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February 19, 2021

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

VIA ELECTRONIC FILING

RE: Pennsylvania Public Utility Commission v. PECO Energy Company;
Docket No. R-2020-3018929

Dear Secretary Chiavetta:

Attached for filing with the Pennsylvania Public Utility Commission is the electronic versions of the following Philadelphia Area Industrial Energy Users Group ("PAIEUG") Pre-Served Testimony in the above-referenced proceeding:

1. Hearing Exhibit List
2. Verification of Billie LaConte
3. PAIEUG Statement No. 1: Direct Testimony and Exhibits of Billie LaConte
4. PAIEUG Statement No. 1-R: Rebuttal Testimony and Exhibit of Billie LaConte
5. PAIEUG Statement No. 1-S: Surrebuttal Testimony and Exhibits of Billie LaConte

As shown by the attached Certificate of Service, all parties to these proceedings are being duly served via email only due to the current COVID-19 pandemic. Upon lifting of the aforementioned Emergency Order, we can provide parties with a hard copy.

Very truly yours,

McNEES WALLACE & NURICK LLC

By Charis Mincavage
Charis Mincavage

Counsel to the Philadelphia Area Industrial Energy Users Group

Attachments

c: Deputy Chief Administrative Law Judge Christopher P. Pell (via E-Mail)
Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that I am this day serving a true copy of the foregoing document upon the participants listed below in accordance with the requirements of Section 1.54 (relating to service by a participant).

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Charis Mincavage

Charis Mincavage

Counsel to the Philadelphia Area Industrial Energy Users Group

Dated this 19th day of February, 2021, in Harrisburg, Pennsylvania

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2020-3018929
	:	
PECO Energy Company	:	

HEARING EXHIBIT LIST OF THE PHILADELPHIA AREA INDUSTRIAL ENERGY USERS GROUP

The Philadelphia Area Industrial Energy Users Group ("PAIEUG") intends to submit the following evidence at the hearings in the above-captioned proceeding scheduled for February 17 and 18, 2021:

- PAIEUG Statement No. 1: Direct Testimony and Exhibits of Billie LaConte
  - 13 pages of written testimony and Exhibits BSL-1 through BSL-8
- PAIEUG Statement No. 1-R: Rebuttal Testimony and Exhibit of Billie LaConte
  - 14 pages of written testimony and Exhibit BSL-1R
- PAIEUG Statement No. 1-S: Surrebuttal Testimony and Exhibits of Billie LaConte
  - 11 pages of written testimony and Exhibits BSL-1S through BSL-2S

February 16, 2021

VERIFICATION

I, Billie S. LaConte, Energy Advisor and Associate Consultant at J. Pollock, Incorporated, hereby state that the facts set forth in PAIEUG Statement Nos. 1, 1-R and 1-S are true and correct to the best of my knowledge, information and belief 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).

2-11-21
Date

Billie A LaConte
Signature

PAIEUG Statement No. 1

R-2020-3018929
2/17/21 JK

BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission

v.

PECO Energy Company – Gas Division

Docket No. R-2020-3018929, et al.

Direct Testimony and Exhibits

of

BILLIE LACONTE

On Behalf of

Philadelphia Area Industrial Energy Users Group

December 22, 2020

J. POLLOCK
INCORPORATED

BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission

v.

Docket No. R-2020-3018929, et al.

PECO Energy Company – Gas Division

Table of Contents

GLOSSARY OF ACRONYMS

Term	Definition
CCOSS	Class Cost-of-Service Study
Commission	Pennsylvania Public Utility Commission
PAIEUG	Philadelphia Area Industrial Energy User's Group
PECO	PECO Energy Company – Gas Division
ROR	Rate of Return
RROR	Relative Rate of Return

DIRECT TESTIMONY OF BILLIE S. LACONTE

Introduction, Qualifications and Summary

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A My name is Billie LaConte. My business address is 12647 Olive Blvd., Suite 585, St. Louis, Missouri 63141.

Q WHAT IS YOUR OCCUPATION AND BY WHOM ARE YOU EMPLOYED?

A I am an energy advisor and Associate Consultant at J. Pollock, Incorporated.

Q PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A I have a Bachelor of Arts degree in Mathematics from Boston University and a Master's degree in Business Administration from Washington University. Since graduating in 1995, I have been engaged in a variety of consulting assignments, including energy procurement and regulatory matters in both the United States and several Canadian provinces. More details are provided in **Exhibit ___(BSL-1)**. A list of my appearances is provided in **Exhibit ___ (BSL-2)**.

Q ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A I am testifying on behalf of Philadelphia Area Industrial Energy Users Group (PAIEUG). PAIEUG is an ad hoc group of large volume customers receiving natural gas delivery service from PECO Energy Company - Gas Division (PECO) under the Gas Transportation Firm and Gas Transportation Interruptible Rate Schedules. PAIEUG members require substantial volumes of natural gas in their operations, and the proposed rate increase and tariff modifications may have an adverse impact upon their operations.

Q WHAT ISSUES ARE YOU ADDRESSING IN YOUR TESTIMONY?

A I am addressing PECO's class revenue allocation.

Q ARE YOU SPONSORING ANY EXHIBITS WITH YOUR TESTIMONY?

A Yes. I am sponsoring **Exhibit ___ (BSL-1)** through **Exhibit ___ (BSL-8)**. These exhibits were prepared by me or under my supervision and direction. Throughout my testimony and exhibits I refer to PECO's proposed revenue requirement to illustrate various concepts. This should not be interpreted as an endorsement of PECO's proposed revenue requirement or any of the other issues that I am not addressing.

Summary

Q PLEASE SUMMARIZE YOUR FINDINGS AND RECOMMENDATIONS.

A My findings and recommendations are as follows:

- PECO's class cost-of-service study (CCOSS) generally comports with industry practice. It should be used to apportion any change in delivery revenues approved by the Pennsylvania Public Utility Commission (Commission).
- PECO has miscalculated the class rates of return under its proposed class revenue allocation. With one exception, PECO overstated the calculated rates of return earned from those classes that are currently below cost, and it understated the rates of return earned from those classes that are currently above cost. Accordingly, PECO's calculated class rates of return at proposed rates are unreliable and should be rejected.
- The Gas Transportation Firm and Gas Transportation Interruptible rates are currently above cost and PECO's proposed revenue allocation maintains this inequity.
- When class rates of return are properly derived, it is apparent that PECO's proposed class revenue allocation would fail to move rates closer to cost for any customer class. In general, rates would move further from cost.
- Consistent with this Commission's long-standing practice, any delivery revenue change should be allocated to customer classes in a manner that moves all rates toward cost based on PECO's CCOSS as closely as practicable.

Class Cost-of-Service Study

Q WHAT IS A CLASS COST-OF-SERVICE STUDY?

A A CCOSS is an analysis used to determine each class's responsibility for a utility's costs. Thus, it determines whether the revenue generated by a class covers the utility's cost of providing service to that class. A CCOSS separates a utility's total costs into portions incurred on behalf of each customer class. Most of a utility's costs are incurred jointly to serve many customers. For purposes of revenue allocation and rate design, customers are grouped into homogenous classes according to their usage patterns and service characteristics.

Q HAS PECO CONDUCTED A CLASS COST-OF-SERVICE STUDY IN THIS PROCEEDING?

A Yes. PECO's CCOSS was submitted in in the Direct Testimony of Jiang Ding. PECO subsequently provided a revised CCOSS in its discovery response to OSBA I-2(a).

Q DOES PECO'S REVISED CLASS COST-OF-SERVICE STUDY GENERALLY COMPORT WITH ACCEPTED PRACTICES?

A Yes. Although I do not agree with every aspect of PECO's CCOSS, it generally comports with accepted practices.

Q WITH WHAT ASPECT OF PECO'S REVISED CLASS COST-OF-SERVICE STUDY DO YOU DISAGREE?

A PECO classifies 100% of distribution mains to demand. My position is that a portion of distribution mains should be classified as a customer-related cost. However, PECO does not have sufficient data to determine the customer-related portion of distribution mains for its system.

Q WHAT IS THE IMPACT OF CLASSIFYING ALL DISTRIBUTION MAINS COSTS AS DEMAND-RELATED?

A PECO's CCOSS understates the rate of return earned from the transportation classes. However, because PECO directly assigns a significant portion of the distribution mains serving the transportation classes, the impact of classifying all distribution mains costs as demand-related is not as significant. For this reason, I am accepting the results of PECO's CCOSS for the limited purpose of determining an appropriate class revenue allocation in this proceeding.

Class Revenue Allocation

Q WHAT IS CLASS REVENUE ALLOCATION?

A Class revenue allocation is the process of determining how any base revenue change (*i.e.*, rate increase or decrease) the Commission approves should be spread to each customer class the utility serves.

Q HAVE YOU REVIEWED PECO'S PROPOSED REVENUE ALLOCATION AND RATES OF RETURN BY RATE CLASS?

A Yes. I reviewed Exhibit JAB-1, which shows the proposed revenue allocation, proposed rate of return (ROR), and proposed relative rate of return (RROR) by rate class.

Q PLEASE EXPLAIN THE TERMS RATE OF RETURN AND RELATIVE RATE OF RETURN.

A The ROR measures the return on rate base for each customer class using their proposed revenues, allocated expenses and allocated rate base. The RROR is each class's ROR relative to the overall system average ROR. If a customer class's ROR is above the overall system average ROR, its RROR will be above one. If its RROR

is one, then its ROR is equal to the overall system average ROR. If a customer class's ROR is below the overall system average ROR, its RROR will be below one.

Q DID THE RESULTS OF THE REVISED CCOSS ALTER PECO'S CLASS REVENUE ALLOCATION?

A No. PECO confirmed in its response to PAIEUG-I-2 that it had not made any changes to its originally filed distribution revenue allocation by rate class relative to the revised CCOSS model. **Exhibit___(BSL-8)** is a copy of a PECO's discovery response. The current RORs in the revised CCOSS vary slightly from Exhibit JAB-1 for most classes, although the RORs for Gas Transportation Firm and Gas Transportation Interruptible classes have not changed.

Q DO YOU HAVE ANY CONCERNS WITH EXHIBIT JAB-1?

A Yes. After carefully reviewing Exhibit JAB-1 and PECO's revised CCOSS model, I have determined that the class RORs and RRORs at proposed rates are incorrect. In particular, PECO overstated the calculated rates of return earned from those classes that are currently below cost, and it understated the rates of return earned from those classes that are currently above cost. Accordingly, PECO's calculated class rates of return at proposed rates are unreliable and should be rejected.

Q HOW DID YOU DETERMINE THAT PECO MISCALCULATED THE RATES OF RETURN AND RELATIVE RATES OF RETURN AT PROPOSED RATES?

A Using PECO's revised CCOSS model, I replicated the derivation of the class RORs used to determine the delivery revenue increases required to move all rates immediately to cost. I then applied the same process to PECO's proposed class revenue allocation. The results are shown in **Exhibit ___ (BSL-3)**.

Q PLEASE EXPLAIN EXHIBIT ___ (BSL-3).

A **Exhibit___(BSL-3)** compares each class' ROR and RROR at present rates, using rate base and operating income from PECO's revised CCOSS. Using the proposed revenue increase from Exhibit JAB-1, I derived each class' corrected proposed ROR and RROR.

Q HOW DO THE RESULTS OF EXHIBIT ___ (BSL-3) COMPARE WITH THE RELATIVE RATES OF RETURN SHOWN IN EXHIBIT JAB-1?

A Table 1 provides the comparison.

Table 1
Class RRORs at Proposed Rates

Rate Class	JAB-1	Corrected
Residential	0.97	0.85
General Service	1.02	1.32
Large High Load Factor	0.85	(0.12)
Motor Vehicle Service Firm	1.30	2.10
Motor Vehicle Service Interruptible	1.30	4.65
Temperature Controlled Service	1.30	6.23
Gas Transportation Firm	1.22	1.26
Gas Transportation Interruptible	1.22	1.56

Sources: Exhibit JAB-1; Exhibit__(BSL-3).

