

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Verizon Pennsylvania LLC and Verizon North LLC

v.

**Metropolitan Edison Company, Pennsylvania Electric Company, and
Pennsylvania Power Company
Docket No. C-2020-3019347**

**Rejoinder Testimony
of**

Joanne M. Savage

List of Topics Addressed

Joint Use Revenues Are Credited to Customers in Base Rate Cases

Cost Allocation

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1 **Q. Before responding more specifically to the issues raised in Verizon’s surrebuttal**
2 **testimony, do you have any general comments?**

3 A. Yes. The conclusions set forth in my rebuttal testimony remain unchanged. My
4 rejoinder testimony may not respond to every individual issue raised in Verizon’s
5 surrebuttal testimony regarding my rebuttal testimony. Rather, my rejoinder testimony is
6 focused on responding to specific issues I identified in Verizon’s surrebuttal testimony.
7 If there are any claims by Verizon that I do not address in this rejoinder testimony, it does
8 not mean that I agree with them.

9
10 **II. JOINT USE REVENUES ARE CREDITED TO ELECTRIC CUSTOMERS**

11 **Q. In his surrebuttal testimony, Dr. Calnon concludes that customer rates would only**
12 **be minimally impacted by a reduction in joint use revenues from Verizon. (Verizon**
13 **Statement No. 2.1, pp. 56-57.) Do you agree with his conclusion?**

14 A. No. The principle of cost causation requires that the party incurring the benefit should
15 also incur the costs. The Companies’ customers should not have to bear the burden of
16 increased rates simply because Verizon does not wish to pay the contracted joint use rates
17 and does not believe that the amount is material. The Companies’ rates are designed so
18 that FirstEnergy does not profit from providing pole attachment services to Verizon and
19 other third parties, given that one hundred percent of the Companies’ joint use revenues
20 offset the rates to be paid by electric customers. If all the Companies’ joint use attachers
21 were to employ Verizon’s thinking, FirstEnergy’s customers would be unfairly impacted
22 through higher rates.

23

1 **III. COST ALLOCATION**

2 **Q. Do you agree with Dr. Calnon that FirstEnergy should bear more costs of the pole**
3 **because the Companies are the “pole owners” (Verizon Statement No. 2.1, p. 50)?**

4 A. No. Under traditional ratemaking practices, the total cost incurred by the pole owner
5 should be fully allocated to all attachers.

6
7 **Q. Dr. Calnon also contends that the Federal Communications Commission’s (FCC’s)**
8 **rate formulas already account for all the costs that the Companies’ poles incur.**
9 **(Verizon Statement No. 2.1, p. 52.) Do you agree?**

10 A. No. When the FCC modified the rate formulas in 2011, depreciation, tax, and rate of
11 return expenses associated with poles were removed from the carrying charge calculation.
12 All three of these expenses are an important component of utility ratemaking and are
13 typical in cost recovery mechanisms approved by the Pennsylvania Public Utility
14 Commission. Removing those expenses from the carrying charge calculation does not
15 allow the Companies to fully recover their costs.

16
17 **Q. The FCC methodology for cost allocation directly assigns 1/3 of unusable pole space**
18 **directly to the electric utility (in this case FirstEnergy) and then allocates the**
19 **remaining 2/3 of unusable space to all attachers, including FirstEnergy. Is this**
20 **approach consistent with Pennsylvania practice?**

21 A. No, it is not. First, as Mr. Zarakas points out in his rejoinder testimony, the basic
22 approach to cost allocation is to first directly assign all costs that are used exclusively to
23 serve a particular customers class and then allocate the remaining common costs. “Direct
24 Assignment Costs” are defined in the NARUC Electric Utility Cost Allocation Manual as

1 “[c]osts which are assigned directly to a customer class or group which exclusively uses
2 such facilities.”

3
4 Unusable space on poles is not used exclusively by FirstEnergy so it is inappropriate to
5 directly assign any portion of unusable space to the electric utility or any other pole
6 attacher. Rather, these costs should be allocated as is the case for all other common
7 costs. Failure to follow this approach results in electric utility customers providing a
8 subsidy to pole attachers.

9
10 **Q. Is the direct assignment of unusable space to the electric utility consistent with how
11 FirstEnergy allocates the cost of poles to customer classes?**

12 A. No, it is not. Except where a pole is used exclusively for a particular customer class,
13 FirstEnergy allocates the cost of the pole to all customers classes.

14
15 **IV. CONCLUSION**

16 **Q. Does this conclude your rejoinder testimony?**

17 A. Yes.