to the PPL methodology, Mr. Knecht accepts the filed customer classification percentages.

Q. DO YOU AGREE WITH MR. KNECHT'S ACCEPTANCE OF THE COMPANIES' CUSTOMER CLASSIFICATION PERCENTAGES?

A. No. Given the significance of the issues that he raised regarding the Companies' minimum system study, a reasonable solution would have been to reduce the customer classification percentages. While I realize that Mr. Knecht supports the use of a minimum system approach and probably would not support my principal

recommendation of a 100% demand classification, my initial testimony does provide alternative customer classification percentages in Schedule CJ-2 and Schedule CJ-3. At the least, Mr. Knecht could have replaced the minimum size components for conductors and poles in the minimum system study based on the analysis he prepared for those two items.

Q. DOES MR. KNECHT RAISE AN ISSUE WITH RESPECT TO ALLOCATION OF SERVICES?

A. Yes. Mr. Knecht contends that the Companies should have used a weighted customer allocator for services. He recommends that the Companies should be required to prepare such allocators for services in the future. First Energy asserts that it does not maintain records of the costs and sizes of services by customer class.

Q. PLEASE RESPOND TO HIS POSITION REGARDING THE ALLOCATION OF SERVICES.

A. Mr. Knecht is correct that certain customer classes, including residential, are over allocated service line costs because the sizing of such lines varies by customer class. In particular, customers with less demand require smaller sized services. An unweighted customer allocator, as proposed by the Companies, ignores this fact. However, it is possible to correct this issue in the current CCOSS through the classification process. As discussed on page 25 of my initial testimony, application of minimum system theory to services would result in approximately 30% of services classified as demand-related. However, the Companies did not extend their minimum system study to services —

instead classifying 100% of the lines as customer-related. If the minimum system method is adopted, my recommendation is to make a symmetric adjustment, classifying 30% of services as demand-related. Because the demand classification recognizes that customers with higher demands require larger services, the 30% demand classification indirectly accomplishes what Mr. Knecht proposes for the allocation of services.

III. CLASS REVENUE DISTRIBUTION

Q. DO YOU DISAGREE WITH THE VARIOUS WITNESSES' CLASS REVENUE INCREASE RECOMMENDATIONS?

A. Yes. The witnesses propose a variety of different methods for spreading the companies' proposed revenue increases among the customer classes. Witnesses Baudino, Pollock, Kalcic, Knecht, and Hubert each claim that their method is superior to the companies' proposed revenue distribution at moving classes toward the CCOS target. The witnesses' recommendations generally increase the residential class revenue increase relative to the Companies' proposal. By contrast, my proposed revenue distribution recommended below system average percentage increases to the residential class. Schedule CJ-R-1 compares the parties' proposed revenue distributions as reflected in ratios of system average percent increase.

Q. WHY DO YOU OBJECT TO THE WITNESS RECOMMENDATIONS WHICH INCREASE THE PROPOSED REVENUE DISTRIBUTION TO THE RESIDENTIAL CLASS?

A. With the exception of issues discussed in the previous section, all of the recommendations are based on the companies' class cost of service study.[6] If the CCOS modifications proposed in my direct testimony are adopted, each of these witnesses' recommended revenue increase proposals will move the residential class farther from cost. My testimony recommended the following changes: (1) classify 100% of poles, conductors, underground facilities, and transformers on the basis of demand; and (2) modify the allocation of account 910. The most significant modification is the demand classification change for distribution facilities. As shown in my initial testimony, my recommended CCOS study demonstrates that the residential class present revenues produce relative rates of return substantially above 100%. My secondary recommendation produces alternative CCOS results that reflect a higher demand classification (and consequently a lower customer classification) of distribution facilities than the Companies' CCOS study; and this alternative also produces residential class rates of return in excess of the system average rate of return.