As Table 1 demonstrates, PECO's calculated RRORs at proposed rates are significantly out of line with the RRORs calculated using the process in PECO's revised CCOSS model. The latter process is correct, whereas PECO's derivation is not because PECO incorrectly calculated the ROR for each rate class. **Exhibit___(BSL-3)** calculates the ROR using PECO's current operating income and its proposed revenue increase from its revised CCOSS and Exhibit JAB-1, respectively, for each

rate class. The ROR for each rate class is vastly different than PECO's proposed ROR, as shown in Exhibit JAB-1, which significantly misstates the RROR for each rate class.

Q SHOULD THE COMMISSION GIVE ANY WEIGHT TO PECO'S CALCULATED RATES OF RETURN AND RELATIVE RATES OF RETURN IN DETERMINING THE PROPER CLASS REVENUE ALLOCATION IN THIS PROCEEDING?

A No. PECO has miscalculated the class RORs and RRORs at proposed rates. Accordingly, the Commission should give no weight to Exhibit JAB-1 in determining a cost-based class revenue allocation.

Q WHAT IS THE BASIS FOR PECO'S REVENUE ALLOCATION PROPOSAL?

A PECO claims its proposal is based on several factors.

1. The CCOSS prepared by Ms. Ding.
2. Balancing the objectives of eliminating the difference between the system average rate of return and the class rate of return for customers taking service under General Service - Commercial and Industrial and Large High Load Factor Service, and making limited but meaningful movement of other rate classes closer to their indicated cost of service.
3. Adjusting certain class distribution revenues based on proposed changes to PECO's Gas Procurement Charge and Merchant Function Charge uncollectible write-off factors; and
4. Moderating the impact on each major rate class while still making meaningful movement toward each class's cost of service.[1]

Q DO YOU AGREE WITH USING A CLASS COST-OF-SERVICE STUDY TO DETERMINE THE APPROPRIATE INCREASE TO EACH CUSTOMER CLASS?

A Yes. I support cost-based rates because they are equitable, provide proper price signals, promote efficiency, and provide greater financial stability.

[1] PECO Statement No. 7, Direct Testimony of Joseph A. Bisti at 9.

Q ARE COST-BASED RATES ALSO CONSISTENT WITH THIS COMMISSION'S POLICY?

A Yes. In a prior PPL Electric Utilities Corporation rate case, the Commission reaffirmed its policy of setting distribution rates primarily to reflect cost. The Order stated:

> Based upon our prior determination and discussion, *supra*, with respect to the rejection of the OCA COSS, we are in agreement with the ALJ that PPL's proposed revenue allocation should be approved. As the OCA's revenue allocation recommendation is based upon its COSS, which we have rejected, we conclude that its allocation proposal should similarly be denied. ***Additionally, we find that PPL's revenue allocation proposal is consistent with Lloyd, moves all rate classes closer to cost of service in a reasonable manner and considers the principle of gradualism.*** Accordingly, we shall adopt the recommendation of the ALJ and deny the OCA Exceptions on this issue.[2] (emphasis added).

Thus, moving rates reasonably closer to cost would be consistent with Commission policy.

Q WOULD PECO'S PROPOSED CLASS REVENUE ALLOCATION RESULT IN MOVING RATES CLOSER TO COST?

A No. **Exhibit __ (BSL-4)** compares the CCOSS results at present rates and under PECO's proposed class revenue allocation. In addition to showing the ROR and RROR, **Exhibit ___ (BSL-4)** also quantifies the interclass subsidies at present and proposed rates. The interclass subsidy is the difference between the realized revenues and the revenue requirement. A negative amount means that a class's realized revenues are below its revenue requirement (*i.e.,* the class is being subsidized by other classes), while a positive amount means that a class is subsidizing other classes.

[2] *Pennsylvania Public Utility Commission, Office of Consumer Advocate et al v. PPL Electric Utilities Corporation*; Docket Nos. R-2012-2290597, C-2012-2300266, et al; Opinion and Order at 118-119 (Dec. 28, 2012).

If rates are moving toward cost, the interclass subsidies at proposed rates would be lower than the corresponding subsidies at present rates. As **Exhibit ___ (BSL-4)** demonstrates, the proposed rates move every class *away* from cost.

Q HOW DO PECO'S PROPOSED INCREASES BY CLASS COMPARE WITH THE INCREASES THAT WOULD BE REQUIRED TO MOVE RATES IMMEDIATELY TO COST?

A As stated above, PECO's proposed revenue increase understates the appropriate revenue increase for several classes and significantly overstates the appropriate revenue increases for other classes, specifically General Service, Gas Transportation Firm, and Gas Transportation Interruptible customers. The comparison is shown in **Exhibit ___ (BSL-5)**, and the results are summarized below in Table 2. For customer classes where PECO's proposed revenue increase is less than the increase required to move rates to cost, the percentage shown in Table 2 is below 100%. For customer classes where PECO's proposed revenue increase is greater than the increase required to move rates to cost, the percentage shown in Table 2 is above 100%.

Table 2
PECO's Proposed Revenue Increase
As a Percent of the Increase Required
to Achieve Cost-Based Rates

Rate Class	Percent
Residential	61%
General Service	497%
Large High Load Factor	12%
Motor Vehicle Service Firm	75%
Motor Vehicle Service Interruptible	15%
Temperature Controlled Service	10%
Gas Transportation Firm	265%
Gas Transportation Interruptible	280%

If all rates were moving toward cost, the percentages shown in Table 2 would all be 100%. Instead, the proposed increases are either too low (percentages below 100%) or too high (percentages above 100%). Table 2, thus, affirms that PECO's proposed revenue increases do little to move rates closer to cost, and, in fact, would have the opposite impact.

Q DOES PECO PURPORT TO RECOGNIZE GRADUALISM?

A Yes. Specifically:

> The ratemaking principle of gradualism, as traditionally applied in Pennsylvania, guides utilities to avoid abruptly increasing rates in favor of slower adjustments that incrementally move rates toward the actual cost of service over time. PECO's proposed revenue allocation aims to balance application of this…[3]

Q DOES PECO'S PROPOSED CLASS REVENUE ALLOCATION CONSIDER GRADUALISM, AS MR. BISTI'S TESTIMONY ASSERTS?

A No. Table 3 shows the proposed delivery revenue increases by rate class.

Table 3
PECO's Proposed Delivery Revenue Increase

Rate Class	Percent Increase	Increase as % of System Avg.
Residential	17.9%	0.97
General Service	17.0%	0.92
Large High Load Factor	46.0%	2.49
Motor Vehicle Service Firm	20.5%	1.11
Motor Vehicle Service Interruptible	10.6%	0.57
Temperature Controlled Service	8.1%	0.44
Gas Transportation Firm	32.1%	1.74
Gas Transportation Interruptible	25.0%	1.35
Total Gas Division	18.5%	

Source: Exhibit JAB-1.

[3] PECO Statement No. 7, Direct Testimony of Joseph A. Bisti at 4.

As Table 3 demonstrates, despite the fact that the Residential class is currently below cost, PECO is proposing a slightly below-average increase. Conversely, even though both Gas Transportation Firm and Gas Transportation Interruptible classes are currently above their cost to serve, under PECO's proposed rate increase these rate schedules would receive approximately 1.74x and 1.35x the system average increase, respectively. This is yet another indication of how PECO's proposed class revenue allocation does not adhere to the Commission's long-standing practice.

Not only does PECO's proposed class revenue allocation vary significantly from the results of its CCOSS, in some cases (*i.e.,* Large High Load Factor and Gas Transportation Firm), the proposed increases would be in excess of 1.5 times the system average increase. In these specific instances, PECO's proposal would violate the very same principle of gradualism that it claims to support. It is especially egregious to impose a substantially above-system average increase to the Gas Transportation Firm and Gas Transportation Interruptible classes, as they currently providing a substantially above-system average rate of return in PECO's CCOSS.

Q HAS THE COMMISSION ALSO RECOGNIZED GRADUALISM IN APPORTIONING A RATE INCREASE?

A Yes. As noted by the Commonwealth Court's decision in *Lloyd v. Pa. Public Utility Commission*, gradualism is one of the factors to be considered and weighed by the PUC in determining rate design.[4]

Q WHAT DO YOU RECOMMEND?

A I recommend that all rates should move closer to cost. To illustrate how, I have developed **Exhibit ___ (BSL-6).** It shows how PECO's proposed increase should be

[4] *Lloyd v. Pa. Public Utility Commission*, 904 A.2d 1010 (Pa. Cmwlth. 2006).

allocated to the rate classes in a manner that moves each class closer to cost while also respecting gradualism. Specifically, I assigned target increases for the classes with RRORs below 0.85. Their increases were set to 1.25 times the system average increase. The corresponding target increases for classes with RRORs above 1.15 were set to 0.5 times the system average. Different targets were set in extreme cases (*i.e.,* RRORs above 2 or negative). The remaining class (Gas Transportation Firm) would receive a system average increase.

Q WOULD YOUR RECOMMENDED CLASS REVENUE ALLOCATION ALSO ACHIEVE THE OBJECTIVE OF MOVING ALL RATES TOWARD COST?

A Yes, for the most part. This is shown in **Exhibit ___ (BSL-7)**. As can be seen, with one exception, my recommendation would move rates closer to cost while also recognizing the principle of gradualism.

Q IF THE COMMISSION WERE TO APPROVE A LOWER INCREASE FOR PECO, HOW WOULD THIS AFFECT YOUR RECOMMENDATION?

A If the Commission approves a lower revenue increase than PECO has proposed, the delivery revenues shown in **Exhibit ___ (BSL-6)**, column 6 should be scaled down.

Conclusion

Q WHAT FINDINGS SHOULD THE COMMISSION MAKE BASED ON THE RECOMMENDATIONS DISCUSSED IN YOUR TESTIMONY?

A The Commission should make the following findings:

- Reject PECO's proposed class revenue allocation;
- Adopt the class revenue allocation methodology illustrated in **Exhibit ___ (BSL-6)**; and

- Scale back the delivery revenues under my recommended class revenue allocation methodology shown in **Exhibit ___ (BSL-6)**, column 6, proportionally in the event that PECO is awarded a lower delivery rate increase than it has requested.

Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A Yes.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission

v.

PECO Energy Company – Gas Division

Docket No. R-2020-3018929, et al.

Direct Exhibits

of

BILLIE LACONTE

On Behalf of

Philadelphia Area Industrial Energy Users Group

December 22, 2020

J. POLLOCK
INCORPORATED

Qualifications of Billie S. LaConte

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Billie S. LaConte. My business mailing address is 12647 Olive Blvd., Suite 585, St. Louis, Missouri 63141.

Q WHAT IS YOUR OCCUPATION AND BY WHOM ARE YOU EMPLOYED?

A I am an energy advisor and am currently employed by J. Pollock, Incorporated as Associate Consultant.

Q PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A I have a Bachelor of Arts Degree in Mathematics from Boston University and a Master's degree in Business Administration from Washington University.

Upon graduation in May 1995, I joined Drazen Consulting Group, Inc. (DCGI). DCGI was incorporated in 1995 assuming the utility rate and economic consulting activities of Drazen Associates, Inc., active since 1937. I joined J.Pollock in May 2015.

During my tenure at DCGI and J.Pollock my work has focused on revenue requirement issues, cost of capital (return on equity and capital structure), cost allocation, rate design, sales and price forecasts, power cost forecasting, electric restructuring issues, integrated resource plans, formula rate plans, asset management agreements and contract interpretation.

I have been engaged in a wide range of consulting assignments including energy and regulatory matters in both the United States and several Canadian provinces. This has included advising clients on economic and strategic issues concerning the natural gas pipeline, oil pipeline, electric, wastewater and water utilities. I have prepared cost allocation and rate design studies to provide timely support to clients engaged in settlement negotiations in electric and gas utilities,

provided power cost forecasting studies to assist clients in project planning and negotiated contracts with electric utilities for standby services and interruptible rates. I have also prepared studies on electric and gas utilities' performance-based rates (PBR) and benchmarking programs to evaluate their success and to provide recommendations on methods to be used. I worked on contract interpretation to resolve contract disputes for several clients. I have provided financial and cost of service analysis for natural gas pipelines certificate approval from the Federal Energy and Regulatory Commission (FERC) and the Canadian National Energy Board (NEB). Additionally, I completed the Corporate Credit Rating Analysis course presented by Moody's Analytics.

