

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY :
COMMISSION :
 : DOCKET NO. R-2014-2428743
v. :
 :
PENNSYLVANIA ELECTRIC COMPANY :

SURREBUTTAL TESTIMONY

OF

ROGER D. COLTON

ON BEHALF OF THE

PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

JANUARY 6, 2015

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1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Roger Colton. My business address is 34 Warwick Road, Belmont, MA
3 02478.

4

5 **Q. ARE YOU THE SAME ROGER COLTON WHO FILED DIRECT TESTIMONY**
6 **IN THIS PROCEEDING ON BEHALF OF THE OFFICE OF CONSUMER**
7 **ADVOCATE?**

8 A. Yes.

9

10 **Q. PLEASE STATE THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY.**

11 A. The purpose of my Surrebuttal Testimony is to respond to the Rebuttal Testimony of
12 Kimberlie Bortz regarding the Universal Service Cost Rider and Patricia Larkin
13 regarding the recommended working capital offset to Universal Service costs.

14

15 **Part 1. Response to Kimberlie Bortz.**

16 **Q. PLEASE DESCRIBE THE PURPOSE OF THIS SECTION OF YOUR**
17 **TESTIMONY.**

18 A. In this section of my testimony, I respond to the Rebuttal Testimony of Kimberlie Bortz
19 regarding the structure of the proposed Universal Service Cost Rider and the costs that
20 are allowed to be collected through that Rider.

21

1 **A. Bad Debt and Working Capital Offsets.**

2 **Q. WHAT IS THE FIRST RESPONSE YOU WISH TO MAKE TO THE REBUTTAL**
3 **TESTIMONY OF MS. BORTZ?**

4 A. Ms. Bortz opposes the bad debt offset I propose for the Universal Service Charge Rider
5 because, she says, “[t]he USC Rider is collected from all residential customers, including
6 CAP customers. Therefore, the movement of an additional low-income customer to CAP
7 does not result in a complete transfer of costs from that customer to non-CAP
8 customers.”¹ The comparison that Ms. Bortz makes (between CAP customers and non-
9 CAP customers) is not one that I use in either my proposed working capital offset or my
10 proposed bad debt offset. Instead, my offsets are based on a comparison between
11 confirmed low-income customers and all residential customers *as a whole*. In making
12 that comparison, I expressly noted in my Direct Testimony that the “comparison is not
13 between confirmed low-income customers and non-low-income customers. It is between
14 confirmed low-income customers and all residential customers (a population that
15 includes the confirmed low-income group as one of its component parts).” (emphasis in
16 original).² This objection advanced by Ms. Bortz to the proposed offsets is in error and
17 should be rejected.

18

¹ Statement 3-R, at 15 (ME, PN); Statement 3-R, at 12 (PP); Statement 3-R, at 16 (WP). My Surrebuttal Testimony continues the protocol to referencing each FirstEnergy utility: ME=Metropolitan Edison; PN=Penelec; PP=Pennsylvania Power; WP=West Penn Power.

² OCA Statement 4, footnote 25 (referencing BCS data used in calculating offsets).

1 **Q. IS THERE A SECOND RESPONSE YOU WISH TO MAKE TO THE REBUTTAL**
2 **TESTIMONY OF MS. BORTZ?**

3 A. Yes. Ms. Bortz opposes the bad debt offset I propose because, she argues, my bad debt
4 offset “methodology appears to be based on an assumption that the Company calculates
5 uncollectible expense as a percentage of arrears.”³ She errs in that observation. When
6 the Companies were presented with the methodology for calculating a bad debt offset, as
7 set forth in my Direct Testimony,⁴ and asked to “indicate what component of that
8 statement appears to be based on an assumption that the company calculates uncollectible
9 expense as a percentage of arrears,” they responded “none.”⁵

10

11 **Q. IS THERE A THIRD RESPONSE YOU WISH TO MAKE TO THE REBUTTAL**
12 **TESTIMONY OF MS. BORTZ?**

13 A. Ms. Bortz finally opposes the bad debt offset because she says I incorrectly assume that
14 there is a “direct correlation” between the number of CAP customers and uncollectible
15 expense, as well as between the number of CAP customers and arrears.

16

17 My proposed offset methodology is based on neither of these assumptions. My bad debt
18 offset is based on the empirical observation that residential customers as a whole have a
19 lower uncollectible rate than confirmed low-income customers do. My working capital

³ Statement 3-R, at 17 (ME, WP); Statement 3-R, at 16 (PN); Statement 3-R, at 14 (PP).