Therefore, the residential class revenue increase should be set less than the system average percentage increase; in contrast, the Companies' proposals for West Penn and Penelec assign a higher than system average increase to the residential class. With respect to Penn Power, the Company's CCOS indicates that the residential class produces a relative rate of return above unity and, therefore, Penn Power proposes a residential increase less than system average. For Met Ed, the Company's proposed revenue

[6] As noted in Section II, Mr. Baudino and Mr. Knecht propose modifications to the Companies' CCOSS. These modifications do not change the overall direction of the Companies' results pertaining to the residential class.

increase percentage for the residential class is slightly below system average, but the Company's CCOSS result indicates that the proposed rates still improve the residential relative rate of return. Taking into account my CCOSS results, the recommended revenue distribution, shown on Schedule CJ-6 of my initial testimony, produces a lower increase for the residential class than the Companies' proposals in each case.[7] Inasmuch as the previously cited witnesses propose to increase residential rates even higher than the Companies' request, those recommendations are clearly at odds with the results of my CCOS study, or any other CCOS study which is adjusted to materially decrease the customer classification of jointly used distribution infrastructure. In summary, the validity of the other witnesses' revenue distribution proposals is critically dependent on classifying a high percentage of distribution infrastructure on the basis of number of customers.

Q. DOES THE COMMISSION HAVE TO FULLY ADOPT YOUR CUSTOMER CLASSIFICATION RECOMMENDATIONS IN ORDER TO CONCLUDE THAT THE RESIDENTIAL CLASS IS ALREADY PAYING ABOVE ITS COSTS TO SERVE?

A. No. As indicated in my discussion of Mr. Knecht's testimony, all of the Companies' average customer classification percentages are higher than the average secondary system customer ratio in the PPL minimum system study. The Companies' cost results are very sensitive to the customer classification percentage. If the Companies' proposed customer percentage in its CCOSS is reduced by one-quarter to one-half (depending on the

[7] The OCA revenue distribution produces the following ratios of residential class increase relative to the system average percent: ME 59%; PN 83%; PP 88%; WP 79%.

Company), the ME, PN, and WP residential classes are no longer indicated to be below cost.[8] Penn Power is not included in this comparison because the PP residential class produces a relative rate of return above unity without any customer classification changes. This demonstrates that the premise behind the other parties' revenue distribution proposals is very sensitive to changes in the customer classification percentage, and that a reasonable "compromise" regarding the precise customer percentage would shift the cost position of the residential class.

Q. OSBA WITNESS MR. KALCIC ARGUES THAT A REVENUE DISTRIBUTION PROPOSAL WHICH IMPROVES A CLASS' RELATIVE RATE OF RETURN COMPARED TO CURRENT RATES MAY NOT CONSTITUTE A MOVEMENT TOWARD COST. DO YOU AGREE?

A. No. Essentially his position is that movement toward cost must reduce the total amount of subsidy produced/received by a customer class. A threshold flaw in his position is that the term "subsidy," as he uses it, is somewhat arbitrary. Mr. Knecht, a witness for OSBA who addresses the WP and PP cost of service studies, points out that there is a "wide range between stand-alone and incremental costs for utility service," which is the theoretical boundary for subsidies.[9] Further, Mr. Kalcic is ignoring the fact that the overall system revenues are increasing, and that the increase in system revenue requirement will increase the absolute dollars for all components of class revenues,

[8] This is based on adjusting the Companies' CCOSS to determine the customer percentages for Accounts 364 – 368 which move the residential class relative rate of return to one or above. The following reductions in the Companies' proposed customer ratios would eliminate the cost shortfall for residential: WP, 52% reduction; ME, 24% reduction; and PN, 42%.

[9] Knecht direct testimony at 7 – 8.

including the so-called "subsidy." A more reasonable comparison of a class' current and proposed revenues might determine whether the defined subsidy amount is becoming a larger or smaller proportion of class revenues. For example, Mr. Kalcic opines that the Penelec residential class "subsidy" increases by $3.3 million under the Company's proposed revenue distribution. However, the "subsidy" percentage, in relation to residential revenues, declines from 8.9% to 7.2% under the Company's proposed revenues based on the Penelec CCOSS. Therefore, if one accepts Penelec's CCOS study, the residential class is making movement toward cost under the Company's proposal.