I have worked on various projects located in many states and several Canadian provinces including Alberta, British Columbia, Saskatchewan, Nova Scotia and Quebec. I have testified before the state regulatory commissions of Arkansas, Georgia, Iowa, Louisiana, Michigan, Minnesota, Missouri, New Mexico, Pennsylvania, Texas and South Carolina, and the provincial regulatory boards of Alberta and Nova Scotia. I similarly have appeared before the St. Louis Metropolitan Sewer District Commission.

Q PLEASE DESCRIBE J. POLLOCK, INCORPORATED.

A J. Pollock assists clients to procure and manage energy in both regulated and competitive markets. The J. Pollock team also advises clients on energy and regulatory issues. Our clients include commercial, industrial and institutional energy consumers. J. Pollock is a registered Class I aggregator in the State of Texas.

Testimony Filed in Regulatory Proceedings
by Billie S. LaConte

UTILITY	ON BEHALF OF	DOCKET	TYPE	REGULATORY JURISDICTION	SUBJECT	DATE
ENTERGY ARKANSAS, LLC	Arkansas Electric Energy Consumers, Inc.	16-036-FR	Surrebuttal (FRP Extension)	AR	FRP Extension; Return on Equity; Capital Structure; Class Cost-of-Service Study; Industrial Rate Design	11/17/2020
PENNSYLVANIA-AMERICAN WATER COMPANY	Pennsylvania-American Large Water Users Group	2020-3019369 2020-3019371	Surrebuttal	PA	Rate Design; Regionalization and Consolidation Surcharge; Return on Equity	10/20/2020
ENTERGY ARKANSAS, LLC	Arkansas Electric Energy Consumers, Inc.	16-036-FR	Direct (FRP Extension)	AR	FRP Extension; Return on Equity; Capital Structure; Class Cost-of-Service Study; Industrial Rate Design	10/19/2020
ENTERGY ARKANSAS, LLC	Arkansas Electric Energy Consumers, Inc.	16-036-FR	Direct (2020 Eval. Report)	AR	Historical Year Netting Adjustment; :Long-Term Debt Costs	10/5/2020
PENNSYLVANIA-AMERICAN WATER COMPANY	Pennsylvania-American Large Water Users Group	2020-3019369 2020-3019371	Rebuttal	PA	Rate Design	9/29/2020
PENNSYLVANIA-AMERICAN WATER COMPANY	Pennsylvania-American Large Water Users Group	2020-3019369 2020-3019371	Direct	PA	Regionalization and Consolidation Surcharges; Commercial Rate Design	9/8/2020
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-20697	Rebuttal	MI	Financial Compensation Mechanism; Deferred Capital Spending Recovery Mechanism; Karn 1 & 2 Retention and Separation costs, return on equity, storm restoration deferral; PowerMIFleet Pilot Foundational Infrastructure Program; Conservation Voltage Reduction	7/14/2020
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Gas Consumers, Inc.	17-010-FR	Direct	AR	Projected Year Capital Expenditures; Capitalization Policy; Projected Year Adjustments	7/2/2020
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-20697	Direct	MI	Return on Equity; Capital Structure; Debt Cost; Additional Surcharges and Deferred Regulatory Accounts	6/24/2020
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-20650	Rebuttal	MI	Return on Equity; Statistical Analysis of Distribution Mains Allocation	5/5/2020
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-20650	Direct	MI	Return on Equity; Capital Structure; Long-Term Debt Cost	4/14/2020
DTE GAS COMPANY	Association of Businesses Advocating Tariff Equity	U-20642	Rebuttal	MI	Return on Equity	4/14/2020
DTE GAS COMPANY	Association of Businesses Advocating Tariff Equity	U-20642	Direct	MI	Return on Equity; Operation and Maintenance Expenses	3/24/2020
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-20618	Direct	MI	Certificate of Convenience and Necessity	1/17/2020
ENTERGY ARKANSAS, LLC	Arkansas Electric Energy Consumers, Inc.	16-036-FR	Settlement Support	AR	Support of Settlement	10/30/2019
GEORGIA POWER COMPANY	Georgia Association of Manufacturers and Georgia Industrial Group	42516	Direct	GA	Alternate Rate Plan; Coal Combustion Residual Cost Recovery; Amortization of Retired Plant	10/17/2019
ENTERGY ARKANSAS, LLC	Arkansas Electric Energy Consumers, Inc.	16-036-FR	Direct	AR	Tax Cuts and Jobs Act Impact; Projected Year Revenues; Projected Year BRORB; Grid Modernization; Advanced Metering Infrastructure Expense	10/4/2019
SOUTHWESTERN ELECTRIC POWER COMPANY	Western Arkansas Large Energy Consumers	19-008-U	Surrebuttal	AR	SWEPCO's Formula Rate Review; Energy Cost Recovery Rider; Distribution Reliability Rider	9/24/2019
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Gas Consumers, Inc.	17-010-FR	Settlement Support	AR	Support of Settlement	7/31/2019
SOUTHWESTERN ELECTRIC POWER COMPANY	Western Arkansas Large Energy Consumers	19-008-U	Direct	AR	SWEPCO's Formula Rate Review; Capital Structure; Distribution Reliability Rider; Arkansas Formula Rate Plans	7/16/2019
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Gas Consumers, Inc.	17-010-FR	Direct	AR	Formula Rate Plan, Capital Additions, Operation and Maintenance Expenses	7/2/2019
ENTERGY LOUISIANA, LLC	Occidental Chemical Corporation	U-35130	Cross-Answering	LA	Fuel Tracking Mechanism	7/1/2019

Testimony Filed in Regulatory Proceedings
by Billie S. LaConte

UTILITY	ON BEHALF OF	DOCKET	TYPE	REGULATORY JURISDICTION	SUBJECT	DATE
CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC	Texas Industrial Energy Consumers	49421	Direct	TX	Unprotected Excess Deferred Income Tax Rider; Incentive Compensation	6/6/2019
ENTERGY LOUISIANA, LLC	Occidential Chemical Corporation	U-35130	Direct	LA	Fuel Tracking Mechanism	5/10/2019
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-20322	Rebuttal	MI	Return on Equity	4/29/2019
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Gas Consumers, Inc.	18-057	Supplemental Surrebuttal	AR	Gas Distribution Uprstream Services Contracting Process	4/23/2019
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Gas Consumers, Inc.	18-057	Surrebuttal	AR	Gas Distribution Uprstream Services Contracting Process	4/12/2019
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-20322	Direct	MI	Return on Equity; Capital Structure; Project vs. Historical Test Year; Earnings Sharing Mechanism	4/5/2019
DUKE ENERGY PROGRESS, LLC	Nucor Steel - South Carolina	2018-318-E	Direct	SC	Excess Deferred Income Tax Rider; Post-Test Year Adjustments; Coal Ash Pond Closure Expense; End-of-Life Nuclear Costs; Regulatory Assets; Return on Equity and Equity Ratio	3/4/2019
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Gas Consumers, Inc.	18-057	Direct	AR	Gas Distribution Uprstream Services Contracting Process	2/12/2019
ENTERGY ARKANSAS, INC.	Arkansas Electric Energy Consumers, Inc.	16-036-FR	Settlement Support	AR	Support of Settlement	10/30/2018
ENTERGY ARKANSAS, INC.	Arkansas Electric Energy Consumers, Inc.	16-036-FR	Direct	AR	Formula Rate Plan Tariff; Long-Term Debt Cost and Preferred Equity; Projeced Year Capital Additions; Historical Year Capital Additions	10/4/2018
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-20134	Rebuttal	MI	Return on Equity	10/1/2018
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-20134	Direct	MI	Return on Equity, Capital Structure and Long-Term Debt Cost, Investment Recovery Mechanism Excess Sharing Mechanism	9/10/2018
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Gas Consumers, Inc.	17-010-FR	Opposition	AR	Opposition to Settlement Agreement	8/3/2018
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Gas Consumers, Inc.	17-010-FR	Direct	AR	Impact of Tax Cuts and Jobs Act of 2017; Forecast Revenues; Uncollectible Expense; Pipeline Integrity Assessment and Remediation Expense	7/2/2018
ENTERGY ARKANSAS, INC.	Arkansas Electric Energy Consumers, Inc.	17-052	Surrebuttal	AR	Utility Restructuring Costs and Tax Effects	5/31/2018
PUBLIC SERVICE COMPANY OF NEW MEXICO	City of Farmington, New Mexico; Board of County Commissioners for San Juan County	17-00174	Direct	NM	Integrated Resource Plan; Future of San Juan Generation Station	5/4/2018
ENTERGY ARKANSAS, INC. and CENTERPOINT ENERGY ARKANSAS GAS	Arkansas Electric Energy Consumers, Inc. and Arkansas Gas Consumers, Inc.	18-006	Direct	AR	Effect on Revenue Requirement due to 2017 Tax Cuts and Jobs Act	3/29/2018
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U18424	Rebuttal	MI	Rate of Return	3/21/2018
ENTERGY ARKANSAS, INC.	Arkansas Electric Energy Consumers, Inc.	18-014-TF	Direct	AR	Impact of Tax Cuts and Jobs Act of 2017 and Tax Adjustment Rider	3/19/2018
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-18424	Direct	MI	Rate of Return, Capital Structure	2/28/2018
CENTERPOINT ENERGY ARKANSAS GAS	Arkansas Gas Consumers, Inc.	17-050-U	Surrebuttal	AR	Asset Management Agreement Proposal	1/12/2018

Testimony Filed in Regulatory Proceedings
by Billie S. LaConte

UTILITY	ON BEHALF OF	DOCKET	TYPE	REGULATORY JURISDICTION	SUBJECT	DATE
CENTERPOINT ENERGY ARKANSAS GAS	Arkansas Gas Consumers, Inc.	17-050-U	Direct	AR	Asset Management Agreement Proposal	12/8/2017
ENTERGY ARKANSAS, INC.	Arkansas Electric Energy Consumers, Inc.	16-036-FR	Settlement Support	AR	Support of Settlement	10/31/2017
ENTERGY ARKANSAS, INC.	Arkansas Electric Energy Consumers, Inc.	16-036-FR	Direct	AR	Forecast Revenues, Cost of Debt, Revenue Requirement and Capital Additions	10/4/2017
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-18322	Rebuttal	MI	Return on Equity	9/7/2017
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-18322	Direct	MI	Return on Equity, Capital Structure	8/10/2017
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Gas Consumers, Inc.	17-010-FR	Settlement Support	AR	Support of Settlement	7/31/2017
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Gas Consumers, Inc.	17-010-FR	Direct	AR	Rate of Return, Capital Structure, Labor Expense	7/3/2017
ENTERGY ARKANSAS, INC.	Arkansas Electric Energy Consumers, Inc.	16-036-FR	Settlement Support	AR	Support of Settlement	10/24/2016
ENTERGY ARKANSAS, INC.	Arkansas Electric Energy Consumers, Inc.	16-036-FR	Direct	AR	Rate of Return, Forecast Revenue, Capitalization	9/30/2016
METROPOLITAN EDISON COMPANY; PENNSYLVANIA ELECTRIC COMPANY AND WEST PENN POWER	MEIUG, PICA and WPPII	2016-2537349, 2016-2537352, 2016-2537359	Surrebuttal	PA	Return on Equity	8/31/2016
METROPOLITAN EDISON COMPANY; PENNSYLVANIA ELECTRIC COMPANY AND WEST PENN POWER	MEIUG, PICA and WPPII	2016-2537349, 2016-2537352, 2016-2537359	Direct	PA	Return on Equity	7/22/2016
NORTHERN STATES POWER	Xcel Large Industrials	15-826	Direct	MN	Return on Equity, Multi-Year Rate Plan	6/14/2016
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Electric Energy Consumers, Inc.	15-098-U	Surrebuttal	AR	Return on Equity, Formula Rate Plan, Capital Structure	6/7/2016
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Electric Energy Consumers, Inc.	15-098-U	Direct	AR	Return on Equity, Captial Structure	4/14/2016
MISSOURI-AMERICAN WATER COMPANY	BJC Healthcare	WR-2011-0337	Rebuttal	MO	Return on Equity	1/19/2012
MISSOURI-AMERICAN WATER COMPANY	BJC Healthcare	WR-2011-0337	Direct	MO	Return on Equity	11/17/2011
METROPOLITAN ST. LOUIS SEWER DISTRICT	Barnes-Jewish Hospital	N/A	Supplemental	MO	Rate Model	9/16/2011
METROPOLITAN ST. LOUIS SEWER DISTRICT	Barnes-Jewish Hospital	N/A	Surrebuttal	MO	Rate Increase, CIRP, Consent Decree	8/19/2011
METROPOLITAN ST. LOUIS SEWER DISTRICT	Barnes-Jewish Hospital	N/A	Rebuttal	MO	Rate Increase, CIRP, Consent Decree	7/18/2011
AMEREN UE	Missouri Energy Group	ER-2011-0028	Surrebuttal	MO	Return on Equity, Energy Efficiency Cost Recovery	4/15/2011
AMEREN UE	Missouri Energy Group	ER-2011-0028	Rebuttal	MO	Return on Equity, Energy Efficiency Cost Recovery	3/25/2011
AMEREN UE	Missouri Energy Group	ER-2011-0028	Direct	MO	Return on Equity	2/8/2011
AMEREN UE	Missouri Energy Group	EO-2010-0255	Direct	MO	Prudence Audit of FAC Periods 1 and 2	11/22/2010

