BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION
v.
PECO ENERGY COMPANY

DOCKET NO. R-2018-3000164

____________________________________________
SURREBUTTAL TESTIMONY
____________________________________________

WITNESS: JIANG DING

SUBJECT: CLASS COST OF SERVICE STUDY

DATED: AUGUST 8, 2018
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I. INTRODUCTION AND PURPOSE OF TESTIMONY

1. Q. Please state your name, professional position and business address.

   A. My name is Jiang Ding. I am employed by PECO Energy Company ("PECO"
   or the "Company") as a Principal Regulatory & Rates Specialist. My business
   address is PECO Energy Company, 2301 Market Street, Philadelphia,
   Pennsylvania 19103.

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

   A. Yes. I submitted direct testimony that is marked as PECO Statement No. 6.
   My background and qualifications are set forth in that statement. I have also
   submitted rebuttal testimony that is marked as PECO Statement No. 6-R.

3. Q. What areas will your surrebuttal testimony focus on?

   A. My surrebuttal testimony will address issues raised in the rebuttal testimony
   of Philadelphia Area Industrial Energy Users Group ("PAIEUG") witness
   Jeffry Pollock (PAIEUG Statement No. 1-R). In particular, I will address
   revisions Mr. Pollock made to his preliminary, revised class cost of service
   study and explain why his updated, revised analysis remains incorrect.
4. Q. Have you prepared exhibits to accompany your surrebuttal testimony?

A. Yes, I have prepared PECO Exhibit JD-1S. That exhibit is a summary comparison of the results of PECO’s class cost of service study with Mr. Pollock’s preliminary and updated, revised class cost of service studies presented in his direct and rebuttal testimony, respectively.

II. UPDATED, REVISED CLASS COST OF SERVICE STUDY

5. Q. Please explain why Mr. Pollock provided an updated, revised class cost of service study in his rebuttal testimony.

A. Mr. Pollock provided an updated, revised class cost of service study in his rebuttal testimony to, among other things, update an assumption in the preliminary, revised class cost of service study used to support his direct testimony. That assumption pertained to the amount of investment PECO re-classified from transmission to distribution plant accounts pursuant to the Federal Energy Regulatory Commission’s (“FERC’s”) “Seven-Factor Test.”¹

In his preliminary, revised class cost of service study, Mr. Pollock assumed that $32 million of distribution investment in FERC Accounts 362 through 367 had been re-classified from transmission plant to distribution plant. In

fact, as PECO explained in response to a PAIEUG interrogatory,\(^2\) the

Company had re-classified approximately $54 million of transmission plant to
distribution plant allocated to FERC Accounts 360 through 367. Based on
that information, Mr. Pollock’s updated, revised class cost of service study
reflects an allocation of $54 million to FERC Accounts 360 through 367.\(^3\) For
his updated, revised class cost of service study, Mr. Pollock applied the same
allocation methodology he proposed in his direct testimony.

6. **Q.** Do you have concerns with his updated study?

   **A.** Yes. In the preliminary, revised class cost of service study Mr. Pollock
   presented in his direct testimony, Mr. Pollock used PECO’s allocation
   methodology to allocate the total amount of the investments in FERC
   Accounts 360 and 361—approximately $182 million. Now, however, Mr.
   Pollock applied both PECO’s allocation methodology and his own allocation
   methodology to the amounts in FERC Accounts 360 and 361. Specifically, he
   applied PECO’s allocation methodology to approximately $4 million of
   investments and his own allocation methodology to the remaining $178
   million of investments in FERC Accounts 360 and 361.\(^4\) As shown in PECO
   Exhibit JD-1S, this change further reduces the rate base for Rates HT and EP

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\(^3\) See id.

\(^4\) See id., p. 12. Mr. Pollock’s allocation methodology is based on PECO’s non-coincident peak (“NCP”) allocator, excluding peak demands served at 69 kV and above. The difference results in Mr. Pollock allocating 25.8% of the investment of $3,285 million from FERC Accounts 360 through 367 to Rate HT, whereas PECO under its methodology allocated 27.4% of the investment to that same Rate Class.
and increases the rate base for all other Rates, i.e. R, RH, GS, PD and Lighting. Such further reduction in rate base for Rates HT and EP is inappropriate because it overstates their rates of return relative to the other customer Rate Classes.

7. **Q. How does Mr. Pollock justify his allocation?**

A. Mr. Pollock’s revised allocation is based on his view that the $54 million of re-classified investment in Accounts 360 through 367 serves higher voltage customers in Rate Classes HT and EP.

At the outset, I want to reiterate something I explained in my direct and rebuttal testimony, specifically, that the $54 million of plant that was re-classified from transmission plant accounts to distribution plant accounts pursuant to FERC’s Seven-Factor Test represents a substantial amount of distribution plant that serves customers receiving service at voltages of 69 kV and above. Because these higher-voltage customers are served by radial lines emanating from a substation, a portion of the substation (e.g., the breaker to which the radial line connects) is properly allocated to distribution plant.

In addition, Mr. Pollock is wrong to assume that the property re-classified from transmission to distribution is the only distribution plant used by, and properly allocable to, customers served at voltages of 69 kV and above. Once some portion of the substation cost is classified as distribution, a portion of the

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5 PECO Statement No. 6, p. 40; PECO Statement No. 6-R, p. 17.
land on which the substation is located and the substation’s structure must also be classified as distribution.

In sum, Mr. Pollock’s updated, revised class cost of service study repeats and compounds the errors made in his preliminary, revised class cost of service study. For these reasons, Mr. Pollock’s proposal to shift additional distribution costs away from Rate HT and EP customers taking service at higher voltage based on his updated, revised class cost of service study should be rejected.

III. CONCLUSION

8. Q. Does this conclude your surrebuttal testimony?

A. Yes, it does.
<table>
<thead>
<tr>
<th></th>
<th>R</th>
<th>RH</th>
<th>GS</th>
<th>PD</th>
<th>HT</th>
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<td><strong>PECO Direct Testimony - Rate Base at Present Rate</strong></td>
<td>2,499,673</td>
<td>584,746</td>
<td>944,200</td>
<td>31,518</td>
<td>642,538</td>
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<td>5.65%</td>
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<td>6.46%</td>
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<td>6.28%</td>
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