

**PECO ENERGY COMPANY
STATEMENT NO. 6-SR**

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION
v.
PECO ENERGY COMPANY

DOCKET NO. R-2018-3000164

SURREBUTTAL TESTIMONY

WITNESS: JIANG DING

SUBJECT: CLASS COST OF SERVICE STUDY

DATED: AUGUST 8, 2018

TABLE OF CONTENTS

	Page
I. INTRODUCTION AND PURPOSE OF TESTIMONY	1
II. UPDATED, REVISED CLASS COST OF SERVICE STUDY	2
III. CONCLUSION	5

1
2
3

**SURREBUTTAL TESTIMONY
OF
JIANG DING**

4

I. INTRODUCTION AND PURPOSE OF TESTIMONY

5 **1. Q. Please state your name, professional position and business address.**

6 A. My name is Jiang Ding. I am employed by PECO Energy Company (“PECO”
7 or the “Company”) as a Principal Regulatory & Rates Specialist. My business
8 address is PECO Energy Company, 2301 Market Street, Philadelphia,
9 Pennsylvania 19103.

10 **2. Q. Have you previously submitted testimony in this proceeding?**

11 A. Yes. I submitted direct testimony that is marked as PECO Statement No. 6.
12 My background and qualifications are set forth in that statement. I have also
13 submitted rebuttal testimony that is marked as PECO Statement No. 6-R.

14 **3. Q. What areas will your surrebuttal testimony focus on?**

15 A. My surrebuttal testimony will address issues raised in the rebuttal testimony
16 of Philadelphia Area Industrial Energy Users Group (“PAIEUG”) witness
17 Jeffrey Pollock (PAIEUG Statement No. 1-R). In particular, I will address
18 revisions Mr. Pollock made to his preliminary, revised class cost of service
19 study and explain why his updated, revised analysis remains incorrect.

1 **4. Q. Have you prepared exhibits to accompany your surrebuttal testimony?**

2 A. Yes, I have prepared PECO Exhibit JD-1S. That exhibit is a summary
3 comparison of the results of PECO’s class cost of service study with Mr.
4 Pollock’s preliminary and updated, revised class cost of service studies
5 presented in his direct and rebuttal testimony, respectively.

6 **II. UPDATED, REVISED CLASS COST OF SERVICE STUDY**

7 **5. Q. Please explain why Mr. Pollock provided an updated, revised class cost of**
8 **service study in his rebuttal testimony.**

9 A. Mr. Pollock provided an updated, revised class cost of service study in his
10 rebuttal testimony to, among other things, update an assumption in the
11 preliminary, revised class cost of service study used to support his direct
12 testimony. That assumption pertained to the amount of investment PECO re-
13 classified from transmission to distribution plant accounts pursuant to the
14 Federal Energy Regulatory Commission’s (“FERC’s”) “Seven-Factor Test.”¹
15 In his preliminary, revised class cost of service study, Mr. Pollock assumed
16 that \$32 million of distribution investment in FERC Accounts 362 through
17 367 had been re-classified from transmission plant to distribution plant. In

¹ Applying the Seven-Factor Test, high-voltage lines that serve specific customers and are radial in nature are properly classified as distribution plant. *See Promoting Wholesale Competition Through Open Access Non-Discriminatory Transmission Services by Public Utilities; Recovery of Stranded Costs by Public Utilities and Transmitting Utilities*, Order No. 888, FERC Stats. & Regs. ¶ 31,036, at 31,783-84 (1996), *order on reh’g*, Order No. 888-A, FERC Stats. & Regs. ¶ 31,048, *order on reh’g*, Order No. 888-B, 81 FERC ¶ 61,248 (1997), *order on reh’g*, Order No. 888-C, 82 FERC ¶ 61,046 (1998), *aff’d in relevant part sub nom. Transmission Access Policy Study Group v. FERC*, 225 F.3d 667 (D.C. Cir. 2000), *aff’d sub nom. New York v. FERC*, 535 U.S. 1 (2002).

1 fact, as PECO explained in response to a PAIEUG interrogatory,² the
2 Company had re-classified approximately \$54 million of transmission plant to
3 distribution plant allocated to FERC Accounts 360 through 367. Based on
4 that information, Mr. Pollock’s updated, revised class cost of service study
5 reflects an allocation of \$54 million to FERC Accounts 360 through 367.³ For
6 his updated, revised class cost of service study, Mr. Pollock applied the same
7 allocation methodology he proposed in his direct testimony.