Testimony Filed in Regulatory Proceedings
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UTILITY	ON BEHALF OF	DOCKET	TYPE	REGULATORY JURISDICTION	SUBJECT	DATE
ENTERGY ARKANSAS, INC.	Arkansas Electric Energy Consumers, Inc.	09-084-U	Direct - In Support	AR	Supporting the Proposed Settlement Agreement	5/11/2010
ENTERGY ARKANSAS, INC.	Arkansas Electric Energy Consumers, Inc.	09-084-U	Surrebuttal	AR	Return on Equity	4/14/2010
ENTERGY ARKANSAS, INC.	Arkansas Electric Energy Consumers, Inc.	09-084-U	Direct	AR	Return on Equity	2/26/2010
AMEREN UE	Missouri Energy Group	ER-2010-0036	Direct	MO	Energy Efficiency Costs	12/18/2009
AMEREN UE	Missouri Energy Group	ER-2008-0318	Surrebuttal	MO	Return on Equity	11/5/2008
AMEREN UE	Missouri Energy Group	ER-2008-0318	Direct	MO	Return on Equity, Off-System Sales	8/28/2008
METROPOLITAN ST. LOUIS SEWER DISTRICT	Missouri Energy Group	N/A	Rebuttal	MO	Long-Term Financial Plan, Capital Financing	5/2/2007
AMEREN UE	Missouri Energy Group	ER-2007-0002	Surrebuttal	MO	Return on Equity, Interruptible Demand, Response Pilot	2/27/2007
AMEREN UE	Missouri Energy Group	ER-2007-0002	Direct	MO	Interruptible Rate	12/29/2006
AMEREN UE	Missouri Energy Group	ER-2007-0002	Direct	MO	Return on Equity, Off-System Sales, Sharing Mechanism, 10% Cap on Residentials	12/15/2006
AMEREN UE	Missouri Energy Group	EA-2005-0180	Rebuttal	MO	Economic Analysis	1/31/2005
NOVA SCOTIA POWER INC.	Avon Valley Greenhouses	NSUARB-P-881	Direct	NS	Cost of Capital	10/12/2004
MISSOURI-AMERICAN WATER COMPANY	Missouri Energy Group	WR-2003-0500	Surrebuttal	MO	Working Capital, Return on Equity, Cost Allocation	12/5/2003
MISSOURI-AMERICAN WATER COMPANY	Missouri Energy Group	WR-2003-0500	Rebuttal	MO	Rate Design	11/10/2003
MISSOURI-AMERICAN WATER COMPANY	Missouri Energy Group	WR-2003-0500	Direct	MO	Return on Equity, Acquisition Adjustment, Cash Working Capital	10/3/2003
METROPOLITAN ST. LOUIS SEWER DISTRICT	Missouri Energy Group	N/A	Direct	MO	Revenue Requirement, Financial Planning	4/22/2003
INTERSTATE POWER AND LIGHT COMPANY	Lee County Energy Users Group- Direct	RPU-02-3	Surrebuttal	IA	Revenue Requirement, Return on Equity	9/19/2002
METROPOLITAN ST. LOUIS SEWER DISTRICT	Missouri Energy Group	N/A	Surrebuttal	MO	Revenue Requirement, Capital Financing	8/13/2002
METROPOLITAN ST. LOUIS SEWER DISTRICT	Missouri Energy Group	N/A	Surrebuttal	MO	Revenue Requirement, Captial Financiaing, Cost Allocation	7/28/2002
INTERSTATE POWER AND LIGHT COMPANY	Lee County Energy Users Group- Direct	RPU-02-3	Direct	IA	Revenue Requirement, Return on Equity	7/26/2002
METROPOLITAN ST. LOUIS SEWER DISTRICT	Missouri Energy Group	N/A	Rebuttal	MO	Revenue Requirement, Capital Financing	7/10/2002

PECO ENERGY COMPANY

PAIEUG's Derivation of the Correct Class Rates of Return at Proposed Rates
For the Fully Projected Future Test Year Ended June 30, 2022
(Dollar Amounts in Thousands)

Line	Rate Class	Present Rates				Proposed Increase	Gross Revenue Conversion Factor	Proposed Rates		
		Rate Base	Operating Income	Rate of Return	Relative ROR			Operating Income	Rate of Return	Relative ROR
		(1)	(2)	(3)	(4)	(5)	(6)	(7) c.2+(c.5÷c.6)	(8) c.7 ÷ c.1	(9)
1	Residential	$1,684,764	$79,445	4.72%	0.82	$43,213	1.41376	$110,011	6.53%	0.85
2	General Service	595,511	48,356	8.12%	1.42	17,566	1.41376	60,781	10.21%	1.32
3	Large High Load Factor	2,118	(44)	-2.08%	(0.36)	35	1.41376	(20)	-0.92%	(0.12)
4	Motor Vehicle Service Firm	2,037	256	12.56%	2.19	104	1.41376	330	16.18%	2.10
5	Motor Vehicle Service Interruptible	10	3	32.20%	5.62	1	1.41376	4	35.84%	4.65
6	Interruptible Service	178	(10)	-5.64%	(0.98)	-	1.41376	(10)	-5.64%	(0.73)
7	Temperature Controlled Service	1,083	481	44.40%	7.74	56	1.41376	520	48.04%	6.23
8	Gas Transportation Firm	119,729	7,788	6.50%	1.13	5,370	1.41376	11,587	9.68%	1.26
9	Gas Transportation Interruptible	52,830	4,669	8.84%	1.54	2,378	1.41376	6,351	12.02%	1.56
10	Total Gas Division	$2,458,261	$140,944	5.73%	1.00	$68,723	1.41376	$189,554	7.71%	1.00

SOURCES:
OSBA-I-2(d) page 1.
Exhibit JAB-1
Attachment OSBA-I-2(a).

PECO ENERGY COMPANY

Movement to Cost Under PECO's Proposed Class Revenue Allocation

For the Fully Projected Future Test Year Ended June 30, 2022

(Dollar Amounts in Thousands)

Line	Rate Class	Rate of Return at: Present Rates	Rate of Return at: Proposed Rates	Relative Rate of Return at: Present Rates	Relative Rate of Return at: Proposed Rates	Interclass Subsidy at: Present Rates	Interclass Subsidy at: Proposed Rates	Movement To Cost
		(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Residential	4.72%	6.53%	0.82	0.85	($24,247)	($28,133)	Away
2	General Service	8.12%	10.21%	1.42	1.32	20,093	21,011	Away
3	Large High Load Factor	-2.08%	-0.92%	(0.36)	(0.12)	(234)	(259)	Away
4	Motor Vehicle Service Firm	12.56%	16.18%	2.19	2.10	196	244	Away
5	Motor Vehicle Service Interruptible	32.20%	35.84%	5.62	4.65	4	4	Away
6	Interruptible Service	-5.64%	-5.64%	(0.98)	(0.73)	(29)	(34)	Away
7	Temperature Controlled Service	44.40%	48.04%	7.74	6.23	592	617	Away
8	Gas Transportation Firm	6.50%	9.68%	1.13	1.26	1,306	3,329	Away
9	Gas Transportation Interruptible	8.84%	12.02%	1.54	1.56	2,319	3,220	Away
10	Total Gas Division	5.73%	7.71%	1.00	1.00	$0	$0	

PECO ENERGY COMPANY

Proposed Versus Required Delivery Revenue Increase

For the Fully Projected Future Test Year Ended June 30, 2022

(Dollar Amounts in Thousands)

Line	Rate Class	Proposed Increase	Required Increase	Proposed as a Percent of Required Increase
		(1)	(2)	(3)
1	Residential	$43,213	$71,046	61%
2	General Service	17,566	(3,537)	497%
3	Large High Load Factor	35	293	12%
4	Motor Vehicle Service Firm	104	(140)	75%
5	Motor Vehicle Service Interruptible	1	(4)	15%
6	Interruptible Service	-	34	0%
7	Temperature Controlled Service	56	(562)	10%
8	Gas Transportation Firm	5,370	2,023	265%
9	Gas Transportation Interruptible	2,378	(850)	280%
10	Total Gas Division	$68,723	$68,304	101%

Note: Total does not match due to variation between PECO's CCOSS and Exhibit JAB-1.

PECO ENERGY COMPANY

PAIEUG Recommended Class Revenue Allocation
For the Fully Projected Future Test Year Ended June 30, 2022
(Dollar Amounts in Thousands)

Line	Rate Class	Present RROR	Target Increase Percent	Target Increase Amount	Adjustment	Increase	Adjusted Delivery Revenues	Gross Revenue Conversion Factor	PAIEUG Recommended Rates Operating Income	PAIEUG Recommended Rates Rate of Return	PAIEUG Recommended Rates Relative ROR
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	Residential	0.82	23.8%	$55,580	(337)	$55,243	$288,771	1.41376	$118,520	7.03%	0.91
2	General Service	1.42	9.5%	9,555	-	9,555	110,134	1.41376	55,115	9.25%	1.20
3	Large High Load Factor	(0.36)	38.0%	29	6	35	110	1.41376	(20)	-0.92%	(0.12)
4	Motor Vehicle Service Firm	2.19	0.0%	-	-	-	475	1.41376	256	12.56%	1.63
5	Motor Vehicle Service Interruptible	5.62	0.0%	-	-	-	5	1.41376	3	32.20%	4.17
6	Interruptible Service	(0.98)	38.0%	-	13	13	13	1.41376	(1)	-0.48%	(0.06)
7	Temperature Controlled Service	7.74	0.0%	-	-	-	690	1.41376	481	44.40%	5.76
8	Gas Transportation Firm	1.13	19.0%	3,178	(157)	3,021	19,740	1.41376	9,925	8.29%	1.07
9	Gas Transportation Interruptible	1.54	9.5%	903	-	903	10,412	1.41376	5,308	10.05%	1.30
10	Total Gas Division	1.00	19.0%	$69,244	($475)	$68,769	$430,349	1.41376	$189,587	7.71%	1.00

PECO ENERGY COMPANY

Movement to Cost Under PAIEUG's Recommended Class Revenue Allocation

For the Fully Projected Future Test Year Ended June 30, 2022

(Dollar Amounts in Thousands)

Line	Rate Class	Rate of Return at: Present Rates	Rate of Return at: PAIEUG Rates	Relative Rate of Return at: Present Rates	Relative Rate of Return at: PAIEUG Rates	Gross Revenue Conversion Factor	Interclass Subsidy at: Present Rates	Interclass Subsidy at: PAIEUG Rates	Movement To Cost
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Residential	4.72%	7.03%	0.82	0.91	1.41376	($24,247)	($16,135)	Toward
2	General Service	8.12%	9.25%	1.42	1.20	1.41376	20,093	12,989	Toward
3	Large High Load Factor	-2.08%	-0.92%	(0.36)	(0.12)	1.41376	(234)	(259)	Away
4	Motor Vehicle Service Firm	12.56%	12.56%	2.19	1.63	1.41376	196	139	Toward
5	Motor Vehicle Service Interruptible	32.20%	32.20%	5.62	4.17	1.41376	4	4	Toward
6	Interruptible Service	-5.64%	-0.48%	(0.98)	(0.06)	1.41376	(29)	(21)	Toward
7	Temperature Controlled Service	44.40%	44.40%	7.74	5.76	1.41376	592	562	Toward
8	Gas Transportation Firm	6.50%	8.29%	1.13	1.07	1.41376	1,306	977	Toward
9	Gas Transportation Interruptible	8.84%	10.05%	1.54	1.30	1.41376	2,319	1,744	Toward
10	Total Gas Division	5.73%	7.71%	1.00	1.00	1.41376	$0	$0	

Pennsylvania Public Utility Commission
v.
PECO Energy Company – Gas Division

Docket No. R-2020-3018929

Response of PECO Energy Company
To Interrogatories of the
Philadelphia Area Industrial Energy Users Group
PAIEUG Set I

Response Date: 12/04/2020

PAIEUG-I-2

Please confirm that PECO's adjusted proposed distribution revenue by rate class (as shown in JAB-1) has not changed relative to the results of the revised CCOSS. If not confirmed, please provide updated versions of Exhibits JAB-1 through JAB-4, in Excel format with all formulas and links intact for JAB-1 and JAB-4.

