

DIRECT TESTIMONY OF
HOWARD S. GORMAN

**Presenting PECO's
Class Cost of Service Study**

Index to Exhibits

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PECO Gas
Class COS Study - 2008

Future Test Year Ended December 31, 2008 (\$000s)

| | Total | Residential Small CI Outdoor Large | | | | Mtr Veh Mtr Veh Interru~ti | | Temoera Trans | | FirmTrans | | City Gate. |
|---|---------------|------------------------------------|----------------|----------|--------------|----------------------------|----------------|---------------|--------------|---------------|---------------|----------------|
| | | Rate GR/CAP | Rate GC | Rate OL | Rate L | Firm MV-F | Inter MV-I | bl~e | ture | Inter | Rate CGS | |
| Revenues at Current Rates | | | | | | | | | | | | |
| 1 Distribution Revenue | 210,030 | 133,611 | 58,890 | 1 | 157 | 30 | 6 | 0 | 2,297 | 5,733 | 9,303 | 1 |
| 2 Other revenue / Adjustments | <u>2,313</u> | <u>1,716</u> | 575 | ~ | 64 | <u>(0)</u> | <u>(0)</u> | ~ | 61~ | ~ | <u>(22)</u> | <u>(0)</u> |
| 3 Net revenues | 212,342 | 135,327 | 59,465 | 1 | 221 | 30 | 6 | 0 | 2,291 | 5,719 | 9,281 | 1 |
| Operating Expenses | | | | | | | | | | | | |
| 4 Operations, Customer, A&G | 120,986 | 90,262 | 24,584 | 0 | 66 | 26 | 15 | 26 | 378 | 2,233 | 3,390 | 4 |
| 5 Depreciation expense | 40,683 | 27,051 | 11,332 | 0 | 32 | 8 | 10 | 8 | 196 | 885 | 1,158 | 2 |
| 6 Taxes other than income | 6,398 | 4,399 | ~ | ~ | ~ | ! | ! | ~ | 24 | 16 | 204 | ~ |
| 7 Operating expenses | 168,067 | 121,711 | 37,517 | 1 | 103 | 35 | 26 | 36 | 599 | 3,280 | 4,752 | 7 |
| 8 Income tax expense | 3,101 | 954 | 1,537 | ~ | ~ | (0) | (1) | (3) | 11~9 | 17 | 317 | (0) |
| 9 Total Operating Expenses | 171,168 | 122,665 | 39,054 | 1 | 111 | 35 | 25 | 34 | 717 | 3,451 | 5,070 | 6 |
| 10 Income at Present Rates | <u>41,174</u> | <u>12,662</u> | <u>20,411</u> | <u>0</u> | <u>110</u> | <u>(5)</u> | <u>(18)</u> | <u>(34)</u> | <u>1,574</u> | <u>2,268</u> | <u>4,211</u> | <u>(5)</u> |
| 11 Rate Base | ~ | <u>741,609</u> | <u>290,795</u> | <u>3</u> | <u>714</u> | <u>115</u> | <u>160</u> | <u>260</u> | <u>3,993</u> | <u>29,688</u> | <u>36,917</u> | <u>50</u> |
| 12 Return on Rate Base at Present Rates | <u>3.7%</u> | <u>1.7%</u> | <u>7.0%</u> | | <u>15.5%</u> | <u>(4.1%)</u> | <u>(11.5%)</u> | | <u>39.4%</u> | <u>7.6%</u> | <u>11.4%</u> | <u>(10.2%)</u> |
| 13 Revenue Requirement at Full Cost of Service | 310,609 | 217,555 | 74,991 | 1 | 217 | 50 | 46 | 69 | 1,110 | 7,080 | 9,477 | 13 |
| 14 Operating expenses | 168,067 | 121,711 | 37,517 | 1 | 103 | 35 | 26 | 36 | 599 | 3,280 | 4,752 | 7 |
| 15 Additional Bad Debt, LIURPexpense | 1,223 | 938 | 261 | 0 | 23 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 16 Income tax expense | 43,368 | 29,124 | 11,420 | fl | 28 | ~ | fl | 10 | 15 | 27 | 1,450 | ~ |
| 17 | 212,658 | 151,774 | 49,198 | 1 | 154 | 40 | 32 | 46 | 756 | 4,446 | 6,202 | 9 |
| 18 Income at Full Cost of Service | <u>97,952</u> | <u>65,781</u> | <u>25,793</u> | <u>0</u> | <u>63</u> | <u>10</u> | <u>14</u> | <u>23</u> | <u>354</u> | <u>2,633</u> | <u>3,275</u> | <u>4</u> |
| 19 Return on Rate Base at Full Cost of Service | <u>8.9%</u> | <u>8.9%</u> | <u>8.9%</u> | | <u>8.9%</u> | <u>8.9%</u> | <u>8.9%</u> | <u>8.9%</u> | <u>8.9%</u> | <u>8.9%</u> | <u>8.9%</u> | <u>8.9%</u> |
| 20 Revenue INCREASE (DECREASE) to Achieve | <u>98,267</u> | <u>82,228</u> | <u>15,526</u> | <u>0</u> | <u>(4)</u> | <u>20</u> | <u>40</u> | <u>69</u> | <u>1,361</u> | | <u>196</u> | <u>12</u> |