8 **6. Q. Do you have concerns with his updated study?**

9 A. Yes. In the preliminary, revised class cost of service study Mr. Pollock
10 presented in his direct testimony, Mr. Pollock used PECO’s allocation
11 methodology to allocate the total amount of the investments in FERC
12 Accounts 360 and 361—approximately \$182 million. Now, however, Mr.
13 Pollock applied both PECO’s allocation methodology and his own allocation
14 methodology to the amounts in FERC Accounts 360 and 361. Specifically, he
15 applied PECO’s allocation methodology to approximately \$4 million of
16 investments and his own allocation methodology to the remaining \$178
17 million of investments in FERC Accounts 360 and 361.⁴ As shown in PECO
18 Exhibit JD-1S, this change further reduces the rate base for Rates HT and EP

² See PAIEUG Statement No. 1-R, p. 10.

³ See *id.*

⁴ See *id.*, p. 12. Mr. Pollock’s allocation methodology is based on PECO’s non-coincident peak (“NCP”) allocator, excluding peak demands served at 69 kV and above. The difference results in Mr. Pollock allocating 25.8% of the investment of \$3,285 million from FERC Accounts 360 through 367 to Rate HT, whereas PECO under its methodology allocated 27.4% of the investment to that same Rate Class.

1 and increases the rate base for all other Rates, i.e. R, RH, GS, PD and
2 Lighting. Such further reduction in rate base for Rates HT and EP is
3 inappropriate because it overstates their rates of return relative to the other
4 customer Rate Classes.

5 **7. Q. How does Mr. Pollock justify his allocation?**

6 A. Mr. Pollock's revised allocation is based on his view that the \$54 million of
7 re-classified investment in Accounts 360 through 367 serves higher voltage
8 customers in Rate Classes HT and EP.

9 At the outset, I want to reiterate something I explained in my direct and
10 rebuttal testimony, specifically, that the \$54 million of plant that was re-
11 classified from transmission plant accounts to distribution plant accounts
12 pursuant to FERC's Seven-Factor Test represents a substantial amount of
13 distribution plant that serves customers receiving service at voltages of 69 kV
14 and above.⁵ Because these higher-voltage customers are served by radial lines
15 emanating from a substation, a portion of the substation (e.g., the breaker to
16 which the radial line connects) is properly allocated to distribution plant.

17 In addition, Mr. Pollock is wrong to assume that the property re-classified
18 from transmission to distribution is the **only** distribution plant used by, and
19 properly allocable to, customers served at voltages of 69 kV and above. Once
20 some portion of the substation cost is classified as distribution, a portion of the

⁵ PECO Statement No. 6, p. 40; PECO Statement No. 6-R, p. 17.

1 land on which the substation is located and the substation's structure must also
2 be classified as distribution.

3 In sum, Mr. Pollock's updated, revised class cost of service study repeats and
4 compounds the errors made in his preliminary, revised class cost of service
5 study. For these reasons, Mr. Pollock's proposal to shift additional
6 distribution costs away from Rate HT and EP customers taking service at
7 higher voltage based on his updated, revised class cost of service study should
8 be rejected.

9 III. CONCLUSION

10 8. Q. Does this conclude your surrebuttal testimony?

11 A. Yes, it does.

12

DB1/ 99004514.1

PECO Exhibit JD-1S

	R	RH	GS	PD	HT	EP	LIGHTING	Total
PECO Direct Testimony - Rate Base at Present Rate	\$ 2,499,673	\$ 584,746	\$ 944,200	\$ 31,518	\$ 642,538	\$ 39,330	\$ 78,409	\$ 4,820,415
PECO Direct Testimony - Rate of Return at Present Rate	5.65%	4.50%	6.63%	6.46%	6.03%	3.65%	7.12%	5.76%
PECO Direct Testimony - Relative Rate of Return	0.98	0.78	1.15	1.12	1.05	0.63	1.24	
PAIEUG Direct Testimony - Rate Base at Present Rate	\$ 2,519,160	\$ 590,580	\$ 954,264	\$ 31,955	\$ 609,979	\$ 35,750	\$ 78,728	\$ 4,820,416
PAIEUG Direct Testimony - Rate of Return at Present Rate	5.52%	4.36%	6.48%	6.28%	6.86%	4.89%	7.05%	5.76%
PAIEUG Direct Testimony - Relative Rate of Return	0.96	0.76	1.12	1.09	1.19	0.85	1.22	
PAIEUG Rebuttal - Rate Base at Present Rate	\$ 2,520,228	\$ 590,901	\$ 954,823	\$ 31,977	\$ 608,188	\$ 35,553	\$ 78,746	\$ 4,820,416
PAIEUG Rebuttal - Rate of Return at Present Rate	5.51%	4.34%	6.49%	6.55%	6.92%	4.89%	7.04%	5.76%
PAIEUG Rebuttal- Relative Rate of Return	0.96	0.75	1.13	1.14	1.20	0.85	1.22	