RESPONSE:

PECO has not made any changes to its originally filed distribution revenue by rate class relative to the revised COSS provided in discovery response OSBA-I-2.

Responsible Witness: Joseph A. Bisti

PAIEUG Statement No. 1-R

R-2020-3018929
2/17/21 JK

BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission

v.

PECO Energy Company – Gas Division

Docket No. R-2020-3018929, et al.

Rebuttal Testimony and Exhibit

of

BILLIE LACONTE

On Behalf of

Philadelphia Area Industrial Energy Users Group

January 19, 2021

J. POLLOCK
INCORPORATED

BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission

v.

Docket No. R-2020-3018929, et al.

PECO Energy Company – Gas Division

Table of Contents

GLOSSARY OF ACRONYMS

Term	Definition
A&E	Average and Excess
A&P	Average and Peak
CAUSE-PA	Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania
CCOSS	Class Cost-of-Service Study
Commission	Pennsylvania Public Utility Commission
OCA	Office of Consumer Advocate
OSBA	Office of Small Business Advocate
PAIEUG	Philadelphia Area Industrial Energy User's Group
PECO	PECO Energy Company – Gas Division
Rate TS-F	Gas Transmission Service - Firm
Rate TS-I	Gas Transmission Service - Interruptible
ROR	Rate of Return
USFC	Universal Service Fund Charges

REBUTTAL TESTIMONY OF BILLIE S. LACONTE

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A My name is Billie LaConte. My business address is 12647 Olive Blvd., Suite 585, St. Louis, Missouri 63141.

Q ARE YOU THE SAME BILLIE S. LACONTE WHO PREVIOUSLY SUBMITTED DIRECT TESTIMONY IN THIS PROCEEDING ON BEHALF OF THE PHILADELPHIA AREA INDUSTRIAL ENERGY USERS GROUP (PAIEUG)?

A Yes.

Q TO WHICH REBUTTAL TESTIMONY WITNESSES ARE YOU RESPONDING?

A I am responding to the rebuttal testimonies of the following witnesses:

- Glenn A. Watkins and Roger D. Colton on behalf of the Office of Consumer Advocate (OCA);
- Robert D. Knecht on behalf of the Office of Small Business Advocate (OSBA); and
- Mitchell Miller on behalf of the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA).

Q ON WHAT ISSUES DO YOU WISH TO GENERALLY RESPOND?

A Mr. Watkins and Mr. Knecht propose allocating 50% of distribution mains and related expenses using annual throughput.[1] The 50% allocation factor is arbitrary and does not recognize that PECO designs its main distribution system to peak design day demand. I will also address Mr. Watkins' and Mr. Knecht's recommended rate increases for the Gas Transmission Service – Firm (TS-F) and Gas Transmission Service – Interruptible (TS-I) classes. Their recommended rate increases for these classes are not based on accepted class cost-of-service study (CCOSS)

[1] OCA Statement No. 4, Direct Testimony of Glenn A. Watkins at 21; OSBA Statement No. 1, Direct Testimony of Robert D. Knecht at 24.

methodologies and produce inappropriate rates. In addition, I address the allocation of revenues based on the validity of negotiated rates, as discussed in Mr. Knecht's testimony, as well as his adjustments to the volumetric rates for large and small TS-F and TS-I customers.

Finally, I address Mr. Colton's and Mr. Miller's recommendations to allocate the residential Universal Service Fund Charges (USFC) to all customer classes. The residential class is the only class that benefits from the USFC and other classes that receive no benefit from the program should not be required to subsidize the residential customers. Requiring other classes to subsidize residential USFC would also impose a further unnecessary hardship, especially during a pandemic.

Q ARE YOU SPONSORING ANY EXHIBITS WITH YOUR REBUTTAL TESTIMONY?

A Yes. I am sponsoring **Exhibit ___ (BSL-1R)** which is a discovery response provided by PECO to PAIEUG.

Q DOES THE FACT THAT YOU ARE NOT ADDRESSING EVERY ISSUE RAISED BY OTHER PARTIES CONSTITUTE AN ENDORSEMENT OF THEIR RECOMMENDATIONS?

A No.

Allocation of Distribution Mains

Q HOW ARE THE PARTIES PROPOSING TO ALLOCATE DISTRIBUTION MAINS?

A Both the OSBA and PECO support the average and excess (A&E) method, while the OCA supports the average and peak (A&P) method. As discussed later, the A&P method is flawed and should be rejected. Both the OSBA and OCA also propose weighting annual throughput by 50% in their respective allocation proposals. PECO, by contrast, appropriately uses the annual system load factor (25.2%) to weight annual

throughput. As discussed later, using load factor to weight annual throughput is consistent with accepted practice, whereas weighting annual throughput by 50% is entirely arbitrary and lacks any foundation.

Q WHY DO YOU ASSERT THAT A 50% WEIGHTING TO ANNUAL THROUGHPUT IS ARBITRARY?

A The proposal to weight annual throughput by 50% is contrary to both the A&E and A&P methods and is not supported by PECO's system planning. Mr. Watkins proposes a 50% weighting because "…Mains costs are incurred to meet peak load requirements as well as serve customers with natural gas throughout the year…"[2] The same can be said about the A&E method. The only difference is that A&E uses excess demand rather than peak demand. As discussed later, the use of peak demand in the A&P method results in double-counting.

Q DOES MR. WATKINS HAVE OTHER REASONS FOR USING A 50% WEIGHTING METHODOLOGY?

A Yes. In addition, Mr. Watkins claims that the A&P method "reasonably and fairly models the economies of scale reflected in Mains investment."[3] Because of economies of scale, he concludes that 50% of mains cost is related to annual throughput. In other words, Mr. Watkins is asserting that the lower incremental cost to install a larger size main is the effective cost of meeting the design day demand. This argument is flawed. First, it assumes that the primary purpose of a gas delivery company is to provide gas service throughout the year. This assumption contradicts the reality that the utility must provide the infrastructure to deliver gas when it is needed

[2] OCA Statement No. 4, Direct Testimony of Glenn A. Watkins at 21.

[3] *Id.* at 17.

the most, during the design day. Second, Mr. Watkins observes that 2" plastic pipe operating at 60 pounds per square inch is capable of operating at 3.6 times the capacity of a 4" plastic pipe operating at low pressures.[4] However, this assumes that the larger pipe is not needed. If 2" mains were adequate to meet peak demand, PECO would not require larger mains. However, as discussed later, PECO installs larger mains to meet design day demand. Therefore, scale economies have nothing to do with determining cost-causation.

Q HOW IS A 50% WEIGHTING TO AVERAGE DEMAND CONTRARY TO HOW PECO PLANS ITS GAS DISTRIBUTION SYSTEM?

A PECO's system planners have to install larger diameter pipe in anticipation of having to meet design day demand. Otherwise, PECO cannot provide reliable gas delivery service during the peak period. Once the pipe has been installed to meet design day demand, it can be used to satisfy demand at other times. Therefore, meeting design day demand *causes* the costs to be incurred whereas meeting average demand is merely a byproduct (*i.e.,* it is not the cost-causer, as Mr. Watkins asserts).

Q HOW IS A 50% WEIGHTING CONTRARY TO THE AVERAGE AND EXCESS AND AVERAGE AND PEAK METHODS?

A The proper application of both the A&E and A&P methods is to use the annual system load factor to weight annual throughput. For example:

> D. Average and excess demand method. This method is somewhat of a compromise of the above two. ***Total demand costs are multiplied by the system's load factor*** to arrive at the capacity costs attributed to average use and are apportioned to the various customer classes on an annual volumetric basis. The remaining costs are considered to have been incurred to meet the individual demands of the various

[4] *Id.* at 16.

> classes of service in excess of their average demand.[5] (emphasis added)

Similarly, in the 1989 publication, NARUC stated:

> d. Average and Peak Demand Method
> This method reflects a compromise between the coincident and noncoincident demand methods. ***Total demand costs are multiplied by the system's load factor*** to arrive at the capacity costs attributed to average use and are apportioned to the various customer classes on an annual volumetric basis. The remaining costs are considered to have been incurred to meet the individual peak demands of the various classes of service and are allocated on the basis of the coincident peak of each class.[6] (emphasis added)

As PECO's system load factor is 25.2%, the use of 50% to weight average demand is contrary to accepted practice.

Q IS A 50% WEIGHTING TO AVERAGE DEMAND CONSISTENT WITH HOW PECO SIZES ITS DISTRIBUTION MAINS?

A No. **Exhibit ___ (BSL-1R)** is PECO's discovery response to PAIEUG Set II, No. 1 that includes PECO's methodology for sizing its distribution mains. These include:

- Maximum allowable operating pressure of the distribution system where the main is being added;
- Projected customer demand on a design day for the distribution system;
- Known, localized pending customers to be added to the system;
- The overall long-term reliability for existing customers on the system; and
- Environmental concerns or obstacles in relation to construction.[7]

[5] National Association of Regulatory Utility Commissioners, *Gas Rate Design* at 35 (Aug. 6. 1981).

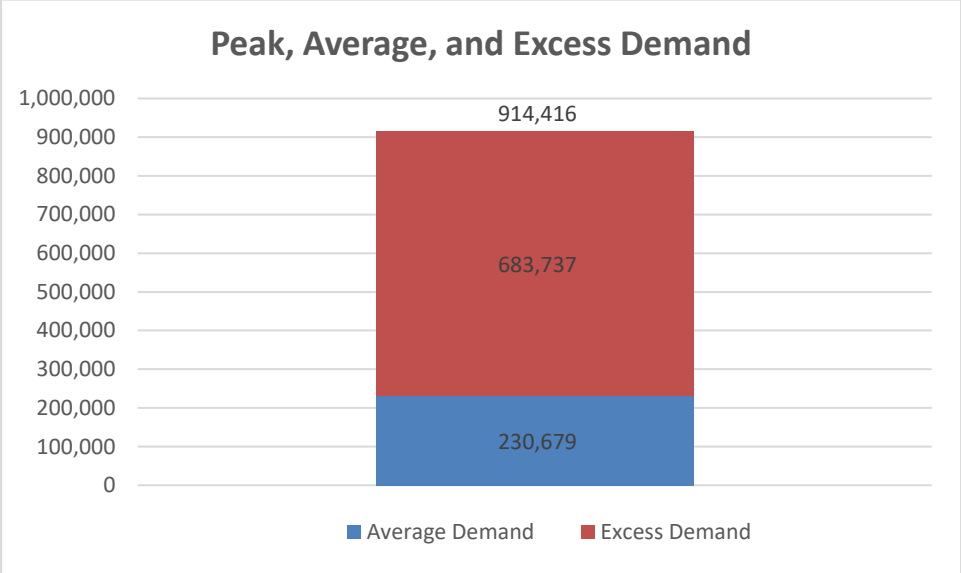
[6] National Association of Regulatory Utility Commissioners, *Gas Distribution Rate Design Manual* at 27-28 (Jun. 1989).

[7] **Exhibit ___(BSL-1R)**.

Annual throughput is not listed as a factor. Therefore, assigning a 50% weighting factor to average annual demand is arbitrary and does not reflect PECO's planning process, which determines cost causation.

Q WHY DO YOU ASSERT THAT THE AVERAGE AND PEAK METHOD IS FLAWED?