⁴ The proposed bad debt offset “should be equal to the difference in the bad debt percentage for confirmed low-income customers and the bad debt percentage for residential customers.” OCA Statement 4, at 17.

⁵ OCA-XXIII-10 (ME, PN, PP, WP).

1 offset is based on the empirical observation that residential customers as a whole both
2 pay their bills more quickly, and pay their bills more completely, than do confirmed low-
3 income customers.

4
5 **Q. DOES MS. BORTZ HAVE ANY BASIS TO DISPUTE YOUR EMPIRICAL**
6 **OBSERVATIONS?**

7 A. No. Neither Ms. Bortz nor FirstEnergy witness Patricia Larkin dispute the factual
8 information presented by the Pennsylvania Public Utility Commission’s Bureau of
9 Consumer Services (“BCS”) showing that confirmed residential customers: (1) have a
10 disproportionately higher uncollectible rate; (2) are disproportionately in arrears; and (3)
11 are disproportionately further in arrears (i.e., are slower payers) than are residential
12 customers as a whole. This lack of objection is not surprising, given that BCS reports
13 data that the Companies, themselves, provide.

14 ➤ When asked to confirm or deny that a disproportionate number of confirmed
15 low-income customers are in arrears relative to residential customers as a
16 whole, the Companies replied that the BCS report on universal service and
17 collections performance “speaks for itself,” and, further, that the “Company
18 has not undertaken any study or analysis that would confirm or not confirm
19 the proposition. . .”⁶

⁶ OCA-XXIII-1 (ME, PN, PP, WP).

1 ➤ When asked to confirm or deny that confirmed low-income customers have a
2 proportionately greater number of dollars in arrears than residential customers
3 as a whole, the Companies replied that the BCS report on universal service
4 and collections performance “speaks for itself,” and, further, that the
5 “Company has not undertaken any study or analysis that would confirm or not
6 confirm the proposition. . .”⁷

7 ➤ When asked to confirm or deny that confirmed low-income customers, on
8 average per customer, carry a higher dollar level of arrears than do residential
9 customers as a whole,” the Companies replied that the BCS report on
10 universal service and collections performance “speaks for itself,” and, further,
11 that the “Company has not undertaken any study or analysis that would
12 confirm or not confirm the proposition. . .”⁸

13
14 **Q. WHAT DO YOU CONCLUDE?**

15 A. The Companies’ objections to my offset methodology are not well-grounded. Moreover,
16 the Companies have failed to meet their burden to demonstrate that they are not double-
17 recovering bad debt expense through the Universal Service Cost Rider. The statement
18 that “the Company uses a complex calculation in determining its uncollectible expense. .
19 .”⁹ does not demonstrate a fallacy in the distinct difference I have identified between the

⁷ OCA-XXIII-2 (ME, PN, PP, WP).

⁸ OCA-XXIII-3 (ME, PN, PP, WP).

⁹ Statement 3-R, at 17 (ME, PN, WP); Statement 3-R, at 14 (PP).

1 bad debt rate for confirmed low-income customers and the bad debt rate for residential
2 customers as a whole. The Companies' statement (that they use a "complex
3 methodology" to determine uncollectible expense) certainly does not fulfill the
4 Commission's directive that the Companies bear the burden of demonstrating that
5 collection of its universal service costs through a Rider does not involve a double-
6 recovery of costs. Consistent with prior Commission directives, both a working capital
7 offset and a bad debt offset should be adopted.

8
9 **B. Indirect Costs.**

10 **Q. PLEASE RESPOND TO THE REBUTTAL TESTIMONY OF MS. BORTZ**
11 **REGARDING THE RECOVERY OF "INDIRECT COSTS" THROUGH THE**
12 **UNIVERSAL SERVICE COST RIDER.**

13 A. Ms. Bortz concludes that the Companies are "not averse to removing the 'indirect costs'
14 language" from the Universal Service Cost Rider.¹⁰ That removal should occur.

15
16 **C. Administrative Costs.**

17 **Q. PLEASE RESPOND TO THE REBUTTAL TESTIMONY OF MS. BORTZ**
18 **REGARDING THE RECOVERY OF IN-HOUSE ADMINISTRATIVE COSTS**
19 **THROUGH THE UNIVERSAL SERVICE COST RIDER.**

¹⁰ Statement 3-R, at 18 (ME, PN); Statement 3-R, at 15 (PP); Statement 3-R, at 19 (WP).