Q. EVEN ACCEPTING THE COMPANY'S CCOSS, IS IT NECESSARY TO INCREASE THE COMPANY'S REVENUE ALLOCATION TO THE RESIDENTIAL CLASS, AS ADVOCATED BY MESSRS. BAUDINO, HUBERT, KNECHT, AND KALCIC?

A. No. All of the witnesses recognize that gradualism is an accepted regulatory tool in allocating revenue increases among the rate classes. The methodologies for applying gradualism are subjective and rely on the analyst's judgment. The Companies' method of tempering class revenue increases is based on setting the class' percent of total revenues at the mid-point between the percentage of present revenues and the class percentage of total revenues at equalized class rates of return (based on the Companies CCOSS). While I disagree with the Companies' revenue allocation because my CCOSS produces substantially different results, using the mid-point in this manner is not unreasonable. An advantage of this procedure is that it is less likely to over- or under- shoot the class cost target.

The other parties' proposals to increase the residential class revenue increase above the Companies' proposal reflect gradualism goals which are unnecessarily rapid for the residential class, or in the case of Penelec run contrary to the CCOSS cost target. Class cost of service studies are a static snapshot of the dynamic relationship between supply and demand. Both costs and class usage characteristics will change over various long-run time periods. A class' relationship to cost can vacillate up or down in the future. As a result, attempting to target a precise rate of return result may end up over shooting the target. Therefore, the transition toward cost-based rates can prudently be directed toward a reasonable band around the CCOS results, without contravening cost of service principles. In most instances, the other parties recommend residential revenues higher than the Companies' proposal because (1) gradualism constraints applied to smaller customer classes shift required revenues to the residential class; and (2) the parties have determined that certain above-cost classes should be exempted from any revenue increase.[10] A more tempered approach to the residential revenue increase can be accomplished by utilizing a wider range for gradualism ceilings, instead of shifting a larger part of the revenue increase to the residential class. Another flaw in the approach taken by other parties is that they have exempted certain classes from a revenue increase, thereby simultaneously increasing the deficits resulting from a gradualism ceiling and reducing the number of classes which can absorb the deficit. This flaw is particularly apparent in I&E witness Hubert's and OSBA witness Knecht's revenue distribution proposals. As a result, the application of a 150% of system average revenue distribution

[10] Although Mr. Pollock did not present a complete revenue distribution proposal, his testimony contends that WP Rate 40 should receive no revenue increase.

ceiling results in substantial shifts of revenue allocation to the residential class. Depending on circumstances, a more measured approach would be to require that all above-cost classes bear some portion of the system revenue increase, even if it is 50% - 75% or more of the system average percentage increase. In my view, all classes should share in some of the "pain" associated with significant retail base revenue increases.

Penn Power

Q. DO YOU HAVE ANY COMMENTS WHICH ARE SPECIFIC TO PENN POWER REVENUE DISTRIBUTION RECOMMENDATIONS?

A. Yes. I will focus on recommendations regarding residential revenue proposals for Penn Power because the Company's CCOSS shows the residential class with a relative rate of return in excess of unity, i.e., above cost relative to other classes. The Company's revenue distribution proposal appropriately recommends a residential increase below system average percent (0.76 times system average). The OSBA and I&E both impose above system average percent increases on the residential class, resulting in the residential relative rate of return moving farther above cost. With respect to the other three FirstEnergy companies, the parties propose relative percentage increases for residential greater than the Companies' proposals based on the notion that the residential class should be moved closer to cost. However, in the case of Penn Power, in which the residential class is above costs, they continue to propose an above system average percent increase for the class, moving it farther from cost.