A The A&P method uses two metrics: average annual throughput and peak demand. Average annual throughput is the annual throughput divided by the number of days in the year. Peak demand is each class's usage on the peak (or design) day. Thus, peak demand includes the average day demand, thereby double counting the average day demand. The illustration below demonstrates how the A&P method double counts the average demand.



Peak demand is 914,416 Mcf. It is composed of 230,679 Mcf of average demand (the blue area) and 683,737 Mcf of excess demand (the red area).[8] Allocating 50% of costs on average demand and 50% on peak demand double-counts average demand. The A&E method, by contrast, avoids double counting because it uses excess (rather than peak) demand. Therefore, the A&P method should be rejected.

[8] Direct Testimony of Jiang Ding, Exhibit JD-6 at 5.

Q HAS THE COMMISSION PREVIOUSLY APPROVED THE AVERAGE AND EXCESS METHODOLOGY?

A Yes. In a PPL Gas Utilities Corporation case decided in 2007, the Commission approved the utility's A&E allocation method.[9]

Q WHAT DO YOU RECOMMEND?

A The Commission should adopt PECO's proposed A&E method using the annual system load factor and reject the 50/50 weighting proposed by both Mr. Watkins and Mr. Knecht. The 50/50 weighting is contrary to accepted practices, is not supported by PECO's planning process, and, therefore, is contrary to cost causation. Further, the A&P method suffers from the double counting problem and for this reason alone it should be rejected.

Recommended Rate Increases

Q WHAT ARE MR. WATKINS' AND MR. KNECHT'S RECOMMENDED RATE INCREASES FOR RATES TS-F AND TS-I AS COMPARED TO PECO'S CCOSS RESULTS?

A The rate increases as proposed by OCA and OSBA, as well as the results of PECO's CCOSS are shown in **Table R1** below.

Table R1
OCA/OSBA Recommended Rate Increases
for Rate TS-F and Rate TS-I
($000)

	OCA - Watkins		OSBA - Knecht		PECO CCOSS	
Rate	**Amount**	**Percent**	**Amount**	**Percent**	**Amount**	**Percent**
TS-F	$4,399	26.3%	$1,570	9.4%	$2,025	12.1%
TS-I	$2,711	28.5%	$2,094	27.7%	($848)	-8.9%

Sources: OCA Statement No. 4, Direct Testimony of Glenn A. Watkins at 27; OSBA Statement No. 1, Direct Testimony of Robert D. Knecht at 39; Discovery Response OSBA-I-2(d).

[9] *PA PUC et al. v. PPL Gas Utilities Corporation*, Docket No. R-00061398, Opinion and Order at 113-114 (Feb. 8, 2007).

Mr. Watkins' recommended rate increases are significantly above PECO's CCOSS results. Mr. Knecht's recommended rate increase for Rate TS-F is below PECO's, but his recommended rate increase for Rate TS-I vastly differs from PECO's estimated rate *decrease* for this class. As discussed in my Direct Testimony, while PECO's CCOSS shows a rate decrease for this class, PECO proposes a rate *increase* for TS-I of 25%, while PECO's proposed rate increase for TS-F is 32.1%, which is also above PECO's CCOSS result for the TS-F class.

Q HOW DID MR. WATKINS DETERMINE THE RATE INCREASES FOR RATES TS-F AND TS-I?

A Mr. Watkins' recommended increases are based on his flawed CCOSS results. The rate increase for TS-I is 1.5 times the system average increase because, based on his flawed CCOSS, its rate of return (ROR) is significantly deficient, *i.e*. its relative ROR is significantly below 100%.[10] For Rate TS-F, Mr. Watkins determined the rate increase for all other rate classes based on his CCOSS. After determining the total revenue increases for all rate classes except the residential rate and Rate TS-F, Mr. Watkins allocated the remaining revenue increase between these two classes such that they would receive an equal percentage increase, because their relative RORs are reasonably close to parity.[11] Because his CCOSS used the A&P method, his recommended rate adjustments are incorrect, do not reflect the appropriate rate increases for Rates TS-F and TS-I, and should be rejected.

[10] OCA Statement No. 4, Direct Testimony of Glenn A. Watkins at 26.

[11] *Id.*

Q HOW DID MR. KNECHT DETERMINE THE RATE INCREASES FOR RATE TS-F AND RATE TS-I?

A Mr. Knecht's recommended rate increases are also based on his flawed CCOSS results. Mr. Knecht determined that the cost-based increase for Rate TS-F is 10.4%.[12] His cost based adjustment for Rate TS-I is 61.6%.[13] In addition to the CCOSS results, he also considered rate increases for other rate classes and the principle of gradualism. Further, for Rate TS-I, he adjusted the cost increase downward so that it would not receive an increase above 1.5 times the system average increase.[14] To determine the rate increase for Rate TS-F, Mr. Knecht first calculated the rate increases for all classes except the residential class and Rate TS-F. These adjustments produced a $7 million net reduction. He then applied this $7 million net reduction to reduce the rate increases for the residential class and Rate TS-F.[15] Therefore, similar to Mr. Watkins, Mr. Knecht's recommended rate increases are loosely based on his flawed CCOSS results and should be rejected.

Negotiated Rate Revenues

Q DO YOU AGREE WITH MR. KNECHT'S RECOMMENDATION REGARDING THE ALLOCATION OF REVENUES IF PECO DOES NOT JUSTIFY ITS NEGOTIATED RATES?

A Yes. If PECO is unable to justify the negotiated rates identified by Mr. Knecht, then the differential in the revenues PECO actually receives and the revenues it would receive if the customers were on Rate TS-F or TS-I should be allocated to the TS-F and TS-I rate classes.

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[12] Direct Testimony of Robert D. Knecht, RDK WP2.

[13] *Id.*

[14] *Id., at 38.*

[15] *Id.*

TS-F and TS-I Rate Differentials

Q DO YOU HAVE ANY COMMENTS REGARDING MR. KNECHT'S RATE DIFFERENTIAL ANALYSIS FOR RATE TS-F AND RATE TS-I?

A Mr. Knecht's rate differential analysis adjusts the volumetric charge for customers using more than 18,000 Mcf based on a load factor analysis, where he compares the ratio of the load factor for large TS-F and TS-I customers to the load factor for small TS-F and TS-I customers (those using less than 18,000 Mcf). I recommend further review of his adjustments to the volumetric rates to ensure that the rate adjustments are based on cost causation.

Residential Universal Service Fund Charges

Q DO YOU AGREE WITH MR. COLTON'S AND MR. MILLER'S RECOMMENDATIONS TO ALLOCATE THE RESIDENTIAL UNIVERSAL SYSTEM FUND CHARGES TO ALL RATE CLASSES?

A No. The residential USFC should not be allocated to all rate classes because not all rate classes benefit from the USFC. These charges are used to fund low-income residential customers only. PECO's other customer classes do not receive the benefits of USFC, and, therefore, should not subsidize the residential rate class's USFC.

Q WHY DOES MR. COLTON SUPPORT ALLOCATING USFC TO ALL RATE CLASSES?

A Mr. Colton states that because some customers have income at or below 150% of the poverty level but do not participate in customer assistance programs, and others that have income above 150% of the poverty level but below 200% of the poverty rate, allocating USFC to all rate classes will improve the affordability of these customers'

gas bills.[16] Mr. Colton also states that low wages are prevalent throughout the PECO Gas service territory; therefore "the inability-to-pay issues" are not caused by the residential class but are instead broader societal issues that can be attributed to every customer class.[17] Finally, Mr. Colton avers that USFC benefit businesses because any increase in natural gas costs to a business due to USFC would be offset by increases in employee productivity.[18]

Q DOES MR. COLTON RECOMMEND AN ALLOCATION METHOD FOR USFC?

A Yes. Mr. Colton recommends allocating the USFC to all customer classes based on a percentage of base rate revenue provided by each customer class.[19]

Q WHY DOES MR. MILLER SUPPORT ALLOCATING USFC TO ALL RATE CLASSES?

A Mr. Miller states that providing energy security through universal service programs benefits businesses by filling the gap between what employers are able to pay and the amount employees need to afford energy.[20] He further states that residential customers do not cause energy poverty and should not alone shoulder the cost of the USFC.[21]

Q DOES MR. MILLER RECOMMEND AN ALLOCATION METHOD FOR USFC?

A No. Mr. Miller does not recommend an allocation method but recommends that PECO

[16] OCA Statement No. 5, Direct Testimony of Roger D. Colton at 61-62.

[17] *Id.* at 67.

[18] *Id.* at 71.

[19] *Id.* at 90.

[20] CAUSE-PA Statement 1, Direct Testimony of Mitchell Miller at 50.

[21] *Id.* at 52.

be required to further study the issue and put forth a proposed allocation to equitably recover USFC across all rate classes.[22]

Q WHAT IS THE IMPACT OF ALLOCATING USFC TO ALL CUSTOMER CLASSES?

A First, it is contrary to the Commission's cost-of-service philosophy. Under that philosophy, each class bears the costs incurred to serve that class. The USFC is a cost incurred to serve residential customers. Thus, forcing other classes to pay USFC costs would result in unnecessary and inappropriate subsidies. Such additional subsidies would only be counterproductive, particularly during the current pandemic. For example, imposing higher costs on non-residential customers would only make the business environment less sustainable and could further threaten recovery efforts essential to restoring pre-pandemic employment levels, wages, and personal incomes.

Second, while allocating the USFC to all customer classes may benefit some residential customers, the amount of the benefit would be minimal. Thus, reallocating USFC to other classes cannot meaningfully address the needs of low-income customers. For this reason, low-income issues are best addressed by the state legislature.

Q ARE THERE OTHER REASONS WHY USFC SHOULD NOT BE ALLOCATED TO OTHER CUSTSOMERS?

A Yes. Some transportation customers are experiencing significant reductions in revenues due to the COVID-19 outbreak. For example, hospitals are overwhelmed with patients due to COVID-19 and are unable to perform high-end elective procedures, which are more profitable.[23] Significant losses are expected throughout

[22] *Id.* at 53.

[23] *Jefferson Health's Expansion Hits A Deep Pothole With Large COVID-19 Loss*, The Philadelphia Inquirer, August 17, 2020.

health care.[24] Due to this hardship, it would be unfair to allocate additional costs to other customers at this time, especially since they do not benefit from the USFC.

Q WHAT DO YOU RECOMMEND IF THE COMMISSION DETERMINES THAT USFC SHOULD BE ALLOCATED TO ALL CLASSES?

A If the Commission determines that all rate classes should contribute to USFC, I recommend that no customer pay more than $10.85 per year. This is based on the total customer assistance costs of $5.9 million, divided by the total number of customers.[25] The allocation based on the number of customers is reasonable and will not place an undue hardship on other customers.

Q WHAT DO YOU RECOMMEND?

A I recommend that the USFC apply only to residential customers. If the Commission determines that the USFC should be allocated to all customer classes, however, I recommend a USFC of no higher than $10.85 per customer per year.

Conclusion

Q WHAT ADDITIONAL FINDINGS SHOULD THE COMMISSION MAKE BASED ON YOUR REBUTTAL TESTIMONY?

A The Commission should make the following additional findings:

- Reject the proposed 50/50 weighting of distribution mains because it is arbitrary and not based on cost causation.
- Reject OCA's A&P method.
- Reject OCA's and OSBA's recommended increases for Rates TS-F and TS-I.
- Allocate the revenue differential to Rates TS-F and TS-I if PECO fails to justify certain negotiated rates.

[24] *Id.*

[25] PECO Discovery Response to OCA-III-18(a); Direct Testimony of Jiang Ding, Exhibit JP-6 at 4.

- Require further review of the adjustments to the volumetric rates for large and small TS-F and TS-I customers.
- Reject OCA's and CAUSE-PA's proposals to allocate USFC to all customer classes.

Q DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A Yes.

PAIEUG Statement No. 1-R

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission

v.

PECO Energy Company – Gas Division

Docket No. R-2020-3018929, et al.

Rebuttal Exhibit

of

BILLIE LACONTE

On Behalf of

Philadelphia Area Industrial Energy Users Group

January 19, 2021

J. POLLOCK
INCORPORATED

Pennsylvania Public Utility Commission
v.
PECO Energy Company – Gas Division

Docket No. R-2020-3018929

Response of PECO Energy Company
To Interrogatories of the
Philadelphia Area Industrial Energy Users Group
PAIEUG Set II

Response Date: 12/07/2020

PAIEUG-II-1

Provide documents explaining how PECO sizes distribution mains.

