

**PECO ENERGY COMPANY  
STATEMENT NO. 5-R**

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF PECO ENERGY COMPANY  
FOR APPROVAL OF ITS  
DEFAULT SERVICE PROGRAM  
FOR THE PERIOD FROM  
JUNE 1, 2015 THROUGH MAY 31, 2017

DOCKET NO. P-2014-2409362

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REBUTTAL TESTIMONY

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WITNESS: ALAN B. COHN

SUBJECTS: SEMI-ANNUAL RECONCILIATION OF  
GENERATION SUPPLY ADJUSTMENT  
OVER/UNDER COLLECTIONS

DATED: JUNE 26, 2014

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1           **II.       SEMI-ANNUAL RECONCILIATION OF GENERATION SUPPLY**  
2                           **ADJUSTMENT “OVER/UNDER” COLLECTIONS**

3   **4.    Q.    Mr. Cohn, in your direct testimony, you explained that PECO is proposing to**  
4           **reconcile the over/under collection component of the GSA known as the “E-**  
5           **Factor” for residential, small commercial and medium commercial**  
6           **customers on a semi-annual basis rather than a quarterly basis. Have any**  
7           **parties recommended revisions to that proposal?**

8           A.    Yes. OCA witness Hahn supports semi-annual reconciliation of the E-Factor of  
9           the GSA for the Residential procurement class, but recommends that any  
10          over/under collections be based upon a twelve-month rolling average  
11          reconciliation period instead of the six-month period proposed by PECO. Mr.  
12          Hahn argues that a longer reconciliation period will result in default service rates  
13          that are more reflective of actual supply costs with less volatility arising from  
14          over/under collection of those costs.

15   **5.    Q.    Does PECO agree with Mr. Hahn’s recommendation to utilize a twelve-**  
16           **month rolling average reconciliation period?**

17          A.    No. PECO opposes Mr. Hahn’s recommendation for three reasons. First, in the  
18          Company’s last default service proceeding, the Pennsylvania Public Utility  
19          Commission (“Commission”) rejected PECO’s proposal to reconcile on an annual  
20          basis (with a twelve-month refund/recovery period), citing concerns about the  
21          clarity of price signals from the Price-to-Compare (the “PTC”), of which the GSA

1 is a component, and underlying wholesale supply costs.<sup>1</sup> Most recently, in  
2 denying PECO's proposed annual reconciliation as part of its Customer  
3 Assistance Program Shopping Plan, the Commission observed: "[W]e are not  
4 inclined to exacerbate the effect that the reconciliation of the GSA has on the  
5 sensitivity of the PTC by extending the reconciliation period to a full year."<sup>2</sup>

6 PECO believes that its proposal of a six-month reconciliation period appropriately  
7 balances the Company's goal of mitigating volatility with the Commission's  
8 concern about maintaining the PTC as a price signal for customers and suppliers.

9 Furthermore, as shown in Figure 9 of Mr. Hahn's testimony, his proposed twelve-  
10 month rolling average approach utilizes overlapping reconciliation periods and  
11 therefore the GSA E-Factor charge does not align with the amount of the  
12 experienced over/undercollections. For example, Mr. Hahn proposes to refund or  
13 recoup the over/undercollections experienced from March 1, 2014 to February 28,  
14 2015 (i.e., Mr. Hahn's first proposed reconciliation period for DSP III) over the  
15 six month period June 1, 2015 to November 30, 2015. His second reconciliation  
16 period includes over/undercollections experienced from September 1, 2014 to  
17 August 31, 2015 that would be refunded or recouped over the six-month period  
18 December 1, 2015 to May 31, 2016. However, the over/undercollection amount  
19 from September 1, 2014 to February 28, 2015 is already incorporated into the E-  
20 Factor for June 1, 2015 to November 30, 2015. Accordingly, a portion of the

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<sup>1</sup> See *Petition of PECO Energy Company For Approval Of Its Default Service Program II*, Docket No. P-2012-2283641 (Order entered October 12, 2012).

<sup>2</sup> See *Petition of PECO Energy Company For Approval Of Its Default Service Plan*, Docket No. P-2012-2283641 (Order entered January 24, 2014), p. 45.

1 twelve-month over/undercollection amount would be collected twice from  
2 residential default service customers over the course of a year.

3 Finally, Mr. Hahn's supporting analysis in Exhibit OCA-RSH-7 does not  
4 recognize a transition period. Under Mr. Hahn's proposed methodology,  
5 over/under collections experienced from March 1, 2014 through February 28,  
6 2015 would be recouped or refunded over the first six-month reconciliation period  
7 from June 1, 2015 to November 30, 2015. However, the over/under collections  
8 experienced during the March 1, 2014-November 30, 2014 timeframe will have  
9 already been recouped or refunded through the GSA E-Factor under PECO's  
10 current tariff.

11 **6. Q. Did OCA witness Hahn propose any additional revisions to the reconciliation**  
12 **process?**

13 A. Yes. Regardless of whether the Commission adopts his twelve-month rolling  
14 average reconciliation proposal, Mr. Hahn recommends adjusting the dates of  
15 PECO's proposed semi-annual E-Factor reconciliation from March 1 and  
16 September 1 of each year to June 1 and December 1 of each year. Mr. Hahn also  
17 recommends reducing the overall frequency of default service rate changes from  
18 quarterly adjustments to semi-annual adjustments on these same dates.

19 **7. Q. Does PECO agree with Mr. Hahn's proposal?**

20 A. No. The GSA has two primary components: (1) the projected cost of supply  
21 (known as the "C-Factor"); and (2) experienced over/under collections (i.e., the E-  
22 Factor). Changing the E-Factor reconciliation dates will not result in fewer

1 overall rate changes because, as I explained in my direct testimony, PECO will  
2 continue to adjust the C-Factor of the GSA on a quarterly basis to reflect the costs  
3 of default supply. Quarterly adjustments of the GSA related to supply costs are  
4 consistent with the Company's current default service plan and the Commission's  
5 directives regarding the PTC. While Mr. Hahn suggests that the Commission  
6 could permit the semi-annual adjustment of rates, he provides no compelling  
7 reason to make such adjustments less frequently than on a quarterly basis.

8 Furthermore, Mr. Hahn's supporting analysis of his semi-annual reconciliation  
9 proposal in Exhibit OCA-RSH-7, like his twelve-month rolling average approach,  
10 does not recognize a transition period. After correction of this error,  
11 undercollections experienced from December 1, 2014 to February 28, 2015 would  
12 be recouped during Mr. Hahn's first proposed six-month reconciliation period  
13 (i.e., June 1, 2015 through December 31, 2015), as shown on Exhibit ABC-1R.<sup>3</sup>  
14 Exhibit OCA-RSH-7, as corrected, demonstrates that after the initial transition  
15 period, Mr. Hahn's six-month reconciliation proposal does not produce less  
16 variation in the PTC when compared to PECO's proposal.

### 17 III. CONCLUSION

18 **8. Q. Does this conclude your rebuttal testimony?**

19 A. Yes.

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<sup>3</sup> The transition reconciliation periods and associated undercollection amounts shown on Exhibit ABC-1R are different under PECO's and the OCA's proposals because the OCA recommends different E-Factor reconciliation dates.