

**PECO ENERGY COMPANY
STATEMENT NO. 10-R**

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

PECO ENERGY COMPANY – ELECTRIC DIVISION

DOCKET NO. R-2010-2161575

REBUTTAL TESTIMONY

WITNESS: STEPHEN R. XANDER

SUBJECT: CHANGES TO ELECTRIC SERVICE TARIFF

DATED: AUGUST 3, 2010

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**REBUTTAL TESTIMONY
OF
STEPHEN R. XANDER**

4

I. INTRODUCTION AND PURPOSE OF TESTIMONY

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

6 A. My name is Stephen R. Xander. My business address is PECO Energy Company,
7 2301 Market Street, Philadelphia, Pennsylvania 19103.

8 **2. Q. By whom are you employed and in what capacity?**

9 A. I am employed by PECO Energy Company (“PECO” or the “Company”) as Manager
10 of Special Projects, in the Regulatory and External Affairs Department.

11 **3. Q. Have you previously testified in this proceeding?**

12 A. Yes. I submitted direct testimony that is marked as PECO Statement No. 10. My
13 direct testimony, among other things, explained the changes PECO is proposing to
14 certain existing Rules and Regulations in its Electric Service Tariff. My background
15 and qualifications are set forth in that statement.

16 **4. Q. What is the purpose of your rebuttal testimony?**

17 A. The purpose of my rebuttal testimony is to respond to concerns raised by the Office of
18 Small Business Advocate’s (“OSBA”) witness Brian Kalcic regarding changes
19 proposed by PECO to its Electric Service Tariff Rule 5.5.

1 of the initial deposit.” A description of all the proposed changes to Rule 5.5 is set
2 forth in my direct testimony (PECO Statement No. 10, pp. 13-14).

3 **8. Q. Why does the OSBA object to the proposed change?**

4 A. The OSBA contends that there is no guidance in PECO’s Electric Service Tariff
5 concerning what is considered “bad credit” or “lack of creditworthiness,” which are
6 conditions for requiring a deposit under proposed Rule 5.5, and, as a consequence,
7 Rule 5.5 as revised would give the Company “too much discretion” in determining
8 when an additional deposit may be required.

9 **9. Q. Do you agree?**

10 A. No, I do not. The package of revisions to its Rules and Regulations that PECO is
11 proposing in this case includes a revision to the “Definition” section of its tariff (p. 6)
12 for “bad credit” that provides as follows:

13 Bad credit (for deposit purposes) – A customer shall be deemed
14 by the Company to have bad credit if the customer has been
15 delinquent on payment of two or more consecutive bills or
16 three or more bills in the last twelve billing cycles or tendered
17 two or more checks that are subsequently dishonored by a
18 payee according to 13 Pa. C.S. § 3502 within the last twelve
19 billing cycles. Industrial and commercial customers also shall
20 be deemed by the Company to have bad credit if the customer
21 is insolvent (as evidenced by a credit report prepared by a
22 reputable credit bureau or credit reporting agency or public
23 financial data, liabilities exceeding assets or generally failing to
24 pay debts as they become due) or has a class of publicly-traded
25 debt outstanding that is rated to be below investment grade, or
26 tendered two or more checks that are subsequently dishonored
27 by a payee according to 13 Pa. C.S. § 3502 within the last
28 twelve billing cycles.
29

1 The foregoing definition is an enhancement to the definition that actually has been
2 part of PECO's Electric Tariff for many years. This definition is set forth in PECO's
3 existing Electric Service Tariff, which has been provided as PECO Exhibit 2 (Volume
4 II of PECO's initial filing, states as follows:

5 Bad Credit (for deposit purposes) – A customer has bad credit
6 if the customer has been delinquent on two consecutive bills or
7 three or more bills in the last twelve billing cycles. Industrial
8 and commercial customers shall also have bad credit if the
9 customer is insolvent (as evidenced by a credit report prepared
10 by a reputable credit bureau or credit reporting agency or public
11 financial data, liabilities exceeding assets or generally filing to
12 pay debts as they become due) or tendered two or more checks
13 which the drawee returns as unpaid, within the last twelve
14 billing cycles.
15