RESPONSE:

Per agreement between counsel for PECO and PAIEUG, PECO is providing an explanation of its main sizing, but PECO is not including documentation due to security concerns with the documentation leaving PECO's premises and/or control. As part of this agreement, PECO has committed to making its personnel available for follow-up telephone conversations with PAIEUG as necessary.

The following factors are taken into consideration when sizing distribution mains:

- Maximum allowable operating pressure of the distribution system where the main is being added
- Projected customer demand on a design day for the distribution system
- Known, localized pending customers to be added to the system
- The overall long-term reliability for existing customers on the system
- Environmental concerns or obstacles in relation to construction

As sections of main are identified for installation, PECO engineers utilize hydraulic models to review various delivery scenarios to determine the appropriate size and material of main to be utilized during construction to service customer demand. The engineers then review potential

reliability/environmental issues which could affect system operability to determine if any modifications to the selected main size and material are required.

Responsible Witness: Ronald A. Bradley

PAIEUG Statement No. 1-S

R-2020-3018929
2/17/21 JK

BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission

v.

PECO Energy Company – Gas Division

Docket No. R-2020-3018929, et al.

Surrebuttal Testimony and Exhibits

of

BILLIE LACONTE

On Behalf of

Philadelphia Area Industrial Energy Users Group

February 9, 2021

J. POLLOCK
INCORPORATED

BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission

v.

Docket No. R-2020-3018929, et al.

PECO Energy Company – Gas Division

Table of Contents

GLOSSARY OF ACRONYMS

Term	Definition
A&E	Average and Excess
A&P	Average and Peak
CCOSS	Class Cost-of-Service Study
Commission	Pennsylvania Public Utility Commission
OCA	Office of Consumer Advocate
OSBA	Office of Small Business Advocate
PAIEUG	Philadelphia Area Industrial Energy User's Group
PECO	PECO Energy Company – Gas Division
Rate GC	General Service
Rate L	Large High Load Factor
Rate TS-F	Gas Transmission Service - Firm
Rate TS-I	Gas Transmission Service - Interruptible
RROR	Relative Rate of Return

SURREBUTTAL TESTIMONY OF BILLIE S. LACONTE

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A My name is Billie LaConte. My business address is 12647 Olive Blvd., Suite 585, St. Louis, Missouri 63141.

Q ARE YOU THE SAME BILLIE S. LACONTE WHO PREVIOUSLY SUBMITTED DIRECT AND REBUTTAL TESTIMONY IN THIS PROCEEDING ON BEHALF OF THE PHILADELPHIA AREA INDUSTRIAL ENERGY USERS GROUP (PAIEUG)?

A Yes.

Q TO WHICH REBUTTAL TESTIMONY WITNESSES ARE YOU RESPONDING?

A I am responding to the rebuttal testimonies of the following witnesses:

- Joseph A. Bisti on behalf of PECO Energy Company (PECO);
- Glenn A. Watkins on behalf of the Office of Consumer Advocate (OCA); and
- Robert D. Knecht on behalf of the Office of Small Business Advocate (OSBA).

Q ON WHAT ISSUES DO YOU WISH TO GENERALLY RESPOND?

A I will address Mr. Bisti's revised class revenue allocation as well as his revised rate design for Transportation-Firm customers (Rate TS-F) and Transportation-Interruptible customers (Rate TS-I).[1] I will also address Mr. Watkin's comments on PECO's Average and Excess (A&E) cost allocation method. Finally, I will address Mr. Knecht's proposal on the scale-back of rates if PECO receives a revenue increase lower than that requested by PECO.

[1] PECO Energy Company Statement No. 7-R, Rebuttal Testimony of Joseph A. Bisti at 15, 16 and Exhibit JAB-1 Revised.

Q ARE YOU SPONSORING ANY EXHIBITS WITH YOUR SURREBUTTAL TESTIMONY?

A Yes. I am sponsoring **Exhibit ___ (BSL-1S)** which was prepared by me. Throughout my testimony and exhibit I refer to PECO's proposed revenue requirement to illustrate various concepts. This should not be interpreted as an endorsement of PECO's proposed revenue requirement. I am also sponsoring **Exhibit ___ (BSL-2S)** which is a discovery response provided by PECO to PAIEUG.

Q DOES THE FACT THAT YOU ARE NOT ADDRESSING EVERY ISSUE RAISED BY OTHER PARTIES CONSTITUTE AN ENDORSEMENT OF THEIR RECOMMENDATIONS?

A No.

Joseph A. Bisti

Q HAS PECO REVISED ITS REVENUE ALLOCATION?

A Yes. Mr. Bisti provided PECO's revised class revenue allocation based on PECO's revised class cost-of-service study (CCOSS) results.

Q WOULD PECO'S PROPOSED CLASS REVENUE ALLOCATION MOVE ALL CLASSES CLOSER TO COST?

A No. Although PECO's proposed class revenue allocation would move most rate classes closer to cost, Rate TS-F would move in the opposite direction. Table 1 below compares the current relative rate of return (RROR) for each rate class, as well as the RROR under PECO's proposed class revenue allocation.

Table 1 Current and Proposed Relative Rate of Return		
Rate Class	**Current RROR**	**Proposed RROR**
Residential	0.83	0.98
General Service	1.40	1.00
Large High Load Factor	-0.36	1.00
Motor Vehicle Service Firm	2.13	1.25
Motor Vehicle Service Interruptible	2.53	1.25
Interruptible Service	1.60	1.00
Temperature Control Service	7.53	1.47
Gas Transportation-Firm	1.17	1.24
Gas Transportation-Interruptible	1.47	1.09
Source: PECO Exhibit JD-1R at 1. PECO Exhibit JAB-1 Revised.		

Q DOES MR. BISTI EXPLAIN WHY RATE TS-F IS NOT MOVING CLOSER TO COST?

A No. Mr. Bisti notes:

> The Company's revised allocation of the increase, ***except for the proposed allocation to Rate TS-F,*** is within the range of the alternatives for the major classes…In my opinion, the Company's proposal provides an appropriate balance of the competing interests of all customer classes and produces reasonable movement toward the system average rate of return.[2] (emphasis added)

Q IS PECO'S REVENUE ALLOCATION REASONABLE?

A No. As Table 1 demonstrates, Rate TS-F is already providing an above system average RROR; that is, it is above cost. Accordingly, Rate TS-F should receive a below-average (not an above-average) increase. However, as shown in Table 2 below, PECO is proposing a substantially above-average increase. In fact, Rate TS-F is the only class with an above system average RROR that would receive an above system average increase.

[2] PECO Statement No. 7-R, Rebuttal Testimony of Joseph A. Bisti at 5.

Table 2 PECO Proposed Class Revenue Increase	
Rate Class	**Increase**
Residential	27.3%
General Service	-3.9%
Large High Load Factor	389.4%
Motor Vehicle Service Firm	-18.2%
Motor Vehicle Service Interruptible	-27.4%
Interruptible Service	-11.4%
Temperature Control Service	-72.9%
Gas Transportation-Firm	27.7%
Gas Transportation-Interruptible	-0.8%
System Average Increase	17.8%
Source: Exhibit JAB-1 Revised.	

Not surprisingly, Rate TS-F would move farther from cost. Thus, firm transportation customers would be forced to provide even higher subsidies. This is contrary to this Commission's long-standing policy of moving rates closer to cost. In addition, Rate TS-F contains customers that are receiving negotiated rates. As a result, the 27.7% increase to Rate TS-F would translate to an even greater percentage for those customers taking service off of the tariffed rate.

Q SHOULD THE COMMISSION ADOPT PECO'S REVISED CLASS REVENUE ALLOCATION?

A No. PECO's revised class revenue allocation is contrary to this Commission's long-standing practice of moving all rates closer to cost.

Q WHAT DO YOU RECOMMEND?

A I recommend that all rate classes be moved closer to cost while recognizing gradualism, with two exceptions. First, I moved the General Service (Rate GC) and Large High Load Factor (Rate L) classes to cost. Second, for the remaining classes, I applied gradualism; that is, I capped the increase to any class at approximately 1.5 times the system average increase. Gradualism means moderating an increase to any class or customer to avoid rate shock. It is also a long-standing Commission policy.

Q WHY DID YOU MAKE AN EXCEPTION FOR RATE GC AND RATE L?

A The Commission's Order in Docket No. R-2008-2028394 directed PECO to move those rates to cost in its next two rate cases and this current proceeding is PECO's second rate case proceeding since that Order was issued. Therefore, I did not apply gradualism to those rates and they were moved immediately to cost.[3]

Q PLEASE DESCRIBE YOUR RECOMMENED CLASS REVENUE ALLOCATION.

A **Exhibit BSL-1S** provides my recommended class revenue allocation. Unlike PECO's proposal, my recommendation is designed to move all rates closer to cost. Specifically, after applying gradualism to limit the increase to the residential class, I allocated the remaining revenue shortfall to the non-residential classes (except Rate GC and Rate L) based on their share of current base revenues. Table 3 shows the recommended allocation and RROR for each class.

[3] *Pennsylvania Public Utility Commission v. PECO Energy Company – Gas Division*; Docket No. R-2008-2028394, Recommended Decision at 7 (Sept. 2008). The Recommended Decision was adopted by the Order entered October 29, 2008. Please note at that time Rate GC was known as the Commercial and Industrial Rate.

Table 3 PAIEUG Revised Class Revenue Increase		
Rate Class	**Revenue Increase**	**RROR**
Residential	28.0%	0.99
General Service	-4.0%	1.00
Large High Load Factor	389.8%	1.01
Motor Vehicle Firm	-24.5%	1.09
Motor Vehicle Interruptible	-19.4%	1.01
Interruptible	-5.5%	1.13
Temperature Controlled	-75.4%	1.33
Gas Transportation Firm	15.3%	1.09
Gas Transportation Interruptible	-0.5%	1.10
Source: Exhibit BSL-1S.		

Similar to PECO, certain classes will receive a revenue decrease while others will receive a revenue increase. My recommended revenue allocation meets the Commission's requirement to move Rate GC and Rate L to cost, while also moving all classes closer to cost.

Q IS MR. BISTI ALSO REVISING THE DESIGN OF THE FIRM TRANSPORTATION RATE?

A Yes. Mr. Bisti is now proposing to further adjust the volumetric rates for large and small Rate TS-F customers. His current proposal is based on OSBA witness Mr. Knecht's recommendation. Specifically, Mr. Bisti adjusted the volumetric rates for customers: (1) using above 18,000 Mcf; and (2) using below 18,000 Mcf by applying a load factor ratio provided by Mr. Knecht.[4]

[4] PECO Statement No. 7-R, Rebuttal Testimony of Joseph A. Bisti at 15-16.

Q DO YOU AGREE WITH MR. BISTI'S ADJUSTMENT TO THE VOLUMETRIC CHARGES FOR RATE TS-F?

A No, for two reasons. First, the data provided by Mr. Bisti to determine if the load factor analysis is correct was not provided in a workable format; therefore, I was unable to perform a complete review and analysis of the data. Second, PECO's recommended volumetric rate would impose a huge (approximately 56.2%[5]) increase on large Rate TS-F customers, which is more than twice the increase that Mr. Bisti is proposing for the Residential class. In other words, even though PECO is proposing a 27.7% rate increase to Rate TS-F customers, the application of that rate increase via the changes proposed by OSBA and implemented by PECO would result in large Rate TS-F customers receiving a 56.2% increase on their volumetric rates. Considering that Rate TS-F is comprised of large commercial and industrial customers that use significant amounts of natural gas in their operations, Mr. Bisti's proposal would result in rate shock for large Rate TS-F customers. As a result, this proposal would clearly be contrary to the principle of gradualism, as previously discussed.

Q HAVE YOU REQUESTED THE NECESSARY DATA TO DETERMINE IF PECO'S ADJUSTMENTS TO THE VOLUMETRIC RATES ARE ACCURATE?

A Yes. PAIEUG requested PECO provide its data and analysis used to determine the load factor ratios that were applied to adjust the volumetric rates. The response to the request was not provided in a workable format for PAIEUG to thoroughly review the voluminous data to determine if the resulting adjustments are correct as previously stated.

