

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

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

SURREBUTTAL TESTIMONY

WITNESS: ALAN B. COHN

SUBJECTS: RECONCILIATION OF GENERATION
SUPPLY ADJUSTMENT OVER/UNDER
COLLECTIONS

DATED: JULY 9, 2014

TABLE OF CONTENTS

	Page
I. INTRODUCTION AND PURPOSE OF TESTIMONY	1
II. RECONCILIATION OF GENERATION SUPPLY ADJUSTMENT “OVER/UNDER” COLLECTIONS	2
III. CONCLUSION	3

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SURREBUTTAL TESTIMONY
OF
ALAN B. COHN

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I. INTRODUCTION AND PURPOSE

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

6 A. My name is Alan B. Cohn. My business address is 2301 Market Street,
7 Philadelphia, PA, 19103.

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

9 A. Yes. I submitted written direct and rebuttal testimony on behalf of PECO Energy
10 Company (“PECO” or the “Company”), which have been designated as PECO
11 Statement Nos. 5 and 5-R.

12 **3. Q. What is the purpose of your surrebuttal testimony?**

13 A. The purpose of my surrebuttal testimony is to respond to the portion of the
14 rebuttal testimony of Retail Energy Supply Association (“RESA”) witness
15 Richard J. Hudson, Jr. that addresses the Office of Consumer Advocate’s
16 (“OCA’s”) alternative proposal for the reconciliation of the costs of default
17 service supply for residential customers, which are collected through PECO’s
18 Generation Supply Adjustment (“GSA”) charge.

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

3 **4. Q. What is Mr. Hudson’s position regarding OCA witness Richard S. Hahn’s**
4 **proposed twelve-month rolling average reconciliation period?**

5 A. Mr. Hudson does not support Mr. Hahn’s proposal because he contends that
6 extending the reconciliation period from three months to twelve months will
7 “further divorce” the Price-to-Compare (“PTC”) from the time period during
8 which default service costs were incurred, asserting that PECO’s current quarterly
9 reconciliation mechanism already results in market price signal “distortion.” Mr.
10 Hudson also argues that annual reconciliation of the over/undercollection
11 component of the GSA (the “E-Factor”) is inconsistent with Pennsylvania Public
12 Utility Commission’s (the “Commission’s”) directives.

13 **5. Q. Does PECO agree with Mr. Hudson?**

14 A. No. As I explained in my direct and rebuttal testimony, PECO believes that its
15 proposal of a six-month reconciliation period appropriately balances the
16 Company’s goal of mitigating volatility with the Commission’s concern about
17 maintaining the PTC as a price signal for customers and suppliers. To the extent
18 that Mr. Hudson suggests that quarterly reconciliation of the E-Factor would
19 result in default service rates that track current market conditions, PECO’s
20 proposed semi-annual reconciliation for residential, small commercial and
21 medium commercial customers will actually smooth out quarter-to-quarter
22 fluctuations in the PTC that are not directly related to the cost of default service
23 supply. Moreover, as Mr. McCawley explained in his direct testimony, as in DSP

1 II, PECO has proposed to procure the vast majority of default generation supply
2 for default service customers through fixed price full requirements contracts,
3 which will further reduce the likelihood of price fluctuations attributable to
4 reconciliation.

5 **6. Q. Mr. Hudson also believes that extending the E-Factor reconciliation period**
6 **beyond three months would result in a false impression that default service**
7 **rates are not variable. Do you agree with this conclusion?**

8 A. No. PECO's default service rates are adjusted on a quarterly basis, and will
9 continue to be adjusted quarterly in DSP III. I believe that the significant
10 quarterly price swings associated with billing lag described in my direct testimony
11 and shown on Exhibit ABC-4, which will continue to occur if PECO's proposal is
12 not adopted, have greater potential to provide inaccurate information to customers
13 who are making shopping decisions.

14 **III. CONCLUSION**

15 **7. Q. Does this conclude your surrebuttal testimony?**

16 A. Yes.