1 A. The Rebuttal Testimony of Ms. Bortz objects to my proposal to limit the recovery of in-
2 house administrative costs to those costs that have not specifically been excluded from
3 base rates. The Rebuttal Testimony of Ms. Bortz offers several observations that are not
4 consistent with the facts.

5

6 First, Ms. Bortz makes the blanket assertion that “[u]nder the Company’s proposal, only
7 those positions associated with the Universal Service staff as outlined in the three-year
8 plan are able to charge the administrative time and costs to the Rider program.”¹¹ This
9 assertion is inconsistent with the administrative cost recovery that the Companies
10 otherwise report. Consider the following for in-house administrative costs (with in-house
11 staff identified not by staff position but by “User ID”):

12 ➤ For Met Ed: User ID 6044 had \$0 in administrative costs recovered through
13 the USC Rider in 2011, and yet that increased to nearly \$70,000 by 2013.
14 User ID 18105 had \$0 in administrative costs recovered through the USC
15 Rider in 2011 and 2012, and yet that increased to nearly \$18,000 by 2013.
16 User ID 33292 had \$0 in administrative costs recovered through the USC
17 Rider in 2011, and yet that increased to more than \$42,000 by 2013. User ID
18 41855 had \$0 in administrative costs recovered through the USC Rider in
19 2011, and yet that increased to nearly \$45,300 by 2013.¹²

¹¹ Statement 3-R, at 22 (ME); Statement 3-R, at 21 (PN); Statement 3-R, at 18 (PP).

¹² OCA-XXIII-12 (ME).

- 1 ➤ For Penelec: User ID 3300 had \$0 in administrative costs recovered through
2 the USC Rider in 2011, and yet that increased to nearly \$12,400 by 2013.
3 User ID 3628 had \$0 in administrative costs recovered through the USC Rider
4 in 2011 and 2012, and yet that increased to more than \$23,600 in 2014. User
5 ID 3927 had \$0 in administrative costs recovered through the USC Rider in
6 2011, and yet that increased to nearly \$25,200 in 2013. User ID 15433 had \$0
7 in administrative costs recovered through the USC Rider in 2011, and yet that
8 increased to more than \$36,200 in 2013. User ID 33383 had \$0 in
9 administrative costs in 2011 and 2012, and yet increased to more nearly
10 \$103,400 in 2013. User ID 43544 had \$0 in administrative costs recovered
11 through the USC Rider in 2011, and yet that increased to nearly \$30,000 by
12 2013.¹³
- 13 ➤ For Penn Power: User ID 5098 had \$0 in administrative costs recovered
14 through the USC Rider in 2011, and yet that increased to nearly \$19,200 by
15 2012. User ID 15433 had \$0 in administrative costs recovered through the
16 USC Rider in 2011, and yet that increased to nearly \$24,400 by 2013. User ID
17 41246 had \$0 in administrative costs recovered through the USC Rider in
18 2011 and 2012, and yet that increased to nearly \$70,700 by 2013. User ID

¹³ OCA-XXIII-12 (PN).

1 3300 had \$0 in administrative costs recovered through the USC Rider in 2011,
2 and yet that increased to more than \$23,700 by 2013.¹⁴

3 As can be seen, time and again, the FirstEnergy utilities routinely recover in-house
4 administrative costs through the Universal Service Cost Rider that have not been
5 previously recognized as universal service costs and thus excluded from base rates.¹⁵

6 When those costs have not been excluded from base rates, allowing them to *later* be
7 collected through the Universal Service Cost Rider allows for a double collection of
8 costs.

9
10 **Q. IS IT NOT POSSIBLE THAT INSTANCES OF NEW COSTS COLLECTED**
11 **THROUGH THE RIDER, SUCH AS THOSE YOU IDENTIFIED ABOVE,**
12 **SIMPLY REPRESENT STAFF POSITIONS THAT WERE NOT INCLUDED IN**
13 **BASE RATES WITH WHICH TO BEGIN?**

14 A. No. The Companies do not charge the costs of new universal service staff positions
15 through the Universal Service Cost Rider. According to Ms. Bortz, “*only* those positions
16 associated with the Universal Service staff *outlined in the three-year plan* are able to
17 charge administrative time and costs to the Rider program.” (emphasis added).¹⁶ Under
18 this testimony, in other words, if a universal service staff position was *not* included in the
19 three-year plan, the costs of that staff position are *not* charged through the Universal

¹⁴ OCA-XXIII-12 (PP).