Q. DO YOU CONTEND THAT MR. HUBERT'S AND MR. KNECHT'S PROPOSED REVENUE DISTRIBUTION FOR PENN POWER IS UNREASONABLE?

A. Yes. The residential relative rate of return at current rates is 106%. 100% represents "cost," with percentages higher or lower indicating above or below cost. Mr. Hubert proposes a revenue increase (44.3%) which is 1.03 times the system average percent increase. The resulting residential rate of return (9.39%) constitutes a relative rate of return of 108%. Mr. Knecht proposes a residential revenue increase (47.2%) which is 1.07 times the system average percent increase. He does not show the resulting relative rate of return, but presumably it will be higher than the 108% associated with the I&E recommendation. Mr. Knecht admits that his proposed revenue distribution moves the residential class farther above cost; he calls the result "unfortunate" but necessary in order to achieve his proposed gradualism limits.

Q. DO BOTH MR. KNECHT AND MR. HUBERT GIVE ZERO REVENUE INCREASES TO CERTAIN CLASSES?

A. Yes. Both witnesses assign a zero revenue increase to the GSL class. Mr. Hubert also eliminated an increase for GT and reduced the percentage increases for GSM and PNP to prevent the classes from exceeding cost. Mr. Hubert's reallocation of $4.4 million in Company proposed revenue increases for GSL, GSM, PNP, and GT results in a $3.95 million higher revenue increase for the residential class. Mr. Hubert's revenue distribution prevents certain classes (GSM, for example) from exceeding cost, but does not do the same for the residential class. The net effect is to cause the vast majority of PP customers to pay rates which exceed cost. Both Mr. Hubert and Mr. Knecht could have

avoided this result by obtaining somewhat more revenues from classes which are assigned zero or below average revenue increases.

IV. RESIDENTIAL CUSTOMER CHARGE

Q. DOES MR. HUBERT ADDRESS THE RESIDENTIAL CUSTOMER CHARGE?

A. Yes. A comparison of my customer charge recommendation, Mr. Hubert's proposed customer charge, and the current customer charge is shown below.

	Present	OCA	I&E
ME	$ 10.25	$ 10.25	$ 10.72
PN	$ 9.99	$ 9.99	$ 11.25
PP	$ 10.85	$ 10.85	$ 10.85
WP	$ 5.81	$ 6.80	$ 9.74

Q. WHAT IS THE REASON FOR DIFFERENCES BETWEEN YOUR CUSTOMER CHARGE RECOMMENDATION AND MR. HUBERT'S PROPOSED CUSTOMER CHARGE?

A. The principal reason is that Mr. Hubert's cost analysis results in considerably higher costs for inclusion in the monthly fixed charge. Except for West Penn Power, my cost analysis indicated that direct customer costs are significantly less than the current customer charge. Therefore, I proposed that the customer charge remain the same for Met Ed, Penelec, and Penn Power. For West Penn, I proposed a customer charge slightly above the results of my direct cost analysis. Mr. Hubert's Penn Power cost analysis result is also below the current customer charge and, like my recommendation, he proposes maintaining the existing charge. For Met Ed, Penelec, and West Penn, Mr. Hubert

proposes an increase in the customer charge based on his cost analysis. The 68% increase proposed for West Penn's customer charge is of particular concern.

Q. DOES MR. HUBERT'S CUSTOMER COST ANALYSIS RESULT IN SUBSTANTIALLY HIGHER CUSTOMER CHARGES THAN YOUR ANALYSIS?

A. Yes. My cost analysis is intended to reflect only *direct* customer costs, which are defined as costs which vary directly with the number of customers.[11] Mr. Hubert states that his cost analysis includes direct *and* indirect costs. I disagree with the inclusion of indirect customer costs because such costs do not reflect costs which are required solely to add new customers or maintain existing customers. Meters, services, customer accounting, and billing are typically the categories of direct customer costs.