[5] PECO Discovery Response to PAIEUG V-1, Attachment PAIEUG-V-1(a), tab: JAB-4-R TS-F. A copy of which is provided in **Exhibit ___ (BSL-2S)**.

Q WHAT DO YOU RECOMMEND?

A I recommend that the differential in volumetric rates for large and small TS-F customers should not be adjusted at this time. PECO did not provide sufficient data in a workable format to support its adjustments. Further, implementing the proposed rate adjustment would result in rate shock for large transportation customers receiving service under Rate TS-F. If the Commission believes that Rate TS-F should be segmented based upon volumes, I would recommend that PECO be required to offer such a proposal, inclusive of supporting, workable data, in its next natural gas base rate proceeding so that the parties have ample time to review the appropriateness of such a proposal.

Glenn A. Watkins

Q DOES MR. WATKINS CONTINUE TO RECOMMEND THE AVERAGE AND PEAK CCOSS METHODOLOGY?

A Yes. Mr. Watkins continues to disagree with PECO's A&E methodology and recommend his Average and Peak (A&P) methodology. As explained in my rebuttal testimony, I disagree with the A&P method because it double counts the peak. Further, Mr. Watkin's A&P methodology allocates 50% to the average peak and 50% to the peak demand, which is entirely arbitrary. The A&P methodology also does not reflect PECO's planning process, which emphasizes the need to design distribution mains to meet peak day design.

Q DOES MR. WATKINS DISCUSS COMMISSION PRECENDENT REGARDING THE A&E METHODOLOGY?

A Yes, Mr. Watkins addresses previous cases where the Commission authorized the A&E methodology. Specifically, he identified Docket No. R-00061398 in which the

Commission approved the A&E methodology but states that because the results were similar to the A&P methodology he doesn't consider the Commission's findings as precedential.[6]

Q PLEASE COMMENT ON THE COMMISSION'S ORDER IN THAT DOCKET.

A As noted in Mr. Watkins testimony, the Commission approved PPL Gas' A&E allocation methodology. The Commission stated:

> The ALJ determined that the record does not demonstrate that the A&E allocator as calculated by PPL Gas is incorrect and that the OSBA failed to support its conclusion by explaining or demonstrating how the definition of the A&E methodology used by the Company is wrong. Finding that the A&E allocator is supported by the evidence, and that the OSBA modification to replace the A&E allocator with a peak demand allocator is not supported by the evidence, the ALJ recommended approval of the Company's A&E allocator…
>
> Finding the ALJ's recommendation to be reasonable, appropriate and in accordance with the record evidence, it is adopted.[7]

Mr. Watkins states that he did not object to the modified A&E methodology in that case because it produced very similar results to those that would be obtained under the A&P method.[8] Clearly, this demonstrates that Mr. Watkins' recommendations are results-oriented rather than based on cost-causation principles. The Commission approved the A&E methodology because it found that the record demonstrated that the A&E methodology was correct. In reaching this conclusion, the Commission did not address the fact that the A&E methodology produced results similar to the A&P methodology.

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[6] OCA Statement No. 4R, Rebuttal Testimony of Glenn A. Watkins at 5-6.

[7] *Pennsylvania Public Utility Commission et al. v. PPL Gas Utilities Corporation*, Docket No. R-00061398, Opinion and Order at 114 (Feb. 8, 2007).

[8] OCA Statement No. 4R, Rebuttal Testimony of Glenn A. Watkins at 6

Q WHAT DO YOU RECOMMEND?

A I recommend that the Commission reject Mr. Watkin's A&P methodology. Mr. Watkin's CCOSS using the A&P methodology with a 50/50 weighting is arbitrary and double counts the peak demand.

Robert D. Knecht

Q WHAT ARE MR. KNECHT'S COMMENTS REGARDING THE SCALE BACK OF RATES?

A Mr. Knecht states that if PECO's revenue requirement is reduced, a proportional scale back of rates would unfairly penalize customers that are receiving a rate decrease.[9]

Q DOES MR. KNECHT PROVIDE AN ALTERNATIVE TO A PROPORTIONAL SCALE BACK OF RATES?

A Yes. Mr. Knecht provides a "hybrid" approach using an average of the ratio of each class' share of the increase and the ratio of each class' share of base revenues, excluding classes that have a rate decrease. He uses the average share for each rate class and multiplies this by the revenue decrease to determine scaled back revenue for each class.[10]

Q DO YOU AGREE WITH MR. KNECHT'S RECOMMENDED SCALE BACK PROPOSAL?

A No. Mr. Knecht's proposal does not completely avoid the penalty he identified.

[9] OSBA Statement No. 1-R, Rebuttal Testimony of Robert D. Knecht at 16-17.

[10] *Id.* at 19-20.

Q WHAT DO YOU RECOMMEND IF PECO'S REVENUE REQUIREMENT IS DECREASED?

A If PECO's revenue requirement is reduced, I recommend that the adjusted delivery revenues shown in **Exhibit BSL-1S** column 4 be scaled back proportionally to determine the revenue adjustment for each class, subject to gradualism. Using this approach would fairly allocate the reduction in revenue requirement and customers receiving a decrease would not be penalized.

Conclusion

Q WHAT ADDITIONAL FINDINGS SHOULD THE COMMISSION MAKE BASED ON YOUR SURREBUTTAL TESTIMONY?

A The Commission should make the following additional findings:

- Reject PECO's revised class revenue allocation.
- Reject PECO's revised volume differential between small and large transportation customers.
- Reject Mr. Watkin's A&P methodology.
- Reject Mr. Knecht's proposed scale back of rates.

Q DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

A Yes.

PAIEUG Statement No. 1-S

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission

v.

PECO Energy Company – Gas Division

Docket No. R-2020-3018929, et al.

Surrebuttal Exhibits

of

BILLIE LACONTE

On Behalf of

Philadelphia Area Industrial Energy Users Group

February 9, 2021

J. POLLOCK
INCORPORATED

PECO ENERGY COMPANY

PAIEUG Recommended Class Revenue Allocation
For the Fully Projected Future Test Year Ended June 30, 2022
(Dollar Amounts in Thousands)

Line	Rate Class	Present RROR	Target Increase Percent	Target Increase Amount	Adjusted Delivery Revenues	Gross Revenue Conversion Factor	PAIEUG Recommended Rates Operating Income	PAIEUG Recommended Rates Rate of Return	PAIEUG Recommended Rates Relative ROR
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Residential	0.83	28.0%	$65,658	$300,152	1.41376	$126,760	7.50%	0.99
2	General Service	1.40	-4.0%	(3,969)	96,061	1.41376	45,309	7.58%	1.00
3	Large High Load Factor	(0.36)	389.8%	293	368	1.41376	163	7.67%	1.01
4	Motor Vehicle Service Firm	2.13	-24.5%	(115)	355	1.41376	170	8.28%	1.09
5	Motor Vehicle Service Interruptible	3.48	-19.4%	(1)	2	1.41376	2	7.64%	1.01
6	Interruptible Service	1.62	-5.5%	(2)	33	1.41376	16	8.55%	1.13
7	Temperature Controlled Service	7.51	-75.4%	(514)	168	1.41376	111	10.06%	1.33
8	Gas Transportation Firm	1.17	15.3%	2,536	19,101	1.41376	9,590	8.23%	1.09
9	Gas Transportation Interruptible	1.47	-0.5%	(45)	9,216	1.41376	4,432	8.37%	1.10
10	Total Gas Division	1.00	17.8%	$63,842	$425,456	1.41376	$186,552	7.57%	1.00

Pennsylvania Public Utility Commission
v.
PECO Energy Company – Gas Division

Docket No. R-2020-3018929

Response of PECO Energy Company
To Interrogatories of the
Philadelphia Area Industrial Energy Users Group
PAIEUG Set V

Response Date: 02/08/2021

PAIEUG-V-1

Please explain in detail Mr. Bisti's cost allocation justification for altering the differential in volumetric charges for Rate TS-F and TS-I customers with usage above 18,000 Mcf and below 18,000 Mcf. Please provide all workpapers used to derive the revised rates.

RESPONSE:

With respect to Rate TS-F, Mr. Bisti finds that the comparison of relative load factors with the existing TS-F volumetric rate differentials drawn by OSBA witness Knecht reasonably justifies a reduction in the TS-F differential. Mr. Knecht recommended modifying this differential to 62.2%, assuming no change to negotiated rates, as shown in Table IEc-10 of his testimony.

Mr. Bisti also agrees with Mr. Knecht's recommendation to reduce the volumetric rate differential with respect to Rate TS-I, assuming no change to negotiated rates. Mr Knecht recommends a 49.9% differential, as shown in Table IEc-11 of his testimony, but the Company suggests a slight arithmetical correction to 55% as referenced below.

The Company submitted Exhibit JAB-4 Revised with Mr. Bisti's rebuttal testimony. In this exhibit, the Company intended to apply Mr. Knecht's recommendations when calculating the revised volumetric rates, as noted in Mr. Bisti's rebuttal testimony.

However, in preparing this response, the Company has discovered that Exhibit JAB-4 Revised does not properly reflect the above changes and that corrections are necessary to the formulas used to calculate the proposed volumetric charges for customers under 18 mmcf and as a result also for charges at or over 18 mmcf.

Attachment PAIEUG-V-1(a) provides corrected versions of the Company's proof of revenues for Rates TS-I and TS-F in Excel format.

Attachment PAIEUG-V-1(b) contains the version history of volumetric distribution charges under proposed rates for both classes, concluding with the corrected pricing reflected in Attachment PAIEUG-V-1(a). Total proposed distribution revenues for both classes remain as filed in Exhibit JAB-4 Revised.

These corrections align with Mr. Knecht's recommended differential of 62.2% for Rate TS-F. Based on the calculations shown in Attachment PAIEUG-V-1(b), the Company theorizes that Mr. Knecht's 49.9% recommendation may be the result of an arithmetical error and has modified that value to 55.0%, as noted and calculated in Attachment PAIEUG-V-1(b).

Responsible Witness: Joseph A. Bisti

Attachment PAIEUG-V-1(a)

PECO Energy Company (Gas)
Rate Year Ended June 30, 2022
Proof of Revenue at Present and Proposed Rates - Gas Transportation Service - Firm (TS-F)

Line			PRESENT RATES		PROPOSED RATES	
1	**Customer Charges**	**Bills**	**Rate**	**Revenue**	**Rate**	**Revenue**
2	>= 18,000 mcf annually (TFL)	1,488	$ 199.00	$ 296,112	$ 249.00	$ 370,512
3	< 18,000 mcf annually (TFG)	4,008	$ 166.00	$ 665,328	$ 208.00	$ 833,664
4						
5	**Total Customer Charge Revenue**			$ 961,440		$ 1,204,176
6						
7	**Variable Distribution Charges**	**mcf**	**Rate**	**Revenue**	**Rate**	**Revenue**
8	>= 18,000 mcf annually (TFL)					
9	Negotiated Gas Sales	2,372,500	Negotiated	$ 877,825	Negotiated	$ 877,825
10	Commodity TSF Mcf	6,714,487	$ 0.8297	$ 5,571,009	**$ 1.2964**	$ 8,704,607
11	Additional Commodity (15 days TCQ)	1,859,565	$ 0.8297	$ 1,542,881	**$ 1.2964**	$ 2,410,725
12	< 18,000 mcf annually (TFG)					
13	Commodity TSF Mcf	2,307,094	$ 1.7384	$ 4,010,652	**$ 2.1027**	$ 4,851,237
14	Additional Commodity (15 days TCQ)	1,474,057	$ 1.7384	$ 2,562,501	**$ 2.1027**	$ 3,099,570
15						
16	Distribution System Improvement Charge (DSIC)			$ 468,621		$ -
17	Tax Reform (TCJA) - Base Rate Impact			$ 125,063		$ -
18						
19	Balancing Charge	(credited to PGC)		$ 59,318		$ -
20	Standby Sales Demand Charge	(credited to PGC)		$ 293,005		$ -
21	Standby Sales Commodity Charge	(credited to PGC)		$ 14,006		$ -
22	Penalty Charges (Excess Delivery and Unauthorized Use)	(credited to PGC)		$ 78,550		$ -
23						
24	**Total Variable Distribution Charge Revenue**			$ 15,603,431		$ 19,943,964
25						
26	**Adjusted Total Distribution Revenue**			$ 16,564,871		$ 21,148,140