¹⁵ This statement excludes West Penn Power since that company has not previously had a Universal Service Cost Rider.

¹⁶ Statement 3-R, at 22 (ME); Statement 3-R, at 21 (PN); Statement 3-R, at 18 (PP).

1 Service Cost Rider. Indeed, when asked “are there any in-house staff costs associated
2 with the USC Rider beyond those that the Company has indicated in its three-year
3 Universal Service Plan,” Ms. Bortz replied “no.”¹⁷

4
5 **Q. DOES THIS ASSERTION BY MS. BORTZ (THAT NO IN-HOUSE STAFF**
6 **COSTS BEYOND THOSE IDENTIFIED IN THE THREE YEAR PLAN ARE**
7 **CHARGED THROUGH THE UNIVERSAL SERVICE RIDER) APPEAR TO BE**
8 **ACCURATE?**

9 A. No. The most recent three-year Universal Service and Energy Conservation (“USEC”)
10 plans filed by each of the four FirstEnergy utilities all presented identical language
11 regarding the “organization structure” of each utility’s CAP. Each USEC plan identified
12 nine staff positions a “portion” of whose time supports CAP.¹⁸ In contrast, OCA asked
13 the Companies to provide “a line item break-down of each internal staff person for whom
14 costs were collected through the Universal Service Rider” from 2011 through the present.
15 Each Company provided “the universal service staff members by system ID. . .”¹⁹ The
16 number of staff for which the Companies charged some portion of time through the
17 Universal Service Cost Rider included:

¹⁷ Statement 3-R, at 22 (ME); Statement 3-R, at 21 (PN); Statement 3-R, at 18 (PP).

¹⁸ USEC plan, page 15 for each utility (ME, PN, PP, WP). “A portion of the following employees’ time supports this program: Manager—Compliance and Human Services; Senior Administrative Assistant; Supervisor—Human Services – Universal Service; Senior Business Analyst (2); Associate Business Analyst (2); Advanced Customer Accounting Associate (2).”

¹⁹ OCA-XXIII-12 (ME); OCA-XXIII-12 (PN); OCA-XXIII-12 (PP).

1

Number of Staff Positions a Portion of Whose Time was Charged through Universal Service Rider: 2011 – 2014 /a/

	2011	2012	2013	2014 /b/
ME	16	28	31	26
PN	16	28	31	26
PP	12	26	30	24

NOTES:

/a/ West Penn Power did not have a Universal Service Charge Rider during the time period in question, and thus is excluded from this Table.²⁰

/b/ 2014 data presents partial year data.

2

3

It is clear from this data that the number of internal staff positions, a portion of whose

4

time was charged through the Universal Service Charge Rider, grew over time. Since as

5

I note above, Ms. Bortz categorically stated that new staff positions beyond those staff

6

positions identified in the universal service plan are not included in the Rider, the

7

additional staff positions must have been existing staff positions.

8

9

Q. PLEASE RESPOND TO THE ASSERTION BY MS. BORTZ THAT THE

10

FIRSTENERGY COMPANIES EXCLUDED THE ADMINISTRATIVE COSTS

11

ASSOCIATED WITH THE UNIVERSAL SERVICE PROGRAMS FROM THEIR

12

BASE RATE REQUESTS.

13

A. Ms. Bortz argues that “[a]s can be seen on RAD-2, page 1, column 6, line 9, the

14

Companies excluded all costs associated with universal service, including administrative

15

costs, from their base rate request, and are fully allocating those costs to the rider for

²⁰ OCA-XXIII-11, OCA-XXIII-12 (WP).

1 recovery.”²¹ The number cited by Ms. Bortz is a single number that incorporates all
2 universal service costs for all universal service programs. The aggregate number setting
3 forth total universal service costs cited by Ms. Bortz certainly provides no information on
4 what administrative costs associated with internal staff positions are or are not included
5 or excluded from base rates.