Q. PLEASE IDENTIFY SOME OF THE COSTS INCLUDED IN MR. HUBERT'S COST ANALYSIS WHICH ARE NOT INCLUDED IN YOUR COST ANALYSIS.

A. The following expenses do not directly vary with the number of customers and are excluded from my cost analysis but are included (either in whole or in part) in Mr. Hubert's cost analysis: administrative and general expense, miscellaneous distribution O&M expense, uncollectible expense, and general office equipment plant and expense. In addition, my analysis includes only billing subject matter for call center costs. The

[11] In my initial testimony, I cited previous FirstEnergy company rate cases which supported the use of only direct costs in customer charge analyses. In addition, the direct cost method is also supported by *PPL Electric Utilities Corporation* (2004) Docket No. R-00049255, *PPL Gas Utilities Corporation* (2007) Docket No. R-00061398 and *Columbia Gas of Pennsylvania* (2011) Docket No. R-2010-2201974.

call center handles inquiries regarding energy efficiency, customer choice, reliability, outages, and similar subjects which are unrelated to direct billing cost.

Q. DO YOU BELIEVE THAT CONFINING THE COST ANALYSIS TO DIRECT COSTS IS CONSISTENT WITH THE BASIC CUSTOMER COST CONCEPT?

A. Yes. Limiting the analysis' costs to expenditures which directly vary with changes in customer count makes the analysis similar to an incremental cost study. So long as the customer charge recovers direct costs and makes a revenue contribution to indirect overhead costs, the customer charge level does not result in any cross-subsidies within the rate class. The customer charges I recommend for the Companies are significantly above the results of the direct cost analyses and therefore meet this criterion.

Q. WHAT IS YOUR RECOMMENDATION?

A. My proposed residential customer charges should be adopted instead of the monthly fixed charges recommended by Mr. Hubert.

Q. DOES THIS CONCLUDE YOUR TESTIMONY AT THIS TIME?

A. Yes.

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

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SCHEDULE ACCOMPANYING THE

REBUTTAL TESTIMONY

OF

CLARENCE L. JOHNSON

ON BEHALF OF
OFFICE OF CONSUMER ADVOCATE

August 17, 2016

COMPARISON OF CLASS REVENUE DISTRIBUTION PROPOSALS

(RATIO OF PERCENTAGE INCREASE TO SYSTEM AVERAGE PERCENT)

METROPOLITAN EDISON COMPANY	RS	GSV	GSS	GSM	GSL	GP	TP	BRD	MS	POL	STLT	TOTAL
Company Proposed (Times System Average)	92%	65%	115%	55%	238%	254%	112%	147%	54%	97%	107%	100%
OCA Proposed (Times System Average)	85%	85%	85%	150%	150%	150%	150%	150%	150%	85%	85%	100%
I&E Proposed (Times System Average)	107.7%	120.2%	145.4%	0.0%	223.0%	210.2%	112.3%	141.7%	0.1%	99.1%	0.0%	100.0%
OSBA Proposed (Times System Average)	108.7%	26.5%	150.0%	26.7%	150.0%	123.8%	147.0%	150.0%	27.3%	96.5%	26.8%	100.0%

PENNSYLVANIA ELECTRIC COMPANY	RS	GSV	GSS	GSM	GSL	GP	LP	BRD	H	POL	STLT	TOTAL
Company Proposed (Times System Average)	103.1%	87.7%	99.9%	90.4%	97.6%	140.0%	37.7%	-8.7%	34.2%	100.6%	115.1%	100.0%
OCA Proposed (Times System Average)	82.8%	82.2%	82.5%	149.9%	149.9%	87.0%	149.9%	92.8%	149.9%	79.8%	71.8%	100.0%
I&E Proposed (Times System Average)	127.3%	147.6%	146.4%	10.9%	50.1%	149.1%	0.0%	0.0%	0.0%	0.0%	145.4%	100.0%
OSBA Proposed (Times System Average)	128.2%	15.0%	150.0%	15.1%	15.1%	150.0%	15.1%	15.0%	15.0%	15.1%	150.0%	100.0%