16 The definition of “creditworthy” also has been part of PECO's Electric Service Tariff
17 for many years, and the Company is not proposing any changes to that definition,
18 which provides as follows:

19 Creditworthy – A creditworthy customer pays the Company's
20 charges as and when due and otherwise complies with the
21 Rules and Regulations of this Tariff or the PaPUC. To
22 determine whether a customer is creditworthy with respect to a
23 particular account, the Company will evaluate the customer's
24 record of paying Company charges for all of the customer's
25 accounts, and may also take into consideration the customer's
26 general credit.
27

28 The definitions of “bad credit” and “creditworthy,” in the Company's existing Electric
29 Service Tariff, read in conjunction with the changes to Rule 5.5 proposed in the case,
30 appropriately limit the circumstances under which the Company may require an
31 additional deposit and do not afford the Company the broad discretion Mr. Kalcic
32 erroneously assumed it has to apply Rule 5.5. The proposed revisions to Rule 5.5 and

1 the definition of “bad credit” provide reasonable guidelines for determining when an
2 additional deposit may be required from a non-residential customer and will protect
3 the Company and its customers from undue collection risks.

4 **10. Q. Mr. Kalcic expresses a preference for what he contends is the existing language**
5 **of Rule 5.3 of PECO currently effective Electric Service Tariff. Please comment.**

6 A. Mr. Kalcic contends that existing Rule 5.3 of PECO’s currently effective Electric
7 Service Tariff states as follows:

8 Any customer having secured the return of a deposit shall not
9 be required to make a new deposit unless the service has been
10 discontinued and the customer’s credit standing impaired
11 through failure to comply with Tariff provisions.
12

13 However, Mr. Kalcic has mistakenly referred to the language from the Company’s
14 Gas Service Tariff, not its Electric Service Tariff. The language that Mr. Kalcic
15 referred to remains in PECO’s Gas Service Tariff only because that tariff was not
16 updated when the comparable Rule 5.3 of PECO’s Electric Service Tariff was revised
17 several years ago. As a result, Rule 5.3 of PECO’s Electric Service Tariff reads, in
18 relevant part, as follows:

19 Any residential customer, having secured the return of a
20 deposit, shall not be required to make a new deposit unless the
21 service has been discontinued or terminated, *or unless the*
22 *customer has bad credit.* In addition, the Company may
23 require industrial and commercial customers for which it
24 provides Consolidated EDC Billing or Separate EDC Billing to
25 *post a deposit at any time if the Company determines that the*
26 *customer is no longer creditworthy or has bad credit.”*
27 (emphasis added)

1 11. Q. Please respond to the OSBA’s recommendation that PECO return deposits to
2 commercial customers by applying the same rules it uses to determine when
3 deposits should be returned to residential customers.

4
5 A. As I pointed out earlier, residential customers are afforded special consideration in the
6 creation of credit and collection rules. The fact that the statute generally provides for
7 a maximum 24-month holding period for residential accounts in accord with the
8 requirements of 66 Pa. C.S. § 1404 (C) is not controlling for commercial accounts.
9 PECO’s policy for returning non-residential customer deposits is set forth in its
10 response to interrogatory OSBA-II-1c, which Mr. Kalcic made an exhibit to his direct
11 testimony. PECO reviews non-residential accounts annually, beginning on the third
12 anniversary of the date on which the deposit was paid. PECO will return the deposit
13 if the review shows that the account was assessed fewer than three late payment
14 charges in the previous 36 months.

15 However, in light of the concern expressed by the OSBA about the length of time a
16 non-residential customer deposit may be held, the Company is willing to modify its
17 policy. In effect, the policy would change from “three late payment charges in the
18 previous 36 months” to “two late payments in the previous 24 months,” and the first
19 annual review would occur 24 months after the initial deposit date. PECO believes
20 the 24-month review cycle for non-residential accounts, administered in this fashion,
21 is appropriate in balancing PECO’s collection security needs with a customer’s
22 interest in the return of its deposit and is responsive to the OSBA’s concern. This

1 change would be made in 2011 after the appropriate tracking systems are modified to
2 reflect the change.

3 **III. CONCLUSION**

4 **12. Q. Does this conclude your rebuttal testimony?**

5 A. Yes, it does.