6
7 **Q. WHAT DO YOU CONCLUDE?**

8 A. The cost exclusion I propose to incorporate into the Universal Service Cost Rider is
9 eminently reasonable. The proposal I recommend implements the Commission’s stated
10 policy that “surcharges have been used principally by natural gas and electric companies
11 to recover certain expenses *not covered in their base rates.*”²² My proposal to modify the
12 Universal Service Cost Rider to specifically incorporate a cost exclusion for
13 administrative costs to be collected through the Rider for those administrative costs not
14 explicitly excluded from base rates is consistent both with prior Commission universal
15 service decisions generally and with the FirstEnergy merger order specifically.²³

16
17 **PART 2. Response to Patricia Larkin regarding Working Capital Offset.**

18 **Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?**

²¹ Statement 3-R, at 22 (ME); Statement 3-R, at 21 (PN); Statement 3-R, at 18 (PP); Statement 3-R, at 21 (WP).

²² Pennsylvania PUC, Customer Assistance Programs: Funding Levels and Cost Recovery Mechanisms, Docket M-00051923, Final Investigatory Order, at 23 (issued October 19, 2006) (emphasis added).

²³ Pennsylvania Public Utility Commission, et al. v. Metropolitan Edison Company, Docket No. R-00061366 (consolidated cases), at 180 (Order issued January 11, 2007). Commission notes in approving a Universal Service Rider that “the ALJs, therefore, recommended the removal of all the revenues and expenses that are associated with universal service costs from base rates. . .”)

1 A. In this section of my testimony, I respond to the Rebuttal Testimony of Patricia Larkin
2 regarding the working capital offset to the recovery of universal service costs through the
3 proposed Universal Service Cost Rider.

4
5 **Q. DOES MS. LARKIN CORRECTLY CHARACTERIZE THE METHODOLOGY**
6 **YOU USE TO CALCULATE A WORKING CAPITAL OFFSET?**

7 A. No. Ms. Larkin incorrectly states that my “percentage offset is the sum of the differences
8 between the ‘aging buckets’ of accounts receivable without CAP and the ‘aging buckets’
9 with CAP expressed as a percent.”²⁴ This is not correct.

10

11 Cash working capital, as Ms. Larkin agrees, is based on “revenue lag days.” A revenue
12 lag day occurs for each day dollars are not paid. A group of customers who take longer
13 to pay their bills, as evidenced by the fact that they not only have more dollars in arrears
14 but more dollars in longer-term arrears, will impose more revenue lag days than a group
15 of customers who pay their bills more promptly.

16

17 My methodology examines the difference in revenue lag days between bills rendered to
18 confirmed low-income customers and bills rendered to residential customers generally.

19

²⁴ Statement 6-R, at 7-8, 9 (ME); Statement 6-R, at 7 (PN); Statement 6-R, at 7-8 (PP); Statement 6-R, at 8 (WP).

1 **Q. DO CONFIRMED LOW-INCOME CUSTOMERS TAKE LONGER TO PAY**
2 **THEIR BILLS THAN DO RESIDENTIAL CUSTOMERS OVERALL?**

3 A. Yes. The pattern is the same for all four FirstEnergy utilities. The data provided by all
4 four Companies shows that for each Company:

- 5 ➤ Proportionately more dollars billed to confirmed low-income customers are
6 not paid by the due date (and thus remain in accounts receivable); and
- 7 ➤ Proportionately more dollars billed to confirmed low-income customers are in
8 longer-term arrears (and thus remain in accounts receivable for a longer
9 period of time).²⁵

10 As a result, as the data I discussed in my Direct Testimony demonstrates, since the
11 Universal Service Cost Rider removes dollars of billing from confirmed low-income
12 customers (who take a longer time to pay) and transfers those dollars of billing to
13 residential customers as a whole (who take a shorter time to pay), the working capital
14 experienced for those dollars of billing will be accordingly reduced. Consistent with the
15 Commission's directives regarding CAP cost recovery, that reduction should be reflected
16 as an offset to CAP program costs.²⁶

²⁵ OCA-II-42 (ME, PN, PP. WP); OCA-XXIII-6 (ME, PN, PP. WP).

²⁶ "In evaluating utility CAPs for ratemaking purposes, the Commission will consider both revenue and expense impacts. Revenue impact considerations include a comparison between the amount of revenue collected from CAP participants prior to and during their enrollment in the CAP. CAP expense impacts include both the expenses associated with operating the CAPs as well as the potential decrease of customary utility operating expenses. Operating expenses include the return requirement on cash working capital for carrying arrearages. . ." Pennsylvania PUC, CAP Policy Statement, Section 69.266, 52 Pa. Code §69.266 (Supp. 389, April 2007) (emphasis added).