PENNSYLVANIA POWER COMPANY	RS	GSR	GSS	GSM	GSL	GP	OH	PNP	POL	STLT	GT	TOTAL
Company Proposed (Times System Average)	90.4%	94.0%	135.4%	105.9%	92.4%	282.3%		52.7%	95.3%	102.9%	103.5%	100.0%
OCA Proposed (Times System Average)	87.9%	79.2%	99.5%	147.0%	147.0%	147.0%		147.0%	79.2%	69.8%	147.0%	100.0%
I&E Proposed (Times System Average)	103.3%	117.5%	148.0%	56.7%	0.0%	277.8%		5.7%	147.9%	148.7%	0.0%	100.0%
OSBA Proposed (Times System Average)	107%	0%	150.0%	69.3%	0.0%	150.0%		20.1%	150.0%	150.0%	0.0%	100.0%

WEST PENNSYLVANIA POWER COMPANY	RS	GS10	GSS	GSM	PP40	GSL	POL	PSU	PP44	PP46	STLT	TOTAL
Company Proposed (Times System Average)	121.2%	49.7%	163.5%	35.9%	126.5%	24.5%	289.9%	36.2%	408.3%	137.2%	-72.3%	100.0%
OCA Proposed (Times System Average)	79.5%	71.6%	102.4%	149.8%	149.8%	149.8%	74.9%	147.9%	68.3%	149.8%	102.4%	100.0%
I&E Proposed (Times System Average)	130.5%	99.2%	157.6%	0.0%	148.7%	0.0%	0.0%	0.0%	0.0%	148.5%	147.0%	100.0%
OSBA Proposed (Times System Average)	133.3%	0.0%	149.8%	0.0%	149.8%	0.0%		0.0%	0.0%	0.0%	0.0%	100.0%
AK Steel Proposed (Times System Average)	138.0%	0.0%	149.8%	0.0%	33.6%	0.0%	0.0%	43.7%	0.0%	0.6%	167.6%	100.0%

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission, *et. al.*	:	R-2016-2537349, *et al.*
v.	:	
Metropolitan Edison Company	:	
Pennsylvania Public Utility Commission, *et. al.*	:	R-2016-2537352, *et al.*
v.	:	
Pennsylvania Electric Company	:	
Pennsylvania Public Utility Commission, *et. at.*	:	R-2016-2537355, *et. al.*
v.	:	
Pennsylvania Power Company	:	
Pennsylvania Public Utility Commission, *et. al.*	:	R-2016-2537359, *et al.*
v.	:	
West Penn Power Company	:	

VERIFICATION

I, Clarence L. Johnson, hereby state that the facts above set forth in my Rebuttal Testimony, OCA Statement No. 3-R, are true and correct and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Signature: _____
Clarence L. Johnson

Consultant Address: CJEnergy Consulting
3707 Robinson Avenue
Austin, TX 78722

DATED: August 17, 2016

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission, *et. al.*	:	R-2016-2537349, *et al.*
v.	:	
Metropolitan Edison Company	:	
Pennsylvania Public Utility Commission, *et. al.*	:	R-2016-2537352, *et al.*
v.	:	
Pennsylvania Electric Company	:	
Pennsylvania Public Utility Commission, *et. at.*	:	R-2016-2537355, *et. al.*
v.	:	
Pennsylvania Power Company	:	
Pennsylvania Public Utility Commission, *et. al.*	:	R-2016-2537359, *et al.*
v.	:	
West Penn Power Company	:	

VERIFICATION

I, Clarence L. Johnson, hereby state that the facts above set forth in the Errata to my Rebuttal Testimony, OCA Statement No. 3-R, are true and correct and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Signature: _____
Clarence L. Johnson

Consultant Address: CJEnergy Consulting
3707 Robinson Avenue
Austin, TX 78722

DATED: August 25, 2016