1 **Q. HOW DOES THE DATA DEMONSTRATING THAT CONFIRMED LOW-**
2 **INCOME CUSTOMERS TAKE LONGER TO PAY AFFECT THE ARGUMENT**
3 **THAT MS. LARKIN ADVANCES IN HER REBUTTAL TESTIMONY?**

4 A. Ms. Larkin’s argument opposing my recommended working capital offset examines the
5 impact of a reduction in generic accounts receivable.²⁷ That argument mis-characterizes
6 the offset I calculate. In my analysis, a portion of the revenue that had been billed
7 exclusively to confirmed low-income customers will, under CAP, no longer be billed to
8 those confirmed low-income customers. Instead, that revenue will be billed to residential
9 customers as a whole (through the Universal Service Charge Rider).

10
11 Confirmed low-income customers systematically pay more slowly than residential
12 customers as a whole; stated conversely, residential customers as a whole systematically
13 pay more quickly than confirmed low-income customers. Since the amount of total
14 revenue billed does not change –the CAP credits and arrearage forgiveness credits are
15 moved to the Universal Service Charge Rider on a dollar-for-dollar basis-- moving these
16 billings from the slower payers to the quicker payers²⁸ will generate a working capital
17 reduction based on the difference in how quickly those two groups of customers pay their
18 bills.

19

²⁷ Statement 6-R, at 9 (ME); Statement 6-R, at 9 (PN); Statement 6-R, at 9 (PP); Statement 6-R, at 10 (WP) (“I calculated the CWC offset by using the OCA’s lead/lag study and reducing accounts receivable by an average of \$1,000,000.”)

²⁸ This occurs through the CAP credit and the arrearage forgiveness credits provided to CAP participants, which credits are then moved to residential customers through the Universal Service Charge Rider.

1 Rather than recognizing the fact that confirmed low-income customers pay more slowly
2 than residential customers as a whole, Ms. Larkin calculates her working capital
3 reduction from a generic reduction in accounts receivable. This conclusion is evident
4 from a comparison of Exhibit PML-2 to Exhibit PML-3.

5
6 **Q. HOW DO YOU KNOW THAT MS. LARKIN USES A GENERIC REDUCTION**
7 **IN ACCOUNTS RECEIVABLE TO CALCULATE HER PROPOSED WORKING**
8 **CAPITAL OFFSET?**

9 A. Ms. Larkin states quite directly how she calculates her working capital offset. She states:
10 “The Company calculated revenue lag based on the overall accounts receivable turnover
11 ratio.”²⁹ She continued that under her approach, “the [cash working capital] offset would
12 be the same percentage for any reduction in accounts receivable. . .”³⁰

13
14 In sum, Ms. Larkin incorrectly argues that, for purposes of calculating a working capital
15 offset for universal service costs, the level of accounts receivable relative to billed
16 revenues, the accounts receivable turnover, and the collection days lag for the overall
17 residential population can be imputed to the population of confirmed low-income
18 customers. That argument is counter-factual and should be rejected.

19

²⁹ Statement 6-R, at 9 (ME); Statement 6-R, at 8-9 (PN); Statement 6-R, at 9 (PP); Statement 6-R, at 9 (WP).

³⁰ Id. (emphasis added).

1 **Q. WHAT DO YOU CONCLUDE?**

2 A. Ms. Larkin's calculations in PML-2 and PML-3 do not reflect the difference in working
3 capital associated with moving billings from slower paying confirmed low-income
4 customers to faster paying residential customers through the Universal Service Charge
5 Rider. Her calculations do not measure the offset that I measured and presented in my
6 Direct Testimony. The working capital offset I proposed in my Direct Testimony should
7 be adopted.

8

9 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

10 A. Yes, it does.

11 200007

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission : Docket No. R-2014-2428743
: :
v. : :
: :
Pennsylvania Electric Company :

VERIFICATION

I, Roger D. Colton, hereby state that the facts above set forth in my Surrebuttal Testimony (OCA Statement No. 4SR), are true and correct and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Signature:



Roger D. Colton

Consultant Address: 34 Warwick Road, Belmont, MA 02478

DATED:
187760

1/2/15